

16/06/1997

## Reading the signs

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THE Kuala Lumpur stock market has recovered slightly after experiencing a crash in share prices caused by investors' fear over the political and economic climate of the country.

When Prime Minister Datuk Seri Dr Mahathir decided to take a two-month leave from work, speculation ran rife as to the reason for such a long vacation. Investors soon realised he just wanted a rest.

The stock market started to recover some ground while watching closely Acting Prime Minister Datuk Seri Anwar Ibrahim's management of the country. Anwar's actions in continuing the fight against corruption, engineering wealth distribution and sustaining the economic growth momentum laid by Dr Mahathir are certainly reassuring to investors.

Then with Bank Negara coming down hard on financial institutions there was fears over the health of the economy. The central bank's recently released impressive first quarter figures and the huge monthly trade surplus proved critics wrong. For the first three months of 1997, Malaysia's gross domestic product (GDP) expanded by 8.2%, inflation was low at 3.1% and the trade surplus of RM2 billion was the highest since 1993.

With such positive figures backed by sustained growth in the country's manufacturing, construction and services sectors and a recovery in export demand, the stock market is expected to soon build up a meaningful base to rally in the third and/or fourth quarter of this year.

As an assurance of the government's sound economic policy, the Pacific Economic Cooperation Council in its 1997/1998 Pacific Economic Outlook report stated Malaysia's growth momentum may pick up again in 1998 after a slowdown in 1996 and consolidation in 1997. It added inflation could still be contained below 4% despite some increase in the current account deficit next year.

Corporations continued to report better profits and unveil new projects and expansion plans.

The banking sector got a much-needed booster via AMMB Holdings Bhd, which reported a 60.35% increase in pre-tax profit of RM1.02 billion. The New Straits Time Press (M) Bhd's pre-tax profit jumped 39% to RM104 million for the first half-year. Infrastructure giant Renong Bhd posted a pre-tax profit of RM405 million for the first nine months to March 31 1997.

The recovery in share prices was reflected by the market barometer, the KLSE Composite Index, which rose 24.66 points in May to close at 1,104.83. The all-share Emas Index improved 2.18 points to 313.74 while the second board rose an impressive 10.06 points.

Total turnover on the main and second boards was 4,836.77 million units valued at RM33,055.28 million compared with April's total of 5,957.62 million units valued at RM38,845.77 million.

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