

09 JUN 1999

1ST QTR-GDP

1ST QTR GDP STILL NEGATIVE BUT BY A SMALLER MARGIN

KUALA LUMPUR, June 9 (Bernama) -- The first quarter gross domestic product (GDP) growth will remain negative but the negative figure will be smaller, said the head of the National Economic Action Council (NEAC) secretariat, Dr Sulaiman Mahbob.

He said the official figure has yet to come out but it will be a "small negative", adding that "the GDP contracted slightly year-on-year during the first quarter but showed positive growth compared to the previous quarter".

Speaking at the luncheon forum on "Economic Recovery in An Exchange Control Regime: The Malaysian Experience" organised by the Malaysian Association of Corporate Treasurers here today, Dr Sulaiman said the GDP growth will move into the plus territory in the second quarter of this year.

He expressed confidence that the second quarter growth would be better with figures in the third and fourth quarter expected to be stronger.

Prime Minister Datuk Seri Dr Mahathir Mohamad had said recently the 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.

Asked on whether the government intends to further lower interest rates, Sulaiman said: "All I can say is that it depends on the supply and demand (of money) and inflation."

But he was quick to point out that interest rates in the next 6-12 months are expected to stay "quite subdued because supply is flush, demand is picking up and inflation low".

Meanwhile, the inflation as measured by the consumer price index (CPI) has been brought under control from five to six percent during mid-1998 to below three percent in March and April 1999.

"The indication is that it will be even lower in the coming months given the negative producer price index (PPI) through January to March this year," he said.

Touching on the performance of the country to date, after the announcement of the selective controls and fixed exchange rates on September 1, Dr Sulaiman said "there has been discernible positive changes".

He added that consumption, sales, production had registered positive trends since the last quarter of 1998 and early 1999.

Dr Sulaiman said the majority of firms reported the exchange controls had no negative effects on their investments, exports, imports and business operations.

"A sizeable percentage (21-28 percent) reported positive impact while only a small minority (seven to nine percent) reported negative effects on investments, exports and business operations," he said.

He also said Malaysia does not expect "a massive outflow of funds" in September when foreign investors can repatriate their money without any exit tax.

"There is no reason for foreign investors to repatriate their money as the economy is improving and the stock market is growing in strength," he said.

However, there are still some areas of concern such as the need to increase greater domestic demand by both the public and private sectors, Dr Sulaiman added.

To this end, he said companies should take advantage of the current low interest rate regime to re-energise their businesses as their cost of funds will be very low. -- BERNAMA

AA LPS