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PM: No pegging of the ringgit to US dollar

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PUTRAJAYA: Malaysia will not impose capital controls or peg the ringgit to the US dollar – putting to rest speculation that the country would revert to the policy measures taken in 1998 to stem the currency's slide.

Prime Minister Datuk Seri Najib Tun Razak said the economic fundamentals of the country remained sound and that the currency depreciation was largely due to the strengthening of the US dollar.

Najib, who is also Finance Minister, said that maintaining a flexible exchange rate regime was important so that the ringgit could adjust to the volatility of the global economy.

“Although its current levels do not reflect its fundamentals, the Government is conscious of the integration of the Malaysian and global economies.

“We remain committed to market-friendly policies,” he said, adding that the Government remained steadfast in maintaining the integrity and openness of its markets.

The decision not to peg the ringgit was made after a series of engagements between the Government and Bank Negara, economists and analysts, he said.

“Malaysia’s economy is now driven by the services and manufacturing sectors which constitute 76.6% of GDP while reliance on mining, including oil and gas, and agriculture sectors has been reduced to 17.9%.

“The diversification of our economy has

allowed for continued reduction in relying on oil and gas for government revenue,” he said.

The Government, added Najib, would continue with the Economic Transformation Programme to further strengthen and diversify the economy.

Malaysia had achieved RM41.7bil in trade surplus and RM17.6bil in current account surplus, he said, pointing to the low inflation and the stable labour market at 3.1% unemployment rate as at May.

“Our financial system’s resilience remains intact while the domestic financial markets continue to function in an orderly manner,” he said.

Fiscal reforms and consolidation measures, he said, would continue as Malaysia looked to gradually reduce its fiscal deficit towards

achieving a balanced budget by 2020.

On whether domestic issues contributed to the ringgit’s weakening, Najib said these were factors but the US dollar’s strength played a bigger part.

“The overwhelming strengthening of the US dollar has affected all currencies. Our currency is almost equivalent to that of Australia and New Zealand in terms of performance and the yuan also has some depreciation,” said Najib.

He also encouraged government-linked companies with liquid assets in foreign currencies to take advantage of the current exchange rate by bringing the assets back.



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