

No need for capital control measures, says Zeti
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Bank Negara Malaysia (BNM) does not see a need to peg the ringgit to any other currency, its governor Tan Sri Zeti Akhtar Aziz said today.

"I want to emphasise that we do not want to peg the currency," Zeti told reporters. "We've moved on from capital controls," she added.

The ringgit has fallen 12.32% this year, making it one of the worst performing Asian currencies.

Today, after BNM announced stronger-than-expected second quarter growth and Zeti's comment that there will be no capital controls, the ringgit briefly strengthened, reaching 3.9945 to the dollar from 4.000. But later, it slipped to 4.008.

The currency began to weaken in September 2014, when global prices of commodities fell. Between September and July, the country's foreign-exchange reserves have fallen more than US\$35 billion (RM141 billion), to less than US\$100 billion.

"The ringgit is receiving additional pressure from declining commodity prices and domestic factors," Zeti said.

However, the central bank maintained that the "impact of ringgit depreciation is manageable" and that the "economy will remain resilient in the face of a challenging environment".

Markets have been concerned that BNM might consider imposing capital controls following the rapid depletion of reserves and the ringgit breaching 4.00 against the dollar.

In 1998, during the Asian financial crisis, then-Prime Minister Tun Dr Mahathir Mohamad imposed capital controls and pegged the plunging ringgit at 3.80 to the dollar. The controls were lifted in 2005.

Asked whether Malaysia might again impose controls, Zeti said that the country has "a more developed financial system and markets that are larger and able to absorb volatility".

On July 30, BNM denied rumours that Zeti had stepped down as governor. Today, she said will complete her full term, which ends in May 2016. Zeti became governor in 2000. – Reuters, August 13, 2015.

Source:

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