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Impact of stimulus package likely to be felt next year

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THE effect of the pump-priming measures involving a RM4.3 billion fiscal stimulus package announced by the Government yesterday can only be felt next year, economists said.

The impact can also be seen if the package is spent effectively and on the right sector such as construction, so that it can spur other economic activities, HLG Securities Sdn Bhd economist Lee Hung Juei said.

"A construction project, for example, will increase demand for construction materials and this can assist the manufacturing sector. It can also help the transportation industry as well as other sub-sectors, thus creating larger domestic demand," Lee said when contacted by Business Times in Kuala Lumpur yesterday.

Prime Minister Datuk Seri Dr Mahathir Mohamad announced the RM4.3 billion fiscal stimulus package in which most of the allocations should be spent within these three months.

In March, Dr Mahathir had announced a RM3 billion fiscal stimulus package in addition to the RM28 billion Budget 2001 to counter the negative effect of the US economic slowdown. Out of the RM3 billion stimulus package announced in March, only RM200 million has been disbursed.

The US accounted for 18.7 per cent of Malaysia's global trade, of which 37.7 per cent constituted rubber products, 31.6 per cent textiles and clothing, 29.3 per cent optical and scientific products, 26.8 per cent electrical and electronic products, 19 per cent wood products and 10.5 per cent crude rubber products.

Lee said the Government should not focus too much on huge construction projects but on small developments which require shorter time for completion, especially in the rural and sub-urban areas where the impact will be much faster.

Tan Sri Ramon Navaratnam, a corporate adviser and economist, shared the same sentiment, saying that much of the pump-priming measures depend on the focus of expenditure.

"If we implement projects with a high import content, then there will be expenditure leakage from the economy," he said.

Thus, he said, the Government must ensure that projects identified for implementation use low or zero import content.

Economists also believe that in the light of the current US economic slowdown, it will be appropriate to implement the measures to help cushion any adverse impacts and push forward growth.

"We can't wait until the RM3 billion stimulus package is fully utilised. Preparations should be made by now and the Government has already done it," Navaratnam said.

Meanwhile, the Federation of Malaysian Consumer Associations president Datuk Hamdan Adnan said the RM4.3 billion stimulus package will help boost consumers' confidence in the country.

Hamdan said the current consumer confidence is not encouraging due to the global slowdown which is made worse by the recent terrorist attacks in the US.

"There is uncertainty... consumers are very cautious.

"Consumer confidence will worsen if consumers anticipate war, but the Government's package has offset it and consumers' expectations will be positive," he told Business Times.

At the press conference, Dr Mahathir said the package is aimed at generating economic activities and ensure a wide distribution of benefits to a large segment of the population while generating optimal spin-off effects on the economy.

Although the additional government expenditure will improve consumer confidence, Hamdan said consumers are still cautious in their spending until they see a clear direction of their future income.

He said current income and future expectations are among the strong factors determining consumers' spending level.

Hamdan advised consumers to buy locally-made products as this will enhance the domestic economy.

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