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PM to announce economic measures to address slowdown

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Najib may plan fiscal stimulus highlighting investments in infrastructure to build confidence

by ALEXANDER WINIFRED

PRIME Minister (PM) Datuk Seri Mohd Najib Razak will announce new economic measures today to address issues faced by Malaysia's economy, which posted a slower growth amid a weaker ringgit, lower commodity prices and challenging external environment.

These measures are likely intended to counter slowing demand from China, low commodity prices and the slumping ringgit, which is the worst performing currency in Asia this year.

Malaysia, along with other

emerging markets, have been hit by massive outflows triggered by a plunge in oil prices and China's hiccups.

The ringgit and the Brazilian real have fallen to 17-year and 12-year lows respectively against the dollar this year, even as the MSCI Emerging Markets Index fell to 854.71 points mid-August, its lowest since 2011.

Najib may announce a fiscal stimulus plan, highlighting investments in infrastructure to build confidence for Malaysia's growth, said Prof Dr Hoo Ke Ping, an economist based in Kuala Lumpur.

Chief among methods to strengthen the ringgit could be discouraging the private sector from investing in US dollars, while encouraging investments in ringgit terms.

"Government-linked companies and government-related

companies, such as retronam Nasional Bhd (Petronas), may need to limit overseas investments and focus on domestic investments," Hoo said.

Najib could also encourage companies with regional operations to do currency swaps to counter the strengthening US dollar, similar to what IOI Corp Bhd said it would do in late June, selling palm oil to China using the yuan.

The PM is also expected to announce incentives to encourage foreign funds to continue investing in Malaysia's share market, although an important opportunity was missed when Bank Negara Malaysia decided to maintain rates last week.

Hoo said Najib could also highlight brighter prospects stemming from China Premier Li Keqiang's announcement that the world's second-biggest economy will accelerate major

construction programmes to boost growth, news that pushed Japan's Nikkei Index by 7.7% when it was announced three days ago.

A hike in Malaysian Government Securities' interest rates could also be on the cards, given significantly reduced holdings by foreign funds over the past year.

The courses of action are likely to have been proposed by Najib's Special Economic Committee (SEC), which was set up late August, following repeated calls from the public and the Opposition.

Speculations are rife that SEC chairman and former Malayan Banking Bhd CEO Datuk Seri Abdul Wahid Omar is being considered as a candidate for finance minister, and his placement as chairman has been seen as a testing ground, said observers.