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TARGET-MAHATHIR

7.0 PCT GROWTH DURING 1991-2000 DESPITE CRISIS

KUALA LUMPUR, April 3 (Bernaa) -- Malaysia was right on target when its economy managed to grow by 7.0 percent per annum between 1991-2000 as projected under the Second Outline Perspective Plan (OPP2) despite the economic crisis which ravaged the region towards the end of the review period.

"More importantly, growth was achieved in an environment of low inflation, price stability and full employment," Prime Minister Datuk Seri Dr Mahathir Mohamad said when tabling the Third Outline Perspective Plan (OPP3) at the Dewan Rakyat here today.

Besides this, he said the per capita income increased at an average rate of 7.8 percent per annum and doubled from RM6,298 to RM13,359 between 1990 and 2000.

Dr Mahathir said the impetus for strong growth during the decade came from the private sector as well as exports, unlike the high level of public sector involvement in the economy in the 1980s.

"This was in keeping with government strategy to promote the private sector as the engine of growth," he said.

In addition, the large inflow of foreign direct investment (FDI) into the manufacturing sector added capacity in the export-oriented industries, including the oil, gas and petrochemical sector and investments in capital-intensive and high technology areas, and contributed to the higher rate of private investment.

The inflow of FDI remained steady even during the crisis. "We managed to get greater amount of reinvestments from the MNCs (multinational corporations) that had already established their operations here," he said.

The prime minister said "this demonstrates the continued confidence of foreign long-term investors in our economy."

He said it was encouraging to note that a major portion of the FDI inflows was in high technology industries as well as in the IT sector which was currently being emphasised.

Private investment was severely affected in 1998 as a result of the decline in demand and loss in investor confidence resulting from the financial crisis.

Exports also became an increasingly important contributor to growth. Locally-made products were able to compete successfully and penetrate global markets, including the developed countries. Exports were particularly crucial in propelling the recovery from the financial crisis.

Exports grew at an average rate of 16.7 percent and became even stronger between 1998-2000, surpassing the target set under the OPP2.

The Asian financial crisis had, to some extent, affected the achievement of socio-economic goals, but Malaysia emerged more resilient and fundamentally stronger after the crisis.

The current account of the balance of payments turned around and strengthened following significant growth in merchandise exports. The merchandise account recorded the largest surplus ever of RM86.5 billion in 1999.

The government was committed to contain the external debt at a manageable level and, therefore, selectively prepaid its more expensive external loans, said FDr Mahathir.

As a result, the external debt of the federal government declined from RM24.7 billion at the end of 1990 to RM13 billion at the end-1997.

But as a result of the financial crisis, the government raised a small amount of funds from external sources to undertake counter-cyclical spending for Malaysia's economic recovery.

Reviewing sectoral performances, Dr Mahathir said manufacturing grew at 10.4 percent per annum and led economic growth during the OPP2 period.

Growth of the construction sector was particularly rapid during the 1991-1997 period. The civil engineering sub-sector was boosted by the privatisation of large infrastructure and civil engineering projects, such as roads, highways, airports, power generation, telecommunications, rail transport and ports.

However, the construction sector contracted in 1998 and 1999 before recovering slightly in 2000.

As for agriculture, its growth mainly came from the palm oil and food crop sub-sectors.

In line with the Third National Agriculture Policy (NAP3), the development of the sector was reoriented towards the optimal utilisation of resources in both the industrial commodity and food sub-sectors through improvements in productivity and competitiveness.

Steps were also taken to develop the services sector as a new source of growth as well as to improve the competitiveness of the services industries in preparation for an increasingly liberalised environment. -- BERNAMA

MR SHY