

Newspaper	MALAYSIAN RESERVE
Date	16 JUNE 2017

# PM sets fresh 2017 GDP growth target of 5% and beyond

Malaysian Reserve - 16/6/2017 Pg. 2

*Najib says recovery has been registered in exports and growing FDIs*

by P PREM KUMAR

PRIME Minister Datuk Seri Mohd Najib Razak said the Malaysian economy is well-poised to grow beyond 5% this year, breaching the central bank's gross domestic product (GDP) growth target of between 4.3% and 4.8%.

Najib, who is also finance minister, said the government is tirelessly working via multiple channels to reach the 5% growth target and recovery has been registered in exports and growing foreign direct investments (FDIs).

"Due to our strength and improving global outlook, our economy is on track to register the forecast 4.3% to 4.8% (GDP growth) this year...But if you ask me, I would like to see growth reach 5% and beyond and the government is trying to do its best," he said when opening the Budget 2018 Consultation at the Finance Ministry Complex in Putrajaya yesterday.

Najib also announced that Budget 2018 will be tabled in Parliament on Oct 27, 2017.

The three-hour dialogue yesterday, chaired by Najib, was convened to hear budget proposals and wishlists from representatives of 236 institutions comprising the public sector, private companies, sectoral associations, non-governmental organisations and universities.

He said Malaysia's economic resilience was proven by the 5.6% GDP growth registered in the first-quarter of 2017 (1Q17), which caught many by surprise.

"In 1Q17, the economy grew by a sterling 5.6%, which took us all by surprise...I almost fell off my chair when I was told that it was 5.6%," the prime minister said.

In Budget 2018, Najib said the government would strive to remain responsible in spending, despite "being tempted" to spend amid the



Second Finance Minister Datuk Seri Johari Abdul Ghani (left) and Najib at the budget consultation. Najib says the 1st phase of the DFTZ will be officially launched in October

looming general election.

"As you know, due to the upcoming election, we are tempted to spend more but we have been a responsible government and we will continue with our commitment towards fiscal consolidation."

Najib said Malaysia's fiscal deficit is expected to be reduced to 3% of GDP this year, a "remarkable" improvement from the 6.7% when he took over as prime minister in 2009.

The government is also working to reduce the budget deficit step-by-step, without inflicting severe repercussions to Malaysians, he said.

"We have been very responsible in reducing it gradually because if it is done overnight, then there will be severe repercussions in terms of the social cost to the people," Najib said.

Given the challenging external environment, the prime minister said Malaysia needs to be vigilant and continue with its efforts to create layers of buffers, promote long-term economic growth and boost exports, amid narrowing current account surplus.

"We need to be mindful that we are operating in a competitive global environment, particularly with the emerging economies that are rapidly catching up," he said. "We need to engage in higher value added activities, so that we can retain our comparative advantage and remain ahead of the competition."

Najib said FDI, which rose to RM17 billion in 1Q17, reflected the fact that Malaysia continues to be a highly preferred investment destination due to its strengths — including political stability, sound financial infrastructure, peace and harmony.

He said Malaysia's foreign policy initiatives will result in higher investments this year and in 2018, with large-scale investments expected from China, India and Saudi Arabia.

"These are foreign policy initiatives which have been translated to real and substantive investments into Malaysia," he pointed out.

Najib said the government's unpopular economic reforms had yielded results during the recent global low-oil-price environment, due to the country's diversified income base.

"Even with the recent sharp drop in the price of oil, we glided through it to the extent that many people didn't realise the severity, whereas other countries had to bear the brunt and face a more hostile environment.

"I feel that we have been under appreciated as the situation could have become more severe if we had not undertaken the reforms under the National Transformation Programme," he said, adding that Malaysia could have faced financial recession if tough measures were not taken.

Meanwhile, Najib said the first

phase of the Digital Free Trade Zone (DFTZ) will be officially launched this coming October, with the participation of some 1,500 local small and medium enterprises (SMEs).

"Jack Ma and I are expected to launch the first phase this coming October," Najib said, referring to Alibaba Group's founder and chairman.

He said SME Corp Malaysia and Malaysia Digital Economy Corp (MDEC) are currently in the process of identifying the 1,500 SMEs to be part of the project.

The DFTZ, the first of its kind in the world, is an e-hub established by Alibaba and MDEC.

The plan is to establish an e-fulfilment logistics hub under the auspices of DFTZ, in close proximity to the Kuala Lumpur International Airport, which will function as a centralised customs clearance, warehousing and fulfilment facility for Malaysia and the region, to speed up clearance for imports and exports.

The e-fulfilment hub will be created in collaboration with Alibaba and its subsidiaries and affiliates, such as Lazada and Cainiao Network, and will operate out of the existing low-cost carrier terminal.

The DFTZ will also be connected directly to Hangzhou's Cross-Border E-commerce Pilot Zone (which is also the location of Alibaba's headquarters) via Alibaba's OneTouch e-services platform which digitises many of the trading operations like customs clearance, foreign-exchange services, financing services and logistics solutions, thus easing bilateral trade.

Najib also spoke on the government's efforts on digitalisation in terms of delivering government service to the people.

"If you do not innovate, you will die. It is as simple as that...so we need to improve innovation and we need to nurture talent.

"Attracting talent is vital to raise productivity in the country since we have been underperforming over the last five years. We need to accelerate productivity level as it is one of the national priorities."