

Johari: No stimulus package to boost slowing economy

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Current infrastructure projects and their spillover effects are sufficient to drive the economy

by P PREM KUMAR

THE government has no plan to introduce any stimulus package despite the ringgit's continuous weakening and the anticipated slower economic growth, said Finance Minister II Datuk Johari Abdul Ghani.

He said unlike the stimulus packages during the 1998 Asian financial crisis and 2008 global financial meltdown, the current infrastructure projects and their spillover effects are sufficient to drive the economy.

"We have invested enough in LRT (light rail transit) and

MRT (mass rapid transit), as well as other infrastructure projects.

"This will stimulate the economy and we don't need more as our economy is not in a contraction mode," he told reporters in Kuala Lumpur yesterday.

Johari also acknowledged that the Malaysian stock market is facing the current dilemma of "capital flight" as a result of the US interest-rate hike.

"The interest-rate hike has been factored in before this in the fluctuation of ringgit...capital flight is unavoidable, but foreign investors will return when our economy stabilises," he said.

According to MIDF Amanah Investment Bank Bhd, foreign funds halted a seven-week selling streak in Malaysian

stocks, buying a net RM44 million worth of shares last week. Outflows have also slowed to RM2.5 billion this year, compared to RM19.5 billion in 2015.

Johari said the ringgit, which has weakened along with other emerging-market currencies against the US dollar, has all the strength to bounce back.

"We should not panic...We have the ecosystem to make it right, ensure political stability is intact and (progressively) apply the right policies to facilitate investors," he said.

Malaysians were surprised when the ringgit touched its lowest level yesterday since the Asian financial crisis in 1998, as the currency declined 0.1% to 4.4805 per US dollar.

Reports have also emerged of investors sell emerging-

market assets, added with a crackdown by Bank Negara Malaysia last month on currency speculators, which exacerbated outflows.

Johari reiterated the government remains steadfast in the decision of not imposing capital control or pegging the currency, as Malaysia is an open economy and such measures would only hurt the country.

He said with all key factors in place and as the country's fundamentals continue to strengthen, the ringgit would bounce back.

Asked on the fair value for the local currency, he said: "It depends at what point you come in, if you come at the 3.30 level, you would want the ringgit to be at 3.30 and if you come at the 3.80 level, you want it to be at that level."

Johari, however, declined to

divulge the government's take on the ringgit's fair value.

The ringgit has lost more than 6% since the US election last month, the biggest decline in emerging Asia.

The ringgit and other emerging currencies further declined after the US Federal Reserve hiked interest rates last week. The US central bank had also hinted of more rate hikes next year.

Johari maintained that Malaysia will have to wait and see on the outcome of fiscal policies introduced by US President-elect Donald Trump, which would determined potential future interest-rate hikes.

"At the end of the day, currency fluctuation is part of the mechanism and you need to adjust according to the supply and demand," he added.