

Johari: Malaysia won't bring back capital controls

Minister confident economy can weather market rout

KUALA LUMPUR: Malaysia vowed it won't bring back capital controls to stem the currency's slump to its lowest since the 1998 Asian financial crisis and is confident the economy can weather the market rout.

Authorities don't have plans to peg the ringgit and restrict foreign flows, Second Finance Minister Datuk Johari Abdul Ghani said in an interview yesterday.

He said he's confident the economy will keep growing and it was important to ensure policies are in place for the expansion to continue.

Malaysia has been among the hardest hit in Asia following Donald Trump's surprise victory in the US election as investors pulled money out of emerging markets on the prospect of tighter monetary policy in the world's largest economy.

The central bank in Malaysia last month stoked fears of a return to capital controls – which were imposed during the 1998 currency crisis and had since been removed – when it clamped down on foreign banks using offshore forwards to bet against the ringgit.

"We have no intention of having capital controls, we don't have any intention of pegging our currency because that is not the way forward," Johari said in his office in Putrajaya.

"I'm quite confident that, despite the volatility of our currency, our policies still remain intact."

The ringgit has slumped 5.6% against the dollar since Nov 9 – when Trump was declared the winner in the US election – and reached 4.4805 on Monday, a level unseen since January 1998.



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It fell less than 0.1% to 4.4798 as of 3.45pm in Kuala Lumpur yesterday.

"We will sail it through, this turbulence," Johari said. "I don't call it a crisis."

Johari didn't disclose a fair value for the ringgit but said he saw "no reason" for the

currency to be trading at its current level.

"In a very short period of time, you see a sudden surge" to the level it is now, he said. "There must be something that is fundamentally wrong for you to be in that position."

Malaysia needs to ensure the stability of the ringgit, he said.

"You can't intervene too much, you can't basically manage this currency on what you think is right because only the market will decide," he said.

"This is supply and demand that we want to make as freely as possible to investors and anybody can come to this country and do the business."

The central bank said it would provide greater hedging flexibility in the onshore currency market after last month's crackdown deterred investment. Some money managers said the clampdown on trading in non-deliverable forwards made it difficult for long-term investors to counter the foreign-exchange risk.

"I'm still bearish on the ringgit due to market concerns over Fed's tightening, the shrinking current account surplus and the high foreign ownership of local government bonds," said Qi Gao, a Singapore-based foreign-exchange strategist at Scotiabank.

Global funds hold 33% of Malaysian government bonds compared with 38% of Indonesian securities and 14% of Thai notes, according to official data.

The economy is diversified and higher oil prices will help boost revenue, Johari said. The government may also sell some land it owns in the greater Kuala Lumpur area to raise revenue and help stimulate economic growth, he said. – Bloomberg