Headline	MOF ORDERS STOP TO FOREIGN ASSET BUYING		
MediaTitle	The Edge Financial Daily		
Date	02 Jan 2015	Color	Full Color
Section	Home Business	Circulation	15,000
Page No	1,2	Readership	50,000
Language	English	ArticleSize	576 cm²
Journalist	The Malaysian Insider	AdValue	RM 6,646
Frequency	Daily	PR Value	RM 19,938

MOF ORDERS STOP TO FOREIGN ASSET BUYING

Bid to cease outflow of money.
Story on Page 2.

MoF orders stop to foreign asset buying

Bid to cease outflow of money

BY THE MALAYSIAN INSIDER

KUALA LUMPUR: In a bid to stop the outflow of money, the government has directed all government-owned companies, statutory bodies and subsidiaries to stop buying foreign assets.

The circular dated Dec 26, 2014 sighted by The Malaysian Insider was signed by the secretary-general of the Ministry of Finance (MoF) Tan Sri Irwan Siregar and is a policy response to the 40% fall in oil price and the recent depreciation of the ringgit that triggered the outflow of funds, which is worrisome for Malaysia's economy.

"After taking into consideration the uncertain world economic outlook in 2015, the government ... is of the opinion that domestic consumption must be increased to generate and support the country's economy," according to the Treasury circular.

"In relation to that, and to support the government's efforts to increase domestic consumption, government-owned and linked companies, statutory bodies and subsidiaries must give priority to domestic investments and immediately cease acquiring foreign assets to reduce the outflow of funds," stated the circular.

The Treasury order came amid criticism as to why Putrajaya has so far refused to revise its Budget 2015 projections to account for low oil prices and a weak ringgit. The budget tabled last October was prepared on the assumption that oil prices would hover around US$100 (RM350) to US$105 a barrel.

Global oil prices had fallen off their highs of US$110 a barrel in mid-2014 to below US$60 a barrel currently, putting pressure on revenues of several oil producers, including Malaysia, where oil revenue accounts for close to 40% of government revenue.

Other oil-exporting countries have revised their 2015 budgets.

On Dec 24, Indonesia's Finance Minister Bambang Bordjonegoro said President Joko Widodo will present a revised budget this month that will now assume oil at US$70 a barrel, instead of US$105 a barrel when it was first tabled.

Saudi Arabia, the world's biggest oil exporter, had on Dec 26 tabled a 2015 budget with a staggering deficit of US$38.6 billion, based on an oil price of US$60 a barrel.

Government officials have in recent weeks insisted that the 2015 budget targets are still achievable, triggering criticisms that Putrajaya was in denial. And now, with the worst floods since 1972 likely to cost it billions in unplanned spending, analysts are even more convinced that the government has to present

Headline	MOF ORDERS STOP TO FOREIGN ASSET BUYING		
MediaTitle	The Edge Financial Daily		
Date	02 Jan 2015	Color	Full Color
Section	Home Business	Circulation	15,000
Page No	1,2	Readership	50,000
Language	English	ArticleSize	576 cm²
Journalist	The Malaysian Insider	AdValue	RM 6,646
Frequency	Daily	PR Value	RM 19,938

a revised Budget 2015.

Not showing a new plan of action could exert further selling of the Malaysian ringgit, which had fallen from 3.28 to the US dollar at the start of October, to close to 3.50. The ringgit was the worst- performing emerging market currency against the US dollar in 2014.

Malaysian statutory bodies and agencies such as the Employees Provident Fund (EPF) and Tabung Haji (haj fund) have made huge property investments over the past few years, particularly in Europe.

Malaysian government-linked companies or those owned by government-linked funds have also increased their exposure abroad despite a property boom in Malaysia, particularly in Kuala Lumpur, Johor's Iskandar region and Penang.

Felda Investment Corp had in the past 12 months acquired two hotel assets in Britain that cost £158 million (RM870 million).

Then there is the 100% MoF-owned 1Malaysia Development Bhd (1MDB) which has accumulated US dollar debts of close to US$7 billion. Just servicing the debts alone will cost an outflow of RM1.5 billion a year.

It is undestood that national oil company Petroliam Nasional Bhd (Petronas), which has committed to spending RM50 billion on the refinery and petrochemical integrated development (Rapid) project in Johor, has asked its various units to revise their budget for 2015.

Petronas, which contributes to almost 40% of the national coffers, had urged the government to "tighten its belt" as the national oil firm was facing the possibility of lower earnings from falling crude oil prices.

Petronas group chief executive officer Tan Sri Shamsul Azhar Abbas said last November that the price range of Brent crude oil at US$70 to US$75 may be a "new era", until the end of 2015, if not for the next two years.

Based on new oil price assumptions, Shamsul said Petronas was looking to cut as much as 15% to 20% of its capital expenditure (capex) budget for next year.

Shamsul also called on the government to be prudent in its spending as the state oil firm has to safeguard its growth plans.

Putrajaya has committed to continue providing direct cash aid or Bantuan Rakyat 1Malaysia (BR1M) in 2015 at a higher amount than the previous two times.

But it hopes to get RM23.2 billion from the introduction of the goods and service Tax (GST) from April 1 and savings from stopping fuel subsidies last November, which was said to cost RM24 billion last year.

Malaysia's current account surplus has been shrinking recently because of the strong outflow of capital attributed to repatriation of profits and dividends by foreigners and investments overseas by Malaysians.

The foreign reserves of Bank Negara Malaysia fell 11% in 2014 or RM46.66 billion to RM394.1 billion.