

## Zeti: Malaysia has scope to lower interest rates if needed

**BASEL:** Malaysia's central bank has scope to lower interest rates if the global economy worsens, governor Tan Sri Dr Zeti Akhtar Aziz said.

"Right now, interest rates are seen at the appropriate level," Zeti told reporters yesterday.

"But given that our interest rate is at 2%, if conditions in the external environment were to deteriorate from the present conditions, then we do have the flexibility."

Malaysia's economy contracted for the first time since 2001 last quarter as exports slumped, pushing the nation toward its first recession in a decade.

Still, the central bank has kept its key interest rate unchanged for the last two meetings, saying previous cuts and government stimulus measures will contribute to a recovery later this year.

"We said there would be an improvement in conditions, with increased prospects now for positive growth in the fourth quarter," Zeti said.

The country wasn't yet ready to float the ringgit, she said.

"The developments of the financial markets in our region haven't reached that stage, certainly not for Malaysia," she said.

"We are still developing our foreign exchange market and we need to see all the preconditions in place before internationalisation of our currency.

"The dollar will still continue to be an important currency in the international financial system," she said.

Meanwhile, *Bernama* reported Bank Negara won't encourage a further decline in the ringgit in a bid to make Malaysian exports more competitive, Zeti said.

"We do not rely on the ringgit to gain competitiveness," Zeti was quoted as saying in an interview with Dow Jones Newswires on the

sidelines of meetings at the Bank for International Settlements in Basel.

Zeti said that in the immediate term, the currency reflected market conditions, but in the medium term it reflected underlying economic fundamentals.

Zeti said Bank Negara was modestly investing in Chinese assets after Beijing gave it the qualified foreign institutional investor status earlier this month.

She said the central bank also invests a modest part of its reserve assets elsewhere in the Asia-Pacific region, including Australia and New Zealand. - Agencies