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Parliament-Mahathir (Economy)

MALAYSIA'S ECONOMIC FUNDAMENTALS REMAIN STRONG- DR MAHATHIR

KUALA LUMPUR, Oct 8 (Bernama) -- Malaysia's economic fundamentals remain strong with low inflation and Producers Price Index (PPI) despite the effects from the slowdown in the United States Economy, the Prime Minister, Datuk Seri Dr Mahathir Mohamad, told Parliament today.

"This means Malaysia is still a competitive nation," he told Ronald Kiandee (BN-Beluran) during Question Time in the Dewan Rakyat.

As of Sept 29 this year, Malaysia's external reserves stood at US\$29.7 billion (RM112.86 billion) sufficient to finance 4.6 months of retained imports.

He said the government would continue to ensure that the wellbeing and prosperity of the people were guaranteed.

The Government had the capacity and the means to overcome this new economic crisis, Dr Mahathir who is Finance Minister said.

Dr Mahathir said the Sept 11 attacks on the United States had changed the world economic scenario and had shaken the international trade and financial market and Malaysia too was not spared from the ill effects of the economic slowdown of its trading partners.

He said the attacks on the United States also affected the world's major stockmarkets which suffered continued decline including the KL Composite Index which dropped 10.9 per cent between Sept 11 and 28.

The stock markets in other countries also dropped-- in Singapore it was by 15.8 per cent, Manila (12.9 per cent), Jakarta (11.9 per cent), Bangkok (16.1 per cent), Seoul (11.3 per cent) and Taipei (12.9 per cent, he said.

The Prime Minister said Malaysia's latest growth rate would be announced in the Budget for 2002 to be tabled on Oct 19 and was expected to be even lower than the seven per cent projected in this year's Budget.

Malaysia's exports were expected to dip because of less encouraging external demand and it was the same in the area of foreign investment.

"The transport, insurance and tourism industries are also affected and costs of trade will go up due to increased freight and insurance rates," Dr Mahathir said.

On the RM4.3 billion economic stimulus package announced on Sept 25, in addition to that announced in March, Dr Mahathir said it was aimed at increasing domestic spending to balance the reduction in the flow of external trade.

Dr Mahathir said among the measures contained in the additional package was a RM1 billion allocation for the implementation of minor development projects in the rural and urban areas.

The Federal Government had directed these projects be apportioned among Class E and F contractors and among non-Bumiputera contractors in new villages.

Replying to Datuk Mohd Ali Hassan (BN-Tebrau), Dr Mahathir said the allocations for next year's Budget would take into account economic developments in the United States since the beginning of this year till the Sept 11 attacks.

The Prime Minister said Asean heads of government would discuss the problems arising from the slowdown in the world economy and its effects on their countries at the Apec summit in Shanghai later this month.

--BERNAMA

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