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Not out of the woods yet but a clearing can be seen ahead

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HARI Raya and Christmas have come and gone. New Year is just round the corner. In about a month, Chinese New Year will be upon us.

For retailers, in Malaysia and elsewhere in the world, it was no traditional laughing all the way to the bank. Not even a satisfied smile. At best all they managed was a weak smile, resigning themselves to the fact that they were rather optimistic to expect consumers to make a late dash for last-minute shopping.

Indeed, this year consumers continued to hold back on their spending during the prolonged festive season.

In London, it was reported that High Street stores faced a bleak Christmas, with most of them cutting prices to attract crowds. According to a market analyst firm Footfall, there were seven per cent less people at shopping malls this year compared to last year.

In the US, it was also reported that Christmas cheer was spread thinly with consumers cutting back on their holiday shopping, despite stores offering generous discounts.

Sales of retail goods went down six per cent compared to a year ago, according to latest figures drawn from some of the country's largest stores such as Wal-Mart and Target.

Earlier, another retail research firm was quoted as saying that sales at some of the leading US chain stores were only 0.2 per cent more in the first three weeks of this month (prior to Christmas) compared to the same period last year.

Nearer home, in Singapore, it was a quiet Christmas for retailers, who had last month seen retail sales picking up comfortably but slumped this month.

In Malaysia, one could have been mis-led into believing that the large crowds at shopping complexes in the days just before Hari Raya and Christmas, as well as the massive traffic jam during those days, was an indication that good times were back again.

Looking closely at the people who crowded shops and indoor stalls in most shopping malls in Kuala Lumpur and Petaling Jaya, one would have noticed they were buying less than usual, most leaving with just a plastic shopping bag.

Consumers were buying only essentials, unlike the days of the 1992-93 boom when they left the shopping halls with bags and bags of shopping.

Malaysian consumers are now buying only those items they need and holding back on the impulse purchases and those items they can do without for the time being.

This consumer trend was not only in Malaysia.

In Singapore, a retailer was quoted as saying that business "is very fragile as shoppers' buying moods swung from one end to the other".

In London, consumers preferred to wait for larger discounts as Christmas drew nearer while retailers were quoted as saying that shoppers were not buying too many gifts; restricting themselves to practical and essential items.

The practical consumer spending was seen clearly in supermarkets where sales are booming. Go to any big supermarket, like Giant, Carrefour or Tops, and you will find large crowds actually making substantial purchases.

The same was seen in London, where supermarket chain Tesco opened its

doors one minute past midnight instead of the usual 8am to cope with the surge in shoppers. BBC quoted a spokesman as saying, "We were busier at 4am than at 4pm."

A former colleague told this writer the other day during lunch at a restaurant.

"Look at those eating at restaurants these days. See what they order. One, two or three simple dishes that do not cost too much," he said.

"Unlike the old days when they ate like emperors, ordering an eight or 10-course meal. These days they eat to fill their stomach, not to enjoy the food."

Whatever happened to consumer confidence? It seemed to have not only taken a back-seat but consumers are also careful with their spending.

The immediate future is uncertain to many. The threat of terrorism is still there.

The beating of the war drums over Iraq is very unsettling. The fear is that a war with Iraq would not only damage the world economy, but would also unleash a wave of terrorist bombings.

Prime Minister Datuk Seri Dr Mahathir Mohamad had said last week the economic effects of a second Iraqi war on Malaysia would be less than that of the first war. He said Malaysia had diversified its markets, instead of being over-dependent on the US.

This is welcome given that the United Nations' largest regional agency, the Economic and Social Commission for Asia and the Pacific, had forecast that the Iraqi war and terrorist attacks would threaten economic growth in Asia. It said "all of Southeast Asia is worried about this terrorist possibility".

Already in Singapore, the latest consumer survey firm AC Nielsen showed that heightened concerns over terrorist attacks had affected Singaporean consumer confidence quite badly.

So too the confidence of consumers throughout the region, where most consumers have been "tight-fisted with their money".

What then is there in store for 2003? Will the present poor consumer spending and low confidence continue into next year?

Will we see any light at the end of the tunnel? Or will we continue to hear the war drums beating louder and louder?

Barton Biggs, a top strategist at US investment house Morgan Stanley, had it quite right when he was quoted in the Singapore Straits Times as saying, "A year ago, my essay would be entitled 'Not out of the woods yet'. This year, the title would be 'Still not out of the woods yet, but there could be a clearing ahead'."

Indeed, that seems to be the general feeling among many Malaysian these days: That the situation seems to be stabilising, the slide seems to have stopped, though it is not necessary that we will be seeing a recovery soon.

This is where AC Nielsen may have been more accurate when they stated that consumers in Asia-Pacific believe a recovery from the current downturn is only 12 to 18 months away.

A close friend, who has this sixth sense about these things, having been proven right in the last few years, told this writer two months ago that he had the gut feeling that the economy would stay at the bottom for at least two years - not very different from the AC Nielsen's survey.

The significant factor in the recovery equation is the Iraqi war. If there is a war, then things could be thrown out of sync, as the disaster will not follow directly after the war itself but the aftermath when the terrorists retaliate.

Many Malaysian businessmen have argued that if by February there is no war, then there will be no war at all. They are hoping that with the "Year

of the Sheep" (which is the forthcoming Chinese Lunar Year), peace and tranquillity would reign.

The Year of the Sheep is a year of reconciliation, of finding compromises and settling differences - a far cry from the present Year of the Horse, which is erratic and characterised by volatility.

What then is in store for the stock market?

There is an angry bunch out there somewhere, who feel that they have been taken for a ride when they followed a newspaper report (not The New Straits Times) quoting analysts' earlier prediction of the KL Composite Index hitting 850.

Many of these investors had bought into many counters, and today the KLCI is nowhere near even the 700-point-mark.

This writer has always maintained in previous articles since the middle of this year that the KLCI would stay at around the 600-point mark throughout this year.

Generally, most knowledgeable analysts are looking at the KLCI bottoming out sometime in the middle of next year, if the index holds at around the present level of 590-600 points.

Some say the bottom could be around August-September; others say later. It is on this basis that some reports are now emerging of late of an expectation of a "bull run" next year.

Many believe it would probably be the start of a bull run, rather than the bull run itself, that could work itself out in six months to a year. That is, if there are no man-made disasters, like terrorists exploding a nuclear bomb.