

27 MAR 2001

MAHATHIR-GROWTH

GDP GROWTH FOR 2001 TO BE REVISED DOWNWARDS

KUALA LUMPUR, March 27 (Bernama) -- The Gross Domestic Product (GDP) growth of seven percent for 2001 is expected to be revised downwards in view of the US economic slowdown but Malaysia would still be better off than many other countries, said Prime Minister Datuk Seri Dr Mahathir Mohamad.

Speaking to reporters after announcing the pre-emptive measures to overcome the decelerating external demand at the Parliament House here today, he said the growth would likely be lower at five or four percent.

However, if the pre-emptive measures taken are successful, a growth of six percent could be attained for 2001, he added.

He said the revised growth was still being worked at as the fall in the Dow Jones Industrial Index was much more than anticipated and bound to affect the local economy.

Among the measures announced today, would be to increase fiscal stimulus by about RM3 billion in addition to the RM28.8 billion already approved under Budget 2001. This was expected to increase GDP growth by 1.1 percentage point.

On whether the interest rates level would be reduced further to spur economic activities, he said the rates were already quite low and were helping the business sector gain access to funds.

"We may reduce if necessary but at the moment, it is not necessary," he added.

The measures announced today also called for financial institutions to achieve an eight percent loan growth annually.

To a question whether banks would be reluctant to lend money, he said he was aware of the problem as the government had difficulty in persuading them to lend money during the economic crisis.

He said the banks would be over-prudent and not lend money easily but Bank Negara would oversee their performance.

Another measure announced today to encourage consumption, was the reduction in the employees' contribution to the Employees Provident Fund (EPF). The amount would be reduced by two percent from the current 11 percent to 9 percent) for a period of one year effective April 1, 2001.

To this, Mahathir said there would be some people who would not be happy with the measure eventhough the reduction was considered minimal.

EPF, he added, had among the biggest collection in the world. "We collect about RM1.6 billion a month, so a slight reduction like this, would not affect the total amount managed by EPF. In fact by end of the year, total funds would exceed RM200 billion," he said.

On retrenchment, especially by electronic firms affected by the US economic slowdown, he said retrenchment was not massive but the government had taken a stance that any retrenchment should involve foreign workers first.

Relating a point of concern, the Prime Minister said that the number of Indonesians trying to get into country might aggravate the current situation but the government would have to be strict to ensure that this would not happen. -- BERNAMA

SHO SD