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MERRILL LYNCH-RECOVERY

M'SIA FIRMLY MOVING TOWARDS RECOVERY

KUALA LUMPUR, June 16 (Bernama) -- International investment bank Merrill Lynch says impressive industrial output and trade figures for April have lent further credence to its belief that Malaysian economy is firmly on the road to recovery.

It said that the RM6.2 billion trade surplus in April and Industrial Production Index (IPI) of plus 2.6 percent year-on-year, the third straight month of positive gain, suggests that the economic recovery trend is intact.

"Industrial output continues to improve, and trade continues to reflect an enviable trend of recovering imports and strong exports," the fund manager said in its comment released through the National Economic Action Council (NEAC) today.

Merrill Lynch feels that public and private sector spending would pick up strongly in coming months, with industry feedback suggesting that government fiscal spending is beginning to come through.

"Low interest rates, coupled with aggressive banks could spur private sector spending, especially on properties," it said.

The recent estimates by Prime Minister Datuk Sri Dr Mahathir Mohamad of a 1.6 percent contraction for 1999 first quarter Gross Domestic Product (GDP) growth, was on the lower end of the 1.5 to 2.0 percent contraction Merrill Lynch is looking at.

"We also have begun seeing some signs of government pushing through fiscal spending on infrastructure," it said.

On the banking side, the fund manager noted that some banks have started to undercut others in housing mortgage lending.

"We believe there could be a price war brewing, which would lead to improved affordability, auguring well for properties industry," it added.

-- BERNAMA

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