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The dark and the light of it

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IF you had gone to the major shopping complexes in the Klang Valley the day after Hari Raya - Saturday last week - like I did, you would have noticed something remarkable.

Not only would you have been caught in the massive traffic jams all over town that day but never would you have seen such a situation in the last year or two: shopping complexes were packed with people!

Not only that, people were actually buying and there were long queues at the cash counters. The cash registers were ringing almost non-stop for hours on end.

Are happy days here again? Are the people really taking their hard earned savings from the banks or under their pillows and spending it?

Or, as some pessimistic pundits would say, it was just a blip, nothing more. They would say that last weekend was a long holiday where most, if not all, would have stayed away from the office.

These people would be bringing their families to the shopping complexes for a convenient "holiday".

True, most of the people I saw were with families in tow, some with many children, while others appeared to be couples with their elderly parents.

But they were not window-shopping. They were actually shopping, and most were paying cash for their purchases rather than cranking the plastic.

Even Prime Minister Datuk Seri Dr Mahathir Mohamad said that Saturday, which was reported in all Sunday newspapers: "Fortunately for us, people are still spending money."

The patrons at the shopping complexes were doing just that.

Last Monday, The Malay Mail did a street poll. Among the many interviewed, it quoted a person from Pantai Dalam, Kuala Lumpur: "People in supermarkets these days are really buying and not just window-shopping. They were window-shopping a lot last year, but not anymore."

A supermarket employee from Jalan Tun Sambanthan, Kuala Lumpur, was quoted as saying: "I find that people are spending a lot more now compared to the previous months."

True, these few weeks and the next few make up the festive period, starting from Hari Raya to Christmas and the New Year. And on Feb 1, the Chinese will be celebrating New Year.

Economists and analysts should be waiting eagerly for the retail figures for this period, to see how good it has been, as well as the figures for January to see whether a trend has started, or whether it is just a blip.

Undoubtedly what happened, and what will probably be happening for the coming Christmas week and next month before Chinese New Year will reflect a set of good retail figures.

Though, of course, only the figures for Hari Raya and Christmas will feature in the calculation of the all-important gross domestic product (GDP) figure for this year's last quarter.

Even some of the latest statistics for October released by the Statistics Department recently turned out to be more favourable than many expected.

October exports were higher than expected, and were higher than September's. This should add favourably to the GDP figures.

As mentioned in this column last week, some analysts were maintaining their forecast of the overall GDP growth for the last quarter at 5.8 to six per cent.

It looks like it is possible the figures are within reach, and maybe, just maybe, they could exceed six per cent.

At 5.8 per cent for the last quarter, this works out to 4.1 per cent for the whole year, and at six per cent, it would be 4.15 per cent. Bank Negara predicted an overall GDP growth of between four and five per cent this year.

The momentum is there, the only question is whether it can be sustained till the end of the year. Unfortunately, the momentum came a bit late - only in December.

Had it come in October or even last month, the GDP for the whole year would look better, at a comfortable margin above four per cent.

From preliminary observations and after talking with many people, it looks like the momentum can be maintained till year's end, and beyond.

Government servants spending their one-month bonus are helping to maintain the momentum.

A part of the forces generating the momentum can be found in the pent-up demand that has been bottled up for an over-extended period.

For the last year or two, consumers have been saving so much so that the banking system is bloated with liquidity.

According to the October statistics from Bank Negara, the monthly change in deposits among individuals was the highest among the various types of deposit holders.

For individuals, the monthly change in deposits for October was RM1.869 billion, slightly higher than the RM1.767 billion held by business enterprises.

An interesting feature for individuals was that in September the monthly change was only RM172 million.

So, are the good times here again? Or as one newspaper erroneously reported that the International Monetary Fund (IMF) said in its latest report on Malaysia that "boom times are ahead".

The IMF did release a report card on Malaysia's economic health, where it supported many of the fiscal and monetary policies that Malaysia is undertaking to weather the effects of the global economic slowdown.

While saying that the Malaysian economy "is entering a recovery phase", the report also commented that lots more steps would still need to be taken as well as to be on the alert for dramatic changes in the economic environment.

It mentioned particularly that Malaysia should look into adopting a flexible exchange rate, moving away from the present fixed US dollar-ringgit peg.

At the same time, the IMF underscored the importance of promoting greater flexibility in labour and factor markets, and the need for an investment regime that would help maintain direct foreign investment inflows.

Among the good news is one black spot, which newspapers gave no indications of, and which should be a matter of concern - consumers are now getting more into debt.

This situation could be gleaned from three areas:

* Credit card: The amount owing for October was the highest for the whole of this year. Statistics from Bank Negara showed that the six-month overdue balance was RM259 million.

Though these figure hardly match that of the heydays of 1998 just after the Asian financial crisis when such debts ballooned to RM417 million, the trend is causing concern as it has been rising since January this year.

The figure showed, first, that many of the 3.49 million cardholders (at the end of October) are unable to repay their debts, and, secondly, many are also using their cards far more extensively.

On another level, the RM259 million is 2.96 per cent of the total amount of RM8.775 billion for October, which has risen from September's figure of 2.81 per cent (of the total of RM8.82 billion).

* Outstanding bank loans: Consumer loans that are still outstanding have increased.

In October, the total loans outstanding increased by RM1.9 billion, the bulk of which was "retail-driven for the purchase of residential property and passenger cars".

Comparatively, loans outstanding for the business sector declined in October as a result of "higher repayments".

This means consumers are borrowing more for personal use while businesses are cutting back on borrowings.

If this trend continues into November and December and beyond, then consumers in general are heading for trouble, as their debts pile up and repayments become more difficult.

The inevitable: Many individuals would be heading towards bankruptcy. It is fortunate that banks and financial institutions seem to be holding back on taking stronger actions against loan defaulters, judging from the fact that newspapers these days are not flooded with notices of bankruptcies. Not yet.

* Loan sharks: There are many cases of loan sharks harassing borrowers who refuse or cannot repay and, in some cases, resulting in suicide or attempted suicide.

The present hue and cry over loan sharks is a clear sign that consumers could have been caught in the vicious debt cycle. Such a scenario is seen only in bad and troubled times, as in the recession of the mid-1980s.

So, can we say that boom times are ahead? Or should we say, boom times are ahead, but with dark clouds following below the horizon that would bring a violent storm?