

Govt Has Specific Instruments To Counter US Credit Rating Downgrade
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PUTRAJAYA -- The government has specific instruments to overcome the negative impact of the Standard & Poor's credit rating for the United States, which was downgraded from triple A to AA-plus, says Minister in the Prime Minister's Department Nor Mohamed Yakcop

It is the first time the US credit rating has been lowered since the country won top ranking in 1917.

He said the government, has, for a very long time adopted its own principles in managing the economy and they were not based on ideology.

"Malaysia is an open economy. Of course we will receive some negative spill-over effect from the downgrade.

"But what happened is that equity markets worldwide crashed, including the local bourse, which succumbed to the pressure yesterday and wiped out another 10 per cent of market capitalisation today," he added.

Nor Mohamed said the 10 per cent slide was not that significant as Bursa Malaysia had increased by 50 per cent.

"So, the fall can be taken as a correction after the recent gains. So it is not really an issue," he said in an interview here yesterday.

News of the downgrade saw share markets plunging across the globe, including Malaysia.

Nor Mohamed said Malaysia was more flexible compared with the United States and Europe, as it managed the economy more practically and according to specific needs.

"In this instance, we have to spend more to create consumer spending and undertake more export oriented promotions. The government has already given a bonus to enhance domestic consumption," he added.

Besides, economic diversification will also play an important role in making Malaysia less dependent on Europe and the United States for export markets.

Nor Mohamed also said the Economic Transformation Programme, Government Transformation Programme and National Key Result Areas were among the catalyst to spur the economy.

"We have created a system which is managed comprehensively. We use investors' funds, from both domestic and foreign, and we don't have problems in securing bank loans. Our banking system is flushed with billions of ringgit.

"We are scouting for viable projects undertaken by the private sector and place them under Pemandu, we will adopt them as ETP projects. With the Pemandu system, the programme will be managed more efficiently and profitably," he added.

Asked if the developments in the United States would raise Malaysia's inflation rate, Nor Mohamed said the situation was under control in the country.

"The inflation rate in June stood at 3.5 per cent. We expect the inflation rate to decline over the next few months. We expect an inflation rate of between 3.4 and 3.5 per cent this year and we don't regard this level as high," he said.

(Bernama)

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