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# Malaysia to Boost Liquidity

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Prime minister Najib says state firm to invest in country's worst-hit stocks

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Malaysia's leader said his government would invest billions of dollars to boost financial markets and the economy and pledged transparency over a state-investment fund that the country's anticorruption agency is investigating.

Weak commodity prices and a slowing Chinese economy have battered Malaysian markets and added to pressure on Prime Minister Najib Razak, as protesters challenge his rule.

The prime minister on Monday said a state firm called ValueCap would invest 20 billion ringgit (\$4.6 billion) in some of the country's worst-hit stocks and he urged other quasi-independent state firms with overseas operations to cash in those investments and reinvest in Malaysia.

Later in the day, the country's main sovereign-wealth fund agreed to do so.

This wasn't the first time Mr. Najib tried to leverage state muscle to boost the economy and markets.

In 2008, as deputy prime minister, he announced a government investment in Malaysian stocks through ValueCap and an economic stimulus package.

The ValueCap investments, worth about \$1 billion, helped lift the local exchange out of a seven-month malaise. Also in 2008 he formed Malaysia Development Bhd, aimed at driving long-term economic development in the country. That fund is the one now being investigated.

The Wall Street Journal reported in July that Malaysian investigators had traced nearly \$700 million of deposits into what investigators believe were Mr. Najib's personal



Prime Minister Najib has tried to leverage state muscle before.

bank accounts after the movement of cash among agencies, banks and companies linked to IMDB. Last month the country's anticorruption agency said the money came from a donor in the Middle East. It didn't reveal the donor's identity. The government investigation didn't detail what happened to the money.

Mr. Najib has denied wrongdoing and said he didn't take money for personal gain. He hasn't been charged with any crime.

In a speech on Monday, Mr. Najib said his government "remains committed to helping solve investigations in relation to the investments of IMDB transparently." He said all IMDB's dealings will be "transparent and market-friendly."

Since investigations into the fund began, Mr. Najib has taken steps to consolidate political support. In late July, he removed his deputy premier, who had publicly raised questions over delays in the investigation into IMDB and the government's closure of newspapers which had also reported on the fund.

The deputy, Muhyiddin Yas-

sin, has since then defended his role in questioning aspects of the fund's management.

The same day, Mr. Najib's government also announced that the country's chief prosecutor had been replaced, citing health reasons, without elaboration. The prosecutor hasn't spoken publicly about the

## Weak commodity prices and a slowing Chinese economy have hurt Malaysia.

change and hasn't been available to comment. Mr. Najib said the various changes would ensure "strength and unity" amid "the challenges we currently face."

In the new plan, he turned back to ValueCap, which is owned by three other Malaysian government investment and pension funds.

Mr. Najib also said Monday he would relax import duties on equipment not produced domestically but required by factories until the global economy recovers. He said that an

estimated 900 manufacturing companies would enjoy annual savings of between 100,000 ringgit (\$23,200) and 500,000 ringgit. He said other measures to help stimulate the economy will be announced "from time to time."

The new measures didn't reassure everyone. They "smack of a rather desperate attempt to shore up his leadership in the wake of the IMDB scandal," said Angus Nicholson, market analyst at brokerage IG. He added that a muted market reaction reflected investors' skepticism over the measures' effectiveness.

A combination of slowing growth in China and weak global demand for Malaysian goods and services has hurt growth in the large Southeast Asian economy. Malaysian oil companies, which contribute significantly to government coffers, have been hit by a slide of nearly 60% in crude oil prices since a peak in June last year.

The ringgit, Malaysia's currency, has fallen 20% against the dollar in the year-to-date to levels not seen since the 1997-98 Asian financial crisis, and the country's main stock index has lost nearly 9%.

The dollar stimulus measures also are likely to put further pressure on Malaysia's foreign-exchange reserves, usually an economic buffer, which could hamper its ability to pay down debt.

Last week, Malaysia's central bank said gross domestic product would grow 4.5% to 5.5% for the year, down from last year's 6%.

"I think the big questions now is whether the ringgit will be subjected to more pressure and that could come more from factors like the political situation and oil prices," said Krystal Tan, Asia economist at Capital Economics in Singapore. She said the market injection may improve confidence, but external factors would be more significant.

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