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Private sector's push

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AFTER a couple of years in hibernation - no thanks to the mid-1997/1998 economic crisis - the private sector has regained its perennial role as the number one driver of the economy.

For the first time since the crisis, the private sector is seen as the country's biggest help in achieving a list of economic and social targets under the latest Eighth Malaysia Plan.

And the Government is confident the sector could do the job which includes achieving an average gross domestic product growth of 7.5 per cent a year and increasing Bumiputera's share of equity ownership as much as possible from the current 20 per cent in the next five years.

The economy will grow faster in the next five years led by a sharp rebound in private sector investments, the Economic Planning Unit said in the latest Eighth Malaysia Plan (EMP) unveiled on Monday.

"In the Eighth Plan, the focus is shifted back to the private sector," EPU deputy director-general Raja Datuk Zaharaton Zainal Abidin said in Putrajaya last Friday.

"We are reverting to the old position where the private sector plays the leading role in the country's economic development," she said.

Zaharaton said this before the socio-economic plan was unveiled by Prime Minister Datuk Seri Dr Mahathir Mohamad in the Parliament.

The economic crisis left many companies, including financial institutions, seeking the Government's help, while some resorted to internal restructuring and downsizing, among others, in order to stay in the business.

Hence were born national asset management firms Pengurusan Danaharta Nasional Bhd, recapitalising agency Danamodal Nasional Bhd and Corporate Debt Restructuring Committee to inject new strengths into the private sector.

The Government also introduced other initiatives.

These include the Capital Market Master Plan and Financial Sector Master Plan to consolidate the financial sector in preparation for the looming more globalised trading environment.

"The private sector has remained weak during the post-crisis period but it is expected to recover to lead economic growth," said a local economist.

Reflecting the optimism, the EPU said private investment would soar 19 per cent a year over the next five years.

This would be a sharp rebound from an 11.6 per cent contraction during the past five years in the Seventh Plan.

"Much of the private sector's growth can be seen from the manufacturing side," Raja Zaharaton said.

Although the key manufacturing sector is expected to post a marginally slower growth of 8.9 per cent a year - down from 9.1 per cent previously - the deputy DG noted that in value terms, it will improve favourably.

Private consumption is expected to expand by an average 7.4 per cent annually from 2001-2005, from an average 2.9 per cent during the previous period.

The services sector would expand by 7.7 per cent a year from 5.2 per cent previously.

The private sector's brighter prospects may not be matched by the public sector as its investment growth would slow to 1.1 per cent a year from 7.1

per cent a year in the past five years.

Giving an extra kick to the private sector's active role in the economy is the many privatisation and infrastructure projects planned over the next five years.

One of them is the Bakun Dam in Sarawak, on which some RM1 billion would be spent by the Government from its own fund on the newly-revived 2,400 megawatt hydroelectric dam.

The entire project is expected to cost about RM9 billion.

The Government in February revived the massive project halted in 1997, drawing fresh criticism that the project was unjustified given the low power demand in Borneo.

But the EPU said Bakun provides the option of exporting electricity to neighbouring countries.

Quibblers doubt any high GDP growth being achieved in the next five years.

But Zaharaton and other EPU directors said the average 7.5 per cent growth annually targeted in the Eighth Plan is achievable.

"We did factor in the impact of the possible slowdown of the country's largest trading partners, the US and Japan when we made our forecast," EPU director Victor Wee said.

Wee described the anticipated growth over the next five years as "the baseline between pessimistic and optimistic forecast".

Raja Zaharaton, nevertheless, indicated that any GDP growth rate revision was possible.

"Of course, we will revise the GDP growth in the mid-term review of the Eighth Plan (if need be)," she said.

The anticipated 7.5 per cent annual growth would put the country back on the high growth path it experienced in 2000 and before the severe recession in 1998 due to the Asian financial crisis.

After a contraction of 7.4 per cent in 1998, a growth of 5.8 per cent was achieved in 1999 and a more impressive 8.5 per cent last year.

Overall, the Eighth Plan will see the government development budget would rise slightly to RM110 billion from RM99 billion in 1996-2000.

The bulk of the money would be spent on building new schools, universities, low-cost homes, hospitals, roads and other infrastructure projects to help stimulate the country's economy.