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Focused investments to drive GDP momentum

reports on "Budget 2003" by Mustapha Kamil; Zulkifli Othman; Fadzil Ghazali; Lokman Mansor; Kamarul

MALAYSIA expects a gross domestic product (GDP) growth of up to 6.5 per cent next year, fuelled by domestic and private sector investments in tourism, transport, education, health and agriculture.

This is part of the country's new approach to re-engineer its growth strategies by reducing reliance on foreign investment and trade.

Malaysia will benefit from the mild recovery of 2002 which will gather momentum in 2003, spurring a projected world economy output growth of 3.7 per cent with trade expanding at 6.6 per cent.

The US is forecast to chart a stronger GDP growth of 2.6 per cent, while Europe is expected to improve by 2.9 per cent. Japan, which has shown signs of bottoming out, has entered into a recovery mode and is expected to grow by 1.1 per cent in 2003.

However, Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad said the future growth of Malaysian economy will have to depend on stronger domestic activities and less on external sources.

"The time has now come for us to re-engineer our growth strategies towards reducing this high dependence (on foreign investment and trade) and embark on initiatives to vigorously explore and promote our domestic sources of growth.

"Indeed, these calls for a paradigm shift in our approach in managing the economy," he said in the Treasury's Economic Report 2002/2003.

Dr Mahathir said Malaysia must bolster domestic investment in new niche areas, particularly in the services sector such as tourism, education, transport and health and at the same time maintain agriculture as the third engine of growth.

The shift in policy approach is expected to ensure greater stability as well as sustainability of the nation's growth in the medium and long term.

Meanwhile, the Treasury says in its report that for this year, Malaysia is expected to register a 4 per cent growth, higher by 0.4 per cent achieved in 2001.

For next year, output expansion is expected in all sectors of the economy as a result of stronger momentum of global economic recovery for next year and end of 2002.

The country's stronger macro-economic fundamentals and resilient corporate and financial sectors puts Malaysia at an advantage to capitalise on the improved global economic environment in 2003.

The manufacturing sector is expected to continue its expansion to record 8.5 per cent increase in output and contribute 2.6 percentage points to GDP growth in 2003.

The services sector, with a projected increase of 5.9 per cent, remains the major contributor to growth with 3.3 percentage points.

The construction sector is forecast to expand 4.5 per cent while the agriculture and mining sectors are envisaged to improve by 3.4 per cent and 2.5 per cent, respectively in 2003.