

28/03/2001

Stimulus to sustain growth

THE RM3 billion fiscal package announced by the Government yesterday to help cushion the effect of the economic slowdown in the United States is welcome indeed. Coming on top of the RM28.8 billion approved under this year's Budget, it should give a fillip to the economy and keep it on the path of growth.

The move is imperative as the US slowdown will hurt our exports and growth prospects. As a trading nation, the health of the world's market place is important to our continued well-being. Any distortion will have dire consequences unless we take steps to minimise its impact. Since Malaysia has successfully steered the economy out of the recent financial crisis with strong Gross Domestic Product growth of 5.8 per cent in 1999 and 8.5 per cent last year, pre-emptive measures have to be taken to sustain the momentum.

The success of the new measures depend to a large extent on speedy implementation of the various projects, including those involving infrastructures and utilities. Scheduled for immediate implementation are the construction of schools and other institutions of learning, housing quarters for soldiers and oil palm replanting subsidies and special assistance to rubber smallholders.

The setting up of a Flying Squad in the Finance Ministry to monitor closely the implementation of these new projects and those already approved is to ensure the fiscal stimulus has an immediate impact on the economy. It shows the authorities mean business for, far too often, well-meaning policies have been stymied by lack of co-ordination or bureaucratic delays. To hasten project implementation, the Government has also reviewed Government procurement procedures.

As the property sector is often perceived as the economy's bellwether, it is a relief that there will be no new approval for construction of office and commercial space in view of the large overhang. Incentives to help reduce excessive stocks especially in residential units have also been reinstated.

The measures announced by Prime Minister Datuk Seri Dr Mahathir Mohamad also take into account the need to maintain stability and predictability in our investment environment. Impending changes to foreign investment rules will provide a more liberal investment environment and, hopefully, drive investments into higher gear. In maintaining an accommodative monetary policy and the ringgit peg, the Government provides a climate of predictability for business. Easier access to financing is a comfort to businessmen, especially small and medium enterprises which have been hurt by the financial crisis.

To help absorb the impact of the slowdown, each and every Malaysian has to join hands to strengthen domestic demand. Malaysia's high savings rate of 40 per cent should not discourage the people from spending. A two per cent reduction in employees' contribution to the Employees Provident Fund, better loan eligibility for civil servants and the encouragement of greater use of credit cards will go some way in promoting consumption.

The private sector, whose symbiotic relationship with the public sector has served the country well in robust times, will have to rally to the Prime Minister's call to aggressively enhance productivity, reduce costs and improve product and service quality to remain competitive. It must take up the challenge.

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