

20 MAY 2003
MAHATHIR-RINGGIT
GOVT WILL NOT REVIEW RINGGIT PEG

PUTRAJAYA, May 20 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said that the government will not review the ringgit peg to the US dollar although the greenback has depreciated more than 30 percent in value since 2001.

He said that although the country's income in the US dollar was still good, the value has dropped following the 30 percent depreciation of the greenback.

"This should be considered by all. I am only giving an explanation, without any intention of making changes," he said at the opening of the second session of the 2004 Budget Dialogue, here today

Dr Mahathir, who is also Finance Minister, said that the business community should give due consideration when purchasing goods from overseas following the US dollar depreciation.

The ringgit is pegged at RM3.8 per US dollar. The peg was introduced on Sept 1, 1998 at the height of the Asian Financial crisis.

Dr Mahathir said that Malaysia should not rely too much on the public sector to generate growth or be dependent on a certain product.

He stressed that amidst globalisation and the swift technology changes the country needed to strengthen its economic resilience and global competitiveness.

"Although the country's 2002 gross domestic product (GDP) growth was good, it was still generated by public sector spending and the recovery in external demands, especially the exports of electric and electronic goods," he said.

Malaysia registered a 4.2 percent growth in 2002, which was much higher than the 0.4 percent posted in 2001.

Dr Mahathir said that since moving into 2003, the global economy was not that encouraging due to corporate misconduct in developed country, which has affected investor confidence, the invasion of Iraq and the Severe Acute Respiratory Syndrome (SARS) outbreak.

Although the war in Iraq has ended, the West Asian geo-politics instability could linger for a much longer period, he said.

This scenario would definitely make investors feel uneasy and could affect foreign direct trade and investment flow, he stressed.

Dr Mahathir said there were already signs that there would be a slowdown in world economic growth and that the SARS outbreak, meanwhile, has threatened the world's trade flow and travel.

"The tourism industry involving hotels, restaurants, retail and transport, have begun to experience some slowdown. Hotels' occupancy rates have dropped sharply to 40 percent and the flight industry has suffered difficulties with lesser passengers and flight cancellations," he said.

Dr Mahathir said that although in the first quarter of 2003 economic indicators have registered stable figures, the SARS effect had yet to be fully determined.

In the first quarter, Malaysian exports increased 7.8 percent, imports grew 2.4 percent, the Industrial Production Index increased 5.4 percent and the Manufacturing Production Index increased 6.3 percent.

He said that although currently the government practised an expansionary fiscal policy it will continue to be committed to controlling deficits so that it would not increase.

Dr Mahathir wants investors and consumers to have confidence in spending

in order to create demand so that domestic investment and production would
continue to expand. -- BERNAMA

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