

'Ringgit to rally to RM4 against dollar next year'

> Trade experts cite strong economic fundamentals for one of the most bullish forecasts for M'sian currency

BY EVA YEONG

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KUALA LUMPUR: The depreciation of the ringgit is a temporary phenomenon and trade experts believe the currency will strengthen to RM4.00 against the US dollar next year, one of the most bullish projections for the ringgit thus far.

International Trade and Industry Ministry former senior director of Asean Economic Cooperation Datuk P. Ravidran Palaniappan expects the ringgit to strengthen to RM4.00 by the first quarter of 2017.

"I think the fundamentals surrounding the economy are very strong. In terms of external trade we are doing very well. The price of oil has gone up and commodity prices, such as that for palm oil, are relatively stable. I see this as a temporary rather than a long haul kind of thing," he told reporters at the Institute of Chartered Accountants in England and Wales (ICAEW) 2017 Economic Outlook – New Realities Affecting Malaysia's Economic Success briefing yesterday.

Asean-India Business Council co-

chairman Datuk Ramesh Kodammal also expects the ringgit to strengthen to RM4.00, by the first half of 2017, as commodity prices are moving forward and oil prices are expected to trade at US\$60-US\$65 (RM266-RM282) a barrel in the near future.

He said with the ringgit at the present level, Malaysia is an opportunity for investors around the world as it has one of the best infrastructure within the region and he foresees a lot of opportunities for investors coming into Malaysia within the next six months to a year. The ringgit stood at RM4.43 against the US dollar yesterday.

Ramesh said the Asean economy will be driven by a young population, of which the majority are small and medium enterprises (SMEs) looking for opportunities to move forward within the region. "This is the best time actually to look at it, that a person explore when things are not too good. You must start moving out to see what best you can get outside," he said.

On Bank Negara Malaysia's new policy requiring exporters to convert 75% of export earnings into ringgit,

ICAEW economic adviser and Oxford Economics lead economist Priyanka Kishore said it will help stem the downfall of the currency.

However, she said, the ringgit's depreciation is driven by US dollar strength rather than domestic economic fallout and the prospects of fiscal boost in the US is expected to continue supporting the US dollar.

"It's going to lead to a slower degree of depreciation definitely, so to that extent it is a useful step but I don't think it changes the momentum until the US dollar shows some signs of slowing down ... these measures slow down the pace of depreciation rather than a complete reversal. I think a lot depends on how the US dollar rise and the US dollar strength pan out," Priyanka said.

She said an example of these signs would be from the US Federal Reserve, in the form of a slower-than-expected interest rate increase in 2017, which the markets are moving to price in. "If they move to reprice that again, that will lead to some pull back in the US dollar and that is way more important at time in terms of turning the tide of the currency."

On the Trans-Pacific Partnership, Ravidran said more clarity is needed on the concerns of US President-elect Donald Trump and, in the meantime, Asean needs to step up economic integration and avoid restrictive measures.

He said the Regional Comprehensive Economic Partnership (RCEP) should be concluded and implemented early, given the challenging global environment, as it would contribute to the economic growth of the region.

"One of the things that Asean has to do is that they should not slide back, they should not be rolling back on commitments or adopting protectionist measures. We need to step up the integration and, with RCEP, I'm confident that the region will be able to sustain its economic growth. We are already engaging with Hong Kong, negotiations are going on. I see all these as positive signs for the region," he added.



From left: ICAEW head of corporate communications and media relations Simon Thompson, Ramesh, Priyanka and Ravidran during a panel session at the briefing yesterday.