

20 AUG 2002
S&P-MALAYSIA RATING
S&P RAISES M'SIA RATINGS ONE NOTCH TO BBB+

KUALA LUMPUR, Aug 20 (Bernama) -- Standard & Poor's Ratings Services (S&P) has raised its ratings on Malaysia by one notch including the long-term foreign currency sovereign rating to triple B-plus with a stable outlook.

In a statement here today, S&P said the raise in ratings was given to reflect the lower risk to the public purse from government support for ailing private sector companies, a tendency that has eroded the government's financial position and created moral hazard for private business.

It said the rating action also took into account the succession plan that has been put in place for the transfer of Malaysia's premiership from Prime Minister Datuk Seri Dr Mahathir Mohamad to deputy Prime Minister, Datuk Seri Abdullah Ahmad Badawi.

S&P credit analyst, Liew Chih Wai said "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."

Furthermore, it said as the pace of economic recovery quickened, the government's fiscal position was expected to improve.

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

In addition, Malaysia's external position had improved and Malaysia was also expected to further reduce its net external debt level in the future.

This year's external debt including that of the private sector is now expected at less than five percent of current account receipts, down from a peak of 17 percent at the end of 1997. -- BERNAMA

NN KTC