

**1MDB distracting Malaysians from worsening economy**  
**Free Malaysia Today**  
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**Weaker ringgit, slower paced economy “worrisome”, research firm says.**

PETALING JAYA: Malaysians are focusing their worries on the wrong thing, a report on Barron’s Asia suggests.

1MDB may have us all transfixed because it is “interesting political theatre”, but its financial woes will not have a big bearing on the company.

“Consumers are far more concerned about the effects of the recent introduction of the general sales tax on their spending power,” Capital Economics was quoted as saying.

Also the downward spiral of the ringgit against the US dollar poses a far bigger threat to the Malaysian economy than the 1MDB scandal.

A weak ringgit is worrisome, the report says, because despite a weakening economy, the Malaysian central bank did not cut its policy rate in July.

In addition, foreign currency reserves were reported by Capital Economics to have fallen sharply in the first half of July, indicating that the central bank had intervened to shore up the ringgit.

Malaysia’s economy has likely slowed further in the second-half.

Industrial production grew at a slower pace as compared with the first quarter of the year. Exports declined more sharply – 7.8% in the second quarter, against a drop of 2.5% in the first. The FTSE Bursa Malaysia KL Index is down 8.8% from three months ago.

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