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PARLIAMENT-BUDGET

MALAYSIA CAN RECORD POSITIVE GROWTH IN 2001, SAYS DR MAHATHIR

KUALA LUMPUR, Dec 6 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad says Malaysia will be able to record positive growth for the whole of this year with the implementation of the RM4.3 billion fiscal stimulus package despite the 1.3 percent contraction in the third quarter.

However, the prospects for 2002 depends a lot on external factors which were still difficult and challenging, he said when tabling the Supply Bill (2002) at the Dewan Negara here today.

He said that economic growth has to be driven by domestic activities in view that the global economy was expected to experience a slowdown.

"What the country needs to register growth for the whole year are higher consumption and exports," and exports in October were higher, he told a press conference later.

Exports rose 4.34 percent to RM28.8 billion in October from September.

(As such), "I am hopeful there will be growth," he said.

He said: "Already there are signs of tourists coming back. In many areas there are positive signs."

In the 2002 Budget tabled in Parliament in October, Dr Mahathir had said that the 2001 economic growth has been revised to 1-2 percent from 5-6 percent previously.

To achieve a positive economic growth for the whole 2001, what is required is "to grow by just a little bit," he said.

"But remember in the fourth quarter of 2000, we achieved a very high growth rate. It is difficult to achieve that," Dr Mahathir said.

Although the third quarter growth was negative, the Prime Minister said Malaysia managed to avoid slipping into recession in the first nine months of this year.

During the nine months, Gross Domestic Product was still positive at 0.7 percent, compared with several countries in the countries which were in recession.

He cited Singapura, which recorded a negative growth of 0.5 percent in the second quarter and 5.6 percent in the third quarter, and Taiwan, whose economy shrank by 2.4 percent in the second quarter and 4.2 percent in the third quarter.

Dr Mahathir said that the RM7.3 billion fiscal stimulus allocated for 2001 would help pull the economy.

"We are lucky because we have funds to inject a big amount of money to help the country's economic growth," he said.

Dr Mahathir said that over RM3 billion of the stimulus package has been spent with more to be spent towards the year-end as the government makes payments for the various projects implemented under the package.

He said that the fiscal stimulus package should be spent this year, but acknowledged that due to implementation machinery problems, there would be some shortfalls.

As such, he said the government was streamlining its implementing machinery to ensure that allocations in the 2001 Budget and the additional allocation of RM7.3 billion under the stimulus packages were spent.

Asked whether there will be a fresh stimulus package, Dr Mahathir said that "there will not be any until the end of this year as the government has made the necessary expenditure and provisions."

Dr Mahathir said the country's continuing strong economic fundamentals has given the government the flexibility to implement the fiscal stimulus

programme.

Among them include Malaysia's international reserves which were stable at RM116.5 billion or US\$30.7 billion at end-November, exceeding the country's short-term external debt by six times.

The country also recorded a trade surplus for the 48th consecutive month between November 1997 and October this year while the current account balance of payments was in surplus at 7.9 percent of the Gross National Product (GNP).

He said that net Foreign Direct Investment (FDI) inflows have also started to increase again, rising by RM3.8 billion in the third quarter -- the first increase in FDI since the first quarter of 2000.

Besides this, the banking sector was strong with the risk weighted capital ratio (RWCR) at 12.7 percent, more than the 8.0 percent set under international standards, while the level of non-performing loans (NPLs) were still under control, at 8.2 percent at end-October.

Inflation pressures were also low at 1.4 percent between January and October.

Dr Mahathir said the government's move to stimulate the economy was sensible as the macro-economic fundamentals were strong.

"Although this was questioned by international financial institutions, developed countries also resorted to similar moves when confronted with a similar situation," he said.

Under the stimulus package, construction of government buildings and quarters for the Ministries of Health, Defence and Police were going on aggressively.

He also said that road maintenance works in industrial areas would be started immediately.

Dr Mahathir was also asked on a claim by opposition Member of Parliament for Kemaman Abdul Rahman Yusof, during the debate session yesterday, that the official GDP figure for the third quarter released recently was misleading.

Abdul Rahman had said that the country was actually experiencing recession even before the third quarter's 1.3 percent contraction.

Dr Mahathir said: "It is easy to say, but prove it that we are wrong. These are figures accepted by the whole world and Malaysia does not hide anything."

He said that when a contraction was posted in the third quarter, the government explained the negative growth while for the 0.5 percent growth (recorded) in the second quarter, the government did not claim it to be a 10 percent growth. -- BERNAMA

SHO/MAD MKO/MR