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M'SIA TO ACHIEVE MORE THAN 8 PCT GROWTH IN 1992, SAYS PM

KUALA LUMPUR, Jan 6 (Bernama) -- Malaysia's real gross domestic product (gdp) growth is expected to be in excess of eight percent for 1992, Prime Minister Datuk Seri Dr Mahathir Mohamad said here today.

Indications were that real GDP growth for 1991 as a whole should reach 8.5 percent or higher, he said in opening the +Project Appraisal and Risk Analysis Management+ programme organised by the Harvard Club of Malaysia, the Institute of Bankers Malaysia and Harvard Institute for International Development.

Despite the continuing uncertainty regarding the world economic environment, Datuk Seri Dr Mahathir said Malaysia's real GDP growth had accelerated to 8.8 percent in the third quarter of 1991 from 7.5 Percent and 8.4 percent in the first and second quarters respectively.

The Malaysian economy had been on a strong upswing since 1987 and in 1990, the real economy grew at 9.8 percent, one of the highest rates of growth in the world and Malaysia's highest since 1976.

As in previous years, much of the impetus for growth would continue to emanate from the strength of domestic demand, particularly private fixed investment spending, he said.

In the first nine months of 1991, the Malaysian Industrial Development Authority (MIDA) approved a total of \$22.7 billion in new investment projects, almost matching the record of \$28.2 billion approved for the whole of 1990.

+The rapid Pace of investment activity should sustain Malaysia through another Year or two of reasonable economic growth, at the very least,+ said Datuk Seri Dr Mahathir.

However, in managing economic success, he said Malaysia is presently facing two main issues of concern, namely inflationary pressures and a weaker balance of payments position.

Latest data showed that the Malaysian Consumer Price Index (CPI), which measures the rate of inflation, had increased further to 4.4 percent in the first 10 months of 1991 from a low of 0.4 percent in 1985 to just over three percent in 1990.

Datuk Seri Dr Mahathir said it was important to view the issues of inflation and the external payments position in the proper perspective.

Datuk Seri Dr Mahathir said: **+To** a large extent, this latest round of price increase is the result of the sharp rise in consumer spending, which coupled with record levels of private investment outlays, is clearly putting a strain on our limited resources. **+**

To ease the situation, he added, the government had already put in place a contractionary monetary package to discourage conspicuous consumption and promote savings.

On the external payments position, Datuk Seri Dr Mahathir said the 1991 current account deficit was **expected** to reach eight to nine percent of gross national product (GNP) at most, **+certainly** nowhere near the record deficit of 14 percent in **1982+**.

+More importantly, the deficit today reflects largely the sharp increase in imports of capital plant and equipment associated with the inflows of direct foreign investment, **+** he said.

+After a reasonable gestation period, these investments in new productive capacity should generate higher growth in exports and help strengthen the current account position over the medium term. **+**

He added that unlike the situation in the early 1980s when the deficit was funded by heavy government borrowings abroad, today's deficit was being financed entirely by inflows of direct foreign investments and reinvestments.

+Malaysia's outstanding external debt has declined progressively, so much so that by the end of 1991, the debt service ratio should be reduced to about 6.5 percent, **+** said Datuk Seri Dr Mahathir.

+In the final analysis, what matters most is **the overall** balance of payments position which covers both the current account as well as the capital account, **+** he added.

On this score, he said the strength of Malaysia's balance of payments was beyond reproach. It has been in surplus in 1991; as in 1990, as evidenced by the recent substantial accumulation of international reserves held by Bank Negara.

+Seen in this perspective, the problem of the current account deficit becomes much' less daunting, **+** said Datuk Seri Dr Mahathir. -- Bernama