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Large window of opportunity to decide on peg: Nor Mohamed

THE economy will stay strong for a long time, providing a large enough window of opportunity for the Government to decide on any action it wants to take on the ringgit/US dollar peg, Second Finance Minister Tan Sri Nor Mohamed Yakcop said.

"Don't worry about windows of opportunity, the economy is fundamentally good," he told reporters after opening the one-day Fifth Annual Malaysian Capital Markets Conference in Kuala Lumpur yesterday.

Malaysia's RM3.80 to the dollar fixed exchange rate has come under close scrutiny of analysts and economists with many saying the weak greenback has made the domestic currency grossly undervalued.

Think-tank Malaysian Institute of Economic Research in its report last week called on the Government to review the currency peg now rather than later as global economic prospects are getting less encouraging in the next two years, and that the dollar will continue its slide.

Also suggesting the Government look again at the peg was its principal architect, former Prime Minister Tun Dr Mahathir Mohamad.

Nor Mohamed refrained from committing himself into giving a timeframe when the peg would be reviewed.

"The Government looks at all things all the time. At this point of time, there is no reason to review the peg," he said.

On Malaysia's fiscal position, he said the country is well on track to narrow its budget deficit to 3.8 per cent of the gross domestic products this year from 4.5 per cent previously.

He said last year's budget deficit was higher than in the previous years due to higher oil prices.

(END) Source : Business Times