

Govt may adjust interest rate to address ringgit fall

NILAI: Prime Minister Datuk Seri Anwar Ibrahim says the federal government might adjust the interest rate to prevent the ringgit from depreciating further against the United States dollar.

Anwar, who is finance minister, said the government wanted to strike a balance between ensuring that the interest rate would not burden small- and medium-scale companies and preventing the outflow of cash by investors to other countries.

He said the weakening of ringgit had nothing to do with the country's economic performance.

"Investments and economic growth are on a rising trend. But the same could not be said for our currency as the country's interest rate is extremely low (compared with neighbouring countries).

"For instance, if I have RM1 million, I will likely park it in a bank in Singapore and Indonesia since the interest rate there is higher.

"If the government decides to set the interest rate extremely high, it will burden small and medium-scale companies, and borrowers."

He said this at the Negri Sembilan leg of the "Temu Anwar" programme yesterday.

He was responding to a question on efforts taken by the federal government to prevent a further depreciation of the ringgit.

He said Malaysia's economic growth in the first quarter of the year had surpassed that of Singapore, Indonesia and China.

He said the country generated RM71 billion in investment in the first four months of the year.

He said efforts to strike the right balance was hindered by the perception that there would be a change in the federal administration in August.

He cited a trip to Hong Kong by Transport Minister Anthony Loke, who shared some foreign investors' perceptions of the country's political stability.

"Although they were happy with the country's progress, they were questioning the government's stability as they think that I will be ousted in August.

"They said they will maintain their investment in our country only if Anwar is prime minister and the government is stable.

"I am not campaigning for the unity government, but this is the reality, that foreign investors are confident in my leadership."