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Economic recovery picks up steam

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THE signs are there. The banking industry is gathering strength and on-going reforms are placing local banks in a better position than many others elsewhere in Asia.

And the indices point to other encouraging developments.

Malaysia's savings rate is still one of the highest in the world. The manufacturing sector, especially export-oriented segment, remains strong. So, too, the plantation sector.

The construction industry is picking up, particularly for infrastructure development and medium-cost and low-cost residential property, propelled by the Government's home ownership campaign. And, it is now far easier to get bank loans - and cheaper, too.

Motor vehicle sales - a prime indicator of consumer spending power - have shot up and even the car rental business is seeing a slight improvement.

Another encouraging sign is Malaysia's external reserves which have risen by US\$1.4 billion to US\$31.2 billion in the last two weeks.

The KLSE Composite Index is showing an upward trend, hitting 791.91 points last Wednesday, a far cry from Sept 1 last year when it wallowed at 262.7 points.

With these encouraging signs, Malaysia's growth is expected to bounce back from the recessionary state to two per cent this year and four per cent in 2000, while workers' productivity level is expected to grow by 3.3 per cent from a decline of 1.8 per cent last year.

That the economy is recovering seems clear, despite sluggishness in some areas. This is the general opinion of various people interviewed - economists, share market analysts, property valuers, manufacturers, retailers, tour agents, car dealers, car rental operators, fishmongers and vegetable sellers to housewives.

"The manufacturing sector is recovering faster than most people anticipated. The electronics sub-sector, in particular, will likely be the main contributor to the manufacturing sector," says Nor Zahidi Alias, chief economist with Kuala Lumpur City Securities Sdn Bhd.

"Personal computer shipments from the Asia Pacific region, excluding Japan, for instance, have grown by seven per cent in the fourth quarter of 1998, the highest quarterly growth ever recorded.

"We foresee that for the whole of 1999, shipments from Asia Pacific (excluding Japan) will expand by at least 15 per cent."

Nor Zahidi says recent figures (April 1999) also indicate that this sub-sector has been the driving force behind the 16.4 per cent year-on-year growth in exports.

Recent improvement in stock market sentiment would also bring benefits to the services sector, which represents about 44 per cent of the country's gross domestic product.

"We, therefore, believe that these two sectors will bring the growth rates back into positive territory in the next few years."

Says economics lecturer Associate Professor Dr Mahani Zainal Abidin: "The indications (of recovery) are there - in the banking, manufacturing and plantation sectors, the housing industry, motor vehicle sales, the stock market, the external reserves ... all these continue to remain strong or are picking up."

She observes that the number of retrenchments is also much lower now

than the peak in last June.

"The public must first be confident of the Government's economic recovery measures and think of venturing into long-term investments like buying houses."

There are lessons to be learnt from the economic crisis, she says, which should prompt the public to venture into productive investments rather than speculative ones.

"We should also be looking at economic growth in a different way now. Mindsets have to change. We can't simply build and build until we can't sell," adds Mahani, referring to the commercial/office space market as well as the high-end residential property market.

While recovery may be painfully slow for some, like the retail business in the shopping complexes, Malaysians generally feel that the Government has done a good job of containing the problem.

SAYS TA Securities analyst Francis Tan: "A lot of things happened in 1998. It was an unusual year, but unlikely to be repeated in a long time. The Government has undertaken some unorthodox measures such as the banking reforms and other capital controls but with remarkable results nevertheless."

"The Government has done whatever it could to prevent the economy from sliding further. It has indeed done an excellent job," says Nor Zahidi.

From a strict academic point of view, he says, a combination of lax monetary policy and an expansionary fiscal policy will yield a maximum output in the economy.

"The Government has been trying whatever it could with the limited resources to revive the economy on top of the political challenges it is facing," says Mohd Sani Yusof, senior vice-president of Welloff Ventures Sdn Bhd, which supplies food products to supermarkets, hotels and restaurants.

"As a businessman, I can only say that this is a good time to invest to spur the economy because costs such as office and factory rentals have gone down."

Although the economy might have seen its worst late last year, he and his partners decided to come in because they saw it as an opportune time.

"We have had our share of problems. But whatever we have not been able to collect yet from our investments, we balance off by creating new businesses like concessionaires, supplying to wholesalers, taking over certain sections of the supermarkets, and by operating at pasar malam as well as supplying to the traders at these spots.

"We will be able to see the fruits of our investments in about three years' time," he says.

Buoyed by the imminent economic recovery, Welloff Ventures is planning to set up its own retail chain.

As for the car rental service industry, a lot of inquiries have been received over the last few months, according to the vice-president of the Car Rental Association Malaysia, Kelly Ng.

"The car rental business depends on the influx of tourists and foreign investors and expatriates. When they find that the opportunities are here again, they would come in.

"The infrastructure will be there as companies will need to buy or rent cars, and rent condominiums and bungalows.

"We have not felt the full impact yet as business has only slightly picked up. But we expect it to be better by the year's end."

He says the worst was last year when the interest rates on car loans were between 12 and 13 per cent. But this has come down to seven or 7.5 per cent, thus car rental companies feel encouraged to purchase new cars.

While the burden of house and motor vehicle buyers are reduced to a

certain extent with the lower interest rates, senior citizens and others who depend on interest payments (around three to 4.5 per cent) on their fixed deposit savings are feeling the pinch.

"Their income has been reduced and some lost money in the share market during the crash. They are suffering," says Lum Kin Tuck, 82, the president of the National Council of Senior Citizens Organisations Malaysia (Nacscom).

But not all are affected by the low interest rates on fixed deposits as some depend on rentals from their property.

"It is hard for people to survive with a few hundred ringgit in pension. So, we hope employers will provide job opportunities for the elderly such as in the eateries, book shops and toll booths," says Lum.

He says the economic crisis has made it all the more urgent for associations like Nacscom to address the issue of financial security, especially in old age.

Together with Universiti Malaya, Nacscom will be organising a seminar on poverty and ageing in September and another on financial security in old age in October, teaching the public how to plan for retirement from the early years of one's career.

Taxi drivers also complain of reduced earnings as there are fewer tourists and drinkers to pick up from hotels, bars and pubs besides facing competition from buses and the light rail transit system.

But for the regular taxi commuters, it is less stressful to get a taxi because due to the slow business, taxi drivers are now willing to ply even highly congested areas.

A colleague relates how recently while he waited along a city street for a friend to pick him up, a taxi driver pleaded to take him to his destination with a 10 per cent discount on the fare!

Despite the existing problems, lawyer and former director-general of Postal Services, M. Rajasingam, 67, like many Malaysians, believes things are looking up for the country.

"There are more job advertisements now. We have to remain optimistic and work hard. The Government, especially Prime Minister Datuk Seri Dr Mahathir Mohamad, has been visionary even when the country was going through its most difficult time.

"The Prime Minister is always working towards finding solutions to problems. We are lucky to have such a leadership especially in times of crisis like this.

"I'm sure we have learnt a few lessons. And we should all be determined to ensure that our future growth and prosperity will not be adversely influenced by outside forces which are envious of our success," adds Rajasingam, who is also Nacscom vice-president.

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