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MAHATHIR-ECONOMY

M'SIAN ECONOMY CONTRACTS BY 7 PCT IN 2ND QTR

KUCHING, Aug 27 (Bernama) -- The Malaysian economy shrank by 7.0 percent in the second quarter of this year from a revised negative growth of 2.8 percent in the first quarter, Datuk Seri Mahathir Mohamad said today.

Growth in the first quarter had been revised from an earlier figure of minus 1.8 percent.

Analysts had said the shrinkage, especially in the second quarter, had been caused by the economy receiving the full brunt of the regional financial crisis.

The economy had expanded by 6.8 percent in the last quarter of 1997 and analysts said the narrower fall in economic growth in the first quarter of this year had been due to the "carry-over" effects of the 1997 strong fourth quarter performance.

They said the third quarter was likely to see a better performance following measures taken by the National Economic Action Council through the National Economic Recovery Plan.

At a meet-the-people gathering here, Dr Mahathir said Malaysia must make preparations from now to avoid a catastrophe from which it would be most difficult to recover.

"If it declines further, we will feel the effects, just as we would feel relieved when the economy grows," he said.

He said the government had worked out plans to revive the economy and they had shown some results.

In many other countries which were attacked by currency speculators, banks and industries, including giants such as Hyundai of South Korea, had been forced to close, causing people to lose their jobs.

"It has not happened to us yet but has already affected our neighbours where some 24 million people are out of jobs...their banks and companies have gone bankrupt and the people have lost their sources of income and are unable to buy even necessities," he said.

"We cannot wait until we are in such a plight. We have to act now and work out strategies, for what has happened to our neighbours can also happen to us."

Dr Mahathir said that some Sarawakians must have seen the living conditions of people in a neighbouring country due to the economic crisis, some even having to dispose of their possessions to buy food.

However, he said there were still many people in Malaysia who had not yet understood the problems faced by the country as they had not felt the impact of the economic crisis.

He said the government's plan to revive the economy had shown some results because the country had not bowed to the International Monetary Fund (IMF) as expected by the foreign media.

"They said that we will eventually bow to the IMF, but no...we have continued to manage our economy our own way," he said.

Dr Mahathir said Malaysia would try to revive banks and companies which could help reactivate the nation's economy.

Dr Mahathir, who arrived here today for a two-day working visit, said the government would repay its loans although it was forced to pay a higher rate of interest following the downgrade of the country's credit ratings.

About 7,000 people attended the session at Stadium Perpaduan at Petra Jaya to hear Dr Mahathir speak on the state of the economy. Sarawak is his

last stop in his efforts to inform Malaysians of the situation.

On the speculative attacks on the ringgit, Dr Mahathir said the country's gross domestic product had dropped to US\$40 billion compared with US\$100 billion before the financial crisis erupted in July last year.

Per capita income had also deteriorated to US\$2,000 from US\$5,000 previously.

He said although currency manipulators had reaped between US\$5 billion and US\$10 billion, the country had seen a loss of US\$60 billion within a short time as a result of their actions.

Their attacks on the Kuala Lumpur Stock Exchange had also adversely affected certain listed companies, he added.

Dr Mahathir said Malaysia was attacked by rogue speculators because the country, together with Thailand, Indonesia and South Korea, were rich, making them attractive targets.

"What they see is that Malaysia is rich enough to be robbed...you don't rob poor countries...that is why poor countries are not attacked and their currencies not devalued," he said.

The prime minister said the regional economic problem would eventually affect the giant companies in developed countries like aircraft maker Boeing because the impoverished Asian countries could not buy new aircraft and even had to sell their existing planes off.

Dr Mahathir said that he was grateful to the people for giving their full support to the government.

He reiterated that they should exercise prudent spending and buy less imported goods.

He also expressed his appreciation to workers in the country for not resorting to industrial action like holding strikes which could derail the economic recovery process. -- BERNAMA

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