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Bernama - Business Sector Should Not Depend Just On Ringgit's Value To Be Competitive - Tengku Zafrul

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KUALA LUMPUR, Sept 22 -- The business sector should not depend merely on the ringgit's value to boost its competitiveness, said Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz.

Although the government would always ensure the financial market ran smoothly and in an orderly manner, "the business sector should focus on increasing productivity and innovation as well as cost reduction," he said.

The minister was replying to a question from Senator Datuk Teo Eng Tee @ Teo Kok Chee (Gerakan) during a Dewan Negara sitting today regarding measures taken by his ministry to curb the depreciation of the ringgit.

Tengku Zafrul said the ringgit's value would be driven mainly by the country's strong economic fundamentals.

Therefore, the government would continue to focus on efforts to improve economic resilience by diversifying the sources of growth and strengthening the country's competitiveness and fiscal position.

As of Sept 18, the ringgit had depreciated by 0.5 per cent against the US dollar this year following uncertain geopolitical development and dampened investor sentiment in the world's financial markets due to major concerns over the COVID-19 pandemic and falling global oil prices.

The finance minister said in view of Malaysia remaining a net exporter, the competitive ringgit generally would have advantages.

“Amid a challenging global environment as well as uncertainties in the world's financial markets, the flexible ringgit exchange rate plays an important role to cushion against shocks from the changing external environment so that domestic economic activities are not adversely impacted.

“However, high volatility of the ringgit can increase uncertainty and hurt economic activities due to the difficulties faced by players in the trade and industry sector in planning their strategy and taking the appropriate action,” he said.

Tengku Zafrul said the government, through Bank Negara Malaysia (BNM), would always ensure the financial market was well-organised and efficient.

The central bank, he said, was also committed to introducing measures to ensure sufficient ringgit liquidity, the market's continued competitiveness and reduced speculative activities in the market.

The measures included imposing conditions so that a large part of foreign currency-denominated exports be converted to the ringgit to increase foreign currency liquidity in the domestic market and increase enforcement of the foreign exchange regulations to curb offshore currency speculative activities, he said.

At the same time, BNM had introduced hedging instruments and flexibility so that participants in the financial market and the business sector could implement better risk management in terms of foreign currency exposure, he added.

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