

03/12/1997

Mier revises economic growth forecast to 5.8pc

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THE current economic situation has led Malaysian Institute of Economic Research (Mier) to revise its forecast for the country's 1998 economic growth from the previous 7.2 per cent to 5.8 per cent.

Mier executive director Dr Mohamed Ariff said the 5.8 per cent growth is a realistic figure and it is also an achievable growth.

Ariff expects Malaysia to be able to get back to a growth of about 7 per cent by the year 2000, when the ringgit has consolidated and the balance of payment deficit has been corrected.

Recently, the Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia is expected to see the gross domestic product (GDP) growth of 6 per cent or less next year.

Speaking to reporters at the conference on "1997 National Outlook: Financial Stability for Economic Growth" in Kuala Lumpur yesterday, Ariff said: "We (Mier) think that the 5.8 per cent of the GDP growth is a real estimate. It is probably still one of the highest in the region."

He said the 5.8 per cent forecasted growth is a reasonable one because it will not put pressure on prices, wages and the balance of payment.

He added that the scaling down of the mega projects will allow the country's growth to be adjusted.

Ariff believes that the country's economy is "running a marathon" and it needs to cool off.

He said Malaysia can have a higher growth but at the expense of high external debt and other related problems.

He also said that the earlier forecast of the economic growth was based on the assumption of the continuation of the mega projects in the country.

He said for the next three years, "nobody is going to talk about it (the mega projects)".

On another question, he said: "When the economy recovers, some of the mega projects may be taken off the shelf but some may undergo considerable downsizing. "The projects will be reviewed thoroughly. It is the exercise which the Government has to take," he said

On the Bakun hydroelectric power project, which is also in the list of mega projects being deferred, he said the project is controversial even when the economy is good.

On the economic recovery, Ariff said Malaysia's economy may take two years to recover, as compared with Mexico which took three years to recover.

On Malaysia's stock market performance, he said "the worse is over".

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