

10/06/2003

Economy responding well to stimulus package, says PM

Zaidi Isham Ismail

MALAYSIA'S economy has responded well to the Government's recently announced RM7.3 billion stimulus package, Datuk Seri Dr Mahathir Mohamad said.

The Prime Minister said that if the local stock market index is used as

an indicator, it seems that people have responded well to the package.

When Dr Mahathir, who is also the Finance Minister, announced the

third

stimulus package on May 21, the Kuala Lumpur Stock Exchange Composite Index (KLCI) went up by 3.41 points, or 0.5 per cent, to close at 640.37 points.

Since then, the KLCI has risen almost 7 per cent, or 44.04 points, to close at 684.1 points yesterday, its highest this year.

Dr Mahathir said that while the local stock market normally moves up or

down depending on the Dow Jones Industrial Average, there are signs that the KLCI is decoupling from the US stock market.

On May 28, the KLCI closed 11.9 points higher, or 1.8 per cent, to 664 points from 652.1 points before, while the Dow Jones closed 81.94 points lower, or 0.9 per cent, to 8,711.18 points from 8,793.12 points before.

"So I think the stimulus package is a good thing," Dr Mahathir told reporters on the sidelines of a dialogue session in Putrajaya yesterday.

Dr Mahathir had earlier chaired the third closed-door session of Budget

2004 with the country's socioeconomic sector, consisting of non-governmental organisations (NGOs).

Analysts and dealers had said that the KLCI is likely to stay above 680

and may hit the 700-point mark in the near term, as indications are that market sentiment will improve.

The Government's third stimulus package is aimed at cushioning the impact of the Severe Acute Respiratory Syndrome and the recently ended war

in Iraq.

In his opening speech at the dialogue, Dr Mahathir said that he hopes the stimulus package will enable Malaysia's gross domestic product to exceed the forecast 4.5 per cent growth for 2003.

He also said Malaysia's 782 NGOs should continue assisting the Government in the implementation of various social programmes and not deviate by getting involved in politics.

Dr Mahathir noted that in the last Budget, almost half, or 43.5 per cent, amounting to more than RM16 billion was allocated for

socioeconomic development.

He said the allocation was spent on facilities and infrastructure such as hospitals, clinics, schools, rural roads and meeting housing needs.

In the latest stimulus package, a RM5.6 billion micro-credit scheme was

announced.

Dr Mahathir said the country's quality of life had improved with a per capita income of RM14,000, purchasing power parity of US\$8,800 (US\$1 = RM3.80), electricity supply coverage of 98 per cent, and water supply coverage of 93 per cent.

The Government had also succeeded in reducing the poverty rate from 16.7 per cent in 1990 to 5.5 per cent in 2000.

"The hardcore poor in Malaysia constitutes not even half a per cent in 2000 compared with 3.9 per cent in 1990, while the Life Quality Index has increased 8.4 per cent."

Dr Mahathir said input from the socioeconomic sector is important because it contributes to a healthy society, which in turn will spur a robust economy.

He added that negative developments such as drug abuse, incest, crime, pornographic video compact discs, vandalism and domestic violence need to be eradicated to build a healthy society.

NGOs participating in the dialogue yesterday included National Council of Women's Organisations Malaysia, Persatuan Pengasih Malaysia, Majlis Belia Malaysia, Persatuan Pencinta Alam Malaysia, and Amanah Ikhtiar Malaysia.

The dialogue aims to gather input from Malaysia's various sectors for a balanced and comprehensive Budget 2004, to be presented in September.

The theme of the Budget is "Mitigating Destabilising External Environment and Ensuring Sustainable Growth".

Dr Mahathir is scheduled to hold the final Budget 2004 session with Menteri Besar and Chief Ministers this afternoon.