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BUDGET-ECONOMIC PROSPECTS

OUR ECONOMIC GROWTH WILL BE DRIVEN BY DOMESTIC ACTIVITIES, SAYS DR MAHATHIR

KUALA LUMPUR, Oct 19 (Bernama) -- The Prime Minister, Datuk Seri Dr Mahathir Mohamad today said that the economic prospects would remain encouraging given the nation's strong economic fundamentals.

Dr Mahathir, who is also the Finance Minister, said external reserves had stabilised at a higher level of RM113.7 billion or US\$29.9 billion as at Oct 15, 2001, sufficient to finance 4.7 months of retained imports.

"The external trade balance recorded a surplus for 46 consecutive months since November 1997 through August this year," he said when tabling the Budget 2002 at the Parliament House here today.

He said given the less favourable external environment, the nation's economic growth will be driven by domestic economic activities.

"Our economic growth is expected to increase between four to five percent in 2002 with Gross National Product (GNP) remaining high at RM370 billion," he said.

He said all major economic sectors would continue to record growth, mainly led by the manufacturing and services sectors.

The increase in growth of the manufacturing sector is expected to be driven by the recovery in global demand for electronics while the services sector will be supported by the continued pick-up in domestic economic activities.

Dr Mahathir said domestic demand at current prices was expected to increase by 5.5 percent mainly on account of the growth in private sector expenditure of 6.6 percent.

The public sector, however, continues to grow, albeit, at a slower rate of 3.1 percent.

Dr Mahathir also said that Gross National Savings was still at high level at one-third of GDP.

He added that the banking system continued to strengthen with the risk weighted capital ratio at 12.6 percent, which was above the international standard of eight percent.

The level of short-term debt is low at 5.2 percent of GDP, while the debt service ratio remains sustainable.

Dr Mahathir said, with higher GDP, growth per capita income was expected to increase by 4.7 percent to RM13,962 in 2002 compared to RM13,333 in 2001.

With inflation at a low level, per capita income in terms of purchasing power parity will increase by 5.1 percent to US\$9,403 in 2002 from US\$8,944 in 2001, reflecting the higher purchasing power of the rakyat, he said.

"The government will continue to implement unconventional measures based on our own approach which have proven to be successful and effective in managing the economy," he said.

Dr Mahathir, however said, the government would continue to monitor domestic and external developments to ensure that the value of the ringgit was consistent with the nation's macroeconomic fundamentals.

Given the volatility in foreign exchange markets, the government would ensure that the ringgit exchange rate remains stable, Dr Mahathir said. --

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