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REACTION-FMM

FMM: 6.5 PCT TARGET GROWTH FOR MANUFACTURING CAN BE ACHIEVED

KUALA LUMPUR, Oct 20 (Bernama) -- The Federation of Malaysian Manufacturers (FMM) said the targeted growth rate of 6.5 percent for the manufacturing sector next year can be achieved if projects identified for the housing, education, infrastructure and tourism sectors are fully implemented and the procurement of Malaysian goods and services maximised.

FMM said a vibrant domestic economy would assist in mitigating the slowdown in external demand, provide spin-off effects for other sectors of the economy and increase incomes and the purchasing power of domestic consumers.

In the 2002 Budget tabled by Prime Minister-cum-Finance Minister Datuk Seri Dr Mahathir Mohamad, the manufacturing sector is forecast to perform better than the 0.2 percent growth forecast for 2001.

FMM also said although it was encouraged by the five percent growth projection of the country's Gross Domestic Product (GDP) for 2002, it was still concerned about the uncertainties on the external front.

Malaysia, it said, must be prepared for contingencies if the global environment deteriorated.

FMM said the achievement of forecast GDP growth rested on the comprehensive and full implementation of all projects that had been identified by the recent pre-emptive fiscal stimulus packages and the 2002 Budget.

"Any shortfalls in implementation and payments would reduce the multiplier effects of these projects on the rest of the economy, thereby reducing the potential for sustaining growth," it explained.

The 2002 Budget had given emphasis on domestic sources of growth in stimulating demand to support the growth momentum.

FMM also said the reduction in personal income tax would contribute significantly to increasing domestic consumption.

On the absence of a reduction in corporate tax, FMM said although the 2002 Budget did not provide for it, there were other incentives that would enhance the investment environment such as the Reinvestment Allowance.

FMM said the allowance would continue to encourage existing investors to reinvest on plant upgrades or diversify their operations, thus making Malaysia an attractive investment centre.

The trade body also welcomed the proposal to widen the personal income tax band and reduce the tax rates to be in line with corporate tax rates.

Besides increasing disposable income and consumption, the higher maximum tax rate would help to attract knowledge workers, it said.

On the proposed tax exemption on income for trade associations, FMM said such a tax would certainly encourage FMM to carry out more activities that would provide the top down pull approach to its members and help bring about greater industrialisation growth and development.

The FMM also commended the government for its strong support towards emphasising the need to develop Malaysian brand names.

"The process of developing brand names is long and capital intensive," it said.

FMM also said the proposed tax incentives for the implementation of the RosettaNet would help small and medium industries (SMIs) to move a step forward in communications, particularly with their customers, in particular MNCs in the electrical and electronics sector.

However, FMM said that more was needed to be done in the area of

reducing cost of doing business.

"FMM is concerned that the imminent increases in insurance and shipping costs following the Sept 11 incident (in the United States) would be compounded by the increase in diesel and petrol prices domestically."

Likewise, it said certain industry groups were looking forward to a downward review of natural gas prices for them to be more competitive. --

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