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Minus 6.8pc growth in second quarter (HL)

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KUALA LUMPUR, Thurs. - Lower output in all major sectors coupled with weak consumer spending have led to the economy shrinking by 6.8 per cent in the second quarter of this year, from a revised first quarter contraction of minus 2.8 per cent.

However, external trade surplus for the same period surged to a new record of RM13.3 billion, bringing the cumulative surplus for the first half of the year to RM22.1 billion.

The improvement reflected a continued strong export growth of 39.3 per cent against marginal import growth of 2.5 per cent, Bank Negara assistant governor Datuk Dr Zeti Akhtar Aziz said when releasing details of second quarter figures here today.

Zeti also announced measures aimed at reducing effective interest rates.

They include lower Bank Negara intervention levels in the inter-bank money market, lower reserves requirement and a new method of computing base lending rates.

Prime Minister Datuk Seri Dr Mahathir Mohamad also made reference to the figures at a meet-the-people session at Stadium Perpaduan in Kuching, Sarawak.

He urged Malaysians to be aware of the consequences should the GDP continue to drop further, and immediately abide by the Government's advice in its efforts to overcome the economic problems.

"We cannot wait until we have no money to buy essential goods like what has happened in some developing countries. We have so far been able to plan measures to improve our economy and to a certain extent, we have succeeded," he said.

At a separate function earlier, Special Functions Minister Tun Daim Zainuddin said the economy is expected to recover slightly next year, possibly growing by one per cent.

"This year (Gross Domestic Product growth) is negative. Hopefully, there will be a slight recovery next year, maybe one per cent," Daim said at the Oxford and Cambridge Roundtable dialogue on 'The National Economic Recovery Plan of Malaysia.'

Meanwhile, in Sungai Petani, Kedah, International Trade and Industry Minister Datuk Seri Rafidah Aziz said her ministry had approved 471 manufacturing projects worth RM15.15 billion in the first seven months of this year, of which 214 projects involved foreign investments worth RM5.76 billion.

For the first six months this year, 32 industries reported sales value of RM600 million and above, totalling RM95.3 billion, up RM9.4 billion or 11 per cent, from RM85.9 billion recorded during the same period last year.

Bank Negara also announced several new measures in its monetary policy. With immediate effect, the central bank has reduced its intervention rate for the three-month Kuala Lumpur Interbank Offered Rate to 9.5 per cent from 10 per cent.

Effective Tuesday, the Statutory Reserves Requirement of commercial banks, finance companies and merchant banks will be reduced to six per cent from the current eight per cent.

This will release RM8 billion into the interbank market.

On the same day, the base lending rate framework will be revised to allow for a faster transmission of changes in monetary policy on interest

rates level.

The calculation of the BLR will be based on Bank Negara's three-month intervention rate instead of the Klibor.

Zeti said the administrative margins of financial institutions that are allowed in the BLR computation will be reduced to 2.25 percentage points from 2.50 percentage points.

Under the existing framework, banking institutions are allowed to quote a maximum BLR based on the three-month weighted average Klibor rate of the previous month plus a flat administrative margin of 2.5 percentage points.

\* REALISTIC FIGURE, SAY ECONOMISTS: P22

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