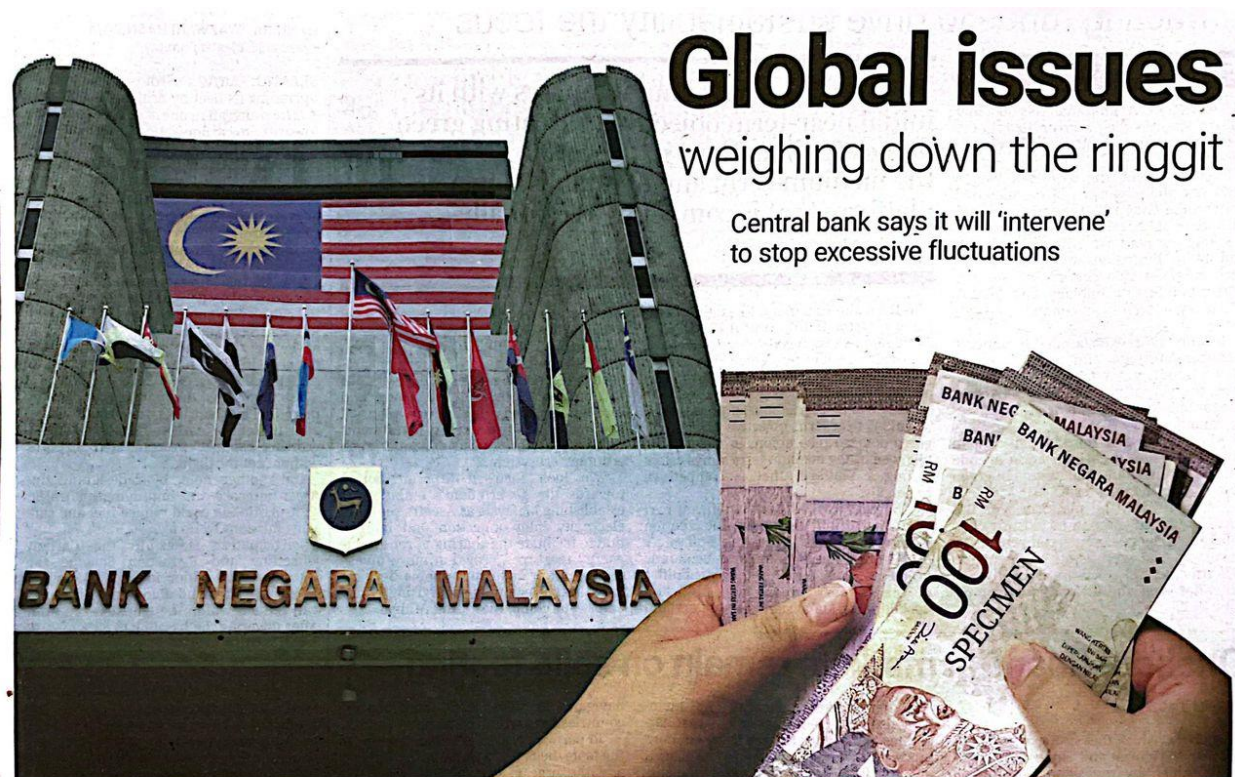


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Global issues weighing down the ringgit



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Central bank says it will 'intervene'
to stop excessive fluctuations

ECONOMY

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PETALING JAYA: Bank Negara's latest meeting on the ringgit's depreciation was a disappointment, with no concrete monetary policy solutions offered even as the central bank labelled the depreciation as "excessive".

While Bank Negara's Financial Markets Committee (FMC) blamed the external environment as the main driver of the ringgit's feebleness, it harbours hope that the ongoing measures of the Datuk Seri

Anwar Ibrahim administration will support the ringgit.

The central bank, which sat on international reserves worth US\$113bil (RM527bil) as at June 15, however, reaffirmed that it will "intervene" to stop excessive currency fluctuations.

The FMC's latest statement seems to suggest that Bank Negara's proverbial hands are tied, as interest rate hikes in major economies and outflow of funds from Malaysia are exerting pressure on the ringgit.

Since February, the ringgit has declined by 9.4% against the US dollar, 13.1% against the British pound and 10.6% against the euro. The ringgit also fell by 6.8% against

the Singapore dollar in the same period.

The FMC said the ringgit, along with other regional currencies, has been weighed down by several global developments, including signs that China's post-Covid economic recovery is losing its momentum.

"Against the backdrop of the US dollar strength, the FMC observed that the extent of the recent depreciation of the ringgit is not reflective of Malaysia's economic fundamentals," it said in a statement yesterday.

Established by Bank Negara in May 2016, the FMC comprises representatives from the central bank, financial institutions, corporations, financial service providers and

other institutions which have prominent roles or participation in the financial markets.

The FMC opined that the recent movements in the ringgit's exchange rate were excessive, considering several factors.

Firstly, Malaysia's growth momentum is expected to continue in 2023 albeit at a more moderate level, supported by continued domestic investment activity, improving labour market conditions and higher tourism activities.

Malaysia's broad and diversified economic structure will help cushion the impact of slowing global growth.

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