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## Boost for confidence

THE cut in Bank Negara's key lending rate and the allocation of another RM1 billion ringgit for small development projects show the Government's determination in cushioning the country against the economic impact of the terrorist attacks in the United States. This is a two-pronged policy prescription which will build confidence in all sectors of the economy and enhance resilience among consumers and producers. These are trying times and the Government is easing the financial burden on the people, encouraging them to spend and enabling the businessmen to pay less when they borrow.

Even though the fundamentals of the Malaysian economy remain strong, it is prudent to adopt pre-emptive measures in anticipation of a more difficult world environment. The RM1 billion approved this week is in addition to the RM3 billion economic stimulus package in March this year to counter the effects of a US economic slowdown. Prime Minister Datuk Seri Dr Mahathir Mohamad is expected to announce the RM1 billion allocation next week. The figure was given by the Minister in the Prime Minister's Department, Datuk Seri Dr Rais Yatim, as RM500 million. This disclosure is not only premature, it borders on presumptuousness. Announcements of this nature are better left to the Prime Minister or his deputy.

Lowering the key lending rate by 0.5 per cent to five per cent will encourage consumers to spend, investors to invest and businesses to continue to expand. The worst thing that can happen to a country during lean times is when people pull back from spending on consumption or investment out of fear of the uncertainties. This sets off a chain reaction which will bring about the self-fulfilling prophesy of an economic slowdown.

So far we have only come to grips with the human cost to the US arising from the attacks. But the attacks have their economic and financial consequences which will slow down the already fragile US economy even further and push it into a full blown recession. Being the world's strongest economy and the largest importer, the world will eventually catch an economic flu. Even before the terrorist attacks, the US and the world economy had been slowing down and everyone had been warned of an impending slowdown. The only question was its severity and how long it would last. Retrenchments, production cutbacks and even factory closures had already started as the economy slowed and lower imports by the US began to bite into the economies of the world.

There were hopes earlier that the cyclical slowdown in the production and exports of electronic and semi-conductor products would be over when the US economy picked up again. However, a quick recovery is now unlikely. The terrorist attacks have suddenly shaken consumer confidence in the US, which relies significantly on consumer spending to stimulate its economy. Poor consumer sentiment will be translated into reduced consumption.

Malaysia is less vulnerable to a recession in the US compared to other countries because the economy is broad-based, thanks to oil and commodities. We will nevertheless be hit. It is therefore vital that we take measures to absorb the effects and keep the economy going. Government agencies and departments must spend their allocation expeditiously if the additional funds are to have their intended effect in stimulating the economy. We have to spend to stay afloat.

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