'Economy to grow 4-5pc next year'

MORE CONSERVATIVE: Government assumptions based on global scenario, says Ahmad Husni

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MALAYSIA is likely to achieve between four and five per cent growth next year based on the government's conservative assumptions about the recovery in the global economy, says Second Finance Minister Datuk Seri Ahmad Husni Hanadzlah.

"Our assumptions are more conservative than this year based on the global scenario," he said at a media briefing after launching the two-day National Economic Outlook conference yesterday.

"We don't want to give an overly confident outlook due to the level of oil prices, exchange rate and prices of commodities."

As for this year, Ahmad Husni said the economy is on track to achieve the targeted 4.5 to 5.5 per cent growth.

The Malaysian gross domestic product (GDP) grew 5.6 per cent in the first quarter, followed by 4.9 per cent in the second quarter and 4.7 per cent in the third quarter.

The Malaysian Institute of Economic Research (MIER) has warned that the second half of this year would be challenging for the economy, against a backdrop of continued low level of commodity export prices and foreign exchange market turbulence due to commodity currency shocks.

Dark corners lurk, it said, pointing to the United States Federal Reserve Fund's normalisation policy, slowing growth in China, yuan devaluation and China's financial market turmoil.

On the domestic front, it also warned of dark clouds which include net outflows of portfolio investment, downward overshooting of the ringgit exchange rates, rising cost of living, elevated federal government and household debt and the likelihood of downgrading of international credit ratings.

Executive director Professor Emeritus Zakariah Abdul Rashid warned of consumer pessimism building up.

*Second Finance Minister **Datuk Seri Ahmad Husni Hanadzlah launching the National Economic Outlook conference** in Kuala Lumpur. Looking on are MIER chairman **Tan Sri Dr. Sulaiman Mahbob** (centre) and executive director **Professor Emeritus Dr Zakariah Abdul Rashid**.*

The think tank's Consumer Sentiments Index which fell for the fifth consecutive quarter showed that consumers are pulling back and adjusting their spending ways, especially with the implementation of the Goods and Services Tax, depreciating ringgit, higher food prices and weakening equity and job markets.

MIER forecast real GDP to moderate to 4.9 per cent this year and register a growth of between 4.5 and 5.0 per cent next year.