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FMM expects manufacturing to perform better in 2002

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THE Federation of Malaysian Manufacturers (FMM) is confident the manufacturing sector will achieve the growth estimated in the recently tabled Budget 2003.

Its president Tan Sri Zain Hashim anticipates the sector to record stronger performance this year in both production and exports with the expected recovery of the global economy in the second half of the year.

He said that although there are doubts on the timing of the US economic recovery, results from the FMM second Quarterly CEO Survey on Business Performance backs the manufacturing sector's buoyant outlook.

"Companies (survey respondents) were also generally upbeat about prospects for the rest of the year, with improvements expected in industry outlook, sales, profits and costs of production," he said at the opening of the FMM seminar on "Tax Incentives for the Manufacturing Sector" in Petaling Jaya yesterday.

Zain said the FMM is "comfortable" with the forecast manufacturing value-added growth of 5.1 per cent this year. It also believes that the manufacturing export growth of 5.4 per cent is achievable as economic activities continue to show improvement.

Manufacturing value-added contracted 6.2 per cent last year, while exports registered negative growth at -10.5 per cent.

Budget 2003, tabled by Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad last Friday, anticipates the manufacturing sector to contribute 30.4 per cent to overall growth in gross domestic product and 86.5 per cent share to the country's overall exports this year.

For next year, the Budget expects manufacturing value-added to grow by 8.5 per cent and exports by 11.2 per cent.

Zain said the recently completed FMM Survey shows improvements in production volume, domestic and export sales, profits, employment and investment for this year.

"For the first time since the first quarter of last year, more than half of respondents registered increases in output," he added.

After the significant improvement in domestic and export sales in the second quarter, respondents expect further improvement in the third quarter.

Capacity utilisation remained relatively high and is expected to improve further, with about two-thirds operating at more than 70 per cent capacity level.

Zain also said that the FMM welcomes the Government's measures announced in the Budget to transform the economy to meet the challenges of technological advancements and increased competition from globalisation.

He said Malaysia's success will depend on the speed at which Malaysian enterprises adapt and respond to globalisation and regional trade pacts and groupings.

Meanwhile, Deputy Finance Minister Datuk Chan Kong Choy said the Government's policies had helped the sector.

The Government has introduced many measures to promote investment in new manufacturing capacities, especially in high value-added and high-technology industries.

Chan reminded the manufacturing sector to pay attention to the need to move up the manufacturing value-added chain by focusing also on manufacturing-related services.

"While we have been excellent manufacturers, Malaysians continue to be poor `marketers' of products.

"Raising value-added by developing indigenous branding and design as well as expanding into the manufacturing-related support services will be increasingly important as more low-cost producers emerge and we lose out on cost and quality advantages," he said in a keynote address, which was read by the Finance Ministry's tax analysis division secretary Kamariah Hussain.