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Malaysia-Ratings

RATINGS BY INT'L AGENCIES ON M'SIA OFF THE MARK, SAY ECONOMISTS

KUALA LUMPUR, Aug 6 (Bernama) -- More local economists and analysts are criticising international rating agencies for their poor ratings on Malaysia, saying that they failed to consider the country's economic potential plus wide-ranging measures the government has taken to revive it.

They say there has been no serious deterioration in either Malaysia or the government's debt-servicing ability and that the sound management of the economy previously has placed Malaysia in a better position to face the economic slowdown compared with other regional economies.

"It's a matter of time before all these measures, including those under the National Economic Recovery Plan, begin to bear fruit and investors, particularly those who are sophisticated, would return sooner than later," said the corporate advisor of the SungeiWay Group of Companies and former banker Tan Sri Ramon Navaratnam here today.

Commenting on the rating agency Thomson Bankwatch's downgrade of Malaysia's sovereign risk rating to BBB from A- today and Moody's and Standard and Poor's credit downrating of the country last week and in pointing out their inaccuracies, Navaratnam said ratings by those agencies showed their inherent contradiction in the analyses.

"I think the rating downgradings are too much. These agencies are downgrading us by three notches at one go," said Universiti Sains Malaysia's (USM) Associate Professor of Finance Dr Subramaniam Pillay.

He said a downgrade on Malaysia might be appropriate if it was only by one-notch, but if it was more than one notch "then it is not justified."

Arab-Malaysian Securities Sdn Bhd executive director Mustafa Mohamad Nor was of the view that international rating agencies should give a longer period of observation and not merely assessing the so-called "well-known facts of the economy."

"They should not assess the current situation but should highlight most of the efforts taken by countries affected by the turmoil. The measures would not yield immediate results but in about six to 12 months," he said.

The president of the Malaysian Economic Association, Dr R. Thillainathan, said recently that international rating agencies were either over-cautious or had become too slavish to the dictates of every twist and turn in the market place.

"There has been no serious deterioration in either Malaysia or the government's debt-servicing ability," he told a presentation for some 50 economists on Monday.

This was even after taking into account the country's increased external borrowing requirements, he said.

Meanwhile, Prime Minister Datuk Seri Dr Mahathir Mohamad today criticised international credit rating agencies for undermining Malaysia's economy by downgrading the country's credit standing.

Navaratnam, in sharing the prime minister's view, said that international credit rating agencies were like bad economists who said contradicting things in the same breath.

"They see the need to downgrade Malaysia but on the other, they say Malaysia has a good track record.

"If these rating agencies are seen to be following the herd instinct rather than leading, then it is time for the rating agencies themselves to be assessed," he said.

Citing recent suggestions in Japan, Navaratnam said the Japanese wanted

to form their own assessments of the agencies.

"The recent Japanese initiatives to rate the quality of Western rating agencies is a good move and should be backed by other Asian economies," he said.

"In time, hopefully, we will not have to depend on Western rating agencies alone that may well be inter-locked with Western multinational agencies and have vested interests or hidden agendas," he said.

He felt that those agencies would soon be recognising the need to differentiate Malaysia from many other countries in the region.

Asked about his own assessment of Malaysia, he said: "I believe that those investors who have been in Malaysia and those who are considering investing in Malaysia will soon realise that they'd better come in fast to re-invest in Malaysia or they may 'miss the boat'."

Subramaniam labelled the rating downgrade on Malaysia as an "over-reaction", not unlike their previous "over-optimistic" outlook on the country before the financial turmoil erupted.

"They did not downgrade us early enough, (so) now they have to compensate it (by downgrading Malaysia significantly). They are just being over-pessimistic...I don't think there is any conspiracy involved here," he said.

He said that even though the Malaysian economy was much weaker at present, the actual situation was not really as bad as portrayed by those rating agencies.

"Our government had faced budget surpluses for the past few years...we also made no foreign borrowings recently," he said.

In addition, Subramaniam said some sectors of the economy were actually doing well despite the current economic crisis, such as plantations, export-oriented manufacturing and multi-national corporations.

Mustafa, meanwhile, said the negative assessment may upset the confidence-boosting measures adopted by these countries in trying to restore their ailing economies.

"The international rating agencies should not provide opportunities for currency traders, for example, to make use of the opportunity to make money and worsen the economy.

"What they should do is to stay out but come back to assess in six to 12 months and evaluate the steps and measures taken by the government, whether it is improving the economy (or not)," he said.

Thillainathan nevertheless said there were good reasons for a downgrade, but not one from A+ to BBB between mid 1997 and now when referring to Moody's and Standard and Poor's credit downrating of Malaysia last week.

He believed that Moody's and S&P's downgrades were dictated by the poor perception of Malaysia's long-term fundamentals on their part.

During the entire currency and economic crisis which began since July 1997, these agencies had been slavishly revising their ratings to keep up with market sentiment.

They had become too dependent or obedient to the market, he said.

"If these agencies try to keep up with markets even during the phases when they are overshooting, without paying adequate attention to underlying fundamentals, then one is led to conclude that either the agencies are being over-cautious or otherwise they have become slavish to the dictates of every twist and turn in the market place," he said.

The Far Eastern Economic Review, in a recent editorial, commented that the National Economic Action Council's recovery plan did not entirely lack virtue although the ratings downgrade had made it all the more difficult to realise the recovery.

"True, we would have liked to have seen further liberalisation, such as

raising the 30 per cent foreign ownership cap on local banks. But we were pleasantly surprised by the decision to relax the 30 per cent minimum Bumiputera equity rule governing listed companies," it said.

The editorial said it wondered if the ambivalence with which some had greeted the recovery plan was completely justified or was it a case of pessimism following pessimism.

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