

**Economic Reforms Over The Years Strengthen Domestic Economy – Najib
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KUALA LUMPUR, Oct 23 (Bernama) -- The economic, financial and fiscal reforms undertaken over the years have strengthened the domestic economy's resilience to weather shocks, said Prime Minister Datuk Seri Najib Tun Razak.

Najib, who is also Finance Minister, said the economy has diversified from being predominantly commodity-based to also being driven by manufacturing and services.

"While the external sector remains important, growth is increasingly driven by domestic demand. The nation's macroeconomic fundamentals are strong, including manageable inflation, favourable labour market conditions, healthy foreign reserves, current account surplus and high national savings.

"The sound banking system and well-developed capital market continue to have ample liquidity to support economic activity without disruption," he said in the preface of the 2015/2016 Economic Report released by the Finance Ministry in conjunction with the tabling of Budget 2016.

Najib said these positive factors coupled with the government's pro-growth and business-friendly policies place the economy on a steady growth trajectory besides providing a cushion against global uncertainties.

"Supported by sound fundamentals and an accommodative monetary policy, the Malaysian economy continued to expand by 5.3 per cent in the first half of 2015 (January-June 2014: 6.4 per cent). Growth was driven by resilient domestic demand despite the moderation in global growth and slower external demand.

"The economy is thus on track to achieve the growth target of 4.5 to 5.5 per cent for 2015 and will continue to expand in 2016," he said.

The Prime Minister said the Malaysian economy remains resilient despite a more challenging external environment in 2015.

"These challenges include moderate global growth with a modest pace of recovery in advanced economies; declining commodity prices; increased volatility in financial markets and uncertainty over interest rate normalisation in the United States.

"On the regional front, a slower Chinese economy amid its balancing efforts towards a more sustainable growth path has affected its key trading partners," he said.

The Prime Minister said the government will continue to strike a delicate balance between supporting the growth momentum and ongoing reform initiatives while ensuring public finances remain sound.

"While pragmatic, the government is also bold in making difficult decisions. Taking into account the uncertainties in the external environment, particularly falling crude oil prices which affected government revenue, we revised the fiscal target for 2015, from three per cent to 3.2 per cent of GDP (Gross Domestic Product)," he said.

Despite increased challenges, Najib said, the government remained committed to fiscal consolidation towards achieving a balanced budget by 2020.

As such, the government would continue to take measures to promote greater efficiency and effectiveness in spending without compromising quality of service delivery as well as improve tax compliance, he added.

"The well-being of the rakyat (people) remains our foremost concern and priority. All segments of society must enjoy the nation's prosperity. The transformation initiatives that we have embarked on since 2010 as well as the 11th Malaysia Plan (11MP) launched in May this year clearly reflect this priority. In this regard, we will continue to attain growth that is inclusive and sustainable," he said.

"Amid a challenging global environment, Budget 2016, the first budget under the 11MP, will thus emphasise measures to further strengthen economic resilience as we as improve the well-being of the rakyat."

On the regional front, Najib said, the establishment of the ASEAN Economic Community (AEC) by year-end would benefit all member economies.

"The AEC will open up opportunities for the people and business through freer movement of goods, services, skilled labour and capital. Malaysian businesses and entrepreneurs must therefore seize the opportunities offered by a more open and liberalised ASEAN. As Chair of ASEAN this year, Malaysia will play a key role in realising the vision of an economically integrated ASEAN community," he said.

Najib said Malaysia remains on track to become a high-income and advanced nation by 2020 despite the current volatile external environment.

"This is due to the success of national policies, particularly the National Transformation Programme (NTP) that began in 2010. The significant achievements include the eradication of hardcore poverty and the decline in poverty to 0.6 per cent in 2014; creation of 1.8 million jobs; growth in Gross National Income (GNI) by 34 per cent and increase in private investment by 82 per cent from 2010 to 2014, as well as improvement in global competitiveness ranking, with the latest Global Competitiveness Report 2015-2016 showing Malaysia moving from 20th to 18th position," he said.

He said Malaysia faced several crises in the past and learned from that, implemented recovery measures to ensure growth and undertook reforms to enhance resilience and competitiveness of the economy.

"The economic fundamentals are thus stronger now compared with the 1997/1998 Asian Financial Crisis. All these have placed us on a better footing to ride out the current difficult period. We have survived difficult times together. The government will do its best to ensure the economy continues to grow and to improve the well-being of the rakyat," he said.

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