

28/03/2001

Stimulus package timely: Economists

Hamisah Hamid

ECONOMISTS have viewed the fiscal stimulus package announced by the Government yesterday as timely to strengthen the wavering public confidence in the economy.

They are confident that the package to counter the US economic slowdown would achieve the Government's target of raising the 2001 gross domestic product (GDP) growth by 1.1 percentage points.

An analyst with a Kuala Lumpur-based securities firm believes that the measures will meet the target if they are implemented as a whole and not on an individual basis.

"It will have a more significant effect if they are implemented together. I believe the measures can push up GDP growth by more than 1.1 per cent," he said when contacted by Business Times.

SungeiWay Group corporate advisor Tan Sri Ramon Navaratnam concurred, saying that the package, especially the Government's RM3 billion fiscal stimulus, will have a multiplier effect that will stimulate the whole economic system.

They said the measures were introduced at an appropriate time when the US is experiencing a sharper than expected slowdown in its economy.

The analyst agreed with the Government's move of introducing the package now rather than earlier as "it (the Government) has to be careful not to attract undesirable response such as price-induced inflation.

"The Government did not want to jump the gun and introduce the measures earlier because if the US economy did not slow down as expected, the fiscal stimulus measures could work against the Government's objective of having price stability and an anti-inflation situation," he said.

One of the measures announced by Prime Minister Datuk Seri Dr Mahathir Mohamad is a RM3 billion government expenditure, in addition to the RM28.8 billion already approved under Budget 2001. This is expected to increase GDP growth by 1.1 per cent.

Other measures include cutting employees' contribution to the Employees Provident Fund by 2 per cent from 11 per cent for a period of one year effective April 1 2001, liberalising rules for equity and asset acquisition by foreigners, exemption of stamp duty on property transactions and abolishment of RM50 tax on credit cards introduced in 1997.

The package also includes a revision on the ceiling for the purchase of shares and unit trusts, setting a 2001 target of 8 per cent loan growth for financial institutions and improving access to fundings for the small and medium enterprises (SMEs).

The economists believe that the measures will help push up confidence and boost consumer spending.

"Currently, confidence is a bit on the low side and consumer spending is poor as people do not spend or buy. So, the spin-off effects from these measures would help the situation," the analyst said.

He said the package is mostly targeted at stimulating domestic economy such as retail and construction industries, because not much can be done on the export side.

"So, we have to make sure that the spin-off effects will filter to all sectors of the economy," he added.

Navaratnam said the new fiscal package presents a clear direction for the business sector to face challenges from the US economic slowdown and

the possible recession in Japan.

The announcement has put an end to concerns among businesses about the Government's move in countering the negative impact from the US economic slowdown, he said.

Meanwhile, the Malay Chamber of Commerce Malaysia (Kuala Lumpur) president Datuk Syed Mohd Amin Aljeffri welcomed the move in improving SMEs' access to financing, expanding the size of special funds and the eligibility criteria for the funds.

He said the move would assist the SMEs, which have yet to recover from the Asian financial crisis, to face the negative impact from the US economic slowdown.

(END)