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## M'sia ready for 2nd round of financial instability

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KUALA LUMPUR: Malaysia, which has seen the worst of the economic recession, stands prepared to face the possibility of a second round of financial instability in the developed world, given the country's sound banking system, said Bank Negara Malaysia (BNM) governor Tan Sri Dr Zeti Akhtar Aziz.

"There could be a second round (of instability) in their financial sector, given the slowdown, but in our case, we don't have the conditions to begin with.

"Our banks are solid and continue to provide access to financing. All

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## Zeti: Growth forecast to be revised in 2010 budget

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these are supporting domestic demand and businesses," she said.

Zeti reiterated that unlike countries that were over-leveraged and would need to pare down their indebtedness and repair their financial systems before seeing signs of improved consumption, the domestic financial system had not faced a crisis.

"We believe we have seen the worst. Across the board, there is improvement while domestic demand has seen clear signs of recovery, having benefited from the fiscal stimulus and an accommodative monetary policy, but external factor has to see greater improvement in terms of external demand," she told the media on the sidelines of the Seacen-BNM Banking and Financial Law School 2009, a continuing education platform to the legal fraternity.

Zeti said the country's current key interest rates were at appropriate level to support demand and access to financing, and hence going forward, the overnight policy rate would remain at 2% unless there were significant changes.

"We expect external trade to improve in the third quarter and positive growth in the fourth quarter.



Zeti. Photo by Sulhaimi Masuf

"The environment is dynamic and our assessment going forward, is that the economy will continue to improve but at the initial stage, we expect growth to be modest and next year, it will improve significantly," she said.

Zeti added that the country's growth forecast would be revised in the 2010 budget, which would be tabled in parliament next month.

Speaking at the event here yesterday, Zeti said one of the challenges

that confronted central banks was the increasingly complex financial and economic integration associated in globalisation.

"The recent crisis raised many issues for which clear solutions, or even consensus, have yet to emerge, including on the propensity for home bias in the policy responses, suitable approaches to cross-border resolutions and the significant challenge of coordinating policies across different legal and institutional frameworks," she said in a keynote address.

Zeti added that given that the legal framework in this area remained highly fragmented, a sustainable solution would require legal framework to provide certainty and clarity in dealing with crises.

"Greater harmonisation and clarity about the triggers for action, the tools to return insured funds quickly to depositors, the authority to implement a quick resolution, and the legal powers to restructure and continue key banking functions would allow for more effective crisis management.

"Hence, it is not just about opening our borders; we need to examine how our domestic regulatory framework interfaces with that of other countries," she said.

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## Signs of recovery in domestic demand

**KUALA LUMPUR:** Domestic demand is showing clear signs of recovery boosted by the fiscal stimulus and an accommodative monetary policy, Bank Negara Malaysia governor Tan Sri Dr Zeti Akhtar Aziz said yesterday.

"We have seen the worst and there is now across the board improvement but the external sector has to show

a more significant improvement in terms of demand.

"But there are clear signs of recovery in domestic demand which has benefited from the fiscal stimulus and the accommodative monetary policy," she said after delivering a keynote address at the South East Asian Central Banks-Bank Negara Malaysia Banking

and Financial Law School 2009.

According to a report by Bank Negara, domestic demand in the second quarter (2Q) of this year recorded a slower decline of -2.3% (-2.9% in 1Q). The positive sign was attributed to 1% expansion in public sector spending and private consumption which grew by 0.5% in 2Q as

opposed to -0.7% in 1Q.

However, gross exports contracted further (-26.3% in 2Q (-20% in 1Q) due to weak demand for manufactured products from major trading partners. Commodity exports also fell by 40.6% in 2Q (-23.8% in 1Q).

Asked if Malaysia is experiencing a W-shape recovery, Zeti said the

country has not experienced any credit crunch as financial institutions remain strong and continue to lend to domestic businesses.

Stressing that Malaysia does not face any financial crisis, Zeti said only countries with over-leverage need to

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## Interest rates at appropriate level now, says Zeti

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"Only if they restructure their financial system would they be able to see any sign of increase in consumption activity," she said.

"There could in fact be a second round of impact on their financial system given the economic slowdown but in Malaysia's case, we never had that situation to begin with and our banks are financially very solid," she said.

Asked if interest rates will be revised, Zeti said it is at an appropriate level now and would remain so unless there are any significant changes.

According to Bank Negara's report, the international reserves of Bank Negara Malaysia stood at RM322.2 billion (as at Aug 14), which is sufficient to finance nine months of retained imports.

Average base lending rate (BLR) remained unchanged during 2Q 2009 while the average lending rate (ALR) continued to decrease to 5.02% in May before stabilising at 5.04% in June. Deposit rates were relatively unchanged.

Zeti said the business environment now is dynamic and, going forward, is expected to improve significantly next year.

"The economy is likely to continue improving but in the initial stage we expect growth to be modest. Growth will be more significant next year," she said.

She added that Prime Minister Datuk Seri Najib Razak will unveil Budget 2010 in Parliament on Oct 23 and is expected to announce the revised forecast Gross Domestic Product growth for this year and 2010.

On Asian Development Bank's forecast of a 3.1% contraction for the Malaysian

economy, Zeti is confident the country would see positive growth in the fourth quarter as external demand is likely to improve in the third quarter.

"For this year, our assessment is we are seeing positive growth after the collapse in external demand and in world trade," she added.

Earlier, she said the Central Bank of Malaysia Act 2009 to be implemented in November, will empower Bank Negara to act decisively in enhancing transparency and accountability.

"The Act will extensively provide greater clarity on the mandates for which we are accountable and provide enhanced powers to undertake these mandates," said Zeti, adding that it would also provide greater flexibility in monetary policy implementation and allow a diversified range of instruments to be deployed.

# Ekonomi Malaysia bertambah baik

## Pakej rangsangan, dasar kewangan bantu pemulihan

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**E**KONOMI Malaysia kini bertambah baik disokong oleh permintaan domestik hasil daripada pelaksanaan pakej rangsangan ekonomi dan pengenalan dasar kewangan yang membantu pemulihan, kata Gabenor Bank Negara, Tan Sri Dr Zeti Akhtar Aziz.

Beliau bagaimanapun berkata, pemulihan ekonomi yang lebih baik hanya akan dapat disaksikan apabila sektor luaran menunjukkan peningkatan yang lebih ketara.

"Kita telah melalui tempoh yang buruk dan sekarang ini sudah wujud pemulihan dalam segenap bidang tetapi sektor luaran perlu menunjukkan peningkatan lebih ketara dari segi permintaan luar.

"Bagaimanapun, sudah ada petanda pemulihan yang jelas dalam permintaan do-

mestik hasil daripada pakej rangsangan dan dasar kewangan yang membantu pemulihan," katanya selepas merasmikan Forum Sekolah Undang-undang Kewangan dan Perbankan 2009 di Kuala Lumpur, semalam.

Forum dua hari bermula semalam dianjurkan Pusat Latihan dan Penyelidikan Bank-bank Pusat Asia Tenggara (SEACEN), Bank Negara dan Institut Bank-bank Malaysia (IBBM).

Forum bertemakan 'Cabaran Semasa dalam Perbankan Pusat - Perspektif Undang-undang' itu menumpukan isu berkaitan perundangan bank pusat, pengawalseliaan institusi kewangan dan undang-undang korporat.

Zeti ketika ditanya adakah ekonomi Malaysia mengalami bentuk pemulihan turun-naik, berkata keadaan di Malaysia tidak sama seperti situasi di sesetengah negara yang mengalami krisis kre-

dit ketika krisis kewangan.

"Bagi negara mengalami krisis kewangan, mereka perlu bersiap sedia mengenai kemungkinan berlakunya kesan krisis kewangan kedua.

"Negara ini tidak berdepan situasi seperti itu dan bank kita adalah kukuh untuk terus menyediakan pembiayaan yang dapat menyokong permintaan domestik," katanya.

Sehubungan itu, Zeti berkata, ekonomi Malaysia dijangka terus mencatat pemulihan tetapi pada peringkat awal pemulihannya, kadar pertumbuhan sederhana.

"Pertumbuhan akan menjadi lebih ketara tahun depan," katanya.

Ditanya sama ada bank pusat akan menyemak semula unjuran pertumbuhan ekonomi Malaysia berikutan situasi ekonomi yang lebih baik sekarang, beliau berkata, perkara itu hanya akan diumumkan ketika pembentangan Bajet 2010 yang dijangkakan



“Pertumbuhan akan menjadi lebih ketara tahun depan”

Zeti Akhtar Aziz  
Gabenor Bank Negara

pada 23 Oktober ini.

Mengenai unjuran penguncupan ekonomi Malaysia sebanyak 3.1 peratus tahun ini yang dibuat oleh Bank Pembangunan Asia (ADB), Zeti berkata, beliau yakin negara akan mencatatkan pertumbuhan positif pada suku keempat berikutan permintaan luar yang dijangkakan bertambah baik pada suku ketiga.

Ketika ditanya sama ada Bank Negara akan menyemak semula kadar faedah, Zeti menjelaskan, kadar faedah sekarang berada pada paras yang sesuai dan ia akan terus dikekalkan jika tiada berlaku sebarang perubahan ketara dalam ekonomi.

## Dua pakej rangsangan bantu yakinkan peniaga

**P**ELAKSANAAN segera dua pakej rangsangan berjumlah RM67 bilion telah menjana kesan positif terhadap ekonomi Malaysia serta merangsang sentimen dan keyakinan perniagaan, kata ahli ekonomi yang mengikuti perkembangan dalam negara.

Pelaksanaan segera berkenaan dapat dilihat yang mana dalam tempoh 10 bulan sejak pakej rangsangan pertama diumumkan, 90 peratus daripada projek yang dikenal pasti telah diberikan kontrak atau sedang dalam pelbagai peringkat pelaksanaan, kata mereka.

Selasa lalu, Perdana Menteri, Datuk Seri Najib Razak berkata setakat ini, sejumlah 83,939 projek sudah ditawarkan yang mana 53,076 projek bernilai RM6.07 bilion di bawah pakej pertama dan bakinya di bawah pakej kedua yang dirangka meliputi tempoh dua tahun.

Kerajaan mengumumkan pakej rangsangan ekonomi pertama berjumlah RM7 bilion pada November tahun lalu, manakala pakej kedua bernilai RM60 bilion, Mac tahun ini.

Pakar ekonomi Affin Investment Bank Bhd, Alan Tan, berkata pelaksanaan projek yang berkesan di bawah dua pakej rangsangan mungkin mempengaruhi ekonomi Malaysia untuk mencatatkan pertumbuhan positif pada 2.4 peratus bagi suku keempat 2009 selepas pertumbuhan negatif tiga suku tahunan berturut-turut.

Ketua Penyelidik Inter-Pacific Securities Sdn Bhd, Anthony Dass berkata, ketika wujud beberapa kesan positif daripada pakej rangsangan berkenaan, ia mungkin tidak mencukupi untuk membolehkan ekonomi keluar daripada kemelesetan pada asas lebih teguh.

Ketua pakar ekonomi Rating Agency Malaysia, Dr Yeah Kim Leng berkata, Malaysia mungkin menyaksikan kesan limpahan yang lebih besar daripada kedua-dua pakej rangsangan pada 2010, terutama disebabkan pemulihan dalam permintaan global dan beberapa ekonomi maju keluar daripada kemelesetan. -- Bernama