Primary focus to expand private sector

The dynamism and expansion of the private sector will be the primary focus of the government’s monetary policy in 2003, with the services and agricultural sectors expected to benefit the most.

In its Economic Report, the government said the focus of its monetary policy would be to support private sector initiatives, and help promote “dynamism and growth” within the sector, in an economy which will be “further strengthened” in the coming year.

In this respect, the direction of lending would be channelled towards private capital formation, particularly in the services sub-sectors including tourism, health and education, as well as in the agricultural sector.

The government said this re-focusing is particularly pertinent in the light of the synchronised economic slowdowns of the three major global economies of the United States, Japan and the Euro area during the past year, which has created a need to re-strategise policy to reduce the country’s over-dependence on external demand as an engine of economic growth.

It said such vulnerabilities could be minimised by pursuing domestic-driven growth strategies which would ultimately see an increased role for the domestic private sector.

According to the report, the financial and capital markets are also expected to chart a “more impressive performance” in the coming year. It added that a strengthened and more resilient banking sector has emerged following a restructuring exercise in the financial and corporate sectors which has made “significant progress”.

It said restructured companies were more focussed on core competencies, while the banking sector was “better able to ensure a healthy credit expansion to meet the financing needs of the economy, particularly in extending loans for private domestic investments”.

In addition, the financing of economic activities through private debt securities would drive a more active capital market while the equity market would recover in line with a stronger economy.