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Coming to terms with slower growth

A. Kadir Jasin

SPEAKING to Malaysian journalists in Hannover, Germany, during his three-day working visit to the CeBIT '98 exhibition last week, Prime Minister Datuk Seri Dr Mahathir Mohamad urged Malaysians to be reasonable in their expectations of the economy.

He said it was inevitable that economic growth would fall further as the currency and stock market crises started to affect corporate performance.

Dr Mahathir was preparing the groundwork for a downward revision of the growth forecast of the economy a few days later by his deputy, Datuk Seri Anwar Ibrahim.

Anwar announced in Parliament on Tuesday that the growth projection for the current year was being lowered to between two and three per cent from between four and five.

The lowering of the growth forecast does not come as a surprise. Since Anwar's December parliamentary speech, during which he revised the growth outlook from seven per cent to between four and five per cent, several additional factors have come into play to dampen the growth prospects.

Even then, many economists and observers were not convinced that the four to five per cent target was achievable. The latest projection is not only reasonable but within reach.

Given the prevailing circumstance, in particular falling public and private consumption, it is better to aim for a lower but more sustainable growth.

The more important thing is to strengthen economic fundamentals, which includes stabilising the ringgit, reviving confidence in the stock market and ensuring sufficient supply of consumer goods, especially foodstuffs, at reasonable prices.

In trying to control inflation, the authorities must be cautious not to force the supply and demand mechanism to go out of synchronisation. It is better to encourage consumers to re-arrange their expenditure than trying to maintain prices and in the process jeopardising supplies.

Telling people the truth is better than glossing over the statistics. Even if inflation does increase to eight per cent, as envisaged by the Deputy Prime Minister, it is better to let the consumers know the truth.

It is less dangerous than to lull them into believing that everything is all right, yet their purchasing power keeps shrinking and goods disappear from the shelves.