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MOODY'S-MALAYSIA
M'SIA SHOWS STRENGTH IN WEATHERING VOLATILITY IN ELECTRONICS SECTOR

WASHINGTON, April 22 (Bernama) -- Malaysia's ability to weather the volatility in the crucial electronics sector while improving its external financial position has demonstrated its external strength, says Moody's analyst Steven Hess.

He said Malaysia's current account has recorded large surpluses for the past five years, and another, though smaller, surplus is expected this year.

Moody's Investors Service's annual report on Malaysia has placed a rating of Baa1 on the country's foreign currency level and this positive outlook reflects a strengthened external position, a still-satisfactory balance of payments outlook, and progress in both corporate and banking sector restructuring,

The rating agency also said that while Malaysia's GDP growth was near zero in 2001, growth has picked up in the intervening years and an increase of 5-6 percent in real GDP is likely this year as economic growth has accelerated.

On Malaysia's medium term risk, Hess said that with a general trend of foreign direct investment moving toward China at the expense of Southeast Asia, Malaysia's external position over the medium term would be its ability to either maintain its position as an important recipient of direct investment or to make the Malaysian corporate sector more competitive.

He said the government of Prime Minister Datuk Seri Abdullah Ahmad Badawi, who assumed leadership late last year, is working on both fronts.

Elections in March strengthened the parliamentary coalition of Abdullah, the chosen successor of Tun Dr. Mahathir Mohamad, who led Malaysia for the prior 22 years.

Hess said while Malaysia's liquidity position is healthy, with short-term external debt at a low level and international reserves

relatively high, government debt has been on the rise due to the weakness
of the private sector during the global slowdown in demand for electronics.

"The government adopted an expansionary fiscal stance to offset lower
private investment, bringing the budget into deficit during the past
several years while making the economy dependent on government investment,"
he said.

"Even with another sizable deficit expected this year, the ratio of
government debt to GDP is still manageable, though room for manoeuver is
being diminished." -- BERNAMA

SH MAD SHY