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Malaysia a great investment opportunity, say analysts

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FOR international portfolio fund managers, Malaysia currently offers a rare opportunity to maximise returns in the wake of a riskier global economic environment, said economists and analysts.

And with the bottoming out of the US electronics sector as indicated by its book to bill ratio, expected by October, the resultant pick-up in US business spending augurs well for the rest of Asia, including Malaysia, they added.

"Outlook on the Malaysian economy is very good," said ABN-AMRO Bank head of research Dominic Armstrong.

He added that international fund managers had abundant cash and they were looking at investing in the right environment.

Speaking from Singapore on Thursday he said: "Although still suffering from the effects of the US economic slowdown, Asia has taken the pain which it had quite a long time to come to terms with.

"While the global economic environment is not attractive, as recovery in the US electronics sector is not expected until the second half of 2002, we see in Malaysia a dramatic improvement in the operational environment of companies.

"We have seen serious cost-cutting measures such as the voluntary redundancy schemes which have been put in place to increase operational margins and efficiencies. This has resulted in greater value creation for companies."

He added: "In addition, we would like to stress that Malaysia's regulatory environment for investors is now, one of Asia's better. That environment is commanding sufficient international respect."

The local stock market has also been perceived to operate as an effective clearing mechanism for inefficient, under-managed and under-valued companies.

"There has been a spate of corporate takeovers in Malaysia since July," he said.

On political stability, Armstrong said: "Prime Minister Datuk Seri Dr Mahathir Mohamad's domestic agenda is perceived to coincide with investors' expectations.

"In order to re-unite the country, the Prime Minister has to be seen to take a firm hand to correct charges of cronyism, corruption and inefficiency. And he is back in the 'driver's seat'. He is tidying specific cases."

Deutsche Bank regional economist Michael Spencer said: "The timing of Malaysia's economic turnaround is seen to be dictated by the US investment cycle. And this cycle is looking healthier in the fourth quarter of this year."

Speaking from Hong Kong, he added: "Signs of stabilisation in the US electronics sector, expected by October, has been observed. Hence, the US economic recession is receding and there is a return to growth, as the US economy is expected be robust for the first half of next year."

However, international institutional equity investors view the Malaysian stock market as a little too early to get in.

But they have observed the determined efforts of the Malaysian Government to restructure public companies over the past three months.

"Expect portfolio capital flows into Malaysia, Taiwan, Thailand, Korea and Singapore in the fourth quarter of this year once these investors

realise that the US electronics sector recovery is sooner and better than they had expected," added Spencer.

Lehman Brothers Japan Inc economist for South Asia Graham Parry said:

"Malaysia's outlook for next year looks quite good at six per cent gross domestic product growth. This is provided the overhang in the US technology sector works out."

Speaking from Tokyo yesterday, he added: "A leading indicator of the US semi-conductor industry, the book to bill ratio looks like it has bottomed at 0.6 with the contraction in electronic item sales stabilised for the third quarter, this year.

"This ratio should improve towards the year-end or at the start of 2002, and which could result in a re-focus on business spending in the US. It would in turn, help the recovery process in Malaysia."