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MAHATHIR-RATINGS

MAHATHIR: S&P RATINGS UPGRADE REFLECTS STRONG M'SIAN ECONOMY

PUTRAJAYA, Oct 9 (Bernama) - Prime Minister Datuk Seri Dr Mahathir Mohamad says that Standard & Poor's Ratings Services' decision to raise by one notch Malaysia's long-term foreign currency sovereign credit rating to A- from BBB+ showed that the country's overall economy is performing well.

"The economy is performing well, the finances of the country are very sound, we have high reserves and our savings are very high," he told reporters after chairing his last meeting with Menteri Besar and Chief Ministers at the Prime Minister's Office here today.

Dr Mahathir, who is also the finance minister, said the move by Standard & Poor's also showed that Malaysia was not too dependent on foreign loans.

S&P's Asia-Pacific Sovereign Ratings Group had also affirmed Malaysia's short-term foreign currency rating of A-2, and long- and short-term local currency ratings of A+/A-1 with a stable outlook.

The upgrade in the ratings caused a further surge in the Composite Index (CI) on the Kuala Lumpur Stock Exchange when it shot up by another 19.79 points or 2.6 percent to 779.41 points at the close after reaching a new year's high of 780.63 points at 2.46pm today.

Stock market dealers said this rise was primarily due to the increased interest on the KLSE after the ratings upgrade.

However, the KLCI closed at 779.41 points or a new 17-month high and this was 19.79 points or 2.6 percent higher than yesterday's close of 759.62.

Meanwhile, Second Finance Minister Datuk Dr Jamaludin Jarjis said the S&P sovereign rating upgrade would help corporate Malaysia to be more competitive and enable the issuance of bonds at lower cost.

"Recently CIMB issued bonds and I think they now have at least 10 basis points of deduction on their cost of borrowings. This augurs well for corporate Malaysia and the capital market is going in the right way," he told reporters after a briefing on Felda's listing here.

Jamaludin was asked to comment on the performance of the local stock market after the S&P ratings upgrade.

He said the upgrade would encourage more companies to go to the capital market to tap funds and they can choose to use a number of options like making an initial public offer (IPO) or issue debt papers.

In return, the financial resources raised can help to generate more economic activities in the country, he added.

"This (expansion of capital expenditure and increased economic activities) is how the private sector would take the lead to drive the country's economy," Jamaludin said.

In the 2004 Budget, the private sector has been identified to spearhead the country's economic development and be its engine of growth.

Asked whether Malaysia would issue a sovereign bond abroad soon, Jamaludin said there was ample of liquidity in the local money market that the government can tap for funds.

"We will decide on this from time to time when to go to the market (to issue bonds), which we need for benchmarking purposes. (But) for now we have not decided on that as yet," he said. -- BERNAMA

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