

Zeti: Ringgit remains significantly undervalued

DUBAI: The ringgit remains "significantly undervalued" and risks to economic expansion are unlikely to materialise with exports still strong, Bank Negara Malaysia governor Tan Sri Dr Zeti Akhtar Aziz said.

The ringgit doesn't reflect fundamentals with the nation's current account in surplus, unemployment at about 3% and inflation within Malaysia's long-term average, Zeti said in an interview in Kuwait City yesterday.

The currency may recover when the US Federal Reserve (Fed) normalises interest rates, and as "domestic issues" in Malaysia are resolved, she said.

Malaysian policymakers have been struggling to boost confidence in its economy and finances since oil prices started to fall last year, and as allegations of financial irregularities in a state investment company hurt sentiment. While the ringgit recovered alongside emerging-market currencies in October, it's still down about 20%

this year, the worst performer in the Asia-Pacific region.

"Our export growth remains fairly strong; it has not moderated to the extent that we expected," Zeti said. On expectations of a Fed rate increase, she said: "Investors have already anticipated this and have already priced it in, so we have already seen, we believe, most of the outflows."

Global funds have pulled RM17.4 billion from Malaysian equities and RM16.2 billion from debt in 2015. Still, sentiment may be changing with MIDF Amanah Investment Bank Bhd saying foreign funds were net buyers of Malaysian stocks for four of the last five weeks, while central bank data showed global investors raised holdings of Malaysian bonds for a second month in October.

"We believe investors, after they reassess their investment portfolios, will still gravitate towards growth areas and we are one of those growth areas," Zeti said. — *Bloomberg*