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GDP-MAHATHIR

2ND QTR GDP COULD BE BETWEEN 2-3 PCT, SAYS DR MAHATHIR

KUALA LUMPUR, Aug 4 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad says that Malaysia's gross domestic product (GDP) for the second quarter of this year could grow by between 2.0 and 3.0 percent.

"I think it is definitely going to be plus and not minus, between 2.0 and 3.0 percent, but I can't confirm," he told reporters after launching the second National Economic Consultative Council here today.

The 2-3 percent growth projection is a clear indication the economy is recovering after a painful recession last year when it contracted by 7.5 percent and by a lesser margin of 1.3 percent in the first quarter of this year.

Bank Negara had said recently that that the country was already out of recession judging from the GDP growth of 1.4 percent recorded in the February to March period this year compared with the same period in 1998.

Analysts attribute Malaysia's quick recovery to the National Economic Recovery Plan which stimulated business activity and the selective capital controls which insulated the economy from financial instability.

On the possibility of a massive outflow of funds from Sept 1, 1999 when the levy on the repatriation of foreign capital expires, he said: "If they want to take their money out we allow that."

However, he said that Malaysia has generated enough international reserves to withstand the outflow.

He also said that the government had taken measures to attract long term foreign investments into the country.

Turning to the 3.8 percent decline on the Kuala Lumpur Stock Exchange today, he said it had fallen in line with other bourses in the region.

Asked whether the planned amalgamation of over 20 local banks into six had contributed to the drop, Dr Mahathir said: "Investors make up excuses when they want to sell and give every reason they can think of when they want to buy."

"I told them long ago, do not push the market too high because it is not good. Share prices should reflect the performance of companies," he said.

He also said that the consolidation of the domestic banks into six is needed to form stronger and more competitive banks.

"We need stronger banks. I suppose we should try it," he said.

On his upcoming trip to China on Aug 18-20, 1999, he said the aim was to further enhance bilateral trade and investment linkages.--BERNAMA

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