

No need to peg ringgit to US dollar, says Zeti
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There is still no need to peg the ringgit to the US dollar currently despite the continued downtrend of the local unit, says Bank Negara Malaysia (BNM) Governor Zeti Akhtar Aziz.

"If you peg the currency, something else will adjust, either prices or demand conditions, and those might have greater effects on our economy?," she told reporters at the Malaysia-OECD High-Level Global Symposium on Financial Well-Being in Kuala Lumpur today.

At this point of time, Zeti said, the government was not envisaging any measures like capital control as Malaysia has the market mechanism that adjusted to certain economic situation.

"What we want to demonstrate is that when we have fundamentals that can allow us to adjust, then when the uncertainty subsides, our currency will regain its strength again," she said.

Zeti said the weakening of the ringgit was the result of many factors globally and BNM would ensure that the market would remain orderly.

"For the domestic environment, we need to try to resolve all the areas of vulnerability and uncertainties to provide confidence to Malaysian and non-residents who are participating in our economy and financial system.

"We need to be in the position to withstand this kind of period," she said.

On the possibility of the ringgit's downturn affecting imports, Zeti said, BNM has not yet detected any sign of relations between those two things.

"It is demand conditions that are more important in affecting our exports and imports but I'm sure there will be threshold levels where they might have begin to have an impact.

"We have to monitor them and see the incoming information. So far, our track records and experiences have shown that demand (global and domestic), have been the key factor in affecting exports and imports," she said.

On the ringgit forecast until year-end, Zeti said, it depended on what the development unfolded as there were a lot of uncertainty in the world currently, including when the US Federal Reserve Bank would exit from its zero-bound interest rate and energy and commodity prices.

"We have to demonstrate we can live under that uncertainties and survive. Even if there are any setbacks, we have shown time and again, that we are able to recover quite quickly,"

she said.

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