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MALAYSIA-CREDIT RATING
M'SIA'S CREDIT RATING STILL HIGH

KUALA LUMPUR, Dec 6 (Bernama) -- Malaysia still has a high credit rating as proven by the recent success of the Euro-denominated bond issue it raised in the international market. The issue was more than twice oversubscribed.

This has conclusively proven that Malaysia is doing fine, said Dominique Dwor-Frecaut, the director for Asian Research with Barclays Capital, one of the lead managers for the Malaysian inaugural Euro-bond issue.

While the original size of the issue was EUR500 million, the order book was in excess of EUR1.27 billion or RM4.0 billion and as a result, setting the price was very favourable to the issuer.

Dwor-Frecaut said this in a question and answer statement released by the National Economic Action Council (NEAC) here today.

She said the size of the issue, in addition, was raised conservatively from EUR500 million to EUR650 million since the purpose of the transaction was not to raise funds, but rather to develop a new investor base.

Malaysia has fully met its objective of diversifying its investor base, as the bond issue was sold to 125 accounts, Dwor-Frecaut said.

About two thirds of the bonds were placed in Europe and the Middle East with Germany and UK accounting for 38 percent of total sales. Buyers were mainly first time buyers of Malaysian bonds.

She said demand came from high quality, long term investors, mainly banks, insurance companies' asset managers and retail funds.

Dwor-Frecaut also acknowledged the brave move by the Malaysian government to go ahead with its long term strategic decision despite the difficult market conditions, such as the volatility in the US stock market.

She said the best preparation to deal with difficult market conditions was to have a good credit story to tell investors, "which clearly Malaysia had and, in the end, that was the main driver behind the success of the deal."

When asked on how Malaysia, without any trouble, managed to sell its bonds on world market even after imposing selected capital controls two years ago, Dwor-Frecaut said Malaysia stood out as a country that did things its own way, in a very successful, if sometimes unconventional manner.

She said Malaysia had successfully taken a number of measures to deal with the recent economic crisis including those of controversial measures, such as temporary controls on capital flows.

And after two years, she said it was clear that Malaysia's overall handling of the crisis had been extremely successful.

This year, she said, Malaysia will be one of the fastest growing economies in Asia and worldwide with inflation expected at less than 3.0 percent and its current account surplus at 9.9 percent of Gross National Product (GNP) was one of the largest in the world.

She also stressed that it was important for Malaysia to give its own version of its story to investors, rather than leave it to the press.

"The Malaysian government has done a good job in establishing good communications and rapport with investors, with a very strong credit story to tell, even when they were asked difficult questions."

However, she said there would be a few questions that would continue to be raised such as;

- * Will Malaysia maintain its fixed exchanged rate system?
- * Is Malaysia likely to impose capital controls in the future?
- * What were the reasons for the bank mergers?
- * How successful has been the corporate restructuring?
- * What role does the public sector play in Malaysia?
- * How stable is the political situation and what will happen when the Prime Minister Datuk Seri Dr Mahathir Mohamad decides to retire?

To a question on the perception of the whole region and what the country needs to do to improve it, Dwor-Frecaut said Malaysia would benefit a lot from continuing to talk directly to investors to tell its own story.

"Through the debt issue, it has managed to build a lot of good will and interest in Europe and it is important not to lose the momentum which the government has worked hard to develop."

Malaysia, she said, has an excellent infrastructure in place to provide information to Foreign Direct Investment (FDI) investors who want to invest in the productive capacity of the economy.

"It would be useful to have a similar infrastructure for investors who invest in the foreign debt of Malaysia or in its domestic financial assets."

She added that Malaysia need not to worry about negative press coverage because as far as the press was concerned, Malaysia had a good credit history and had its own strong relationship with investors.

"Malaysia has demonstrated that it had enough resiliency to weather the crisis and is now moving on to resume the implementation of Vision 2020," said Dwor-Frecaut. -- BERNAMA

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