

24/04/2001

Expansionary approach to boost economy

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PRIME Minister Datuk Seri Dr Mahathir Mohamad said the Government is taking on an expansionary budget approach on the back of the slowing down in the US economy.

"We are going to expedite the implementation of scheduled projects in order to boost the economy.

"When the economy shrinks lower this year we expect that growth will be higher next year since our base is lower," he said after tabling the Eighth Malaysia Plan 2001-2005 in Parliament yesterday.

The Government, he said, had also factored in the slowdown of the Japanese economy in its economic planning.

"The Japanese economy has been slowing down for quite some time. We have taken that into account, and if it gets worse it will not affect us," he explained.

When tabling the plan, Prime Minister said the primary challenge during the Eighth Malaysia Plan period will be to implement the National Vision Policy and strengthening the nation's capacity, capability and resolve in meeting future challenges.

With national unity at the core of the Government's socio-economic development, the theme of the plan is achieving sustainable growth with resilience.

"The three key thrusts of the Eighth Malaysia Plan are to shift the growth strategy from input-driven towards knowledge-driven in order to enhance potential output growth, accelerate structural transformation within the agriculture, manufacturing and services sector," the Prime Minister added.

During the plan, gross domestic product (GDP) is projected to grow at an average of 7.5 per cent per annum with low inflation with per capita income expected to rise from RM13,360 in 2000 to RM17,780 in 2005.

Private consumption in real terms is expected to increase at 7.4 per cent yearly with private consumption per capita income projected to increase from RM6,200 in 2000 to RM9,070 in 2005.

Private investment will carve 68.7 per cent share from total investment in 2005 with average growth of 19 per cent per annum.

The private debt securities market and the pension and provident funds will provide important sources of financing during the period.

However, while foreign investment continues to be important, it is expected to decline as a result of the anticipated higher growth in domestic investment and increased global competition for foreign direct investment.

Total factor productivity (TFP) will be further enhanced during the Eighth Malaysia Plan contributing 32.7 per cent of the 7.5 per cent annual GDP growth, while labour and capital will provide 21.5 per cent and 41.3 per cent, respectively.

Malaysia's exports performance in the next five years is expected to be favourable with gross exports forecast to grow at an average of 7.9 per cent per annum while gross imports at 10.2 per cent.

The current account of the balance of payment is expected to remain in surplus although on a declining trend, while merchandise account is projected to register a surplus of 17.4 per cent of gross national product with services account continuing to be in deficit at 11.4 per cent.

The manufacturing, agriculture and services sectors will continue to be

the major contributors to growth.

The manufacturing sector is expected to grow at an average of 8.9 per cent per annum with its share to GDP increasing to 35.8 per cent by 2005, while services sector will grow by 7.7 per cent.

With the economic recovery the public sector will resume its role as the facilitator of private sector participation in the economy.

Public sector development expenditure is estimated to increase from RM222.9 billion during the Seventh Malaysia Plan to RM253.4 billion during the Eighth Malaysia Plan.

Of this RM110 billion or 43.4 per cent will constitute the development expenditure of the Federal Government and RM109.4 billion or 43.2 per cent will be the development expenditure of the non-financial public enterprises.

Of the total development expenditure, the economic sector will receive the largest chunk amounting to RM50.5 billion or 45.9 per cent, RM7.9 billion or 7.1 per cent will be for the agriculture subsector, RM10.3 billion or 9.4 per cent for the commerce and industry subsector while transport and communications subsector receives RM22 billion or 20 per cent.

The social sector will get RM37.5 billion or 34.1 per cent, the security sector will be allocated RM10.8 billion or 9.8 per cent while the general administration sector will be provided RM11.2 billion or 10.2 per cent.

The Government has allocated RM13.2 billion for rural development programmes mainly inland development, human resource enhancement and various physical and social infrastructure works.

An amount of RM4.9 billion will be allocated for development of new roads and an additional RM1.9 billion to improve and upgrade existing roads.

Interstate water transfer, new and upgraded treatment plants, reduction of water loss and wastage projects will be implemented to ensure adequate water supply for which RM4 billion is allocated while another RM1.6 billion is apportioned for improving and expanding sewerage services.

On equity ownership and control of the corporate sector, the Government will continue to improve Bumiputera participation to at least 30 per cent by 2010.

In this respect under the Bumiputera Commercial and Industrial Community programme measures will be drawn to identify qualified talents and providing them with intensive training in financial management and enterprises as well as instil appropriate business ethics.

As energy continues to play an important input in economic growth, the reliability and security of supply will be ensured through optimal energy mix based on four fuel sources, namely, oil, gas, coal and hydro.

The successful implementation of the Seventh Malaysia Plan, launched in 1996 and ended last year, provided the strength and resilience to face challenges in the Eighth Malaysia Plan.

The Eighth Malaysia Plan represents the first phase in the implementation of the Third Outline Perspective Plan (OPP3) which in turn contains the National Vision Policy.

The last Malaysia Plan chalked many successes despite the setbacks caused by the regional financial crisis. The GDP recorded an average growth of 4.7 per cent per annum, surpassing the revised target of 3 per cent.

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