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Funds perked by meeting with PM

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LOCAL and foreign fund managers have expressed confidence in the long-term prospects of this country's economy and financial market after meeting Prime Minister Datuk Seri Dr Mahathir Mohamad yesterday.

During the 90-minute closed-door meeting at Sri Perdana, the Prime Minister's residence in Kuala Lumpur, the fund managers were "reassured in many ways" about measures being taken by the Government, particularly in dealing with the current account deficit.

The confidence stems from "right policies being used (by the Malaysian Government)", a press conference was told after the meeting.

Dr Mahathir, who had just returned from a week-long visit to Mongolia and the Kyrgyz Republic, met with some 50 foreign and local fund managers. Four of the fund managers met with reporters after the meeting.

They said the meeting focused on domestic policies and measures to stabilise the markets.

When asked how he felt about the meeting, Mr James Alexandroff, who represents Singapore-based Arisaig Partners, said:

"Foreign investors will take time to come back to the market. I think there are still the issues of revaluation of the market, and next year's (corporate) earnings are very hard to predict because the economy might be slowing. In terms of book value, (share) prices are still not that cheap.

"But we are confident now that the right policies are being used and it is just a question of how long it takes for the market to readjust to a fair value."

Alexandroff said he was impressed by the Prime Minister. "(Dr Mahathir) understood all the issues and there was nothing he said which gave us any cause for concern."

He said the Prime Minister also "reassured us in many ways that measures will be taken, particularly to deal with the current account deficit."

Dr Mahathir, Alexandroff added, also implied that it was unlikely that more measures such as credit curbs would be introduced.

When asked how Dr Mahathir reacted to the concerns voiced by the fund managers, Alexandroff said: "In a positive way."

David Roche, managing director of London-based Independent Strategy, when asked what would constitute a good growth rate for Malaysia in the light of recent events, likened the current economic situation to a Proton car.

"When you shift to a higher gear to accelerate, you have to slow down a little bit. That is what's happening now.

"So no panic about it. It is perfectly normal for the car to slow down during the gear shift so that it can move faster and achieve better balance later.

"Malaysia's long-term plan is to achieve a 7.5 per cent growth rate, but you have been growing at 8 per cent. Maybe you can grow less so that necessary adjustments are made," he said.

Hong Kong-based TCW Asia Ltd's managing director, Mr Shaun Chan, said what is important is not the growth rate but the definition of a sustainable growth to achieve a containable level in the imbalance of the balance of payments.

Earlier, when asked if the issue of economic growth was discussed during the meeting, Alison Bruce of Murray Johnstone (Asia) Pte Ltd, the UK firm based in Singapore, said: "Numbers were not the main focus of the

meeting". Discussions centred on the thrust of the policies and measures already announced by Malaysia.

On whether numbers would have been preferred by the fund managers, she said: "The 1997 and 1998 numbers had been planned out and would in some degree be affected by the direction of domestic policies. But there are other things, and it is unfair to expect the domestic policies to handle such issues as the global economy and the export side."

Chan added that institutional fund managers are interested in long-term portfolio investments and would prefer a long-term stable growth rather than erratic spikes.

"On this point, there is sympathy as we are equally affected, in our own way, by activities of speculation," he said.

Asked what they thought was Malaysia's biggest problem, Roche said: "Confidence. Malaysia needs to instil confidence that things will get better and (investors) can invest their money here."

The Government, he said, has done this by moves to raise the national savings rate, cut government expenditure and delay some major projects.

Foreign investors and international traders in goods and services, Roche said, must keep faith and support the policies of the Government.

Malaysians, on their part, should support the Government's measures by not pushing up wages. Salaries should be based on productivity. There is also need to ensure that the depreciation of the ringgit does not lead to inflation.

Roche said there are, in fact, opportunities for Malaysia to gain from the weaker ringgit "by increasing exports and returns on capital".

The fund managers flew in from the US, Europe and Asia for a three-day conference organised by PhileoAllied Securities. The fund managers met Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim last week.

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