

14 SEP 1997

Funds-Confident

FOREIGN FUND MANAGERS CONFIDENT OF MSIA'S LONG-TERM PROSPECTS

KUALA LUMPUR, Sept 14 (Bernama) -- Foreign fund managers are now more reassured about the long-term prospects of the Malaysian economy and feel the government has put in place the right policies to tackle some of its economic woes, especially that of the persistent current account deficit.

And their faith in the economy has been further bolstered by first-hand information on the country's future policy thrust given by Prime Minister Datuk Seri Dr Mahathir Mohamad during a 90-minute dialogue here today, just nine hours after he returned from a working visit to Mongolia and Kyrgyzstan.

At the session held at Sri Perdana, the 60-odd fund managers from the United States, United Kingdom, Singapore, Taiwan and Hong Kong sympathised with Malaysia's recent predicament, particularly the volatility in the stock and currency markets.

James Alexandroff, from the fund management firm of Arisaig Partners from Singapore, said: "Nothing Dr Mahathir said gave us any cause for concern...on the contrary, we were reassured in many ways and we are more confident about the economy now that the right policies are being undertaken."

"Now, its a question of time as to how long the market would take to readjust to a fair value," he told a news conference after the dialogue at Bukit Kiara, here.

However, he said, foreign fund managers would take time to return to the market as some issues still needed to be resolved.

They include the re-valuation of the market coupled with the difficulty to predict next year's corporate earnings, given that the economy might slow down slightly and "in terms of book value, (stock) prices are not that cheap."

David Roche, from Independent Strategy, a London-based firm, said the biggest problem facing Malaysia now was confidence..."it needs foreign direct investor confidence, confidence by Malaysians that things are going to get better so that they put their money in the country."

To overcome this, three major things need to be done, including a definite move to run a bigger fiscal surplus.

This would have a direct bearing on the current account by raising the national savings rate..."I think those moves are in place," he said, adding that cuts in government expenditure and delay of big projects had already been announced.

The second thing that had to happen is that the decline in the value of the ringgit, by as much as 20 per cent against the US dollar, should not result in domestic inflation, he said.

He said Malaysia should use the currency decline as an opportunity to increase exports and improve returns on capital.

This meant that the people had to stand firmly behind the government in not asking for wage increases, but that any raise should be accompanied by an increase in productivity, he said.

Lastly, Roche said, foreign investors, especially those dealing in goods and services, and not currency traders, "have the confidence in the currency... that it has stabilised, that monetary policy is supportive of the currency and that things are getting better."

"If these three elements fall into place, we can have a very quick bounce back not only in the ringgit but also in the financial markets, as

well as in confidence," he said.

Sean Chan of TCW, a Hong Kong fund manager, said Dr Mahathir's clarification of what he viewed as speculation and manipulation was consistent with what he had been elaborating on the past few weeks.

As institutional fund managers, "we manage pension fund assets and are long-term investors and as such, we are affected by volatility, so we prefer to see long-term stable growth in Malaysia rather than erratic or volatile economic periods," he said.

On the country's economic projections, Alison Bruce, of Murray Johnstone, a UK firm based in Singapore, said: "I think the right numbers are well in place and numbers for 1997/98 have been out and this to some degree would be affected by domestic policy but the world economy has also to be taken into account."

Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim said last week that Malaysia would be able to achieve a growth rate in excess of eight per cent for this year and in 1998 despite the economic problems.

Roche said that while Malaysia's long-term economic growth projection was envisaged at 7.5 per cent under the country's five-year development plans, "now, maybe it could be a little less and necessary adjustments might have to be made..there is no panic about that, it is perfectly normal.

He likened Malaysia's need to scale down on big projects and possibly the slower economic growth to that of accelerating a motor car.."if you want to shift to a higher gear, you have to slow the engine down, that is what is happening." -- BERNAMA

MR NZ JK