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Outsiders continue to be amazed

DUN & Bradstreet's vice president and managing director of Asean and South Asia, Mr David Emery, describes the whole of 1999 as "a masterpiece of turnaround" where Malaysia is concerned. It is an observation probably shared by many by now. The Malaysian economy indeed has made an amazing turnaround after having been hit by the contagion effect of the 1997 regional financial crisis. From an unprecedented 7.5 per cent contraction in the gross domestic product last year, the economy posted a 1.4 per cent growth in the first half of 1999, and should accelerate to an annual 7.2 per cent in July-December. And economists have revised their earlier bleak forecasts for the year to a 5 per cent growth on average.

The International Finance Corp, the private sector arm of the World Bank and one of the first to drop Malaysia from its indices after the Government introduced selective capital controls back in September last year, has brought Malaysia back into its closely-watched Investable Composite Index. This index tracks the prices of stocks which are accessible to foreign investors, and the data are of major interest to investors seeking to balance their portfolios in the emerging markets. Morgan Stanley Capital International has also said it would reinstate Malaysia in its series of benchmark indices from next May. And although there has been an outflow of funds in the last two months, investors' confidence in the prospects of the Malaysian economy does seem to be bullish and on the uptrend.

In its latest survey, Dun & Bradstreet discovers that multinational and local companies in Malaysia have maintained their strong outlook for the fourth quarter of the year as they position themselves to meet a marked rise in domestic demand. The global business information provider, which announced the findings of the survey in Singapore on Monday, says the confidence shown by the investors this time around is a reversal of the bleak picture it had established from a similar survey a year ago as the country was grappling to haul itself out of recession. Executives of 461 companies polled in the survey remained optimistic of net sales and profits, new orders, employment and are keeping their highest inventory for the first time in five quarters. Emery praised the Government for its successful policies and also commended the private sector for the support it gave to those policies. He did not identify the Malaysia Inc concept by name but made a clear reference to it when he said that the recovery success story "was really a piece of teamwork between the business community and the Government". Dun & Bradstreet is also upbeat on Malaysia for the first half of the year 2000 as well.

While other countries that were hit by the regional crisis are also looking at higher growth rates and bigger trade surpluses, as argued by the International Monetary Fund recently, what sets Malaysia apart is the greater speed and extent of its reforms, and the strength of its economic fundamentals. This is the opinion of Mr Clyde Prestowitz, the president of the Economic Strategy Institute in Washington, as expressed in an article he penned which appeared in the influential Financial Times of London this week. "They said he was crazy, but Mahathir Mohamad, the prime minister of Malaysia, is having the last laugh," he wrote.

The irony is that while more and more outsiders have become converts, some Malaysians remain extremely sceptical. The number has dwindled as the economy gives out clearer signs of recovery, but the hardcore non-

believers refuse to be convinced. They include leaders from the Opposition political parties who probably felt that to admit the Government's policies are not only effective, but spot on, and have brought about the turnaround is to speak well of their political rivals in the Government. As long as they do not try to influence their members to reject the reality that the economy is recovering, which would be a betrayal of the hard work put in by millions of workers, they could perhaps be excused and they are welcome to stay in their state of denial for as long as they choose.

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