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MUSTAPA-GDP

GDP GROWTH OF 5 TO 6 PCT STILL ATTAINABLE, SAYS MUSTAPA

KUALA LUMPUR, April 17 (Bernama) -- The five to six percent Gross Domestic Product growth estimated for this year is still achievable, although some have forecast lower levels of growth, says Datuk Mustapa Mohamed, Economic Adviser to the National Economic Action Council.

"That target is achievable with pump-priming and other measures to counter slowdown in the economy," he told reporters after launching Affin-UOB Securities web and wap wservices here today.

He said last month the government announced 14 pre-emptive measures to boost the economy, including a RM3 billion supplementary budget.

Bank Negara Malaysia was in the possession of the data for the first one month to one and half month of this year when it released its report a few weeks ago revising the GDP growth from 7.0 percent to 5-6 percent, he said when asked whether the first quarter GDP has been factored into the target growth.

Yesterday, Prime Minister Datuk Seri Dr Mahathir Mohamad said the first quarter GDP could be lower than expected.

On the increase in budget deficit resulting from the additional RM3 billion spending, Mustapa said the overall deficit to GDP ratio would increase marginally but was still within acceptable limit.

The deficit is manageable as external debt burden is very low, he added.

"Our borrowing is still very low and saving is high. The measures ensure continued growth to ensure enough business, enough employment opportunities," he added.

He expects most of the borrowings to finance the deficit would come from domestic because Malaysia's saving rate was still high and there are untapped funds, such as the Employees Provident Fund (EPF) and the banking system.

On the Government's latest decision to allow EPF contributors to choose whether to reduce their contribution to nine percent or remain at 11 percent, Mustapa said it was the result of the Government listening to the views from all quarters.

"We understand that there is a sizeable number of workers not happy with the move to cut contribution," he added.

The pump-priming measures announced last month include reducing the EPF members' contribution from 11 percent of their salary to nine percent in order to encourage people to spend more, but that met with objection from some workers.

"We hope there will be increased consumption. In this environment, if people have money and they do not spend it, that is also not good for the economy," said Mustapa. -- BERNAMA

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