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Mahathir-GDP

SECOND QUARTER GROWTH CAN TOUCH THREE PER CENT, SAYS PM

KUALA LUMPUR, Aug 4 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia's gross domestic product (GDP) for the second quarter of the year could grow by between two and three per cent.

"I think it is definitely going to be plus and not minus, between two and three per cent, but I can't confirm," he told reporters after launching Mapen II, the second National Economic Consultative Council here today.

The two to three per cent growth projection clearly indicates a recovering economy after a painful recession last year when the GDP contracted by 7.5 per cent and by a lesser margin of 1.3 per cent in the first quarter of this year.

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

Analysts attributed 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 had 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 per cent 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 was 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 from Aug 18-20, he said the aim was to further enhance bilateral trade and investment linkages.

-- BERNAMA

AD MR RYN