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**Economy stands firm in face if volatile ringgit**

# Economy stands firm in face of volatile ringgit

## Malaysia's FDI inflows, fundamentals, long-term prospects intact, and access to credit still widely available: Experts

**KUALA LUMPUR:** Malaysia still attracts foreign direct investment (FDI) inflows, its economic fundamentals and long-term prospects remain intact while access to credit remains widely available to finance economic activities, despite a volatile ringgit, said an economist.

Maybank Investment Bank chief economist Suhaimi Ilias said the country's trade or current account surplus has been sustained for decades despite having budget deficits.

Additionally, he said the budget deficit itself is in the process of consolidation, declining from a high of over 6% of gross domestic product (GDP) during the pandemic years (2020-2021) to 5.6% of GDP in 2022.

The budget deficit, then targeted to be 5% of GDP this year, has thus made progress to a sustainable level of around 3% to 3.5% of GDP, targeted by 2025.

"Furthermore, the budget deficit is virtually fully-financed by domestic debt rather than external debt, reflecting the high level of internal financial resources, thanks to the high savings rate – another important economic fundamental," he told Bernama when asked on the current ringgit weakness.

It was reported that the ringgit declined 5.8% in the first half of 2023, leading the losses among emerging Asian currencies, while equities in Malaysia and Thailand were the biggest losers in a mixed market.

Malaysia also continues to attract FDIs as indicated by the robust FDI approvals since 2021, which saw a record high of RM209 billion, and remain robust at RM163 billion in 2022, well over the average of RM58 billion per annum during the 2010-2019 period.

For the first quarter of 2023 (1Q 2023), approved FDIs were up 52.5% year-on-year to RM37 billion compared with RM28 billion in 1Q 2022.

"This reflects the confidence in the country's fundamentals and long-term prospects, on top of the incentives given to pull in high-quality, high value-added, high impact FDIs, as per the recent announcements of investments in Malaysia by Tesla and Amazon, as well as the earlier long-term investment plan by Intel," said Suhaimi.

Ultimately, these fundamentals are reflected in Malaysia's sovereign credit ratings, which are in the high investment grade category, with stable outlook.

Bank Muamalat Malaysia Bhd chief economist and social finance head Mohd Afzanizam Abdul Rashid said, while the ringgit continues to be volatile, access to credit remains widely available as banks are highly liquid, well-capitalised and has robust risk management.

"So, the intermediation of funds can happen seamlessly to finance economic activities despite the volatile ringgit. In that sense, the country deserves better with respect to the level of ringgit," he said.

He added, "The issues to be focus on right now are how do we ensure the value of the ringgit is increased on a long-term basis and more sustainably?"

He opined that this would require economic reforms, the ones that would promote the role of the private sector as the main engine of growth.

"Certainly, resource allocation has to be relooked in order to gain competitiveness. Therefore, spending on education, healthcare and infrastructure deserve greater attention as these are the key areas that can ensure Malaysia will be competitive," he said.