Malaysian turmoil cuts 2008 growth forecast: report

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- KUALA LUMPUR (Thomson Financial) - Political turmoil and a gloomy global environment will cut Malaysia's growth to 4.6 percent in 2008, from an earlier forecast of 5.4 percent, a leading forecaster was reported as saying Thursday.

The Malaysian Institute of Economic Research (MIER) said economic expansion was expected to deteriorate in the second half of the year, which was also due to the effects of higher oil prices and a looming global downturn.

'We revised our figure down to 4.6 percent largely because we see a serious slowdown in our major trading partners' (economies),' executive director Mohamed Ariff said, according to the official Bernama news agency.

'What really compelled us to revise downwards is mostly external developments and the current political instability in the country,' he said.

Malaysia's political scene has been shaken by March general elections that handed the opposition unprecedented gains including a third of parliamentary seats and control of five states.

Opposition leader Anwar Ibrahim has said he is poised to seize power with the help of government defectors, but his plans have been stalled by accusations of sodomy with a male aide that saw him arrested Wednesday.

Mohamed said political instability might dampen the investment climate and affect the tourism industry -- a major revenue earner for Malaysia -- but the economy still enjoyed strong underpinnings.

'Our saving grace is that our fundamentals are good, our reserves are excellent, our savings are good and our commodities are doing very well. These factors can support the Malaysian economy at this moment,' he said.

For 2009, Mohamed said that as the global economy stabilises and inflation subsides, the growth rate could bounce back up to 5 percent.

The central bank said in May that it was still expecting growth of 5 to 6 percent in 2008, after expansion of 7.1 percent in the first quarter. The economy grew 6.3 percent in 2007.

Source: Thomson Financial News Content