

THE CREDIT LYONNAIS/STOCK EXCHANGE PRESENTATION

NEW YORK, 29 September 1993

Distinguished Guests;

Ladies and Gentlemen,

I would like to thank Credit Lyonnais Securities (Malaysia) Sdn. Bhd., the organiser of this function, for inviting me to this gathering and to officiate this 'roadshow' which basically attempts to promote a better understanding of the stock market in Kuala Lumpur. It is indeed a pleasure for me to be among fund managers and potential investors here in New York.

2. As you may have noticed, the concentration of interest among investors today is in the Asia-Pacific region, and it is not without justification. Economic performance in Asia is expected to remain vibrant in 1993 and 1994, largely driven by the major economies in the Pacific Basin. Asia's growth will be maintained at 6.7 percent and 6.6 percent for 1993 and 1994 respectively.

3. While the world's economy, on the whole is estimated by the International Monetary Fund (IMF) to grow by two to three percent in 1994, the industrialised countries are expected to grow at 1.7 percent for 1993. The United States is expected to grow by 2.2 percent in 1993 and 3.4 percent in 1994. Output for Japan is anticipated to increase by 3.5 percent in 1994, and a recovery is not seen in the European Community countries until 1994. The OECD semi-annual report expects the EC countries to contract by 0.4 percent in 1993 with a small rebound of 1.8 percent in 1994. The IMF, which is slightly more optimistic, forecasts a growth rate of 0.1 percent in 1993 and 2.2 percent in 1994. That is the global scenario in terms of economic growth and prospects in the coming years.

Ladies and gentlemen,

4. For Malaysia, however, the year 1993 is set to represent the seventh consecutive year of sustained rapid growth. Since the recovery in real GDP growth to 5.4 percent in 1987, the economy has enjoyed an average growth of 8.5 percent between 1988 to 1993.

5. Growth in 1993-1994 is expected to be maintained at a creditable rate of around eight percent, in line with the expectations for some recovery in the pressures arising from the booming economy since 1987. There are indications that price stability will be maintained over the medium term.

Still, growth constraints will remain the biggest threat that could adversely affect growth potentials.

6. Latest indicators showed that the Malaysian economy strengthened significantly in the second quarter of 1993. Growth in real GDP terms accelerated to an annual rate of 10.4 percent, compared with 7.6 percent in the first quarter and 9.6 percent in the corresponding quarter of 1992.

7. The stronger-than-expected growth for the second quarter could be attributed to a revival in agricultural production, as well as a surge in the manufacturing sector. At the same time, activity in the construction as well as services, particularly financial services sector, has also picked up significantly.

8. On the demand side, various indicators on private consumption and investment pointed to some improvement in private sector demand during the quarter under review. Bank lending for personal consumption, for example, increased to 9.6 percent during the second quarter, compared with 7.6 percent in the previous quarter. At the same time, imports of consumption goods rose significantly by 7.4 percent in April and May. It was a negative 0.5 percent in the previous quarter.

9. On the investment front, although latest Malaysian Industrial Development Authority or MIDA figures showed that investment applications and approvals remained moderate, other private investment indicators suggest promising signs of improvement in investor sentiment. Bank lending for the broad property sector grew by 15.4 percent during the second quarter, compared with 12 percent in the previous quarter.

10. Malaysia's rate of inflation for the first half-year was down to 3.9 percent, as against 4.7 percent in 1992.

11. Growth in 1993 and to a lesser degree in 1994, will be dependent on the external sector. Our macro-economic policies will continue to be geared towards the industrialisation and modernisation of the economy, and the effective implementation of a market-oriented and outward-looking economic system.

12. Although growth constraints will continue to pose a challenge to Malaysia's policy-making in the years ahead, indications are that the economy is heading for a period of consolidation and continued growth.

13. Conscious of the need to counter inflationary trends, which usually accompany high growth rates, the Malaysian Government has set out to limit the rate of inflation to

acceptable levels. Various measures have been taken and there appears to be tangible results. Although in 1992 inflation rose from four percent to 4.7 percent, it has now come down to 3.9 percent. As you can appreciate, price stability will not only help costing but will also reduce uncertainties in the market. I believe Malaysian companies are benefiting from it.

Ladies and gentlemen,

14. The breakdown of the Eastern bloc has resulted in the retreat of command economies. Everywhere market economy is being espoused. In Asia we see Communist countries like Vietnam and China switching to the market economy and opening up for foreign investments. The Eastern European countries are also attracting foreign capital. In North America the formation of NAFTA has made Mexico particularly attractive to American investors. Clearly Malaysia faces much more competition in attracting foreign capital than before the end of the Cold War.

15. As a small player in the global arena, Malaysia will continue to make itself more competitive so as to be able to withstand protectionist barriers set up by our competitors.

16. Along with making competitiveness a way of life for Malaysians, we now accept the need for openness, liberalisation and free competition. We have, I think, adjusted quite well. As a result we have been able to make the switch from being the world's biggest producer of tin and rubber to being the world's biggest producer of room air-conditioners and microchips. Today 69 percent of our exports is made up of manufactured goods. We are, despite having a population of only 18 million, the 16th biggest trading nation in the world.

17. Initially much of Malaysia's growth is due to foreign investments. In the manufacturing sector especially, there was not much Malaysian participation.

18. This picture has change quite a lot of late. More and more large Malaysian companies are making an impact on the economy and contributing towards growth. Some have gone into sophisticated manufacturing and are exporting their products.

19. As a result of a well-planned privatisation programme, many new and very big utility companies have appeared. These privatised companies have been almost uniformly successful and profitable. The privatisation of the Telecoms Department, for example, has resulted not only in a very big telecommunication company emerging but very noticeable improvement in telecommunication efficiency. From 800,000 lines in the first

year of privatisation, Malaysia now has well over 2,000,000 lines. All the latest in telecommunication facilities are available.

20. In addition, there are now a number of new Malaysian companies participating either in servicing or manufacturing of telecommunication equipments.

21. Privatised companies now include private power generation, airports, ports, railways, aircraft servicing, airlines, shipping and a host of others.

22. Most of these companies are listed on the Kuala Lumpur Stock Exchange (KLSE). They, along with other Malaysian companies, are doing rather well. They are profitable and are expanding and diversifying rapidly.

23. As a result we have one of the biggest and most active stock markets in South East Asia. The volume traded can be actually bigger than in New York. The KLSE people will be able to tell you more about their performance.

24. The scope of industrialisation in Malaysia is not yet exhausted. To insulate the country from deterioration in the world markets, the Government has refocused on growth of the domestic market. True, the small population does not present a big enough market to balance possible shrinkage in the world market. But as the per capita income is still low, the room for growth is available. It would therefore be possible to reduce some of the dependence on foreign investments and trade. Already Malaysian companies are growing in size and in numbers, and their balance sheets are very attractive. The Government will continue to help facilitate their growth with judicious support.

25. The greatest assets of Malaysia are its political stability and consistency of Government policies. These are commodities most valued by the business community. A climate of uncertainty is never good for business. Even when conditions are not too favourable, provided they are consistent, businessmen can always see their way through. But in Malaysia we are not just consistent but we go out of our way to create a favourable climate as well.

26. If we think that Malaysia will continue to grow and that Malaysian companies will continue to prosper, I don't think we are being too optimistic. We have good grounds and past records and we hope you will come and share our optimism and our prosperity.

Ladies and Gentlemen,

27. I now have pleasure in officiating this roadshow, a stock exchange programme aimed at promoting the stock market in Kuala Lumpur.