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DECLINING TREND IN NATIONAL SAVINGS WORRYING, SAYS PM

KUALA LUMPUR, Jan 6 (Bernama) -- The declining trend in the national savings rate is of urgent concern as Malaysians are traditionally big savers, Prime Minister Datuk Seri Dr Mahathir Mohamad said here today.

Lately, he said the savings rate had declined to just under 30 percent in 1990 from as high as 33.6 percent of gross national product (GNP) in 1987.

For 1992, the rate is expected to have declined further to about 28 percent of GNP, he said in opening a project appraisal and risk analysis management programme organised by the Harvard Club of Malaysia, Harvard Institute for International Development and the Institute of Bankers Malaysia.

The three-week programme is to develop the operational skills of participants so that they can plan and assess all aspects of investment projects, including risk analysis and risk management.

Datuk Seri Dr Mahathir said, over the last two decades, Malaysia's annual savings rate exceeded 30 percent of GNP on average.

To a large extent, the decline in savings reflected the boom in consumer spending, triggered by rapid real growth and improved incomes, he added.

Datuk Seri Dr Mahathir said, given the continuing high and rising incomes, private consumer spending had been expanding at nearly 15 percent in real terms over the three years ending in 1990.

Although there appeared to be some moderation in consumer spending in 1991, the current rate was still well beyond the historical norm of six to seven percent annually.

Clearly, higher consumption cannot continue indefinitely. It is vital for our economic sanity that we save. Above all, we must not spend beyond our means, he added.

Credit cards spending were said to involve only a minute amount of total loans extended, but Datuk Seri Dr Mahathir said the habit was catching on and once a society gets used to easy credits, the tendency to spend beyond one's means will become a habit.

On the shortfall of domestic savings over investment, he said this underscored the need to push on the policy to increase the mobilisation of private savings in the country.

Datuk Seri Dr Mahathir said: At the same time, one should not be unduly worried over the existing savings-investment gap in the short run as this gap needs to be seen also in the proper perspective.

The gap arose simply because Malaysia has become such an attractive investment centre that domestic savings were just not able to keep pace to finance all the investments that had been generated in recent years, he added.

As a result, the Prime Minister said domestic savings had to be supplemented by foreign savings which were readily forthcoming.

He said the reasonable resource gap could be tolerated in the short run, particularly as the rapid rise in imports was associated with the inflows of direct foreign investment.

He said foreign investors were expected to bring in a fair share of their own funds to finance their investment projects in Malaysia.

Datuk Seri Dr Mahathir said: **+When** investments are small, domestic loans can be expected to support foreign capital. **But**, 'with large increases in investments, reliance should not be placed on the limited domestic resources.+

He also said that Malaysia needed to rethink the basis of reward for service.

The current practice, he added, would lead to **inflation** and regression of the national economy +and in time, our own personal wealth+.

+It is fine to follow a system that seems to promise unlimited reward but in the long **term**, **the** whole system will turn sour,+ he added.

Datuk Seri Dr Mahathir said the Malaysian thinking on income was based on conventional ideas of reward for service.

**+Despite** much talk of wage spirals, we still demand for higher wages as if we will be richer simply because the number of noughts are more,+ he added. -- Bernama