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ABDULLAH-RECOVER

GOVT LOOKING FORWARD TO CONTINUED RECOVERY OF BANKS

KUALA LUMPUR, Jan 29 (Bernama) -- The government is looking forward to a period of continued recovery of the country's financial institutions, Deputy Prime Minister Datuk Seri Abdullah Ahmad Badawi said today.

He said, "The clean up of the banking sector is almost complete and efforts to restructure companies continue to be carried out with the objective of creating leaner and more profitable companies to lead Malaysia's future growth."

Speaking at the official opening of Menara AIA here, he said the economy had rebounded aggressively to post a turnaround last year with official forecasts for last year maintained at 4.3 percent while other estimates showed that the figure was closer to 5.0 percent.

"This shows that the optimism generated by Malaysia's economic recovery is set to continue into this year," he said.

Abdullah said the return of a strong and stable government during the recent general elections had eliminated the need for foreign investors to attach considerable political risk premiums to investments in Malaysia.

However, he said governments must ensure that they attract the right type of investors, namely those who study a country's fundamentals and place long-term strategic investments.

He said, "We are not, for example, against foreigners taking positions in the Kuala Lumpur Stock Exchange as is often suggested by certain quarters."

In fact, Abdullah said the recent bull run in the KLSE, which saw the Composite Index rise by 260 percent since Malaysia introduced selective capital controls on Sept 1, 1998, had been driven by the return of foreign portfolio investments.

However, he hoped that these fund managers would from now undertake their market evaluation based on facts and fundamentals of the Malaysian economy rather than on rumours and unconfirmed market rumblings that did nothing but depressed investor sentiment.

"While both local and foreign investors must be cognisant of real economic risks, they must also be aware of speculative movements that may lead to the ignition of herd mentality as seen during the run on Asian currencies in 1997."

As far as fundamentals were concerned, Abdullah said Malaysia had presented itself as a safe and profitable destination for foreign investors.

He said after a contraction of the country's GDP in 1998, the economy had rebounded aggressively and its fixed exchange rate policy had allowed a sustained increase in exports resulting in favourable current account and external reserve levels.

The current external reserves total RM117.6 billion or US\$30.9 billion which is sufficient to finance six months of retained imports.

"I believe that the turnaround in our current account is sustainable and I am confident that it can remain above 7.0 percent of the GDP throughout this year," Abdullah said.

In addition, he said inflation was in check and the country's interest rates had been maintained at levels conducive to business recovery.

At a press conference later, Abdullah, when asked on recent rumours on the prime minister's health which affected the stock market, said the people should not listen to such things.

Abdullah said as soon as Dr Mahathir arrived in London after holidaying in the Caribbean, he managed to speak to him (Dr Mahathir) regarding the rumours and had asked the prime minister to clear the air by meeting Malaysian pressmen in the British capital.

Abdullah believed such rumours were spread by those who were unhappy that the Malaysian economy and stock market were performing well.

"I don't know. The way they do it seem to show that they do not care about the country's economy or whether other people were making losses as long as their intentions were met. And they too never tried to make an effort to improve the economy or the stock market," he added.

Abdullah urged Malaysians not to believe in such rumours because if anything were to happen, the government would inform them. -- BERNAMA
GM/SHO SHY