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`No pressure for ringgit to be repegged against dollar'

THERE is no pressure or need for the ringgit to be repegged against the US dollar, say analysts when contacted yesterday.

While semi-conductors, timber and plantation exporting companies could benefit from a potential ringgit devaluation, there was a risk of imported inflation, they said.

ABN-AMRO Bank head of research in Singapore Dominic Armstrong said: "Although Prime Minister Datuk Seri Dr Mahathir Mohamad is perceived as being flexible, Malaysia is not under any pressure to devalue the ringgit."

He said the yen currently trading at about 130 to the dollar was at a reasonable holding level and a further dramatic weakening was not imminent.

Furthermore, with exports constituting a small proportion of China's GDP, the Chinese would not be expected to devalue the yuan to remain export competitive.

"The yuan is strengthening over sentiments caused by the weaker yen and the Japanese economy," said Armstrong.

He said Malaysian exports are not at risk relative to Japan.

"There are no major US denominated corporate debts in Malaysia, and regional currencies must permanently depreciate by 20 per cent before the ringgit's devaluation can be justified."

Reuters reported that Malaysia's fiscally sound and growing economy, with manageable debt and political stability, deters parallels with Argentina.

It quoted P.K. Basu, chief economist for Southeast Asia at Credit Suisse First Boston as saying Malaysia has enough reserves to defend the ringgit, which cannot be sold short on the foreign exchange market, should any unforeseen pressures emerge.

Basu also believes for all the apparent satisfaction with the part played by the ringgit, deliberately undervalued when it was fixed at RM3.8 per dollar three years ago, in the recovery from the Asian crisis, that there is no dogma attached to the peg.

"My view is that Malaysia will eventually abandon the peg from a position of strength," he said.

Two indicators which have to be restored to sustained positive territory before that position is reached will be year on year growth in exports and industrial production, he said.

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