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# 'We will not peg ringgit'

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**FIRM:** Govt stands with Bank Negara's decision to retain market-friendly policies, says Najib

**AZURA ABAS  
AND FAZLEENA AZIZ**  
PUTRAJAYA  
news@nst.com.my

**P**RIME Minister Datuk Seri Najib Razak yesterday echoed Bank Negara Malaysia's stand that Malaysia would neither place capital controls nor peg the ringgit.

Najib, who is also finance minister, said: "Although (Bank Negara Governor) Tan Sri Dr Zeti Akhtar Aziz has come out strongly to say the ringgit will not be pegged and there will not be any capital controls, the market thinks I should take an unequivocal position on these aspects as it is a policy decision.

"The government's commitment is firm on this, which is the main reason for this press conference," he said yesterday. Present was Bank Negara Deputy Governor Datuk Muhammad Ibrahim.

Najib underlined the government's commitment to continue supporting the central bank's independence.

Najib said the flexibility of Malaysia's exchange rate was crucial to absorb global adjustments and volatility.

"Therefore, the government will not move to a pegged exchange rate regime, nor will it impose capital controls.

"We remain committed to market-friendly policies. As such, the government remains steadfast in maintaining the integrity and openness of its markets."

He said the ringgit's position did



**Prime Minister Datuk Seri Najib Razak speaking in Putrajaya yesterday. With him is Bank Negara Deputy Governor Datuk Muhammad Ibrahim. Bernama pic**

not reflect the economy's strong fundamentals and that the government was aware of Malaysia's integration with global economies.

"I will not say that domestic issues have not entirely affected the ringgit but I will say the main reason is (due to) the overwhelming strengthening of the dollar, which has affected all currencies.

"We are almost equivalent to Australia and New Zealand in terms of depreciation performance, which also includes the yuan."

He said in the long term, Malaysia's economy would become more efficient through fiscal consolidation, a balanced budget and transformation programmes.

Najib also agreed with calls urging the people to switch to local products.

He suggested that government-linked companies and corporate companies consider bringing back their liquid assets from foreign currencies to the ringgit so that they could benefit from the exchange rate.

"Private sectors are aware of this and should consider bringing back

their liquid assets.

"If they are fixed assets, it is difficult. But if they were to liquidate based solely on exchange rates, with the differential, they are going to have a significant surplus."

Najib said the government would continue to monitor developments in financial markets, including currency movements.

The cabinet and economic council, he added, had discussed the economic position of the country intensively, particularly matters related to the ringgit.

"Yesterday (Wednesday), I had engaged economists and analysts from several local and foreign financial institutions in a discussion.

"The session was held for the economists and analysts to outline their assessment on the state of the economy and financial markets, and provide direct feedback to the government."

As for the private sector, Najib said it understood and was aware of the government's policies, which it considered market friendly.

"The private sector realises that there are external factors

affecting the ringgit."

The structure of the economy, Najib said, had been strengthened over the years, and the economy was driven by the services and manufacturing sectors, which constitute 76.6 per cent of the gross domestic product, while reliance on mining (including oil and gas) and the agricultural sectors had been reduced to 17.9 per cent of the GDP.

The diversification of the economy, he said, allowed for continued reduction in reliance on oil and gas for government revenues.

"Measures undertaken have allowed for oil-related revenues to be reduced from 41 per cent of government revenue in 2009 to 30 per cent last year."

The economy also continued to record trade and current account surpluses, Najib said.

"The financial system's resilience remains intact. The domestic financial markets continue to function in an orderly manner, and financial intermediation activities continue to function efficiently to support the financial and financing needs of the domestic economy."