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Mahathir: No plan to impose forex controls

PRIME Minister Datuk Seri Dr Mahathir Mohamad says the Government does not propose to impose foreign exchange controls to check the ringgit's fall.

"There is no such proposal," he said in response to a question after launching a campaign by the Anti-Corruption Agency in Kuala Lumpur yesterday.

Dr Mahathir said any statement on foreign exchange control will cause the market to lose confidence. "And if there is a loss in confidence, the ringgit will weaken further," he added.

The Prime Minister was asked if Malaysia would impose such control in view of the sharp fall in the ringgit, to which he noted that some people seemed to believe that East Asian governments are no longer in control to determine the value of their currencies.

"The situation has been reversed. Now the market disciplines the Governments ... Governments of East Asia are being disciplined by the markets."

On Wednesday, his deputy and Finance Minister Datuk Seri Anwar Ibrahim had said Malaysia would continue to pursue a policy of flexible exchange rates, but stressed that they should reflect the country's underlying economic fundamentals.

Anwar also said there should not be a situation in which the exchange rate determines the fundamentals, adding that the ringgit had now become grossly undervalued in an environment of highly unstable market conditions.

At the foreign exchange market yesterday, Bank Negara Negara (BNM) intervened again to help the ringgit close off its day's low at 4.6500/600, slightly easier than Wednesday's 4.5900/6000.

The ringgit was trading at a low of 4.7000 and a high of 4.4800 against the greenback.

Meanwhile, Anwar who chaired the Cabinet Committee on Essential Goods meeting yesterday, said Bank Negara's intervention to prop up the ringgit was at an acceptable level.

However, he declined to reveal how much the central bank had spent to support the ringgit.

Dealers said BNM might have spent between RM500 million and RM800 million this week to support the local currency.

The ringgit closed easier against the Singapore dollar at 2.5998/6353 from Wednesday's 2.5931/62. It opened at 2.6075/139.

Against the yen, it closed at 3.4647/5048 compared with Wednesday's 3.4524/626. It opened at 3.4579/651 yesterday.

Against the pound, it ended the day at 7.4888/5721 from Wednesday's 7.4491/585. It opened at 7.4384/406.

As for the deutschemark, the ringgit settled at 2.5368/437 against 2.5130/94 on Wednesday. It opened at 2.5073/113 yesterday.

Meanwhile, BNM said its gold, foreign exchange and other reserves including special drawing rights narrowed to RM59.132 billion as at December 31 1997, from RM59.81 billion on December 15 1997.

The figure does not include an exchange revaluation gain of RM24,613.2 million. The US dollar equivalent of its International Reserve as at December 31 was US\$21,706.3 million.

Its total assets and liabilities increased to RM108.92 billion from RM108.67 billion a fortnight ago.

Loans and advances decreased to RM4.69 billion as at December 31 from RM4.78 billion on December 15 while holdings of Malaysian Government papers rose to RM3.72 billion at year-end against RM3.22 billion on December 15.

Holdings of bills discounted also decreased rather significantly to RM969 million from RM1.29 billion from a fortnight ago.

Currency in circulation increased to RM24.53 billion against RM23.88 billion on December 15.

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