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PM: Higher productivity way to offset inflation

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KUALA LUMPUR, Fri. - Prime Minister Datuk Seri Dr Mahathir Mohamad made it clear today that targeting higher productivity to offset inflation has become even more pressing in view of the current economic problems.

He said only productivity complemented by decent consumer practices could contain inflation, not the demand for higher wages on the basis of rising costs of certain imported items, induced by currency depreciation.

Dr Mahathir said: "This (seeking more wages) would only push up the production costs for goods meant for export.

"Although the higher production cost will not be reflected in terms of foreign currency, Malaysian goods will become less competitive compared to those produced by other countries which have also been affected by the currency problem.

"(Thus), The wage increase will still raise inflation, which means higher wages do not result in increased purchasing power," he told the national-level celebrations of the 1996 World Consumer Rights Day at Pusat Islam.

The celebration is aimed at enhancing consumer awareness, and forging closer understanding among traders, distributors, consumers and the Government.

The Exemplary Single Mothers Award was introduced at this year's celebrations.

The theme of Zero Inflation - Our Target has been retained for this year to ensure a stable cost of living.

In a speech which explained the links between productivity and inflation, and which warned against the dangers of excessive imports, unreasonable demands by consumer groups, and wage claims, the Prime Minister said: "As a result of currency depreciation, import costs have risen, and if exports do not grow, the country's income in foreign exchange will decline.

"This means not only our trade deficit will grow but also the cost of living and inflation will rise."

The Prime Minister said only rising productivity, either through more efficient work or higher productivity on equipment investment, could overcome inflation.

Throughout the history of modern economy, Dr Mahathir said productivity increase had always been possible.

"People good at raising productivity will succeed in competition with others, and will become more prosperous and happy.

"Thus it is important to contain inflation through increasing productivity by whatever means."

On the need to reduce imports, he said inflation concerned essential items not luxury ones.

Inflation in this country is caused mainly by the high food import bill, while food forms a large portion of the cost of living index.

"We cannot reduce the cost of imported food items, but we can consume less of it, and replace the imports with local foods.

"The same applies for other items in the cost of living index."

He said consumer groups could play an important role in containing inflation, but costs would increase if they did not act in a responsible manner and resort to excessive demands.

Citing an example, the Prime Minister said prices of goods, houses and

toll would go up if there was continued opposition from consumer associations, when they should help reduce costs.

"Actually, our cost of living can be halved if we were not obsessed with the ways of people in rich countries."

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