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Economy projected to grow five per cent next year, says Dr M

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KUALA LUMPUR, Thurs. - Barring a catastrophe, the economy is expected to grow strongly by five per cent next year following a one per cent projected expansion this year, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

With these projected numbers preceded by a contraction of 6.7 per cent last year, he said the worst of "easily the most severe economic crisis" was now over.

Dr Mahathir said this when he tabled the mid-term review of the Seventh Malaysia Plan (1996-2000) in the Dewan Rakyat, and later expanded on the salient points to reporters.

He also announced an additional RM22 billion in public spending over the original Plan ceiling of RM67.5 billion in order to stimulate the economy.

The funding would come mostly from local sources as there were sufficient funds in the country, he added. A roadshow would also be organised to raise funds including issuing bonds abroad.

Dr Mahathir's 65-minute speech was his first since being treated for a lung infection at the National Heart Institute after performing the Haj in Mecca.

When a reporter enquired about his health, Dr Mahathir said the delivery of the long speech was a good indicator, noting that "I delivered the speech in the same old voice which is not hoarse".

In his speech, the Prime Minister outlined the reasons for the optimism about the country's economic recovery, and said "continuously boosting public and investor confidence" was an important prerequisite to ensure sustained recovery and restore growth momentum.

To achieve all these, the Prime Minister spelt out the major challenges and important thrusts.

He described the effects of the regional economic crisis but made clear that "no crisis can be allowed to halt Malaysia's progress".

On optimism about economic growth, he cited, among other things, the expected growth in output, surplus in the balance of payments and sufficient savings to meet investment requirements.

The prospects for the world economy, too, are expected to be favourable with an average growth of 2.3 per cent for the 1999-2000 period, he said.

The Prime Minister told reporters: "I think the worst is over. That is why I said we have bottomed out and we are now recovering. And all the signs, all the indicators show we are recovering."

He said for this year, the Government would stick to the projected growth of one per cent although more favourable numbers were put forward by foreign banks and fund managers.

He said the focus of the Plan's review was to expedite economic recovery and return the economy to a sustainable growth path.

This was to achieve the objectives of balanced development and becoming a developed nation by the year 2020.

The Prime Minister alluded to the economic backdrop when he tabled the Plan when the challenge was to build upon and manage success. "What a difference two years can make," the Prime Minister said.

In essence, the regional crisis has pushed "us back a few years" in terms of development, as illustrated by the decline in per capita income from RM12,051 in 1997 to RM11,835 last year, and a rise in inflation from 2.7 per cent in 1997 to 5.3 per cent last year.

There was also a slight increase in the unemployment rate from 2.6 per cent in 1997 to 3.9 per cent last year.

Dr Mahathir said one positive effect of the economic crisis was the improved balance of payments.

He said although signs of economic recovery were becoming evident, several issues needed to be addressed and that the review posed six major challenges.

These included improving the level of productivity (contribution of total factor productivity to gross domestic product dropped to 19.5 per cent in 1996-97 from 28.7 per cent during the Sixth Plan); revitalising the private sector; and overcoming the constraints in the productive sectors.

"The economic downturn should not deter us from our goal to move up to a higher level of industrial development."

Also, Dr Mahathir said, the Government had identified 11 major development thrusts with the prospects for the remaining Seventh Plan period (the review covers the first three years) hinging on their effective implementation.

First on the list is strengthening the macroeconomic fundamentals with the focus on facilitating economic growth, containing inflationary pressures, improving the external position, eliminating resource gaps, and sustaining a prudent fiscal balance.

The public sector will play a "stimulative role" in the remaining Plan years, focusing spending on projects with short gestation periods, contributing towards increasing exports and reducing imports, and generating demand for domestic goods and services.

Other thrusts range from increasing supply of knowledge and skilled manpower, reducing poverty and restructuring society, consolidating the financial sector, revitalising the agricultural and rural sectors to harnessing information technology and improving the quality of life.

"All these measures to achieve the nation's aspirations can only be realised if each and every one of us give his or her best to the role that each must play."