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FMM-REACTION

FMM: SURGE IN GDP GROWTH TO 5 PCT NEXT YEAR ACHIEVABLE

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KUALA LUMPUR, April 22 (Bernama) -- A jump in economic growth from a marginal one percent this year to five percent next year is achievable if the domestic demand starts growing again, the Federation of Malaysian Manufacturers (FMM) said.

FMM president Datuk Paul Low said he is confident that domestic demand is now picking up and will be buoyant.

Low was commenting on the government's forecast that the real Gross Domestic Product (GDP) is expected to grow by five percent in 2000 from one percent this year, as released in its mid-term review of the 10-year Seven Malaysia Plan.

"Local manufacturers have an important role to play here and that is to put greater effort into increasing productivity to meet local demand sufficiently," he told Bernama here today.

On the manufacturing sector, which is forecast to grow by an average of 3.9 percent year-on-year during the 1999-2000 period, he said it is acceptable since this sector had experienced minus growth during the last two years.

"What our manufacturers must do now is to restructure themselves," he suggested.

The restructuring exercise, he said, is for them to move gradually from their traditional businesses to the production of higher value-added items.

"For those who have already done so, their next objective is to increase productivity and competitiveness in a much more open market," he added.

Low also advised manufacturers to focus more on their core businesses and do away with those that provide little or no returns.

"I have learnt one thing from this recession - companies that did so many things at one time and borrowed heavily to undertake the respective businesses but ended up with problems," he said.

In a limiting resources environment, he said manufacturers have to make sure that the resources they put into production will create more value.

"It is only with full optimisation of resources that the economies of scales can be achieved," he added.

He also supported the call by Prime Minister Datuk Seri Dr Mahathir Mohamad on small and medium-scale industries (SMIs) to merge or integrate activities to attain economies of scale, diversify their market base and penetrate global markets.

"Many SMIs may not have enough technology, a really strong management and highly skilled manpower. In some cases, they are far too dependent on the local market," he added.

For the SMIs to make it, he said they have to upgrade their management and human resource skills to attain a bigger volume of production at competitive costs.

On the actual investment in the manufacturing sector of an average of RM17.820 billion per year during the 1996-1998 period, which was less than the targeted annual investment of RM22 billion, as outlined in the mid-term review, Low said it is not the question of how much but the quality of the investment.

"The key issue is on the quality of the investment. If we are investing in a value-added chain, then we are not too concern with the slight reduction in the sector's investment," he said.

Low also said the growth of the manufacturing sector beyond the year 2000 will be determined by the third Factor Productivity which is "working smart".

"Working smart means manufacturers have to be smarter in creating and attaining more wealth and growth with the same or less resources," he added. -- BERNAMA

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