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IMF-RINGGIT PEG

RINGGIT IS NOT MISALIGNED, NO THREAT TO PEG, SAYS IMF

KUALA LUMPUR, Dec 17 (Bernama) -- The International Monetary Fund (IMF) believes that the value of the ringgit does not appear to be misaligned and there is no immediate threat to the pegging of the ringgit currently being implemented by Malaysia, said Dr Luis Valdivieso IMF division chief, Asia and Pacific Department.

Dr Luis said Malaysia's strengthened fundamentals were supportive of the exchange rate peg as a stability anchor and that the value of the ringgit did not appear to be misaligned.

"It is very clear in our latest report on Malaysia, that we don't believe that ringgit is misaligned," he said at the sidelines of MIER National Economic Outlook 2003 Conference held here today.

"I have also mentioned that fixed exchange rate requires much more flexibility in all markets and that has also been done (by Malaysia)," he added.

Looking ahead, Malaysian authorities' are also committed to ensure competitiveness through deepening structural reforms, as well as their readiness to continue to monitor the situation closely, he added.

However, he said while some of IMF directors supported maintaining the present policy, many others were of the view, however, that a carefully prepared move towards a more flexible exchange rate regime would broaden Malaysia's options over a medium term.

This would enable the country to cope with future shocks and manage risks associated with capital flows.

"It is better to have more options, we are not saying that you should take that option, but you should have it," he added.

When asked whether he was aware of the initial reason for Malaysia to introduce such a policy as to avoid unnecessary speculations, Dr Luis said, "I have seen the comment. But as we have said in the context in this discussion, is that a move to a more flexible arrangement over the medium term would broaden the policy options for Malaysia.

He added that he wished to have a fair and clear reporting on IMF's view on the issue as Prime Minister Datuk Seri Dr Mahathir Mohamad's idea had been well respected.

When asked on how long should Malaysia continue with its fixed exchange rate regime, Dr Luis said it would very much depend on the economic activities of each country.

"If you are going to be more productive than your competitor, more likely your currency is going to be more valuable," he said.

Earlier in his presentation on World Economic Outlook in IMF's perspective, Dr Luis said in all countries, policies should continue to aim at fostering high, sustained and broadbased actual and potential economic growth.

He said this is mainly to reduce the dependence on the US as the global engine of growth and promote and orderly reduction in global imbalances.

"The Malaysian government has a very specific commitment in setting up a very good foundation for future development," he concluded.

On the domestic front, Dr Luis in his projection said Malaysia's labour force had grown rapidly on account of a high birth rate and a steady growth in labour participation rate.

This reflects the expansion of the formal economy and the increase in women's participation in the labour force.

In addition, he said Malaysia had made significant stride in the area of education.

"To further boost the accumulation of human capital, the 8th Malaysian Plan envisions a marked increase in the fraction of workers who have obtained tertiary education from 13 percent of the labour force in 2000 to about 33 percent of the labour force in 2007," he said.

This, he said would remain a significant challenge ahead for Malaysia.

-- BERNAMA

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