

INVESTMENT INTEREST SURGING

# PM upbeat on 1991 growth

By AHIRUDIN ATTAN

THE Malaysian economy will march to another creditable performance this year despite the expected slowdown in world trade and growth, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"Having managed the initial disruption of the Gulf crisis, Malaysia can now enjoy the yield from better prices for crude. More importantly, domestic sources for growth, particularly private investment outlays and consumption spending, have been expanding strongly since 1988 and should have enough built-in momentum to carry the economy through the next one to two years," he said.

The Prime Minister painted this upbeat forecast for the year when opening a programme on Project Appraisal and Risk Analysis Management for Bankers in Bangi yesterday. The high-level programme was attended by top bankers from Asean, among others.

He said the favourable outlook for Malaysia in the immediate term is backed by the sustained

surge in investment interest. In the first nine months of last year, the Malaysian Industrial Development Authority approved projects worth more than \$21 billion.

Equally encouraging were the indicators on consumer spending, which continued to register strong double-digit growth.

But the surge in domestic economic activity and continuing favourable economic expectations have inevitably given rise to some areas of concern. Datuk Seri Dr Mahathir outlined the three areas of concern as the fear of inflation, labour shortages and wage pressures, and infrastructure constraints.

The build-up of inflationary expectations, if left unchecked, can become self-fulfilling, he said.

"As a government, we have begun to use fiscal measures to ease the situation. But in the final analysis, what we need to do is to be more productive if we want to consume more. That is really the only way to combat inflation — higher production with higher productivity."

On wage pressures, the Prime Minister said increases in wages are not bad for the economy as they promote greater consumer spending and generally contribute to wealth creation. But wage increases without commensurate or improved productivity will almost certainly result in a wage-price spiral in which the increases in wages become meaningless.

"Workers and management must always bear this in mind. Inflation as a reason for wage increases is suicidal but wage increases because of increase in productivity should not be resisted by management."

The third area of concern involves infrastructure constraints as a result of the increasing demands of a rapidly growing economy. The Prime Minister said in some of the more densely populated industrial areas, such as the Klang Valley, infrastructural constraints have become more visible.

To cope, the Government will need more funds than can be expected from the usual revenue

sources. He ruled out excessive borrowing to finance infrastructure as this will land the Government in a tight financial situation later on.

Thus, to overcome the financial constraint and yet provide the required infrastructure on time, the Government plans to use privatization "to the maximum". In this way, government money will be spent only on infrastructure that provides no commercial potential, such as rural roads, schools and clinics. On the converse, industrial estates, ports, airports, toll ways, etc, will be built and operated by private enterprise and will be paid for largely by those who use them directly.

"We do not see why a car owner in a remote small town should pay for highways and city bypasses which he will hardly ever use. If the financing of such infrastructure is by public funds, for example, through higher petrol tax, the small town car owner will share the burden equally without equally sharing the benefits," he said.