

'Inflation arrested, growth maintained'

By HARDEV KAUR

INFLATION has been arrested and despite the slowdown in the world economy Malaysia has been able to maintain growth of above five per cent annually.

Prime Minister Datuk seri Dr Mahathir Mohamad said. "Thanks to the austerity drive of the government, the fiscal and balance of payments (current account) deficits have been reduced and even reversed, and external reserves of Bank Negara has risen by nearly \$1 billion since the beginning of this year."

Speaking at a dinner organised by financial institutions in Kuala Lumpur last night he said that as the Fourth Malaysia Plan draws to a close, "we all stand at the threshold of an uncertain era." This uncertainty was manifested in many forms, both political and financial.

Likening Malaysian pessimists to the proverbial *katak bawah tempurung* or the *frog under the coconut shell*, he said they sing loudest when

they think the sky is getting dark, but forget that Malaysia remains a light in the darkness of the world recession.

On government policies, he said the government had done much to chart a steady course for the economy and to make Malaysia Inc. a reality. The government has reduced taxation, including income tax, cut electricity and telecommunications rates, and increased tariffs to assist industries.

In addition, the government had succeeded in cutting back wasteful public expenditure, lowered interest rates, reduced red tape and deregulated all round. It had also injected \$1 billion into the capital market to enable lower interest funds for key sectors of the economy.

He noted that with an oversupply of high-rise property, the business community had begun to feel the cash flow pinch and had become too obsessed with self-pity to realise that it was the right time and opportu-

ity to put their own house in order.

Efficiency and productivity remains the basis of competitiveness and vigour, yet many Malaysian businesses have been reluctant to upgrade their technology and cut wastage to stay in front. Some even ask for more subsidies and tariff protection from the government.

He stressed that the government had no intention of continuing to support inefficient industries. The government will only give protection where it is due. At the same time the government would like to see real efforts made to increase productivity and improve the quality and efficiency of Malaysian management.

The banks have not escaped the effects of rumour mills. There had been a run on some banks in the wake of a collapse of a bank in Hong Kong. Banking fiascos are almost daily in the news. Bad management and fraud had caused the collapse of banks in Hong Kong, Europe and the US.

"As in Malaysia, governments have been forced to rescue these banks in the interest of the public," Dr Mahathir said.

However, he pointed out that over the last few years, the banking industry had continued to grow despite the sluggish environment for other industries. Total employment in banking rose on an average 9 per cent annually in the 1980s, and the branch network by 6 per cent.

Value added in the financial sector had grown by 7.5 per cent between 1981 and 1984 and was expected to be maintained at about 6.5 per cent for this year and the next.

Dr Mahathir said despite all the grumbles, net profits of domestic banks last year, excluding the special circumstances of Bank Bumiputra, increased by 5 per cent while that of local banks grew by 9.4 per cent. In view of this he noted that the banking industry was "obviously both profitable and sound."