

18/08/2000

Ringgit peg to remain for 'at least two years'

THE fixed exchange rate will remain for at least two more years because the mechanism benefits the Malaysian economy and the business community.

OCBC Bank (Malaysia) Bhd senior vice-president and treasurer Michael Lim said foreign reserves had increased to RM127 billion since the ringgit was pegged to the US dollar at RM3.80 on Sep 1, 1998.

"The economy is performing above expectations and businessmen are doing well because of low interest rates," he said.

He said businessmen involved in international trade were also relieved as they did not have to worry about a volatile exchange rate.

"Why kill the goose that lays the golden egg," he told reporters after presenting a paper entitled, "A perspective on regional currencies and trends" at a seminar for its (OCBC) customers in Ipoh yesterday.

Lim said the exchange rate would be around for a "long time", may be up to five years but expressed confidence it would remain for a minimum two years.

He said nations like Hong Kong and Taiwan which adopted a closed exchange rate had huge reserves and their economies were strong and stable.

Lim said even the International Monetary Fund had acknowledged the unconventional system introduced by Prime Minister Datuk Seri Dr Mahathir Mohamad had worked well for Malaysia and could be adopted by countries affected by the post-1997 financial and economic crisis.

He said although the ringgit was pegged the local currency had in fact appreciated in value compared to other currencies in the region.

"For example, the Singapore dollar has weakened over the US dollar," he said.

Earlier bank chief executive officer Albert Yeoh, said OCBC expected to record a RM300 million pre-tax profit this year, compared to RM290 million last year.

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