

KERATAN AKHBAR

TARIKH : 21 JUN 2023
AKHBAR : NEW STRAITS TIMES
MUKA SURAT : 2

Refrain from market intervention, govt told



(From left) Mohd Afzanizam Abdul Rashid, Geoffrey Williams and Dr. Liew Chee Yoong

'COSTLY FIREFIGHTING'

REFRAIN FROM MARKET INTERVENTION, GOVT TOLD

Provide long-term growth narrative to allay ringgit concern, say economists

AZANIS SHAHILA AMAN
KUALA LUMPUR
news@nst.com.my

THE government should refrain from market intervention in addressing the slide in the ringgit, with economists warning that any attempt to do so may lead to a costly "firefighting exercise".

However, they called on the government to provide a good long-term "growth narrative" to allay concerns among the public over the ringgit's poor performance.

Speaking to the *New Straits Times*, economists preached caution and stressed on the importance of long-term stability, as well as allowing market forces to play its role in maintaining the health of the economy.

Bank Muamalat Malaysia Bhd chief economist and social finance head Mohd Afzanizam Abdul Rashid said the government should not be responding to short-term factors.

He said the factors that had caused the ringgit to weaken against the United States dollar particularly might be guided by interest rate hikes in developed economies, geopolitics and gyrations in commodity prices.

"Certainly, we do not want to be firefighting. For long-term factors, we need to look at our balance of payments. There is no short-term fix for the ringgit."

"It is best to look at things from a bigger picture," Afzanizam said, when responding to whether the perceived inaction of the government to arrest the weakening ringgit should be a cause for concern.

Earlier yesterday, Economy Minister Rafizi Ramli said the government did not have any immediate plan to intervene in the ringgit's decline.

"So far, there have not been any discussions on the matter. We do not have the amount of reserves like other countries and we have to accept it," he reportedly said after an event.

Deputy Finance Minister Datuk Seri Ahmad Maslan yesterday upheld the government's position not to peg the ringgit in dealing with its weakness due to its adverse effects on the people.

The ringgit depreciated 4.5 per cent against the US dollar as of last week, second only to the 5.9 per cent decline in the yen.

At 9am yesterday, the local currency slipped further to 4.6325/6385 against the greenback from 4.6266/6350 at Monday's close.

Year-to-date, the ringgit has been the second worst-performing currency after the Japanese yen.

Malaysia University of Science and Technology economics professor Geoffrey Williams said any attempt to defend the ringgit will fail.

This, he said, was because Malaysia's international currency reserves were too low to intervene for long in the markets, while raising the overnight policy rate (OPR) will damage the economy and weaken the ringgit further.

"The position of Bank Negara Malaysia and the government is clear.

"No intervention, no pegging, no exchange rate targets and no to the use of OPR to interfere in the exchange markets," he said.

"The exchange rate is determined by the market and acts as an automatic stabiliser."

Bank Islam Malaysia Bhd chief economist Firdaos Rosli said the government's focus on improving the country's economic fundamentals was a more prudent approach to strengthening the ringgit.

However, he said, the authorities needed to deliver a good long-term growth narrative to assuage public fear.

"The least the government can do is to come up with a good growth narrative for the next four to five years, because we do not have the necessary conditions to shore up the ringgit like other advanced economies do," he said.

"Be crystal clear about our growth strategy. The recent talks about Robin Hood-flavoured economics are clearly not helping."

UCSI University Malaysia assistant professor of finance Dr Liew Chee Yoong said the decisions regarding currency intervention and capital controls were complex and depended on various economic factors and policy considerations.

Liew said the government should assess the effectiveness of available policy tools in managing the situation.

"Capital controls and ringgit pegging can be a double-edged sword as they may discourage foreign investment and prevent capital flows, which could have adverse long-term effects on the economy," he added.