

Singapore dollar to ringgit disparity not a concern: Zeti
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KUALA LUMPUR, Aug 17 – The strength of the Singapore dollar against the ringgit is not a concern despite its effects on Malaysia's brain drain and inflation issues, said Bank Negara governor Tan Sri Zeti Akhtar Aziz today.

This comes as the Singapore dollar has been hitting record highs against the ringgit, reaching RM2.47 this week, and is now worth roughly the same as what the US dollar was worth against the ringgit before the 1997 Asian Financial Crisis.

The Malaysian currency had historically enjoyed near parity with Singapore dollar until about 1980 when it started losing ground and one ringgit today is now worth only about 40 Singapore cents.

Some of the consequences of the disparity is that many Malaysians now find it much more attractive to work in the island republic given the much stronger earning power across the border, worsening Malaysia's talent crunch.

The April World Bank report on Malaysia's brain drain revealed that 54 per cent of Malaysia's one million strong brain drain, which is defined as those with tertiary education, went to Singapore and is now helping power the island's financial, manufacturing, health care and other sectors.

Beyond university graduates, many skilled Malaysians in the hospitality, retail, F&B and other vocational sectors also find the Singapore dollar's strength appealing and made the move across the causeway, leaving Malaysian businesses struggling with staffing issues and having to import foreign workers.

"The disparity between the ringgit and the Singapore dollar is not a concern," said Zeti (picture) in a press conference following the announcement of second quarter GDP figures today.

"Singapore should compare itself with other international financial centres such as Switzerland while Malaysia is an emerging market."

The central bank chief added that another difference is currency value is part of the Singapore government's policy toolbox while Malaysia relies on interest rates.

The disparity between the Singapore dollar and ringgit also impacts inflation as many Singaporeans find property and groceries relatively cheaper in Malaysia and given the proximity between the two countries, can easily outmuscle Malaysian consumers in addition to contributing to the rise in cost of living.

Some agriculture producers such as durian growers also prefer to sell to Singaporeans as they can afford to pay higher prices than Malaysians thanks to the strength of their currency.

The Malayan dollar used to be the common currency of both Malaysia and Singapore up until 1967 when both Singapore and Malaysia established their own currency which were interchangeable.

The Singapore dollar, ringgit and Brunei dollar were interchangeable up until 1973 when the Malaysian government pulled out of the interchangeability agreement.

The Brunei dollar however is still interchangeable with the Singapore dollar.

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