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Bank Negara to revise GDP growth forecast

Hamisah Hamid

BANK Negara Malaysia will revise the country's gross domestic product (GDP) forecast for the year, deputy governor Datuk Dr Zeti Akhtar Aziz said.

"But I don't think I will announce it at this point," she told newsmen when met after delivering a talk at the closed door luncheon organised by FIABCI-Malaysian Chapter, in Kuala Lumpur yesterday.

When asked on the GDP forecast for next year, Zety said: "We are entering into a recovery. We expect improvements to occur."

She was asked to comment whether this year's 6 per cent economic contraction announced by Prime Minister Datuk Seri Dr Mahathir Mohamad in Hanoi is higher than that forecast by the central bank.

In his address at the Asean summit yesterday, Dr Mahathir said Malaysia's economy would contract by 6 per cent or more this year compared with 1997.

The Government's earlier estimate on this year's GDP was a contraction of 4.8 per cent.

Meanwhile, analysts contacted by Business Times said the latest estimate is parallel to the market forecast and economists' projections.

Senior analyst at Mohaiyani Research Sdn Bhd, Encik Mohamed Amin Abdul Manap, said the latest projection is not surprising as the market forecast is between 6.5 per cent and 7 per cent contraction.

He said the earlier forecast of 4.8 per cent contraction was based on 8 per cent loan growth to stimulate economic activities.

"But it is impossible to achieve it within a short period of time. Until now, we are seeing only about 3.5 per cent loan growth by banking sector.

"To get the 8 per cent loan growth, the banking sector must come out with RM18 billion loan per month in October and November, but it is not possible to achieve," he said.

He added that even during good times, the loan growth was RM11 billion per month.

On next year's growth, Mohamed Amin said it depends on how much the banking sector is willing to lend and how much fund Malaysia could get to jumpstart the economic activities.

"The sooner we can get the fund such as from Japan, the better," he said.

A banking analyst from a brokerage firm said the latest estimate shows that the Government is recognising the projections made by the market.

"My personal forecast is 6.5 per cent contraction.

"The earlier forecast of 4.8 per cent contraction is too bullish. The figure around 6.5 per cent is more realistic and I think the Prime Minister's thinking is now in line with our forecast," he said.

Another analyst attributed the revised contraction to the banks' unwillingness to give out loans.

She said the last projection of 4.8 per cent contraction was derived because the Government is bullish that it can achieve an 8 per cent loan growth.

"But towards the year-end, we only see between 3 and 4 per cent loan growth," she said, stressing that bank loans are important to stimulate the economy and revive the most affected economic sectors such as the construction sector.

She said signs of economic recovery can be probably seen towards the end

of 1999 when the Government's efforts to stimulate economic activities start to yield results.

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