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PM-GDP

GDP FOR FIRST QUARTER TO CONTRACT BY 1.5 PERCENT, SAYS DR MAHATHIR

By: Mikhail Raj Abdullah

KUALA LUMPUR, May 27 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that Gross Domestic Product (GDP) growth for the first quarter of 1999 will contract by a lesser margin of 1.5 percent, after having contracted by 8.1 percent in the last quarter of 1998.

He said GDP growth will however move into the plus territory in the second quarter of this year aided by government spending which will help spur economic growth.

"Malaysia is well placed to achieve a positive one percent growth for the whole of this year," Dr Mahathir told Bernama in an exclusive interview after calling on King Mswati III of Swaziland, who is here on a private visit.

"The first quarter growth is an improvement, no doubt, compared with the 8.1 percent contraction registered in the last quarter of 1998, but it is still not a positive growth.

"But in the second half of this year we expect economic growth to correct itself and enter the plus territory," Dr Mahathir added.

Malaysia recorded a painful 6.7 percent contraction in 1998, after contractions of 2.8 percent in the first quarter of last year, 6.8 percent in the second quarter and 9 percent in the third quarter and 8.1 percent in the last quarter.

Bank Negara Malaysia in its annual report for 1998 said growth for 1999 could be close to two percent based on efforts to hasten the comprehensive restructuring of the banking and corporate sectors as well as those to raise the utilisation of excess capacity in the economy.

Dr Mahathir, in explaining further said first quarter growth was not going to be good because most ministries will only be speeding up their expenditure of allocations in the second half of the year.

"We allocate funds for development but the ministries are not able to expend the money.

"If we don't spend the money, of course it will not contribute towards economic growth... that's what has pulled back growth," he added.

But in the second half of the year, Dr Mahathir said government departments will usually be spending at a much faster rate and that will contribute towards GDP growth. -- BERNAMA

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