

22 APR 1999

REVIEW-ROBUST GROWTH

MTR: M'SIAN ECONOMY POISED FOR ROBUST 5.0 PCT GROWTH NEXT YEAR

KUALA LUMPUR, April 22 (Bernama) -- The Malaysian economy, after faltering to a 6.7 percent contraction last year, is posed to grow by 1.0 percent this year and an even more robust 5.0 percent next year, said the Mid-Term Review of the Seventh Malaysia Plan (7MP).

The MTR was tabled by Prime Minister Datuk Seri Dr Mahathir Mohamad at the Dewan Rakyat here today. The 7MP period is between 1996 and 2000.

Dr Mahathir, speaking at a press conference later, said the worst is over and the national economy is on the road to recovery.

However, the MTR, which was prepared by the Economic Planning Unit (EPU) of the Prime Minister's Department, also cautioned that economic recovery would depend on domestic demand as well as the international economy and financial environment, particularly the performance of regional economies.

The MTR assesses the progress of Malaysia's economic development during the first three years of the 7MP (1996-1998), the constraints encountered and the new measures taken to manage the pressing issues which affect growth.

It also addresses the prospects for the remaining Plan period (1999-2000) and presents strategies that had been fine-tuned to facilitate the attainment of the National Development Policy (NDP) and the status of a developed nation as envisaged in Vision 2020.

But given the economic crisis which hit the country from 1997, growth in the 7MP period has been forecast at 3.0 percent compared with an earlier projection of 8.0 percent for the five-year period.

At the same time, poverty is expected to be reduced to 5.5 percent.

The focus of the MTR will be to expedite the process of recovery and set in motion a steady and continuous rate of economic growth. In its endeavour towards this direction, the MTR said the government's emphasis on the provision of social infrastructure facilities in education and training, housing, health, youth, women, family and community development would be stepped up.

Ultimately, the aim is to ensure continued prosperity and improving the quality of life for the population, which is expected to increase from 20.95 million in 1995 to 22.23 million in 1998.

Reflecting this commitment, the MTR said total federal government development allocation was revised from the original RM67,500 million to RM89,500 million for the 7MP.

For the 1996-1998 period, the government spent about RM48,481 million while it would need an estimated RM41,019 million for the remaining plan period.

Federal government revenue is expected to increase moderately by 4.3 percent per annum to RM62,906 million in the year 2000 due to the improvement in the collection of indirect taxes and non-tax revenue.

Per capita Gross National Product (GNP) is projected to increase to RM12,421 in the year 2000, which is lower than the plan target of RM14,788, and measured in terms of purchasing power parity (PPP), per capita income is also expected to improve from US\$6,460 in 1998 to US\$6,837 in 2000.

For the remaining years of the 7MP, boosting private investment will be crucial to the recovery towards sustainable growth, the MTR said.

It said the high domestic savings at 41 percent of Gross National Product (GNP) plus foreign borrowings and loans raised through bonds would

finance recovery measures.

Manufacturing would continue to be the leading sector with a projected expansion of 3.4 percent in 1999-2000, contributing 34.5 percent to GDP and 27.2 percent to employment.

Agricultural output is expected to grow by 5.2 percent per annum compared with the plan target of 2.4 percent per annum, owing to better prices, recovery in the oil palm sub-sector, expansion of productive areas under oil palm, and strengthening of the food sub-sector.

Domestic-oriented industries, mainly construction-related materials, crude oil refinery and the chemical industry, are expected to recover strongly while export-oriented industries, mainly electrical and electronics, will recover more gradually in tandem with the recovery in global demand.

The development of the information technology sector to propel Malaysia towards having a knowledge-based economy also saw an increase in the allocation for IT-related programmes and projects to RM4,010.5 million from the original RM2,013.1 million under the 7MP.

On infrastructure and utilities, the MTR said that their development, long recognised as an essential pre-condition for economic growth, has now taken on the additional role of reviving and stimulating the economy.

For example, infrastructure and utilities, comprising transportation, storage and communications, electricity, gas and water, and construction, contributed RM15,850 million or 12.1 percent of GDP in 1998, up one percent from RM13,264 million in 1995.

Dr Mahathir also outlined the government's commitment in ensuring a conducive economic, social and political environment where all Malaysians can participate in and share the benefits of economic development.

Writing in the foreword of the MTR, he said measures would be taken to restore investor confidence, revive economic activities and continue human resource development as well as address falling productivity, low capital efficiency and inflationary pressures.

New sources of growth would be identified, he added.

In recognising the importance of human resources in the push for productivity-led economic growth, Dr Mahathir said the supply of skilled manpower would be increased, access to education and training facilities improved and labour market mechanisms strengthened.

The prime minister also said the MTR period of the 7MP would be remembered "as a time when the national economy faced many challenges arising from the effects of the recession in 1998".

The period would also be remembered for the unprecedented measures and the willingness of both the public and private sectors to adopt appropriate policy adjustments, he said.

Dr Mahathir said the economy performed commendably in the first two years of the Plan period (1996-1997) but was adversely affected in 1998 by the financial crisis, which began in 1997.

This crisis compelled the government to undertake a series of strong measures to ensure that the stability of the nation was not further adversely affected.

The National Economic Action Council (NEAC) was established on Jan 7, 1998 and the National Economic Recovery Plan (NERP) was prepared and launched on July 23, 1998 to respond to the immediate economic crisis.

The NERP is a comprehensive framework for addressing structural and medium-term issues. Its measures were pragmatic and designed to resolve the critical issues facing the country and required the full commitment, not only on the part of the government but Malaysians from all walks of life, said Dr Mahathir. -- BERNAMA

SHY SHY

