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Economy stronger

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PEOPLE in Malaysia are now earning more than they did before the regional financial crisis of 1997-98, with the economy on track towards attaining Vision 2020, said Prime Minister Datuk Seri Dr Mahathir Mohamad.

Besides the higher per capita income registered last year, the people's purchasing power has also risen, from RM26,562 (US\$6,990) in 1998 to RM33,573 last year.

"Despite slower growth in exports compared to imports, Malaysia's reserves are still being maintained at US\$26 billion as of last month.

"Besides, the inflation rate is being kept to the minimum," he said when opening the first session of the Pre-Budget 2002 Dialogue at the Prime Minister's Department complex in Putrajaya yesterday.

The country attained a per capita income of RM13,418 last year. Before the regional financial crisis, it was RM12,305.

The theme for this year's dialogue is "Promoting Growth Through Strengthening Resilience and Enhancing Competitiveness". The second and third sessions will be held on Friday and Saturday.

The dialogue with various sectors of the economy is held annually to gain feedback before the Budget is drawn up.

Dr Mahathir, who is also Finance Minister, said Malaysia had to capitalise on domestic investment as foreign direct investment (FDI) could no longer be relied upon to generate growth.

He said given the situation where most FDI into Asia was going to China it was imperative that Malaysia utilised its own strength, like in the manufacturing sector which was capable of producing quality and world-class items.

"Our manufacturers have the ability to churn out domestic appliances and furniture for export, even to our non-traditional trading partners.

"Many are interested in buying our goods because they view Malaysia as a manufacturer of quality products."

Dr Mahathir was referring to the leaders of some Gulf nations and developing countries which used to import from Japan, Korea and Europe.

"This is the sentiment of the leaders. There are instances when they specifically ask that Malaysia sell them the products."

Thus, if investment in manufacturing was increased to meet the surge in demand, the Prime Minister said he was confident the setbacks caused by declining FDI would be overcome.

For the first quarter of this year, domestic spending increased to 4.9 per cent while investment stood at 9.1 per cent, brought about mostly due to the effect of the Government's fiscal policies.

On efforts to strengthen the financial and corporate sectors, Dr Mahathir said Malaysia's success was far better compared with countries in the region also hit by the crisis.

"Countries like Indonesia, Thailand and South Korea are forced to dispose of their assets to foreign interests to revive their economies."

Malaysia achieved success with a three-pronged approach that involved the setting up of Danaharta, Danamodal and the Corporate Debt Restructuring Committee to address the problems of non-performing loans, strengthen the banking institution and restructure the corporate sector.

Dr Mahathir said the aims of the bank merger exercise had been met with 51 of the 54 financial institutions successfully merging into nine groups as of the end of last year. Three are still negotiating.

Dr Mahathir said as of last month, Danaharta had taken over a total of RM48.1 billion in NPLs.

Danamodal has injected RM7.6 billion into 10 banking institutions which are viable but lack capital. Seven have paid up all their borrowings, leaving only RM3.7 billion of the total loans to be settled.

For the Corporate Debt Restructuring Committee, Dr Mahathir said it had restructured debts totalling RM30.3 billion involving 46 applications as of last month.

He said Malaysia's efforts in restoring its economy had yielded results.

One proof was the findings of a study by the Political and Economic Risk Consultancy on corporate governance in the region.

Malaysia was ranked top, even above Singapore and Hong Kong, with a score of three.

The Prime Minister also said Malaysia had taken various steps to generate growth.

"All parties, especially the private sector, must play their role in generating growth in the economy. Although there has been an increase in private sector investment, the growth is still unsatisfactory and still below the pre-crisis level."

He said the private sector should take the lead again and not depend on the Government. He urged the sector to increase its competitiveness in the face of challenges from globalisation, liberalisation and the Asean Free Trade Area.