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Tougher time for economy

THE latest economic figures show that Malaysia, like other countries in the region, is facing tough times as a result of the slowdown in the US economy. But the good news is that the situation is not as bad as feared and the Government is doing everything possible to cushion the impact of the US downturn which is more prolonged and serious than anticipated.

However, we have to be realistic and brace for a tougher economic environment given the uncertainty in the US and the other major economies, particularly with Japan still grappling with its economic and financial restructuring. The earlier forecast of a five to six per cent growth rate is now considered too optimistic and this has got to be revised to take account of the prevailing economic conditions. Bank Negara Governor Tan Sri Dr Zeti Akhtar Aziz has given notice that this revision will be announced at the 2002 Budget in October. The Malaysian Institute of Economic Research had already revised its forecast of a four per cent growth rate to 2.2 per cent.

The Prime Minister Datuk Seri Dr Mahathir Mohamad has said that the country could still achieve a growth rate of two to three per cent this year, despite the economic uncertainty in the US and other countries. But Dr Mahathir has again called for the people to work very hard. Malaysians should be committed to work hard at all times if we are to achieve developed nation status but hard work is especially crucial if we are to successfully overcome the challenges of an economic slowdown. The economic numbers for the second quarter of this year, despite not meeting all the earlier expectations, should provide grounds for some comfort and confidence that the Malaysian economy continues to be strong. For the second quarter, Malaysia still managed to record a growth of 0.5 per cent which together with the 3.1 per cent expansion in the first quarter, resulted in the country recording a growth rate of 1.8 per cent in the first six months of this year. What we must remind ourselves is that the Malaysian economy is still growing, although at a lower rate than forecast earlier. And we are not in recession. Just because our neighbour Singapore is in technical recession, this does not necessarily mean we will follow suit as some pessimistic financial analysts have anticipated. Even though Malaysia is a leading exporter of manufactured goods and a substantial portion of our manufactured exports comprise electronic products which have been hit by the US economic slowdown, Malaysia's economy is broad based and we have other sectors which can offset the downturn in the electronic sector. The second quarter figures have borne this out, with the construction, services, agriculture and mining sectors showing growth of between 0.7 per cent and 6.1 per cent although manufacturing, especially with the electronic sector affected by the US-led global slowdown, contracted by 6.7 per cent. There is also an encouraging sign in the area of foreign direct investment which is re-assuring in view of the immense competition for funds. The net inflow of FDI rose to RM2.4 billion in the second quarter compared to RM1.6 billion in the previous period. But we must not rest on our past successes. It must be recognised that the FDI flow into Malaysia could have been much higher if there had been no competition from China. We must work even harder to build on our strengths and rectify any weaknesses to enhance the FDI inflow, particularly from the US and other advanced countries because of the technology that their investors bring into the country.

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