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### Stronger GDP growth expected

THE Gross Domestic Product growth for the second quarter of this year is expected to be stronger than the first quarter, said the head of the National Economic Action Council Secretariat Dr Sulaiman Mahbob.

Prime Minister Datuk Seri Dr Mahathir Mohamad was recently quoted as saying that the GDP growth for the first quarter will contract by a lower margin of 1.5 per cent after having contracted by 8.1 per cent in the last quarter of 1998.

Although the official figures have yet to be released, Sulaiman said the GDP contracted slightly on a year-on-year basis during the first quarter.

Speaking during a dialogue session held in conjunction with a luncheon talk on "Economic Recovery Under Fixed Exchange Rate and Capital Control Environment" in Kuala Lumpur yesterday, he said the GDP growth for the first quarter will remain negative.

The talk was organised by Malaysian Association of Corporate Treasurers.

"We are confident that the second and third quarters of this year would be stronger," he said, adding that Malaysia's recovery will be slow but sustained unlike that in South Korea.

Asked whether there was a possibility of further reduction in interest rates, he said: "It all depends on the supply and demand in the banking system and inflation."

However, he added that the rates are expected to stay "quite subdued because supply is flush, demand is picking up and inflation is low".

Earlier, Sulaiman said there were discernible positive changes in the economy since September last year with consumption, sales, production and exports registering positive trends since the last quarter of 1998 and early this year.

The bottoming out and the recovery of the economy contributed to the notable reduction in employee retrenchment numbers in the country from about 6,000 to 7,000 per month last year to about 2,000 to 3,000 per month this year.

Job vacancies have also improved to between 7,000 to 10,000 per month in the last three months.

The overall balance of payments has improved largely as a result of import contraction as well as a pick up in exports performance.

"We do not also anticipate a massive exodus of capital this September based on the increasing trends of net inflows observed since February," he added.

He said a study by the Federation of Malaysian Manufacturers indicated that the majority of firms agreed that the selective capital controls had no negative effects on investment, exports, imports and business operations.

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