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MAHATHIR-INVESTMENT

PRIVATE INVESTMENT WILL CONTINUE TO PROVIDE STIMULUS FOR ECONOMIC GROWTH

KUALA LUMPUR, April 23 (Bernama) -- Private investment will continue to provide the stimulus for the economy, with its growth averaging 19 percent per annum over the five-year Eighth Malaysia Plan (8MP), Datuk Seri Dr Mahathir Mohamad said today.

In tabling the 8MP at the Dewan Rakyat here, the Prime Minister said private investment's share total investment is expected to be 68.7 percent in 2005.

Private investment in nominal terms, however, will have to increase by more than double to RM105.5 billion in 2005 from RM42.9 billion in 2000, he said.

Dr Mahathir said that the capital market, particularly the private debt securities market, as well as pension and provident funds, will provide important sources of financing to meet investment needs of the productive sectors of the economy during the Plan period.

Foreign investment will continue to be important, although its share to total investment is expected to decline as a result of the anticipated higher growth in domestic investment and increased global competition for foreign direct investment (FDI), he said.

Dr Mahathir said private consumption in real terms is projected to increase at 7.4 percent per annum in line with the expected rise in per capita income to RM17,780 in 2005 from RM13,360 in 2000.

Private consumption per capita is expected to increase to RM9,070 in 2005 from RM6,200 in 2000 in view of the growth in disposable income.

The Prime Minister said that Gross Domestic Product (GDP) is expected to grow at an annual rate of 7.5 percent with low inflation.

To maintain a low rate of inflation during the Plan period, measures to enhance local food production will continue to be implemented, particularly through the provision of land and the promotion of joint public and private sector initiatives to increase the supply of food, which in turn, reduces food imports.

In addition, the government will ensure that the growth of money supply is consistent with price stability, and adopt a prudent fiscal policy, said Dr Mahathir.

He said the anti-inflation strategy will also include various administrative measures, such as the enforcement of price-tagging and averting irresponsible price increases, prevention of restrictive sales practices and monitoring of the prices of basic necessities for the lower-income group.

Dr Mahathir said: "Measures to encourage automation and labour-saving techniques, as well as increased participation of females and pensioners in the labour market will continue to be undertaken in order to moderate labour demand pressures and ensure that wage increases are in line with productivity growth.

"In addition, the price index is expected to be maintained at a low level with the availability of cheaper imports in the domestic market."

He said that as the economy matures, there will be less reliance on labour and capital input, while the contribution of Total Factor Productivity (TFP) as a source for growth, will be further enhanced during the Eighth Plan period.

TFP is expected to contribute 37.2 percent of the 7.5 percent per annum growth target, while the contribution of labour and capital will be 21.5

percent and 41.3 percent, respectively.

Dr Mahathir said Malaysia's export performance in the next five years is expected to be favourable with gross exports forecast to grow at an average rate of 7.9 percent per annum.

He said that the country will need to enhance the competitiveness level of its products through productivity increases, and quality through the establishment of trading houses that will provide the support services to promote Malaysian exports overseas.

During the Plan period, gross imports of capital and intermediate goods will grow at a rate of 10.2 percent per annum while the current account of the balance of payments is expected to remain in surplus, although on a declining trend.

Dr Mahathir said the merchandise account of the balance of payments is expected to register a surplus of 17.4 percent of Gross National Product (GNP) but the services account will continue to be in deficit at 11.4 percent.

He said the public sector development expenditure is estimated to increase to RM253.4 billion during the Eighth Plan period from RM222.9 billion in the Seventh Plan period. -- BERNAMA

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