

20/05/2003

Dr M: GDP growth rate this year will be more than 4.2pc

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PUTRAJAYA, Mon. - Malaysia's economy this year will grow at a rate better than the 4.2 per cent of gross domestic product recorded in 2002, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

However, the GDP growth rate will be lower than what was earlier forecast, due to uncertainties arising from the Iraq war and the impact of the Severe Acute Respiratory Syndrome (SARS) outbreak.

In the 2003 Budget, the Government had projected a GDP growth of six to 6.5 per cent in 2003. But Bank Negara Malaysia, in its annual report released in late March, forecast 4.5 per cent growth.

At a Press conference after chairing the pre-2004 Budget dialogue, the Prime Minister said the 4.2 per cent growth last year was "remarkable".

"We worked very hard to achieve this remarkable rate of growth considering the problems we faced," said Dr Mahathir, who is also Finance Minister.

The 2004 Budget's theme is "Mitigating Destabilising External Environment and Ensuring Sustainable Growth".

In March, the Malaysian Institute of Economic Research (MIER), an independent think-tank, slashed its growth projection to 3.7 per cent from the 5.7 per cent forecast in November.

MIER's revised forecast is based on the assumption that the Government's upcoming stimulus package will be between RM3 billion and RM5 billion, and that SARS will be under control within three months.

Economists expect the growth revision to be announced when Dr Mahathir unveils the stimulus package this week.

Asked, Dr Mahathir said: "We will announce it in a day or two."

He said the package would focus on shifting strategies, to create wealth from new sources of growth rather than depend on incentives from the Government.

"The country's economic growth is not dependent entirely on the Government. (This) is a very narrow view of things. You have to learn to strategise, to shift your focus to find new areas of growth."

He said taking away funds from the Government to give to the private sector would not create real wealth for the economy.

Yesterday's closed-door dialogue, the first of four sessions, focused on macro-economic issues. It was attended by representatives of government agencies, as well as local and foreign organisations.

Dr Mahathir said the session, a basis for preparing the 2004 Budget to be tabled in September, was very beneficial. Numerous proposals were made, including requests for lower taxes and more incentives.

The Prime Minister will have a dialogue with major sectors of the economy and industries tomorrow.

The third session will be with social organisations on community issues, and the fourth with menteri besar, chief ministers and the Government Backbenchers Club.