

28 MAR 1997

REPORT: 1997 ECONOMY PROJECTED TO GROW BETWEEN 7.8 AND 8.2 PCT

KUALA LUMPUR, March 28 (Bernama) -- Malaysia's economy this year is poised to grow by between 7.8 and 8.2 percent from 8.2 percent last year and 9.5 percent in 1995, Bank Negara Malaysia said today.

Thanks to the government's pragmatic policies, the growth - which could touch a high of 8.2 percent if the global electronics industry recovers faster - is consistent with sustaining a relatively high growth without causing undue pressures on existing resources.

Once again, this growth would be chalked up against a scenario of price stability with the Consumer Price Index as the measure of inflation to be capped below 4.0 percent against 3.5 percent previously while unemployment is poised to decline further to 2.5 percent from 2.6 percent, it said in its 1996 Annual Report released here today.

The current account balance of payments will record a slightly larger deficit of RM14.8 billion but it would remain stable in terms of Gross National Product (GNP) at 5.5 percent (1996:-RM12.977 billion or 5.5 percent).

As expected, the manufacturing, construction and services sector will continue to provide the main impetus to overall growth, albeit moderately, with manufacturing to grow by 11 percent (1996:12.2 percent), construction to be sustained at 13 percent for both years and services nine percent (9.1), but agriculture and mining would moderate to two percent and 2.1 percent, respectively (1996:2.4 and 3.9)

The central bank said the electronics and electrical products industry is expected to improve with the world chips market forecast to grow by 7.4 percent after a sharp decline in sales by 10.5 percent in 1996.

Development of the Multimedia Super Corridor (MSC), vigorously promoted by Prime Minister Datuk Seri Dr Mahathir Mohamad, is expected to boost growth of several industries, especially that of electronics and electrical products.

Besides this, the setting up of the Malaysian Exchange for Securities Dealing and Automated Quotation (MESDAQ) by the end of the year is expected to provide the additional infrastructure to raise the funds required to finance and support the growth of high technology companies with good growth potential, it added.

Bank Negara also said that investment approval for manufacturing rose significantly last year (64.2 percent to RM34.3 billion), exceeding the previous peak of RM30.8 billion in 1991.

The approvals, mainly for wafer fabrication and petrochemical projects, will translate into actual investment, which would expand the capacity of the manufacturing sector over the next few years, it added.

Exports of manufactured goods, which slowed markedly in 1996, are projected to expand at a slightly higher rate of 8.2 percent to RM171.4 billion and are also expected to be the leading source of export earnings with a projected share of about 82 percent.

With the sustained growth in GNP, gross national savings are expected to increase by 17.6 percent to RM105.8 billion or 39.4 percent of GNP in 1997 from 38 percent in 1996 and 37 percent in 1995.

Following a moderation in 1996, growth in aggregate demand is expected to increase to 10.3 percent in real terms in 1997 on account of higher private and public sector expenditure.

Public sector expenditure is estimated to expand further, reflecting

the continued strong growth in public investment (12.3 percent) and a slight increase in consumption (3.7 percent).

The Federal Government's overall financial position is projected to strengthen in 1997, with prospects of sustained good revenue performance and continuing tight budgetary controls on expenditure.

Expectations are that cost pressures will become more significant given the tight labour market and rising wages as well as the recent increases in utility rates.

The central bank said "asset inflation also remains an area of concern." -- BERNAMA

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