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MAHATHIR-ECONOMY

ONE PERCENT GROWTH FORECAST STAYS, SAYS DR MAHATHIR

KUALA LUMPUR, Sept 23 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that the governments' forecast of a gross domestic product of one percent for this year will be maintained.

He said that while there were forecasts by various quarters that the economy would achieve a growth in excess of three percent this year, the government's forecast continues to be conservative.

He said this in his pledge of loyalty and congratulatory speech on behalf of the government and the people at the installation of the 11th Yang di-Pertuan Agong at Istana Negara, here.

Dr Mahathir's statement comes amid an International Monetary Fund (IMF) report which said that Malaysia could expect an economic growth of 2.4 percent this year and 6.5 percent next year, aided by fiscal and monetary stimulus.

In its World Economic Outlook, a twice-yearly review of its member states' economies which was released in Washington Wednesday, the IMF noted that the country's imposition of currency controls and a pegged exchange rate had contributed to the good results, but warned that both policies needed to be reviewed "as the recovery progresses".

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 control measures 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 has successfully managed to stimulate the country's economic growth," the Prime Minister said.

Dr Mahathir said that the country was hit by the recession since July 1997, which adversely affected economic growth, economic recovery steps taken by the government have begun to bear fruit.

"The economy now continues to post a 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.

He said that although the country is committed and supports 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.

As such, the government would continue to use international fora to impress upon the international community to be aware of the dangers of free trade and uncontrolled currency speculation, Dr Mahathir said.--BERNAMA

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