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GDP growth for Q2 will be 9pc, says Dr M

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MALAYSIA's gross domestic product (GDP) growth for the second quarter of this year will be about 9 per cent, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

Although lower than the 11.7 per cent registered in the first quarter, Dr Mahathir said "it (9 per cent growth) is still a good figure".

The Government, he said, is still projecting a 5.8 per cent growth for this year although some quarters have forecast higher growth.

"We are conservative...the Government remains conservative (in the GDP projection)," he told newsmen after opening the two-day Malaysian Structural Steel Association's convention in Kuala Lumpur yesterday.

He was asked to comment on the government's prediction of the country's second quarter economic growth for this year.

Several economists have predicted a higher economic growth of the country.

A Reuters poll of 10 research houses showed that the country's economy is expected to expand by 7.5 per cent in 2000 and 6.2 per cent in 2001.

Analysts contacted by Business Times yesterday said the second quarter growth estimate by Dr Mahathir is within expectations.

One analyst predicted the second quarter GDP growth to be between 9 and 10 per cent while another said the market expectation hovers between 8 and 10 per cent.

An analyst with a Kuala Lumpur-based securities firm attributed the growth to the expansion of the manufacturing sector.

This is indicated by the Industrial Production Index (IPI), which is expected to grow about 20 per cent during the second quarter as shown by the April and May IPI indices. The Statistics Department yesterday released the IPI figures for May 2000, which showed a 19.3 per cent increase to 185.3 points compared with the index in May 1999, making it the 10th consecutive double-digit rise since August last year.

"We will also see steady growth as exports are quite strong, particularly with the electrical and electronics sector picking up by year-end," the analyst said.

K & N Kenanga head of research Seow Choong Liang said for now people are predicting more than the official forecast of 5.8 per cent GDP growth for the year.

He said the forecast is driven by growth in all sectors, particularly manufacturing and services.

Asked whether the economy is moving too fast, he said the strong growth registered in the second quarter could be due to the lower base as the country has just come out of the recession.

Seow does not see any inflationary pressure in the economy this year, especially with the Government subsidising the price of petrol.

"A lot of overseas inflation is due to oil prices, while in Malaysia it is a controlled item," he noted.

He foresees a moderate GDP growth next year of between 5 and 6 per cent, with an economic outlook of "not so fast and not too inflationary".

Meanwhile, comment was not available from the Malaysian Institute of Economic Research, which will release its own GDP figures on July 20.

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