

12/04/1997

PM: We'll continue to contain inflation

Jimmy Yeow

MALAYSIA will continue with policies to reduce inflation which it has successfully contained at a low level, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"We have been successful in controlling the inflation rate in the country at 3.5 per cent despite our high growth rate," he said.

"Our aim is to continue to reduce it to a bearable level," Dr Mahathir said in reply to a question from a British businessman on Malaysia's zero inflation campaign at the Malaysian-British Society and British-Malaysian Society dialogue in Kuala Lumpur yesterday.

The businessman wanted to know the secret behind Malaysia's success in keeping inflation low.

Dr Mahathir said Malaysia is working towards its very ambitious target of zero inflation.

To keep Malaysian goods competitive in the world market, Dr Mahathir said, Malaysia has to ensure its cost of production and inflation rate are kept low.

However, he said, it is difficult to control prices of imported goods.

He also said inflation and devaluation of currency are the same. "If wages go up but the purchasing power remains the same, this is meaningless. The trade unions in this country understand the situation," he said.

Malaysia is not interested in "big numbers", Dr Mahathir said, referring to the Italian lira as an example.

Malaysia has adopted several fiscal and non-fiscal measures to contain the inflation rate, such as squeezing credit spending, import substitution, tightening lending measures for the purchase of properties and shares, and encouraging savings.

The latest measure to control asset inflation made by Bank Negara is to limit commercial banks and finance companies' portfolio lending to the property sector to 20 per cent of their total loans outstanding.

For the purchase of shares and investments in unit trusts, the lending is limited to 15 per cent for commercial banks and finance companies and 30 per cent for merchant banks.

Economists say Malaysia can bring inflation below 3.0 per cent, pointing to Singapore's inflation rate, which is lower than that.

Malaysia's Consumer Price Index, which measures inflation, dropped from 4.8 per cent in 1992 to 3.5 per cent in 1993, then climbed to 3.7 per cent in 1994, and fell to 3.4 per cent in 1995 and 3.5 per cent in 1996.

(END)