

09/08/1997

Umno council satisfied with RM policy

Fadzil Ghazali; Adeline Ong

THE Umno Supreme Council is satisfied with the government's position of non-intervention in the money market to prop up the ringgit, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

Dr Mahathir said the party is also satisfied with the position of the ringgit although its value had dropped.

"We are confident that the strength of the ringgit will recover as in the case of the British pound which had been devalued following attacks but it recovered to become one of the strongest currencies in the world now," he told reporters in Kuala Lumpur after chairing a four-hour meeting of the Umno Supreme Council.

This is the first meeting chaired by Dr Mahathir, who is the Umno president, since he returned from his two-month leave on July 22.

The ringgit lost ground to the US dollar yesterday, closing at 2.6502/12 compared with Thursday's close of 2.6410/30.

Against other major currencies, the ringgit closed stronger against the pound but weaker against the deutschmark, yen and the Singapore dollar.

The local unit also opened weaker against the US dollar in the morning at 2.6470/90.

Dr Mahathir maintained that propping up the currency would benefit certain quarters and that the drop in the value of the ringgit, when compared to the deutschmark, is "not that much."

He said the value of the deutschmark fell 17 per cent compared with the ringgit, which depreciated only 5 per cent.

Dr Mahathir was also asked whether he still maintains his views against speculators such as American financier George Soros.

"As a matter of principle, I still oppose the idea that somebody can fiddle with our currency. We have lost our sovereignty. There is no change in my views."

The Prime Minister said although Malaysia has not suffered as much as other countries following the attack on the currencies, this does not mean that "we should not sympathise with them."

"For as long as people like Soros can fiddle around with other people's currencies, no country is safe. Why should a country's sovereignty be impinged upon by people like him (Soros)?" he asked.

Currency dealers, when contacted by Business Times, said the market is still selling the ringgit and the currency is expected to remain weak, probably hitting the 2.66 or 2.67 level.

Meanwhile, another dealer said that Bank Negara Malaysia (BNM) was rumoured to have intervened when the local unit was at 2.6510/20. A few more dealers also said they heard that BNM was in the market yesterday, trading through local banks.

"Foreign investors are still worried about the region and keeping an eye on Thailand's economic rescue package," a dealer said.

Thailand's Finance Minister Thanong Bidaya is scheduled in Japan on Sunday for meetings with International Monetary Fund officials and other institutions to secure loans to help stabilise the Thai economy.

Thailand had said it is seeking some US\$12 billion (US\$1 = RM2.61) to US\$15 billion in international loans.

"In addition to watching the Thai economy, it is the weekend and players are just squaring their positions," another dealer said.

An analyst said it is unlikely that BNM would intervene again should the

attack on the ringgit continue as it had spent a substantial amount to defend the ringgit during the first two weeks of July.

The central bank's gold, foreign exchange and other reserves fell to RM61.41 billion as at July 31 1997. It was at RM70.70 billion as at June 30 1997.

"The statement shows that reserves are down by RM9.3 billion in one month. The bulk of the reserves was spent to support the ringgit during the first two weeks on July," the analyst said.

"It is the first time that it has hit this low this year. The last time the reserves was this low was in January 1996 at RM61.349 billion," the analyst added.

Against the pound, the ringgit was firmer when it closed at 4.2149/91. The local unit opened stronger against the pound at 4.2008/53 if compared with Thursday's closing at 4.2203/47.

Against the Singapore dollar, the ringgit was weaker at 1.7929/47. It also opened weaker at 1.7921/47 from Thursday's closing 1.7881/07.

The local currency was considerably weaker against the yen when it closed at 2.2393/11. It opened easier against the yen at 2.2328/54 from Thursday's 2.2270/06.

(END)