

16/01/1999

The best is yet to come

M Magesvaran

THE Kuala Lumpur stock market will have to put on its best show ever in 1999 as the ruling party is faced with the most challenging economic and political crisis since independence.

The general elections is around the corner and the Barisan Nasional will have to recapture the Malaysian public's confidence in the present government's ability to tackle the economic woes and ensure political stability.

The stock market, as reflected in the KLSE composite index, has had a relentless rally shooting up from around the 260-point level to almost 600 within a few months, thanks to strong support for key index stocks like Telekom, Tenaga, Maybank, MISC and Petronas Gas. With such concerted effort to reposition these institutional stocks, it would not be surprising if the index reaches 900 points by year-end.

With the entry of euro, the US dollar will be less wild and Asean countries, including Malaysia, can begin to repair their economies and perhaps enjoy robust growth next year.

But of immediate importance is the Sabah elections, and the Barisan Nasional has to grapple with the nauseating trial of Datuk Seri Anwar Ibrahim, who was beaten up while in police custody. The Inspector-General of Police Tan Sri Abdul Rahim Noor resigned after assuming full responsibility.

To cushion the adverse effect of Rahim Noor's resignation and uncertainty over a successor for the premiership, Datuk Seri Dr Mahathir Mohamad has appointed Datuk Seri Abdullah Badawi as his number two. Amid a major cabinet reshuffle, Dr Mahathir also appointed Tun Daim Zainuddin as finance minister.

The Umno supreme council has decided to postpone party elections which were scheduled to be held in June, in view of the short period between it and the general elections which must be held by April next year.

Despite registering consecutive massive trade surpluses throughout last year, the Malaysian economy continued to shrink considerably during the first nine months of 1998. Growth was -8.6% in the third quarter, even as the current account surplus was a record RM14 billion, up 64.7% on the surplus of RM8.5 billion posted in the second quarter.

A record RM29 billion surplus was registered in the year to September, compared to a deficit of RM12.2 billion in the same period a year earlier.

Malaysia recorded a trade surplus of RM6.5 billion in November last year, compared with a surplus of RM0.7 billion a year ago. For the January-November period, the country recorded a surplus of RM51.5 billion in contrast to a deficit of RM1.0 billion in the similar period the year before.

Hopefully, the economy recovered marginally in the last quarter and will return to plus territory this year. The government is tackling the economic woes on most fronts including boosting the construction and property, and agriculture sectors.

The funding for the projects, including major infrastructure outlays, is being aided by Japan. Last month, Tokyo helped Malaysia procure 74 billion yen through the issuance of structured euro-yen bonds due on Jan 13, 2004.

The most active stock for December was MBf Holdings, whose associated company, MBf Capital, has been taken over by Bank Negara Malaysia. A total of 272.771 million shares changed hands. The other highly speculative

stock was Ekran, whose owner is rumoured to have financial problems and the group may change hands.

(END)