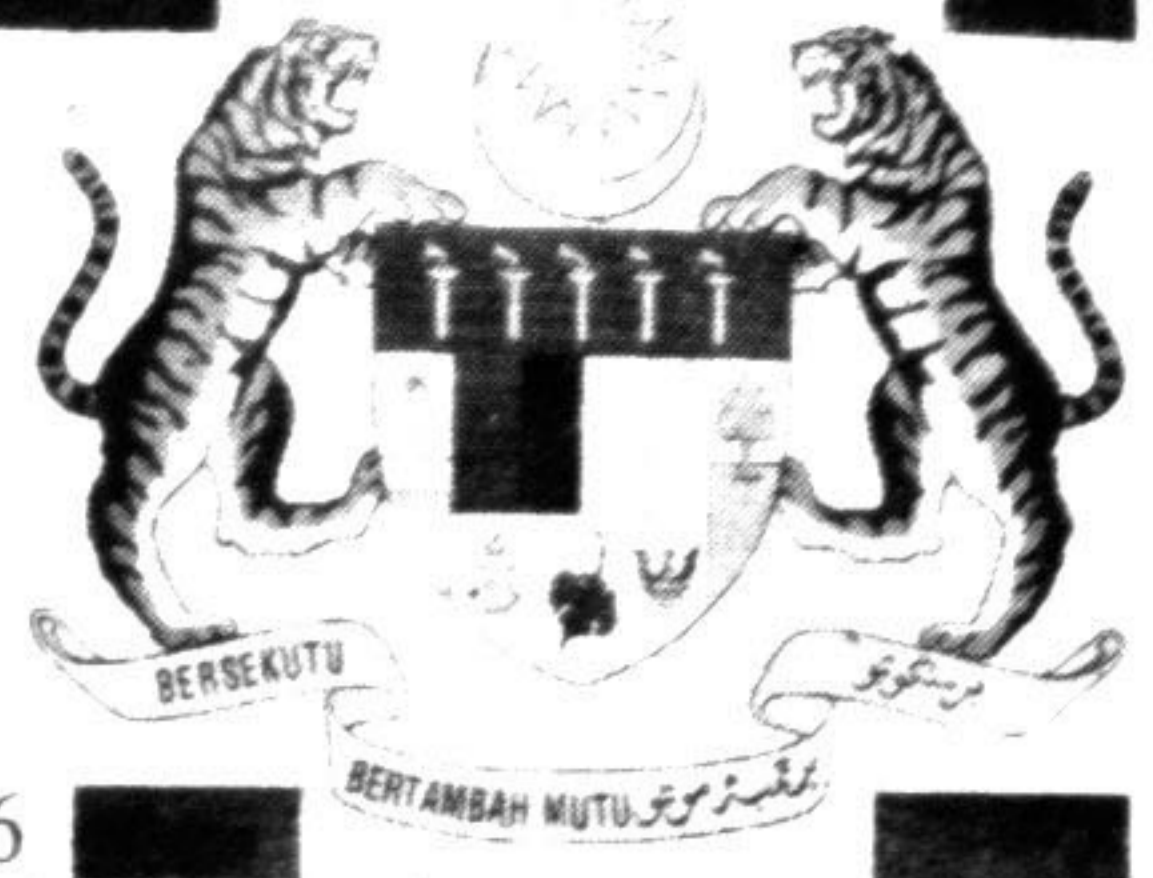


National Day of Malaysia



Hon'ble Dato' Seri Dr Mahathir Mohamad
Prime Minister of Malaysia

1995 Performance

An Overview: The Malaysian economy registered a robust growth of 9.5 per cent in terms of real Gross Domestic Product in 1995. With the 1995's growth rate, the economy recorded an unprecedented eighth year of sustained high growth rate averaging 8.9 per cent since 1988. The high growth rate has been achieved against a background of relatively low inflation. The increase in the Consumer Price Index moderated to 3.4 per cent in 1995, against 3.7 per cent in 1994. With relatively low inflation, real per capita income of the population rose by 7 per cent in 1995. In current prices, the per capita income of the population increased by 12 per cent in 1995 to RM10,000 which is equivalent to US\$9,500 in terms of purchasing power parity.

The rapid growth rate has enabled the nation to address its social and distribution agenda more effectively. Growth in employment opportunities has outpaced the rate of expansion in the labour force. As a result, the unemployment rate has declined to an unprecedented low of 2.8 per cent in 1995, with the economy virtually operating under conditions of full employment. The incidence of poverty, which stood at about half of the population in 1970, declined significantly to 9.6 per cent of households, while hardcore poverty was reduced to 2.2 per cent in 1995 against 19.6 per cent twenty years ago. At the same time, the educational and health facilities available to the population

have improved and expanded significantly. As a result, the literacy rate of the population aged 10 years and above has increased from 72 per cent in 1980 to 91 per cent in 1995 while the life expectancy of the population has improved from 66.7 years for males and 71.6 years for females in 1980 to 69.3 years for males and 74 years for females in 1995.

Sectoral Output Growth: The impetus to the growth of the economy in 1995, as in recent years, has been the manufacturing, construction and the services sectors (please see Table 1). Output of the manufacturing sector rose by 14.5 per cent and its value-added contributed 33.1 per cent of the nation's gross domestic product in 1995. The strong growth in manufacturing output was underpinned by an enlarged industrial production base of the economy, as a result of rapid capital formation in the manufacturing sector in recent years, as well as

buoyant external and domestic demand for manufactured output. Similarly, activities in the construction sector remained buoyant in 1995, expanding by 15 per cent in response to the robust activities in most of the leading sectors of the economy value-added provided by the services sector rose by 9.2 per cent in 1995. The majority of the services sub-sectors, particularly electricity, gas and water, transport, storage and communications, and finance, insurance, real estate and business services recorded double-digit rates of growth.

Domestic Demand: The strong growth of the economy in 1995 was also attributable to a moderate acceleration in domestic demand. Domestic expenditure in current prices increased by 17.6 per cent in 1995 (16.4 per cent in 1994), buoyed by strong increases in capital expenditure and moderate expansion in consumption expenditure of both the public and

private sectors. Gross capital expenditure increased by 21.5 per cent to account for 43 per cent of the GNP. Public sector investment rose by 28.1 per cent largely due to increased capital

outlay by Non-Financial Public Enterprises for the development of infrastructure and utilities projects as well as for capacity expansion and modernisation programmes. 1995, being

the final year of the Sixth Malaysia Plan, also saw an acceleration in the pace of project implementation by the Federal Government. Reflecting continued private business confidence of the economy, private sector investment increased by 18.4 per cent to reach RM57.7 billion or 66 per cent of the nation's gross fixed capital formation in 1995. The bulk of the private investment continued to be in

Continued on Page 9

THE MALAYSIAN ECONOMY

Performance in 1995 and Prospects for 1996

MESSAGE

Assalamualaikum Warahmatullahi Wabarakatuh.

Malaysia celebrates its National Day on 31st August, 1996. On this auspicious occasion I would like to extend on behalf of the government and the people of Malaysia my sincere congratulations to the government and people of the People's Republic of Bangladesh.

Thirty-nine years ago today, Malaysia emerged from the shadow of more than four centuries of a jagged history to chart a new beginning — a beginning founded on the prism of peace and stability to bring about a new meaning into the life of the young nation, having to live with the past and grapple with the problems of the future.

Today as Malaysia pause to reflect the achievements and setbacks of the past three decades, it may note with satisfaction that during this span of time, it has successfully overcome the various hurdles that came its way to move forward in keeping with the aspirations of its people in particular and in tandem with rapid developments of the world at large. In that short period of time, Malaysia has committed itself to the attainment of peace, stability and harmony and economic development and progress in line with the objective of Vision 2020, as enunciated by Prime Minister Dato' Seri Dr Mahathir Mohamad which has managed to bring about profound changes in various aspects of our national development.

1996 also marks yet another milestone in Malaysia-Bangladesh relations. Steady progress has been achieved in diverse fields. There are several exchanges of high level visits and the encouraging trend in respect of expanding bilateral trade and economic cooperation between the two countries. In this regard, businessmen of both countries are showing increased interest to explore new market potentials. Total trade is currently well over US\$60 million and is expected to increase further.

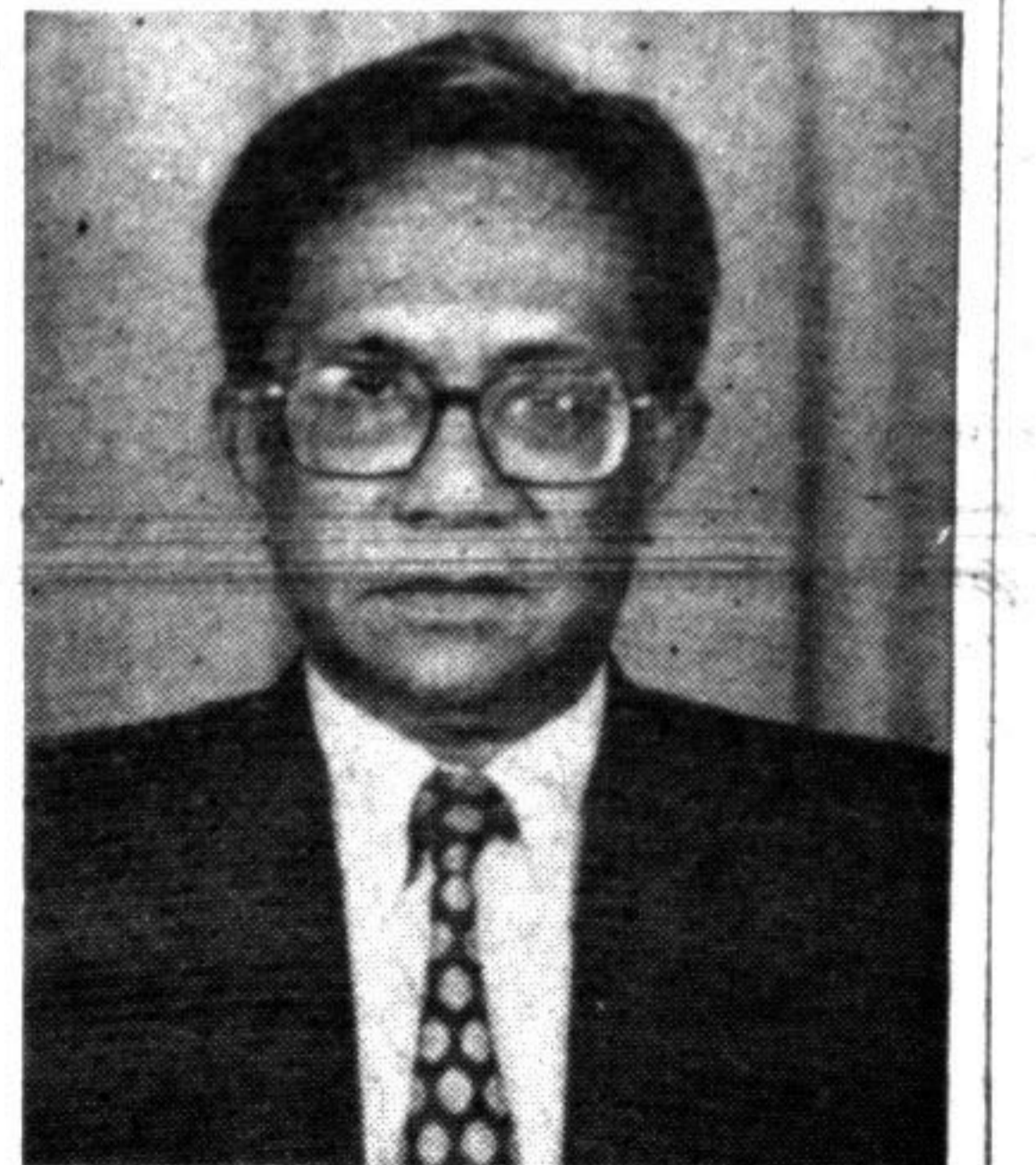
In the economic field, we are very happy to view the increasing interest of Malaysian companies in Bangladesh. The awareness among the Malaysian business circles would no doubt pave the way for the intensification of trade and commercial relations promoting the existing potentialities of both countries and encouraging direct contacts and visits between our businessmen. Malaysian investors are also beginning to make their presence felt with the establishment of an assembly plant in Chittagong's Export Processing Zone and a joint-venture company for the installation of digital electronic exchanges for the Bangladesh Telegraph and Telephone Board. Other joint venture proposals including those in the field of telecommunications, infrastructure development, manufacturing as well as in the services sector are in various stages of negotiations and implementation. It is encouraging to see that Malaysian businessmen are showing greater interest in developing long term partnership with their respective counterparts in Bangladesh.

Collaborative efforts in the field of culture, education, agriculture, administrative and technical training continue to be actively pursued by both sides within the framework of the Joint Commission (JCM) established at the ministerial level by the two governments as a vehicle to identify possible avenues of productive ventures. In line with the emphasis put forward by Dato' Seri Dr Mahathir Mohamad on "South-South Cooperation", it is earnestly hoped that such cooperation could be strengthened further for greater collaboration among the developing countries.

As it ushers in the 21st Century Malaysia will continue to forge ahead to fulfil the fundamentals of its nation building by which Malaysians of diverse cultures and traditions may have a stake in the nation's future.

Malaysia would do its utmost to further and reinforce the excellent relationship and cooperation existing between Bangladesh and Malaysia. Bangladesh, under the dynamic leadership of H.E. Prime Minister Sheikh Hasina Wajed offers yet a new hope and a new direction for a far most active and wide-ranging exchanges between the two countries. To this, Malaysia offers profound congratulations to H.E. Prime Minister Sheikh Hasina and her government, as she strives to bring a new era of stability, harmony and economic development for the betterment of the people of Bangladesh.

Long Live Malaysia-Bangladesh Friendship.
Wasallamualaikum Warahmatullahi Wabarakatuh.



Mahayuddin Abdul Rahman
High Commissioner of Malaysia to Bangladesh

The Seventh Malaysia Plan, 1996-2000

The Seventh Malaysia Plan, 1996-2000 represents the second phase of the Second Outline Perspective Plan which encompasses the National Development Policy (NDP). This is the ninth such document prepared since the nation became independent almost four decades ago. It will guide the economic and social development of the country for the next five years.

Achievements of the Sixth Malaysia Plan

The performance of the Malaysian economy during the Sixth Malaysia Plan 1991-96 was impressive. Real GDP grew at an annual average rate of 8.7 per cent, exceeding the target of 8.1 per cent. The per capita income rose from RM 6,099 or US\$ 2,255 in 1990 to reach RM 9,786 or US\$3,908 in 1995 with inflation being contained at an average rate of 4.0 per cent. The purchasing power of income improved from US\$ 5,708 in 1990 to reach US\$ 9,470 in 1995.

Success was also attained in achieving the distributional targets. The incidence of poverty among Malaysians was

reduced from 16.5 per cent of total households in 1990 to 8.9 per cent in 1995 while hardcore poverty declined from 3.9 to 2.1 per cent. The Bumiputera was able to increase their share of corporate equity from 19.3 per cent in 1990 to 20.6 per cent in 1995. In terms of absolute amount, the other ethnic groups too benefited from increased equity ownership. The Plan period also witnessed the decline in the unemployment rate to 2.8 per cent, thus ensuring virtual full employment.

Challenges

Full employment, high capacity utilization and external imbalance resulting from continuous high growth pose distinctly new and unique challenges in the management of the Malaysian economy. During the Sixth Plan period, infrastructure and labour constraints emerged and the massive imports of capital and intermediate goods added pressure on the deficit in the current account of the balance of payments. During the Seventh Malaysia Plan, macroeconomic stability and external balance have to be maintained to ensure

that the growth momentum is sustained over the medium- and long-term. At the same time, high liquidity due to large scale inflow of funds can complicate monetary management.

On the international plane, the inauguration of the World Trade Organization (WTO) means an increasingly liberal trading regime which will contribute to an expansion of world trade and strengthen the globalization process. This means there will be more players in the field and nations like Malaysia will have to increase their competitiveness by producing products at internationally competitive prices. In the past, the manufacturing sector has spearheaded the country's economic growth. To complement it, the services sector has to be further developed not only as a major catalyst for growth but also as a potential for exports of services in international trade.

For balanced development, equitable distribution of the nation's expansion in income and wealth has to be ensured by accelerating the restructuring of society, correcting socio-economic imbalances and ensur-

ing sustainable development. At the same time, the increasing social problems have to be addressed.

Development Thrusts of the Seventh Plan

In response to these challenges, the Seventh Plan will emphasize sustaining economic progress in order to strengthen the economic foundations of the nation as well as ensure the promotion of other aspects of development such as social justice, quality of life, political stability and positive social and spiritual values. The development thrusts of the Seventh Malaysia Plan entail fostering a shift in focus from an input-driven towards a productivity-driven strategy by enhancing the contribution of total factor productivity; promoting structural transformation by increasing the role of the services sector; and ensuring balanced development and restructuring society, particularly in the creation of the Bumiputera Commercial and Industrial Community (BCIC). Environmental aspects will be integrated into the development process so as to ensure that improvements in living standards are made without compromising the welfare of future generations.

Macroeconomic Targets of the Seventh Plan

During the Seventh Plan period, the economy is projected to grow at an average rate of 8.0 per cent per annum, by the year 2000, per capita GNP is expected to reach RM 14,788 or US\$ 5,905. With projected low inflation, the purchasing power of income is expected to remain strong. Per capita income measured in purchasing power parity is projected to improve further to US\$ 14,393 by the end of the Plan period.

The structural transformation will continue with the economy charting a higher share of manufacturing and services value added in GDP. The continued expansion of the economy will be buoyed by strong domestic demand with total investment expected to grow at 5.6 per cent per annum. The total public sector development expenditure amounting to RM 162.5 billion will continue to focus on providing basic amenities such as health and education as well as accelerate the development of infrastructure facilities, human resources, science and technology (S&T) and research and development (R&D) to complement activities and support initiatives of the private sector.

The public sector account will continue to be healthy. The strong economic performance will improve revenue collection and with prudent fiscal policy a balanced budget is envisaged throughout the Seventh Plan period. In addition, economic development will be expedited through accelerated privatization programme which will cover projects in the infrastructure, utilities, transport and services sectors. In the services sector, privatization will include new areas such as education and training, health services and R&D. The current account of the balance of payments is projected to turnaround towards the end of the Plan period.

Full employment will continue, stabilizing at 2.8 per cent by the end of the Plan period. The supply of domestic labour will be expanded through greater participation of females

and re-employment of retirees. Total output of skilled and semi-skilled manpower is expected to increase by 50 per cent to reach about 52,000 persons by the year 2000. As the government will encourage wider application of productivity-linked wage schemes, there will be a wage-productivity alignment to ensure competitiveness and reduce wage push inflationary pressures.

All Malaysians will enjoy greater access to social services and amenities. Education and health, which are two vital components for a better quality of life, will continue to be priority sectors. The provision of adequate and affordable housing is another important aspect in enhancing the quality of life, particularly for the low-income group. In education, the government encourages the private sector to focus its efforts on the provision of science and technology-related courses. In housing, the private sector is expected to provide 71 per cent of the total 800,000 units of houses. Out of this total amount, 25 per cent will be low-cost houses, while 43.7 per cent will be of low-medium cost.

New Dimensions of the Seventh Plan

The Seventh Malaysia Plan contains a number of new dimensions. The enhancement of competitiveness is the first new dimension. Enhanced competitiveness entail improving long-term productivity, reducing the cost of doing business and strengthening the innovative and technical capabilities to produce quality products at internationally competitive prices by skills upgrading, capital deepening, technology development and organizational improvements. The second new dimension pertains to human resource development. Herein, the strategic thrust is to upgrade labour productivity through training and retraining; promote improved managerial competence and initiative; and advance scientific and technological know-how.

The third new dimension is the strengthening of S&T and enhancing R&D so that the nation will be capable of adopting, adapting and improving imported technology whilst developing indigenous technology. As Information Technology (IT) has been recognized as a strategic enabling technology and its role is critical in decision making and global competition, the Seventh Plan sets out to promote the development of IT.

The other new dimensions relate to the expected burgeoning of the services sector, reorienting of industrial policy with stress on the global market, revamping the agricultural sector and ensuring that the development of infrastructure facilities are supply driven.

Conclusion

The thrusts of development in the Seventh Malaysia Plan not only emphasize sustaining economic progress but also focus on efforts to adopt a holistic approach that stresses on other aspects of development such as social justice, quality of life and political stability. While it is integral to focus on economic issues to provide the means to attain a better standard of living, encompassing the social, cultural and moral aspects of development will ensure continued societal harmony and progress, thus enabling Malaysia to become a developed nation in its own mould by 2020.

Heartiest Felicitations to the Govt and the Friendly People of Malaysia on the occasion of their National Day



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Our Warmest Felicitations to the Govt and the Friendly People of Malaysia on the occasion of their National Day



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