

Malaysia Rules Out Re-Pegging Ringgit

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KUALA LUMPUR: Malaysia has no intention of pegging the ringgit to the dollar, Finance Minister Najib Razak said Monday, ruling out calls to reinstate currency controls to offset the global slowdown.

"I wish to categorically state we have no intention to re-peg the ringgit now or in the future," said Najib, who took over the finance portfolio from Prime Minister Abdullah Ahmad Badawi last week.

"We are committed to allowing the market to determine the value of the ringgit," he told a press conference. "Malaysia's economy is more resilient and we are better placed to weather the storm."

Malaysia banned offshore trading of the ringgit and pegged it at 3.80 to the US dollar in 1998, to restrict speculation during the financial crisis which ravaged East Asian economies.

The peg was removed in July 2005 for a managed float against a basket of currencies. On Monday it stood at 3.422 to the dollar.

Former premier Mahathir Mohamad, who introduced the 1998 measures, has called for the ringgit to be re-pegged, saying stabilising the exchange rate could cushion the impact of the global economic slowdown on the country.

Trade Minister Muhyiddin Yassin agreed, saying on the weekend that some of the pegging mechanisms could be revisited to protect the economy.

Najib confirmed the government's economic growth forecast for 2008 at 5.7 per cent, despite much lower projections by institutions including the Malaysian Institute of Economic Research, which has cut its forecast to 4.6 per cent, partly due to domestic political turmoil.

Najib said there were signs inflation was subsiding but did not specify what those signs were. Malaysia's inflation rate rose to a 26-year high of 8.5 per cent in July, driven by the escalating cost of fuel and electricity.

Malaysia's stock market and foreign investment have been paralysed in recent months, as the opposition which gained unprecedented ground in March elections bids to topple the ruling coalition.

Source: AFP/yb