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STIMULUS-REACTION

RM4.3 BLN PACKAGE A FAST MOVE TO AVERT EXTERNAL SHOCK IMPACT

By: Mohd Arshi Daud

KUALA LUMPUR, Sept 25 (Bernama) -- The RM4.3 billion stimulus package announced by the government today was hailed as a swift move to minimise the impact of the current uncertainty in the global economy.

Federation of Malaysian Manufacturers vice-president Datuk Paul Low told Bernama that the stimulus package will make the country well equipped to respond to the present economic crisis.

"I don't think many countries would have the capacity to make a decision and react in a such a quick manner," he said in commending on the speedy move made which was barely two weeks after the US's terror attacks.

Low said that with the imminent impact of global economic slowdown on Malaysia, "we need to do something like that (stimulus package). We can't rely on the external sector."

Chief executive officer of RAM Consultancy Services Sdn Bhd, Dr Yeah Kim Leng, said the government was quite fast to announce a package aimed at facing an anticipated external demand shock.

"The fiscal stimulus is needed to compensate and counterbalance the expected slowdown in private spending and investment," he added.

"A fiscal stimulus and monetary policy implemented in coordinated efforts will help avert the adverse repercussion of a weaker global economy," he said.

HSBC Bank Malaysia Bhd deputy chairman and chief executive officer Dyfrig John said the government has reacted swiftly to the worsening global conditions.

"I applaud the broadly based measures which by nature, will have a strong impact in the short term," he said.

Low felt that the objective of the package is firstly to minimise the adverse implication of the downward movement in global economy on the poor, secondly to boost tourism income, where "cash can be obtain immediately.

"With tourists from the West and West Asia feeling a bit jittery about travelling at the moment, I think, we are mostly targeting tourists from Asia and India," he added.

Low said that the third aim is to improve human resources quality to meet demand of the new economy, based on the allowance to be provided to learn information technology (IT), mathematics and languages.

The Prime Minister today detailed a RM2.5 billion government spending out of the planned RM4.3 billion.

He said that a temporary monthly allowance of RM500 would be given to 10,000 degree and diploma holders to learn the three subjects.

In addition, Dr Mahathir also announced that RM150 million would be allocated for training of retrenched workers.

Low said that the RM150 million is vital as the retrenched workers were most likely those working at assembly lines.

This group needs to be retrained so that they can acquire new skills, he said.

As for the RM300 million set for upgrading and maintenance of government buildings, quarters, facilities, etc, he said: "This allocation is good as I think we need to maintain, not just build."

Low also pointed out that the pump-priming measures would be useless if the allocation is not delivered at the right place and at the right time.

"Bureaucratic delays must be avoided. It must be emphasised on the people down the line of the urgency to move money into the system," he

added.

As for the revised 1.0 to 2.0 percent economic growth target for this year, Low said it was a realistic figure, considering that rising prices of palm oil and oil would help buffer the impact of declining exports.

The country's gross domestic product (GDP) for the whole year of 2001 was previously forecast to grow at 5.0 to 6.0 percent.

Yeah said that the revised GDP projection is more realistic given the sharper than expected global slowdown in the aftermath of the terrorist attacks on the US.

He estimated the total multiplier effect of the RM4.3 billion package to result in a 1.7 percent GDP growth.

Yeah also noted that the stimulus measures were somewhat directed towards alleviating the social impact of economic slowdown by minimising the hardship faced by the poor and the retrenched workers.

On the planned disbursement of part of the RM2.3 billion allocation, some immediately, some within weeks and some within three months, he said speed was necessary.

"One major complaint of the previous package was a large amount of unutilised allocation. A faster implementation will help mitigate a fairly severe impact from the current round of economic slowdown," Yeah said. --
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