

PM: RM20b will be given to shore up the stock market

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Malaysian Prime Minister Najib Abdul Razak said today a government equity investment firm would be given RM20 billion to shore up the country's stock market, and announced other measures to support its slowing economy.

Najib told a news conference the equity investment firm, ValueCap, will invest in undervalued Malaysian companies.

"As such, the government will reactivate ValueCap with funds of RM20 billion," he told reporters at the Prime Minister's office.

"ValueCap was established in 2002 as an entity to support undervalued stocks and the result was effective as it managed to stabilise the stock market," he added.

He also announced that the factory sector would be exempted from import duties until the economy recovers from a slowdown, but did not specify which specific sectors would be affected.

The ringgit's fall reflects a deterioration in Malaysia's trade position because of falling prices for its liquefied natural gas and commodity exports.

But capital outflows accelerated in July as Najib became enmeshed in a political scandal raging around indebted state fund 1MDB.

The prospect of government support for the share market helped lift Malaysia's benchmark stock index slightly as it went into the midday break 0.56 percent higher at 1,612.52 points. The ringgit was largely unmoved.

The severity of the ringgit's depreciation prompted Najib to form an economic task force, including some of the country's top financiers, to find ways to restore confidence.

"The ringgit's decline is not expected to have adverse impact on government debt as 97 percent of the debt is denominated in ringgit and mostly funded by domestic sources," Najib said.

The prime minister's failure to explain how 1MDB racked up US\$11 billion debt, or who deposited over US\$600 million in a bank account held in his name, or why has led to mounting public unease over his leadership.

The prime minister has denied wrongdoing.

He said today that the rationalisation plan for 1MDB is on track. He also reiterated that

there were no plans to introduce capital controls, adding that the government was on track to achieve fiscal consolidation target for 2015.

- Reuters

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