

Dr M: Govt strategies paying off

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KUALA LUMPUR, Tues. — Datuk Seri Dr Mahathir Mohamad said today the strategies the Government had devised to face the challenging times were paying off.

The evidence in the past six months had been encouraging, he said when opening the 9th convention of the Malaysian Economic Association today.

"We must not lose hope," he said.

"We have taken the necessary adjustments and have emerged leaner, but stronger and hopefully, wiser.

"In a number of areas, developments in the past six months have been strongly encouraging."

The indications were:

- Economic growth — Malaysia's balance of payments had registered a surplus, which he described as "significant". The country, he added, could look forward to another surplus in 1988;

- This year's Budget deficit was smaller, and next year's could be even smaller still;

- There had been little inflation and chances were, this would be "within prudent bounds" next year as well;

- Domestic consumption was "slowly but surely" rising;

The recent fall in stock market values will no doubt make consumption spending more cautious. But export growth remains

firm and the income effects of this continuing trend is surely positive," he said.

Manufacturing has also picked up decisively and the prospects for further direct foreign investment are improving. However, the Prime Minister was less encouraged by the level of domestic re-investment.

He said: "The signals we are getting from foreign investors are particularly encouraging. I wish I can say the same for domestic re-investment and new investment."

Capital inflow has remained strong. Despite the Oct 19 Wall Street "collapse", Bank Negara's reserves were up significantly although there were debt pre-payments by both the Government and the private sector.

Dr Mahathir said the ringgit had remained stable despite low interest rates.

"Of equal importance, of course, has been the continuing evidence of restraint and discipline on costs and wages in much of Malaysian business, especially the Government and the banking sector," he added.

He regretted, however, that the unemployment rate was "too high."

The Government, he said, would therefore go ahead with the privatisation policy to boost construction activities and create new jobs.