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Big smile on everyone's face

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THE country faces new challenges in striving to move the economy forward, enhance productivity and raise the standard of living.

With globalisation and liberalisation, which will open economies to market forces and international competition, Malaysians need to be constantly reminded that they must be disciplined and should upgrade their skills as well as being more information technology and Internet savvy.

For the corporate and financial sectors, efforts have been intensified to clean up big corporate debts and restructure troubled companies so that there is a strong culture of corporate governance and transparency.

With the US economy contracting, the Malaysian Government has taken measures to counter and cushion the impact of the downturn, which has affected the electronics and hightech industries.

Huge imports by the US, the world's largest economy, especially of electronic and electrical items, were critical in pulling countries affected by the regional currency and economic crises of 1997-98 out of recession.

However, the US slowdown and with the Japanese economy, the world's second largest, still grappling with its restructuring problems, the prospects for strong growth numbers in emerging economies have become less rosy.

Thus, the Government on May 21 announced a RM7.3 billion economic stimulus package.

For this year, the country's gross domestic product (GDP) growth is expected to grow by 4.5 per cent, but according to the Malaysian Institute of Economic Research (MIER), it will grow by 4.3 per cent.

This is not much different from the official figure by Bank Negara, but the MIER's figure was revised from 3.7 per cent.

The Government is sticking to its original 4.5 per cent.

Bank Negara Governor Tan Sri Dr Zeti Akhtar said recently the economic performance had been better than expected and the nation's underlying trend was on track.

At this stage, one can understand the optimism of the central bank and the MIER. After all, the Kuala Lumpur Stock Exchange Composite Index (KLCI) is in a rallying mood, staying above the threshold of 700 points.

The economy responded to the stimulus package as the KLCI went up by 0.5 per cent to close at 640.37 points immediately after the announcement by Prime Minister Datuk Seri Dr Mahathir Mahathir, who is also the First Finance Minister.

After the announcement, the KLCI closed 11.9 points higher or 1.8 per cent to 664 from 652.1 points previously.

Boosting domestic demand is one way to sustain economic activity.

The Government has allowed employees to reduce their EPF contribution from 11 per cent to nine per cent to encourage spending.

This will increase their disposable income, which is translated into increased purchasing power. Consumer spending power can also be enlarged through the greater use of credit card facilities.

Maintaining capital expenditure on infrastructure at a high level is also a good way of sustaining economic growth because the building of schools, institutions of higher learning, hospitals, roads, ports and other public facilities generate multiplier benefits for other sectors of

the economy.

The Government has placed a priority on boosting infrastructure spending.

The stimulus package, which focuses on four strategies, aims at generating economic activities by mobilising domestic sources of growth as well as reducing the nation's dependence on external sectors.

The four strategies are: promoting private investment, strengthening the nation's competitiveness, developing new sources of growth and enhancing the effectiveness of the delivery system.

The package helped boost small- and medium-scale industries (SMIs).

More than 5,000 applications totalling RM66 million have been approved under the Micro-Credit scheme in the three weeks since it started.

As of June 26, the two participating development banks, Bank Pertanian Malaysia and Bank Simpanan Nasional (BSN), had received 15,442 applications asking for RM242.4 million in credit.

Bank Pertanian has approved 4,992 applications worth RM65.5 million, one third of which has been disbursed. Bank Simpanan has approved 40 applications worth RM520,000. The scheme was one of the measures introduced in the stimulus package.

SMIs, identified as the new catalyst for the country's growth, had often been overlooked by financial institutions in the past.

The Government has allocated RM500 million under the scheme for Bank Pertanian, and RM300 million for Bank Simpanan.

Meanwhile, the tourism industry, which was badly affected by the Severe Acute Respiratory Syndrome (SARS) in April, has been given a new "life" under the package.

Although there has yet to be the official figure on the number of tourist arrival in Malaysia for 2003, it is expected to match last year's 13 million, which earned the nation RM24 billion, second to petroleum in terms of foreign exchange earnings.

In a survey conducted by the MIER, the research house is optimistic about the prospect of the tourism industry as the RM1 billion fund announced by the Government for the sector will help to offset the negative impact of SARS while its containment will once again move the tourism traffic.

The property sector also got a boost after the package was announced. It is slowly picking up the pieces after a slow start, with the Residential Property Index for the second quarter rising to 116.6 points from 100.9 in the previous quarter.

The outlook for sales in this sector is the brightest as competitive prices, readily available credit and low interest rates appear set to stimulate housing demand soon.

The survey found that double- and single-storey houses sold well in the quarter under review, followed by semi-detached houses, condominiums and detached houses/bungalows.

The problem of overhang seems to have eased as 55 per cent of respondents said their total unsold units had declined compared with 38 per cent in the previous quarter.

Apart from the SARS, the war in Iraq has also affected exports of Malaysian products to Middle East and European countries.

It also caused an increased in crude oil and jet fuel prices in the first three weeks of the war.

For example, the war has caused the cancellation of a RM150 million export deal for 5,000 units of Proton cars while a shipment of 3,000 cars to Kuwait could not be delivered.

Export of electrical and electronic, and food products to the Middle East has also been affected, as ships are "forbidden" from going through

the route.

The cost of export was expensive then as ships had to take a different route, which was longer, and this delayed the delivery.

The opening of Port of Tanjung Pelepas (PTP) in Johor brought a "smile" to the country following its achievement in bringing two of the world's largest logistic companies, Mearsk and Green Line, to its port.

PTP, managed by Port of Tanjung Pelepas Sdn Bhd, is Southeast Asia's premier transshipment hub and a world-class port with purpose-built facilities and services.