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Economy expanded by 5.4pc in 1999

THE Malaysian economy expanded by 10.6 per cent in the fourth quarter to push the gross domestic product (GDP) growth rate for 1999 to 5.4 per cent, significantly higher than most had predicted.

"Clearly, the economy has recovered and the financial crisis has ended," Finance Minister Tun Daim Zainuddin declared when re-tabling the Budget 2000 in Parliament yesterday.

Daim himself had estimated that GDP for 1999 would grow 4.3 per cent when he first tabled the budget last October.

By then, the economy had registered spurts of 8.2 per cent in the third quarter and 4.1 per cent in the second quarter, after five consecutive quarters of contraction.

He is predicting that the economy will grow by 5.8 per cent this year but Prime Minister Datuk Seri Dr Mahathir Mohamad said his Finance Minister's estimate may be "conservative".

He did not dismiss the possibility that Malaysia may even return to its pre-crisis growth levels of 8 per cent, given its remarkable turnaround last year.

"It is possible (to register 8 per cent growth) because you can see last year, we predicted 1 per cent growth and then revised it to 4.3 per cent, but we achieved 5.4 per cent, which is a very good growth rate compared with other countries.

"I think only South Korea (among other crisis-hit Asian countries) is doing better than us," he told reporters at a press conference.

"However, one has to remember that this year's growth will be against 1999's strong performance (unlike 1998's negative growth).

In his budget speech, Daim said the strong recovery in the fourth quarter is supported by rapid expansion in output and export of manufactured goods, in addition to recovery in the construction sector. At the same time, domestic demand is on the increase, bolstered by both public and private expenditure.

For 1999, Malaysia's trade surplus amounted to RM72.3 billion, the largest ever recorded. As a result, the current account of the nation's balance of payment rose to an estimated surplus of RM47.4 billion.

Malaysia's external reserves as at February 24 2000 stood at US\$33.8 billion (US\$1 = RM3.80), sufficient to finance 6.4 months of retained imports. At the same time, the rate of inflation declined from 5.3 per cent in 1998 to 2.8 per cent in 1999.

At the press conference, Dr Mahathir dismissed talks that Malaysia's inflation rate will rise in tandem with the higher growth rate for 1999.

"I don't think inflation will go up very much because in this country, we monitor the movement of prices very closely. And we still have price control over essential goods, which affect inflation most."

Daim said with the improved economy and better financial performance of the corporate sector, the Kuala Lumpur Stock Exchange (KLSE) should also continue to perform well.

"However, there are investors and analysts who continue to turn to the West for indicators to gauge local market performance. The performance of the KLSE should be determined by developments in the domestic economy and the performance of companies listed on the KLSE," he added.

Daim said Malaysia has also successfully managed the problem of non-performing loans (NPLs), increased capital injection in the banking system

and encouraged corporate restructuring.

He said as at end-1999, Pengurusan Danaharta Nasional Bhd has taken over NPLs amounting to RM45.5 billion, of which RM17.6 billion is in the final stages of being resolved.

In addition, Danamodal Nasional Bhd has injected a total of RM7.59 billion into 10 banking institutions to date, while as of February 9 2000, the Corporate Debt Restructuring Committee has received 67 applications involving total debts of RM36.3 billion (of which, 19 cases worth RM14.1 billion have been resolved).

Daim said Federal Government finances have also improved, with the shortfall in development expenditure reduced to 12.5 per cent in 1999 from 19.9 per cent the year before.

The Government also recorded a smaller overall deficit of RM9.5 billion, or 3.4 per cent of gross national product (GNP), compared with a deficit of RM16.1 billion, or 6.1 per cent of GNP, estimated earlier.

Daim said the improved economic performance also had a positive impact on the social sector as can be seen from the 3.7 per cent increase in average household income to RM2,480 in 1999 from RM2,392 in 1998.

"As such, the poverty level declined from 8.5 per cent to 6.9 per cent during the period. The hardcore poverty level fell from 1.9 per cent to 1.4 per cent. Furthermore, the rate of unemployment declined from 3.2 per cent to 3 per cent," he added.

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