

Slower global economic growth ahead

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Global gross domestic product (GDP) growth this year is expected to register a slower rate of growth at 4.1% compared to 5% in 2007 with rising inflation resulting from food and fuel price hikes eroding growth performance, particularly of developing countries.

However, any slowdown was mitigated by continued resilience among the emerging and developing economies, led by China and India, as well as oil-producing countries.

For the year, world inflation is expected to increase to 4.7% from 3.9% recorded in 2007.

As a result, governments have instituted various measures to deal with these issues, both nationally and internationally during the course of the year.

The US continued to be affected by financial sector problems, which have had an adverse impact on the real economy.

It is expected to register lower growth of 1.3% for the year versus 2.2% in 2007 while growth in the 15-nation euro area, which managed to avoid being badly affected by the US subprime mortgage crisis, registered 1.5% in the second quarter of 2008 down from 2.2% in the first quarter of the year. This is also lower compared to 2.6% in the second quarter in 2007.

The moderation was largely on account of the major euro-zone economies being impacted by surging commodity prices that constrained consumer spending, the strong euro, higher borrowing costs and the US slowdown. Growth for the euro area is expected to register a rate of 1.7% in 2008 compared to 2.7% in 2007.

Japan's economy has also seen slower growth, with a 1% growth registered in the second quarter of the year compared to the previous quarter at 1.2% and 1.8% from a year ago.

This is mainly due to a decline in exports and consumer spending. For the year, the economy is forecasted to grow 1.5%, down from 2.1% in 2007.

In contrast to the developed countries, the emerging and developing countries continued to chart strong growth.

The region is forecasted to continue posting brisk growth of 8.2% in 2008 (8.7% in 2007), despite higher inflation of about 7.5%, as recorded in April 2008.

China, the largest economy in East Asia after Japan, grew 10.1% in the second quarter of 2008 (Apr - June 2007: 11.7%) easing from 10.6% recorded in the first quarter (Jan - March 2007: 11.1%) amid lower export demand, a strengthening yuan and rising wages.

China's economy is projected to grow 9.7% in 2008 compared to 11.9% in 2007, supported by consumption and exports.

India's growth remained high, although at a slightly lower pace of 8.8% in the first quarter of 2008 compared to 9.7% in the same period in 2007. In 2008, growth is forecasted at 7.7% versus 9% in 2007.

Source: Malaysian Star