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Need to fix economic growth impairing issues, panel says

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KUALA LUMPUR: Malaysia needs to fix long-term issues that have impaired its economic growth so that it can reach its growth potential in the future, says a panel speaking on the direction of the Malaysia's economy.

"The big issue is really the structural changes," Khazanah Nasional Bhd managing director Tan Sri Azman Mokhtar said during the panel discussion on the domestic economy at the Perdana Leadership Foundation's Industry Insights seminar.

He said the country never fully recovered from the Asian financial crisis as post-crisis growth rates were smaller.

The savings rate continues to be in the high 30-percentage point range of gross domestic product (GDP) but investments have dropped from 40% of GDP to below 20%.

"Why are corporates investing less?" Azman asked.

Azman also said he felt that the country should not have been registering budget deficits over the past five years given the boom in the

»Why are corporates investing less?«

TAN SRI AZMAN MOKHTAR

commodity prices.

Another area of concern was the flittish nature of the services sector's share of the GDP, which appears to be stuck at 60% of the economy, indicating that the economy may be in a middle-income trap.

Education was a key component and human capital development was important, Azman said.

"The way forward is going to be daunting," said Hong Leong Bank Bhd group managing director Yvonne Chia.

She said the emergence of China had had a big influence on compa-

nies, pointing out that many of the bank's clients had to transform because of the competition China posed to their businesses.

The drop in Malaysia's productivity also drew concern.

Chia noted that prior to the Asian crisis, Malaysia had one of the highest productivity growth rates but they have dropped post crisis.

She reckoned that Asia, which depended a lot on exports for growth, would not be able to pick up the consumption slack created by US consumers as they started to save more.

"Knowledge is our foundation," said Mobile Money International Sdn Bhd chairman Datuk Zainal Abidin Putih, pointing out that South Korea and Taiwan had built their economies despite not being blessed with an abundance of natural resources.

"They didn't suffer from the curse of plenty," he said.

The panel acknowledged that short-term economic indicators had improved but said the foundation of the recovery was still shaky.