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JPMORGAN-PEG

RINGGIT PEG SHOULD CONTINUE, SAYS JPMORGAN

KUALA LUMPUR, Jan 20 (Bernama) -- Global economic analyst, JPMorgan said the ringgit peg should remain in place for several more years as it was still working very well.

JPMorgan's head of Asia Sovereign Research, David G. Fernandez said that the leading investment bank supported Prime Minister Datuk Seri Dr Mahathir Mohamad's decision to keep the ringgit peg intact.

He said even the International Monetary Fund (IMF) had finally acknowledged the ringgit peg as a "stability anchor."

Malaysia's case to defend its ringgit peg to the US dollar has become even more stronger as it has provided stability and certainty to the corporate sector.

Fernandez said Malaysia's economy has stood firm against softness in external demand due to the government's pro-growth policies and diversified export base.

"Real Gross Domestic Product (GDP) was robust through quarter three and is still growing above a five percent pace," he said at a media briefing here today.

"Growth is being driven by high domestic consumption and a smaller negative contribution from net exports," he said.

He said JPMorgan estimated a four percent GDP growth in 2002.

"We expect the GDP to continue this high pace of growth in 2003. Our full forecast of 5.2 percent is above market consensus but below government's forecast (6-6.5 percent) in the Economic Report 2002/2003," he said.

Fernandez said inflation rate had settled around two percent in recent months.

"JPMorgan expects Bank Negara to stand firm in 2003, even though benign inflation and excess liquidity in the domestic financial system offer room to ease," he said.

He also said that JPMorgan reaffirmed its positive view on Malaysia and had consistently recommended to investor clients to overweight Malaysian-dollar-denominated bonds.

"That recommendation has stood for over 12 months running," he added.

JPMorgan's recommendation has been vindicated by the superior performance of Malaysia, with a tightening of bond spreads giving investors one of the highest returns among Asian credits and among global high-grade credits. -- BERNAMA

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