

Multitude of reasons weighing on ringgit, says Bank Negara governor
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The ringgit volatility is the result of cumulative factors including the anticipation of normalisation of the interest rates in the United States.

Bank Negara governor Zeti Akhtar Aziz said this affected most emerging economies and is not unique to Malaysia.

"Then the drop and collapse in commodity and energy prices. This again is not unique to Malaysia and it was perceived that Malaysia would be very badly affected because we are an oil producing economy," she said in an interview on The CNBC Conversation conducted in Hong Kong at the Asian Financial Forum.

Speaking to CNBC Asia's Bernard Lo, Zeti said Malaysia had restructured its economy and diversified the economic structure to be in manufacturing and services.

"Those two sectors account for 80 percent of our economy. Then to be fair to the government, they have implemented fiscal reforms, rationalisation of subsidies and the implementation of the GST (Goods and Services Tax)," Zeti said.

She added the dependence on oil revenue had been reduced from more than 40 percent to about 20 percent and the fiscal deficit had been reduced over the years from six percent to 3.2 percent.

Within this, the country has reduced its dependence on energy as an economic sector significantly, in terms of the economic structure, employment and fiscal revenue, but the market has not wised up to this.

"Therefore we have the perception, everytime when there is a recovery in oil prices, the currency actually appreciates.

"So there is that link to the currency, and of course any domestic uncertainty or political tensions, all these contribute to it so what we all want to see is a quick conclusion to this whole matter," Zeti said.

On the global economy, she said currently, there are many developments taking place, and all at the same time, that have implications on financial markets.

"First, you have the change in direction of policy by the Federal Reserve Bank...the normalisation of its policies. Secondly, you have the collapse of the oil prices and then you have geopolitical developments as well.

"And of course China, the developments in China, the slowing of the economy. Developments in their financial markets have affected global financial system markets, and expectations and sentiment by the financial markets investors," she added.

- *Bernama*

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