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‘Malaysia’s economy not weak, lower ringgit due strong US dollar’

‘Malaysia’s economy not weak, lower ringgit due strong US dollar’

KUALA LUMPUR: Malaysia is not experiencing an economic crisis just because the ringgit is trading at a low level against the United States dollar, said Bank Negara Malaysia governor Tan Sri Nor Shamsiah Mohd Yunus.

She said the ringgit had depreciated by 4.9 per cent against the US dollar in the third quarter of the year, in line with regional currencies which depreciated by an average of 5.5 per cent.

She said this was driven by a strong US dollar, so it did not mean that the Malaysian economy was weak and in a crisis.

"This should not be taken as a simple barometer of the health of the economy. An economic crisis is usually associated with a severe contraction in gross domestic product (GDP) growth, high rates of employment and a breakdown in financial intermediation.

"We do not see these indicators," she said after a briefing on Malaysia's third quarter GDP growth here yesterday.

Nor Shamsiah said the country's GDP had been growing for four consecutive quarters since the third quarter of last year.

She said the unemployment rate had been declining for 14 consecutive months to 3.6 per cent in September from 4.8 per cent in July last year.

"We have seen corporations' and businesses' financial performance remain healthy while the public continues to spend. Indicators such as retail and car sales have exceeded pre-pandemic levels.

"Furthermore, the banking system remains resilient and financing growth remains supportive of economic activity.

"Clearly, Malaysia is not in an economic crisis. That said, we acknowledge there are still some parts of our economy that have yet to return to pre-pandemic conditions."

She said the impact of a weaker ringgit on Malaysia's external position remained manageable.

She said the ringgit depreciation had led to higher value of foreign currency assets, lending support to Malaysia's external position.

"Our foreign currency external assets remain sizable and are sufficient to cover up to 2.1 times of foreign currency external liabilities. The risks from foreign currency external debt are largely contained, as about 68 per cent of debt are either subject to prudential safeguards or are on flexible terms.

"Banks have to comply with liquidity management prudential standards. Additionally, their sizable foreign currency liquid assets are sufficient to cover up to 2.6 times of foreign currency external debt-at-risk that are more susceptible to withdrawal and roll over risk."