

Malaysia will not slip into recession, says Mahathir

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KUALA LUMPUR: Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia will not slip into a recession as its diversified economic base will cushion the impact of a slowdown in the electronics industry.

"Unless something catastrophic happens, the figures do not show that we are going into recession. We are different from Singapore," he told reporters after launching the Malaysian Electric Power Forum 2001 yesterday.

Mahathir said Malaysia can fall back on its commodity trade, services industry and manufacturing sector to soften the impact

of the sharp slowdown in the global electronics industry which has dragged Singapore into a recession.

The export-driven island-state has slipped into a technical recession after its gross domestic product (GDP) for the second quarter contracted about 0.8% year-on-year.

Malaysia's GDP grew by 3.2% in the first quarter and the prime minister had last month indicated that the GDP figure for the second quarter would be about the same.

Mahathir, who is also the finance minister, said he does not expect a large budget deficit next year.

"The deficit will not be very big but we have the money to fund it because we expect to collect quite a lot of corporate and income tax," he said.

Mahathir said companies are still making good profit, some even up to a billion ringgit, despite the economic downturn.

The prime minister also met with about 40 local and foreign fund managers in a closed-door dialogue organised by Commerce International Merchant Bankers after opening the forum.

He said the fund managers were interested to know the policies in the country that could affect their investments as well as

efforts to attract more foreign direct investments (FDI).

"They want to be sure that the government won't impose any conditions. They want us to be more open and bring in more FDI. They want foreign companies to be allowed to own 100% equity of Malaysian companies," he said.

On the Bakun hydroelectric project, Mahathir said the government has yet to decide on Tenaga's stake in the RM9 billion project.

"At the moment, the Bakun project belongs to the government but the private sector is welcome to take part," he said.

Earlier in his speech, Mahathir

said the government will continue to advocate the promotion of a renewable energy source to ensure a reliable power supply to meet the demand for electricity, which is expected to grow by more than 117% to 21,668MW in 2010.

He said a government study shows that the country can save more than RM5.8 billion over five years if the industrial and commercial sectors were to improve their energy use efficiency by a mere 10%.

Mahathir said the country must make use of its considerable amounts of biomass wastes, notably in the palm oil and wood industries.