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PM says Q3 GDP grew less than 1%

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KUALA LUMPUR: Prime Minister Datuk Seri Dr Mahathir Mohamad said economic growth in the third quarter was less than 1% compared to the year-before period, as the Sept 11 attacks in the US prolonged an export slump.

This follows 0.5% growth in the second quarter from a year earlier, the slowest pace in two years, as manufacturers cut production and jobs after shipments of semi-conductors and electrical goods to the US slumped.

"Third quarter will be about the same as the second quarter, maybe slightly more," Mahathir told reporters. He said it would be "less than 1%".

Bank Negara will announce third-quarter figures on Nov 22.

Some economists say the economy will face a crunch in the last two quarters as the global economy reels from the effects of terrorist attacks, forcing chipmakers like Intel Corp and Advanced Micro Devices Inc to cut jobs or close factories in Malaysia.

"It will be a surprise to actually see growth at all," said Lee Heng Guie, an economist at HLG Securities Sdn. "The trends in trade and industrial production don't support this, and we have a high growth base in the same period last year."

The government is banking on a RM7.3 billion plan to mitigate the drop in electronics exports. Growth is expected to slow to 2% this year from 8.3% in 2000.

The government is also putting RM873 million into consumers' pockets by cutting individual income tax and giving civil servants a 10% pay raise in its budget next year, hoping consumer spending will boost economic growth to 5% in 2002. - Bloomberg