

# S&P raises Malaysia's sovereign ratings

**KUALA LUMPUR:** Standard & Poor's Ratings Services has raised its ratings on Malaysia by one notch, including the long-term foreign currency sovereign rating, to BBB-plus to reflect the lower risk to the public purse from government support for ailing private sector firms.

The ratings agency said in a statement released in Singapore yesterday that government support for

ailing private sector companies was a tendency that has eroded the government's financial position and created moral hazard for private business.

S&P said the outlook for Malaysia's sovereign ratings was stable.

"In the past year, the Mahathir administration has shown new-found commitment to difficult debt restructuring, foreclose assets, and

replace management-owners of large and previously politically well-connected corporations, while refraining from using public funds for more corporate bailouts," said S&P credit analyst Chih Wai Liew.

The statement said the rating action also took into account the succession plan that has been put in place for the transfer of the pre-

**SUN 21 AUG 2002**  
turn to **PAGE 20**

## External position has improved

from **PAGE 19**

**SUN 21 AUG 2002**

miership from Datuk Seri Dr Mahathir Mohamad to his deputy Datuk Seri Abdullah Ahmad Badawi, which has reduced the near-term uncertainty in Malaysia's policy environment and prevent a disorderly transition.

"The Malaysian government's economic policies and its commitment to corporate restructuring are not expected to falter as a result of this transition in leadership," Liew said.

As the pace of economic recovery quickens, the government's fiscal position is also expected to improve.

"Reflecting improved economic prospects, net general government debt is projected to peak at about 47% of GDP in 2003, before easing gradually, thereby safeguarding the government's fiscal flexibility in dealing with any future difficulties," said Liew.

He noted that Malaysia's external position has also improved. This year's external debt, including that of the private sector, net of liquid assets, is now expected at less than 5% of current account receipts, down from a peak of 17% at the end of 1997.

Malaysia is also expected to further reduce its net external debt level going forward. - theedgedailpcom