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Pre-Budget moves to boost economy (HL)

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THE Government yesterday announced pre-Budget measures to further strengthen the economy's fundamentals and ensure that growth and inflation are not affected by attacks on the country's financial markets.

These include doubling to RM200,000 the limit that Bumiputeras are allowed to invest in Amanah Saham Nasional and Amanah Saham Bumiputera, the country's largest saving schemes.

Prime Minister Datuk Seri Dr Mahathir Mohamad told a news conference at the end of Umno's 51st general assembly that if 50,000 unitholders with RM100,000 in their books increase their savings to the new ceiling, ASN and ASB will have an additional RM5 billion.

There are 1.27 million unitholders in ASN, with investment of RM556 million. ASB has 4.69 million investors with RM28 billion in savings.

Dr Mahathir, who is Umno president and chairman of the Bumiputera Investment Foundation chairman, said he would issue the directive to raise the ceiling soon.

Higher savings would help finance investments with domestic sources, without the country having to borrow excessively, his deputy and Finance Minister Datuk Seri Anwar Ibrahim earlier said when announcing the measures at the assembly in Kuala Lumpur yesterday.

The Umno deputy president, in his winding-up address, also added details to last week's decision to delay major infrastructure projects, including the RM13 billion Bakun dam.

When asked about that, Dr Mahathir said developer Ekran Bhd is negotiating with potential contractors for the engineering, procurement and construction contract. Swedish-based Asea Brown Boveri was reportedly dropped by Ekran last week.

In his address, Anwar said after issuing benchmark bonds of RM3 billion this Wednesday, the Treasury will raise in stages another RM27 billion to help boost the stock market. The RM30 billion is part of a RM60 billion fund the Government will raise to help boost the local bourse.

The Government will also further simplify guidelines on shares buyback to facilitate listed companies to buy back their own shares, he added.

The guidelines, initiated by the Registrar of Companies and effective last week, are also aimed at boosting the Kuala Lumpur Stock Exchange.

In what some Umno observers called "Anwar's mini-Budget" - the 1998 Budget is due to be tabled next month - Anwar said they are to ensure that Malaysia's growth is uninterrupted despite the fact that it had come under potentially-crippling attacks on its foreign exchange and share markets.

Anwar is expected to announce more such measures in the 1998 Budget.

He said the Government's priority is to ensure that the country's economic fundamentals remain strong. These fundamentals, he stressed, are already strong and had remained strong despite attempts by external parties to undermine it. But he admitted that even solid fundamentals can be undermined.

American financier George Soros and his collaborators were trying to undermine the fundamentals of the Malaysian economy.

Anwar hinted that Soros and his friends will fail miserably.

"Our gross domestic growth this year, despite the attacks they launched, is on course to register more than 8 per cent this year," he declared.

The Umno deputy president said more importantly inflation will remain low - around 3.5-3.6 per cent.

These two figures are important because Malaysia's high growth in the last decade has been the more remarkable because of its consistent success in checking inflationary pressures.

The country's debt service ratio, he said, will be around 6 per cent of exports.

Anwar said the Government also see another Budget surplus in 1998 - "more than the surplus in this year's Budget". Malaysia has seen surplus budgets for the last four years.

Malaysia, of course, already has one of the highest savings level in the world: 39 per cent of gross national product (GNP) at the end of last year. With the national savings campaign, this is expected to be raised to over 40 per cent.

"These are (economic) fundamentals," Anwar declared.

He cited the International Monetary Fund executive board's conclusion, in its report of September 5, which noted the strength of the fundamentals of the Malaysian economy despite the recent attacks on its economy and markets.

And yet, Anwar said, the detractors have kept on saying that Malaysia's economic fundamentals are weak.

He conceded that Malaysia has a problem in terms of its current account deficit. "But this is not new," he said, adding that the Government has been taking measures to address the deficit. Its seriousness is reflected in the move it took to set up a Cabinet committee to tackle the current account deficit in the balance of payments.

Anwar said prospects for the national economy, therefore, continue to be good. The Bank Negara reserves as at the end of August stood at RM61.9 billion, sufficient to retain 3.7 months of imports.

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