

## **'No confidence vote against Najib can bring ringgit down'**

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**Kow Gah Chie**

The motion for a vote of no confidence against Prime Minister Najib Abdul Razak that has been raised in Parliament may be a factor for the poor performance of the market and ringgit depreciation, Bank Negara Malaysia believes.

"The market - to some extent - drives on uncertainty and when there is tension prevailing in the political environment, it will contribute to affecting this sentiment.

"This will affect currency movement and other indicators in the market," Bank Negara Governor Zeti Akhtar Aziz said at a news conference at the central bank in Kuala Lumpur today.

"But the point to be made is that external factors are the major factor," Zeti said.

She said this when asked whether she agreed with Deputy Finance Minister Johari Abdul Ghani, who said the vote of no confidence against Najib caused the plunge of ringgit against US dollar.

On Nov 4, Johari outlined four reasons leading to the ringgit fall - retreat of short-term foreign investment, the performance of the global economy, the fall of commodities prices and the negative perception in the country.

Johari pointed out that the 1MDB fiasco and the sentiment surrounding the investigation into 1MDB by foreign authorities, as well as the move for a no-confidence vote against Najib have led to negative perceptions, which ultimately impacted the ringgit's performance.

## **China factor**

Elaborating further, Zeti said the adjustment of policy direction by the US Federal Reserve Bank had created some reversal in flow in emerging economies.

The ringgit was one currency which depreciated more than others, she said.

"As an oil-producing economy, the market has given less recognition to the fact that we have diversified our economy, with 80 percent of our economy now comprising manufacturing and services sector," she said.

"We are affected by the drop in oil prices," she said.

"There was also a slowdown in China and our explanation was that it was affected by the re-balancing of the Chinese economy where some reform has taken place," she said.

Despite the implication on China's economic growth, she said she believed China's foundation would be strengthened for a more sustainable economy in the future.

"These are the external factors that are affecting many currencies, including the one for Malaysia," she added.