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#### INTEREST RATES & COMPETITION MAY AFFECT COMPANY RESULTS

By: Jeffri Rafiee

KUALA LUMPUR, Sept 4 (Bernama) -- "Not many surprises" was the statement often used by most investment analysts when asked to comment on the results of companies for the half year ended June 30, 1996.

"So far, they were as expected or higher," one of them said.

He attributed the good corporate performance reported so far by the companies listed on the Kuala Lumpur Stock Exchange, whose financial periods end on Dec 31, to the country's sustained economic growth of more than eight percent per annum.

"But then, you cannot make anything from interim results," one said, adding that "It's the full year results that count."

When asked on other factors that would affect corporate performance for the full year and that of 1997 in general, the analyst said, "Actually, it wouldn't be fair to comment on companies' results in general."

For example, he said Powertek Bhd, Malakoff Bhd and Tenaga Nasional Bhd, have different sets of fundamentals while factors affecting their performance were also different although they were all mainly engaged in electricity generation.

Generally, companies that have low borrowings and are engaged industries that face less competition would perform better, analysts and industry sources said.

They were of the view that corporate performances were expected to be weighed down by high interest rates and stiffer competition, amidst sustained high economic growth.

Specifically, companies in the finance sector are expected to record sterling performances as they would directly benefit from higher interest rates, an analyst said.

As Arab-Malaysian Group chairman Tan Sri Azman Hashim put it, "this is good for business" when he referred to Arab-Malaysian Finance Bhd's immediate prospects.

On interest rates that had been widely expected to ease on the back of the country's high liquidity, the analysts felt that a decline in interest rates were unlikely to happen soon although the recently published money supply figures indicated in that direction.

Bank Negara said on Monday that on annual basis, broad money aggregate of M3 grew 25.1 percent in July 1996 compared to a growth of 22.9 percent June.

"They were higher than expected," said an analyst on the money supply statistics. "Based on that, Bank Negara is likely to prop up interest rates through intervention in the money market, but not in an aggressive manner."

He said interest rates would be kept steady and not likely to decline despite the ample liquidity.

Meanwhile, Malaysian Investors' Association president Dr P.H.S. Lim said the government had done very well in managing the country's high liquidity.

He commended Prime Minister Datuk Seri Dr Mahathir Mohamad who had said that raising interest rates was not the best way in managing liquidity.

"Malaysia's way in absorbing liquidity is by launching unit trusts," Lim said referring to the recent launching of Amanah Saham Wawasan 2020 which offers RM3 billion worth of unit trusts.

On half year results reported by listed companies so far, Lim said they were "good". "On average, I see a 22 percent growth."

He cited the country's sustained economic growth, excellent export growth and strong home consumption as the main factors that contributed to the good performance.

On the sector that had performed best, he singled out the stockbroking industry. "Their performance for the half year exceeded that of the whole of last year," he said.

He also favours the banking, food and beverages, building materials, plastic-based and wood-based industries.

"But, if you want to speculate on the stock market, the second board still has the highest potential because of its small capital base," Lim said.

On the manufacturing industry, the Federation of Malaysian Manufacturer chief executive officer Tan Keok Yin said the results of manufacturing companies in general, "is still on an improving trend".

On the subsectors that performed best, he said, "I suppose they are industries that are connected to the growth sectors like construction and infrastructure."

"Of course, competition in both domestic and international markets have, to some extent, eroded some of their earnings' growth but still they are profitable," he said.

He said Malaysian manufacturers would soon face even stiffer competition in the domestic market as there would be a more liberal environment where imports would come in more freely under AFTA (Asean Free Trade Area).

"Even in our own backyard we have to be internationally competitive," he said.

He said the financial results of well managed companies and those which had planned out their business strategies would be on target, if not exceeding their target.

Tan said some large companies had begun to do a lot of trimming in terms of excess staff in order to be "lean and mean" in the face of stiffer competition.

Generally, he said Malaysian companies had taken cognizance of the different forces and environmental factors.

"I say we must watch out for the cost of operations and the final answer to that is to improve on your quality and raise your level of productivity and cost efficiency and so on - that is the best answer," he said.

"To be efficient manufacturers and exporters, we must cut the cost every component of the economy, everybody around the value chain before Malaysia can be internationally competitive," said Tan.

While manufacturers were doing the best to cut costs, he said they were also concerned about the utility suppliers like Tenaga Nasional in raising its tariffs as well as telecommunication tariffs, transportation, haulage and sewerage charges which would affect their cost of doing business. --

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