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Spending will strengthen economy: PM

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CONTINUED spending by consumers and companies will strengthen the domestic economy amidst a global economic slowdown, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

"The reason we are pumping in money is because we want people to spend. This is why the Government is pushing projects, to distribute money among the people. And if they keep it, then of course we are not going to stimulate the economy.

"They should be moving the money all the time," he said at a press conference in Putrajaya to announce a new RM4.3 billion stimulus package.

Dr Mahathir said companies too should expand their businesses if they see there is potential.

"In fact, we would like Malaysian manufacturers to seek a bigger market for themselves. Once they have been given jobs outside the country they can source most of their needs from Malaysia," he said.

Consumer spending has a multiplier effect on other economic activities, an economist with a local stockbroking firm explained. If people spend more at retail outlets for example, these businesses will continue to get income.

"Business activities related to retail will also benefit. These include transportation of goods, banks, and manufacturers that make the products which consumers buy," he said.

And when companies perform well, the Government's tax revenue will also increase, which can then be used to finance development projects.

"If domestic demand is there, companies can even invest in expanding their businesses. At the moment, some export oriented companies have to deal with surplus inventories," the economist added.

Malaysian Retailers-Chains Association president Datuk Chin See Keat suggested that consumers think positively and spend wisely.

"Whatever happens (in a war) it is not within our control. Life goes on," Chin said, adding that consumers should continue with their normal routine.

"The local economy needs consumer spending," he said. "Caution is good but do not panic."

At the press conference, Dr Mahathir said spending is crucial for the success of the new stimulus package, designed to reduce the impact of external factors and enable Malaysia to register gross domestic product growth of 1-2 per cent this year.

Earlier, he said the Government has also issued 5,000 new licences for petty traders in Kuala Lumpur.

On the city's squatter problem, the Prime Minister said the Government hopes to relocate all of them to some 35,000 units of flats now being built by 2003.

"The problem is often not with providing housing, but because they are very choosy of where to move. We cannot build flats where they want. We can only place them where we have land and can build the flats," he said.

To ensure that vacated squatter settlements are not taken over by new occupants, Dr Mahathir said the local authorities have been directed to demolish them once the squatters move out.

"We will also show signs of occupation, such as putting up fences or turning the area into parks. That is why you don't see squatters in Taman Tasik Titiwangsa, even though it is a large open area," he said.

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