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Signs of economic recovery

THE measures were ingenuous. Recommended by the National Economic Action Council and implemented by Bank Negara on Sept 1, the measures were crafted to kick-start the economy that contracted by 4.8 per cent in the first half of this year. The economic initiatives were several.

One was the move to insulate the ringgit against the wild swings in exchange value, triggered by the tradings of avaricious hedge fund managers in the foreign exchange market. Conversely, the measure pegged the local currency to a fixed rate to the US dollar. Thus the measure cut the Gordian Knot of the complexities of foreign exchange and foreign exchange trading.

And the Government did more. It reversed earlier monetary policies. It introduced policies to ease interest rates by releasing more funds into the financial system by reducing the Statutory Reserve Requirements of financial institutions, from eight to four per cent. Which was an injection of RM16 billion. This move was to quicken listless lending to spur business activities, productive business activities.

All these measures were pooh-poohed, initially, by many. Including the US administration and the International Monetary Fund who were quick to declare that these initiatives, labelled quick-fix plasters, would not work. They would not nurse back the ailing economy. But work, they have. At least signs are many that the economy might just be reviving.

First, the reflation measures that nudged financial institutions to lend to productive sectors are having telling effects. As the Prime Minister, Datuk Seri Dr Mahathir Mohamad, noted last Thursday, sales of cars have been energised. Monthly sales volume of 5,000 cars in previous months has spiralled to an estimated 12,000 for the month of September. That is a good sign, a very good sign. Add to that the fact used cars sales, moribund until last month, are now buoyant. For instance, sales in the Sunday market organised in Petaling Jaya now average 12 cars, up from the previous average of five.

Second, the construction industry has been rejuvenated. Applications by developers for loans from the RM2 billion revolving fund, managed by the Syarikat Perumahan Negara, now has piled up to more than 130. Approval has been given to 46 builders of low- and low-medium cost projects. Only the tardy disbursement of credit by financial institutions is holding up the speedy recovery of this vital cog of the economic machinery. But the Government is not a silent observer. As Housing and Local Government Minister Datuk Dr Ting Chew Peh said on Sunday, the National Housing Department has been directed to act to speed up disbursement of funds to approved applicants.

Third, and more significantly, the manufacturing sector is manifesting definite signs of recovery. As Second Finance Minister Datuk Mustapa Mohamed said on Sunday, the semi-conductor and textile industries are on the recovery trail, driven by increasing demands from importers. The demand stems from the stability of the ringgit against the US dollar.

All these are clear manifestations that the measures the Government put into place on Sept 1 and earlier are working. How much these signs would translate into gross domestic product growth only time would reveal. But they, collectively, indicate that the economy is back on track. Recovery might be sooner than later.

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