Headline	Make private investment the priority		
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LETTERS

Make private investment the priority

Offer waiver, exemption to regular payers

Make private investment the priority

THE Malaysian economy grew 5.2 per cent in the third quarter this year, beating the consensus forecast of 4.7 per cent, but slightly lower than the same quarter for last year (5.8 per cent) and the second quarter for this year (5.6 per cent).

Relative to the global and regional growth trends, 5.2 per cent is quite impressive. Like the previous quarters, the Malaysian economy is driven by domestic consumption and investments.

This gives a sense of optimism in terms of the health of the economy and the direction it is heading. That is, becoming a high-income nation by 2020, but of course, not without cautiousness.

From the supply side, the growth of most significant sectors were mainly driven by projects unleashed under the Economic Transformation Programme (ETP). It is important to note that in the newly announced ETP projects, it shows a declining amount both in terms of numbers and investment size compared with last year.

On the demand side, some important figures are worthy of attention. While it is encouraging that public investment has moderated to 22.4 per cent after a surprise jump in the second quarter (where it grew 28.9 per cent from 10.3 per cent in first quarter), it is not being offset by the surge in private investment.

The amount of private investment in the third quarter is 22.9 per cent, lower than the last quarter at 24.6 per cent, though it is still robust.

In an attempt to curb the public debt level, private investment should be the priority as opposed to public investment.

Both private and public sector consumption have declined from the previous quarter. Part of the reason would be the effect of the Bantuan Rakyat 1 Malaysia (BR1M) initiatives, which boosted private consumption in the last quarter, and the pay rise of civil servants, which enhanced public consumption in the previous quarter, both of which have waned.

With 1Malaysia People's Aid (BR1M 2.0) and the civil servants bonus announced in Budget 2013, in the last quarter of this year and the first quarter of next year, consumption in both private and public sectors will be sustained resiliently.

But the question remains: How long can we rely on these two measures to beef up domestic consumption to sustain our growth level?

Net exports, on the other hand, showed a significant contraction in the third quarter, where for the first time since 2009, the export growth is in the negative area. But this is expected as the global economic environment is uncertain. The threat of the fiscal cliff in the United States and the possible break up of the eurozone are at centre stage of the concern.

Moving forward, I would expect that this year's forecast of 4 per cent to 5 per cent growth to be met due to the continued efforts by the government to boost domestic demand.

But it is also important for the government to focus on external demand to enhance our export sectors. We cannot allow what is happening in advanced countries to drag our external sector and we have to make sure that measures to boost domestic demand is sustainable in years to come.

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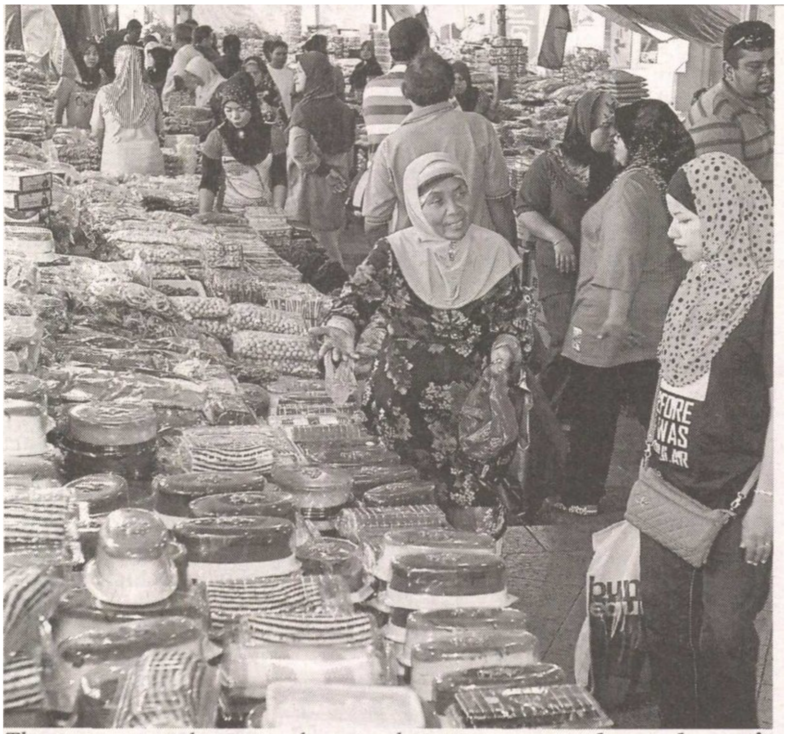

The government has to make sure that ***measures to boost domestic demand are sustainable*** *in years to come.*