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Malaysia expected to register 5pc growth next year

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BARRING a major economic catastrophe, Malaysia is expected to register a stronger growth of 5 per cent next year following the 1 per cent projected for this year, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

On this note, Dr Mahathir said, the worst of "easily the most severe economic crisis" that the country had ever faced was now over and has bottomed out.

The Prime Minister said this when tabling the Mid-Term Review of the Seventh Malaysia Plan (1996-2000) at the Dewan Rakyat yesterday, his first appearance since being treated for a lung infection at the National Heart Institute after performing the haj in Mecca.

Dr Mahathir said his optimism on Malaysia's positive growth was based on positive development shown in the aggregate demand, expected growth in the sectoral output, surplus in the balance of payments and sufficient aggregate savings to meet investment requirements.

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

Thus, he said, the focus of the Mid-Term Review is on expediting economic recovery and bringing the economy back to a sustainable growth path so that the underpinning objectives of balanced development and becoming a developed nation by 2020 are realised.

"Continuously boosting public and investor confidence is an important prerequisite to ensure sustained recovery and restore growth momentum," he said.

To achieve all these, the Prime Minister spelt out the major challenges and important thrusts that need to be addressed and implemented by the Government.

"No crisis can be allowed to halt Malaysia's progress," he said.

Later at a press conference, Dr Mahathir said, the Government will stick to the 1 per cent projected growth although there were more favourable numbers put forth by foreign banks and fund managers.

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

In essence, he said, the regional crisis had 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 the rise in inflation from 2.7 per cent in 1997 to 5.3 per cent last year.

There was also a slight increase in unemployment rate from 2.6 per cent in 1997 to 3.9 per cent in 1998, he said.

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

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

These include 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," Dr Mahathir said.

Also, Dr Mahathir said, the Government will focus on strengthening the macroeconomic fundamentals and facilitate economic growth, contain inflationary pressures, improve further the external position, eliminate resource gaps, and sustain prudent fiscal balance.

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

"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," he said.

Meanwhile, Second Finance Minister Datuk Mustapa Mohamed referred to the 5 per cent growth forecast for 2000 as sustainable and consistent with the country's previous track record.

"If we could do 8.2 per cent in the past nine to 10 years, there is no reason why we cannot do 5 (per cent) next year," he told reporters after attending the special fund auction in Kuala Lumpur yesterday.

"It is a very reasonable forecast ... we are moving slowly and by year end we will be getting stronger and 5 per cent is sustainable and consistent with our previous track record," he said.

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