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Mahathir-Economy

ONE PER CENT GROWTH FORECAST STAYS, SAYS DR MAHATHIR

KUALA LUMPUR, Sept 23 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said the government's forecast of a gross domestic product growth of one per cent for this year will be maintained.

While there were forecasts by various quarters that the economy would achieve a growth in excess of three per cent this year, the government's would continue to be conservative, he said.

Dr Mahathir said this when pledging allegiance on behalf of the government and people at the installation of Sultan Salahuddin Abdul Aziz Shah Alhaj Almarhum Sultan Hishamuddin Alam Shah Alhaj as Malaysia's 11th Yang di-Pertuan Agong (paramount ruler) here today.

The prime minister's statement came amidst an International Monetary Fund (IMF) report that Malaysia could expect an economic growth of 2.4 per cent this year and 6.5 per cent next year, aided by fiscal and monetary stimuli.

In its World Economic Outlook, the IMF noted that Malaysia's imposition of currency controls and pegged exchange rate had contributed to the good results, but warned that both policies needed to be reviewed "as the recovery progresses".

The IMF's Outlook, a twice-yearly review of member states' economies, was released in Washington Wednesday.

The IMF had earlier this month admitted that Malaysia's once-controversial capital controls had brought good results, acknowledging that such "nonstandard" methods could, after all, be justified in countries facing mounting investor pressure.

In its report, the IMF said Malaysia, South Korea, Indonesia, Thailand and the Philippines should end up with a substantially better economic performance this year and next than estimated earlier this year.

Dr Mahathir said that selective capital controls introduced in September last year have been successful in curbing currency speculators from continuing to depress the value of the ringgit and destroy the country's economy.

"Other measures such as reducing interest rates and raising liquidity in the banking system have successfully managed to stimulate the country's economic growth," he said.

Dr Mahathir said economic recovery steps, taken by the government since recession hit the country in July and adversely affected economic growth, have begun to bear fruit.

"The economy now continues to post strong recovery while investor confidence including those of foreign investors continues to rise," he said.

"The government is confident that with the people's sincere and unrelenting efforts and cooperation from all, the economy would fully recover much earlier, God willing," said Dr Mahathir.

Although the country was committed to and supported the concept of free trade and globalisation, the government would not allow irresponsible quarters to abuse them and in the process jeopardise the country's economy, he said.

As such, the government would continue to use international fora to alert the international community of the dangers of free trade and uncontrolled currency speculation, Dr Mahathir added.

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