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PM: Unconventional measures to manage economy

THE Government will continue to implement unconventional measures which have been proven to be successful and effective in managing the economy, says Prime Minister Datuk Seri Dr Mahathir Mohamad when presenting the 2002 Budget yesterday.

He said while the ringgit peg will be maintained, the Government will continue to monitor domestic and external developments to ensure the value of the currency is consistent with Malaysia's macroeconomic fundamentals.

"Given the volatility in foreign exchange markets, the Government will ensure that the ringgit exchange rate remains stable."

On the country's economic outlook amidst a global economic slowdown, Dr Mahathir said against the nation's strong economic fundamentals, its economic prospects remain encouraging.

External reserves have stabilised at a higher level of RM113.7 billion (US\$29.9 billion) as at Oct 15, enough to finance 4.7 months of retained imports.

The external trade balance recorded a surplus for 46 consecutive months from November 1999 to August this year while gross national savings is still at a high level at one-third of GDP, said Dr Mahathir who is also Finance Minister.

He said the banking system continues to strengthen with the risk-weighted capital ratio at 12.6 per cent, above the international standard of eight per cent.

And the level of short-term debt is low at 5.2 per cent of GDP, while the debt service ratio remains sustainable.

"With higher GDP growth, per capita income is expected to increase by 4.7 per cent to RM13,962 in 2002 compared to RM13,333 in 2001," said Dr Mahathir.

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

The Prime Minister said despite the Government's confidence that Malaysia's growth targets can be achieved given such strong economic fundamentals, "we must redouble our efforts towards realising this objective.

"Our experience during the recent financial crisis has shown that we can successfully overcome the worst recession, when economic growth contracted by 7.4 per cent in 1998. The economy was able to rebound quickly in the following years, enabling us to achieve the average growth target of seven per cent under the Second Outline Perspective Plan," he said.

Dr Mahathir said the slowdown in the global economy occurred when Malaysia was only into its first year of the Third Outline Perspective Plan and the Eighth Malaysia Plan, where both plans envisaged an average annual growth rate of 7.5 per cent.

He added that now that growth for 2001 and 2002 are expected to be lower, efforts must be redoubled to accelerate the growth for the remaining years of the Plans.

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