BANK NEGARA MALAYSIA
SASANA SYMPOSIUM 2023

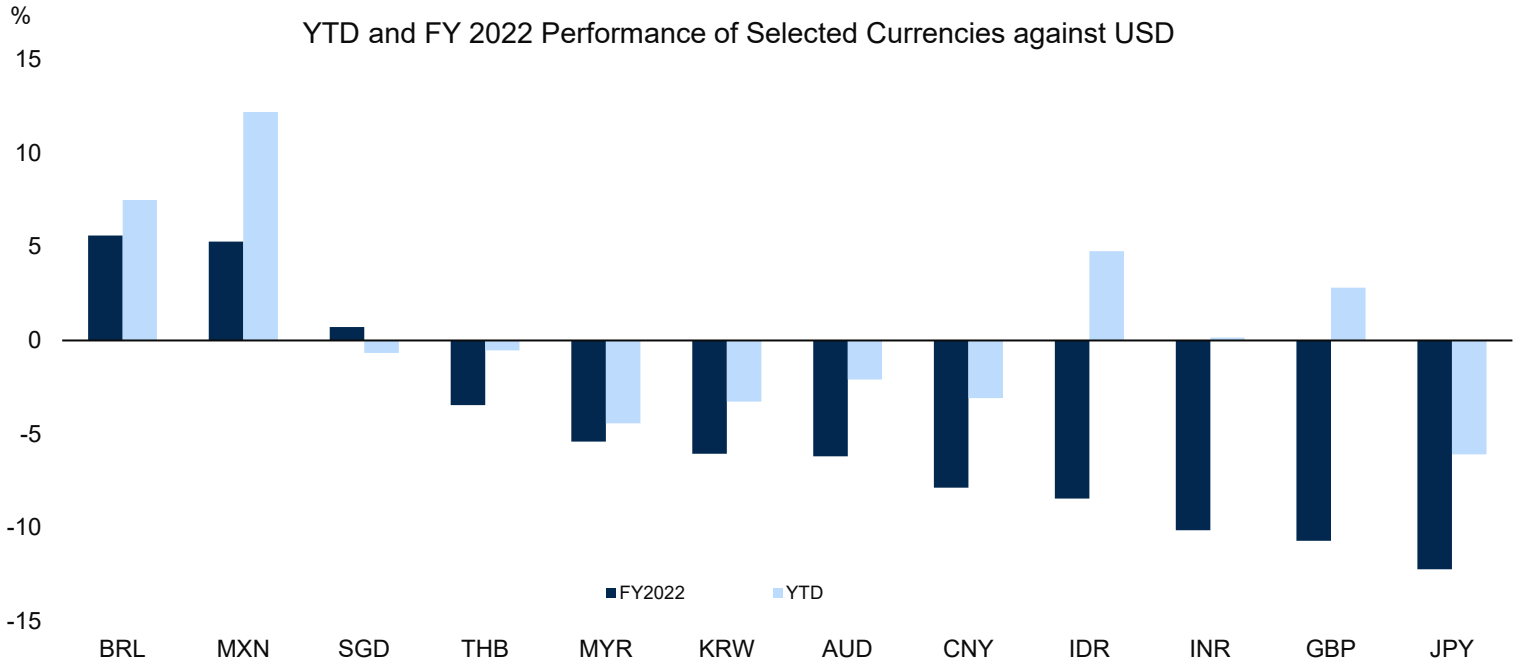
Navigating Ringgit Exchange Rate Dynamics

Assistant Governor Adnan Zaylani

8 June 2023



The strengthening of US dollar has affected most major and developing market currencies, not just the Ringgit



Source: Bloomberg

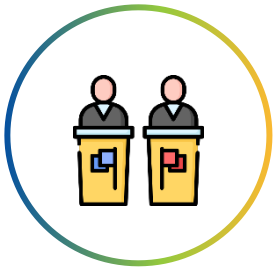
General factors that influence exchange rate



Relative Interest Rates



Relative Inflation



Political Stability



Balance of Payment



Market Psychology

Source: BIS Working Paper No 4, Peter Isard

Recent Ringgit performance driven by global developments



Weak global growth outlook

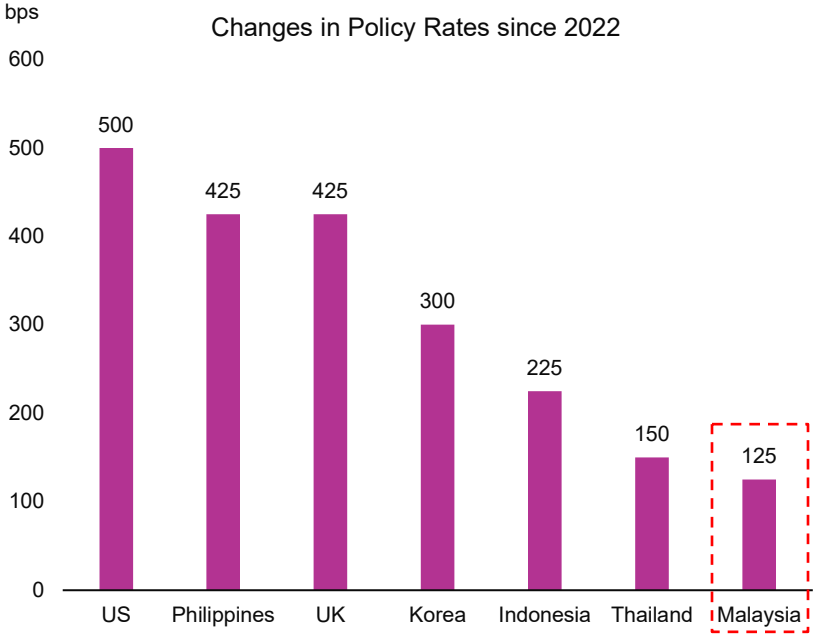


Risk off sentiment on recent crises (banking, debt ceiling)

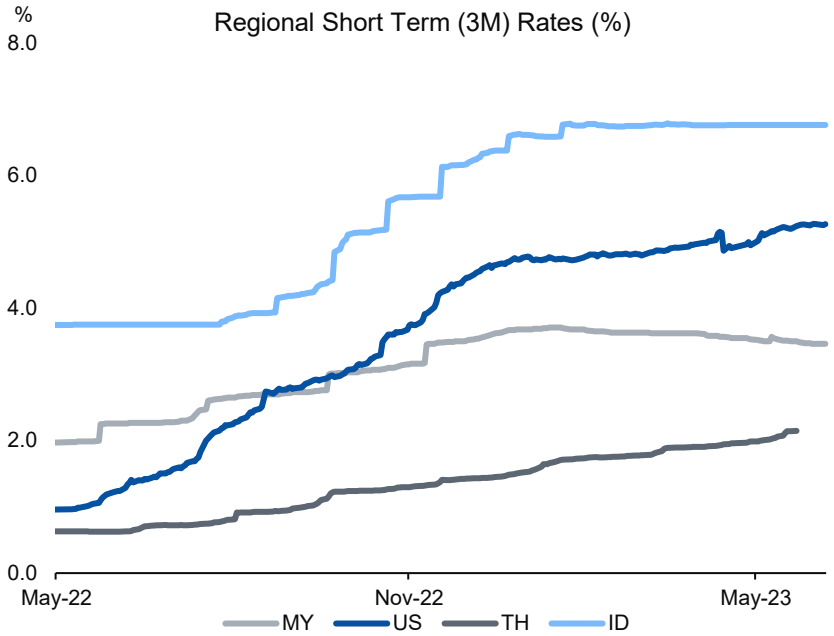


Weaker-than-expected China economic data

OPR hikes were done on a more gradual and measured path, widening interest rate differentials against peers



Source: Bloomberg



Source: Bloomberg

Strong trading relationship between China and Malaysia led to higher correlation between currencies movement

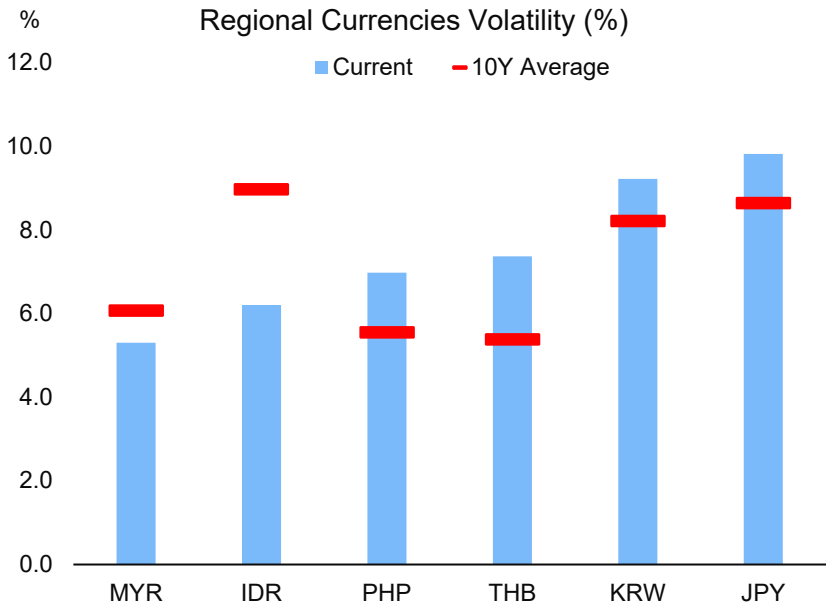


Source: Bank Negara Malaysia



Source: Bloomberg

Nevertheless, volatility of the ringgit remains one of the lowest in the region underpinned by strong FX turnover volume



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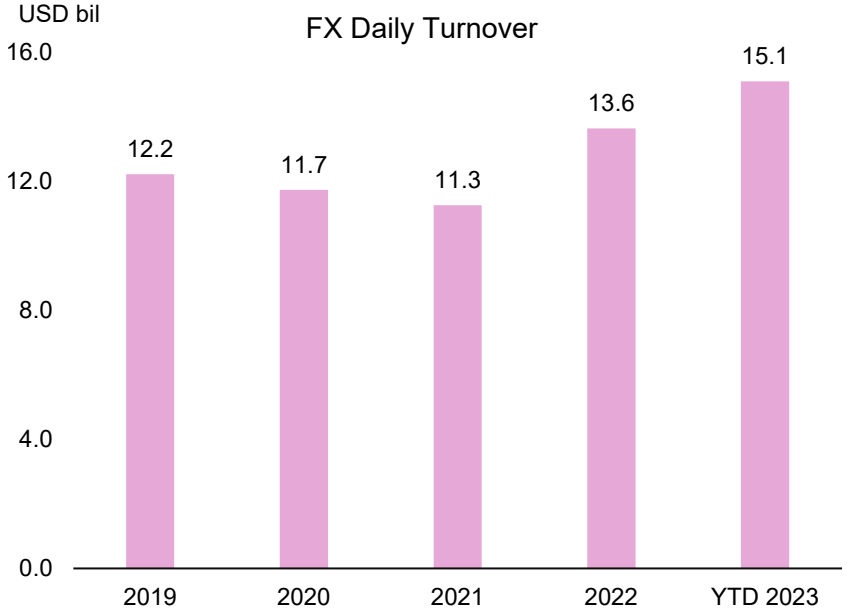
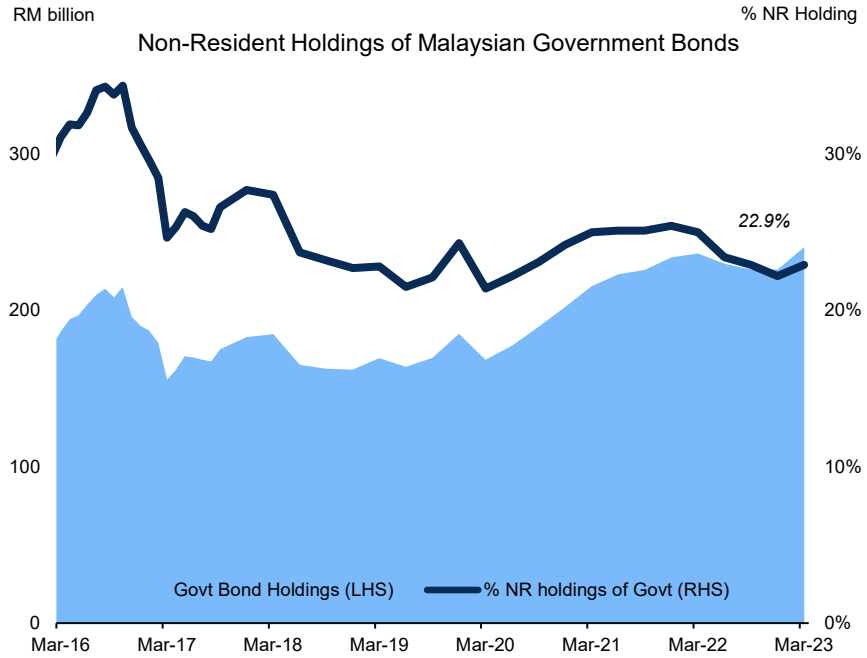
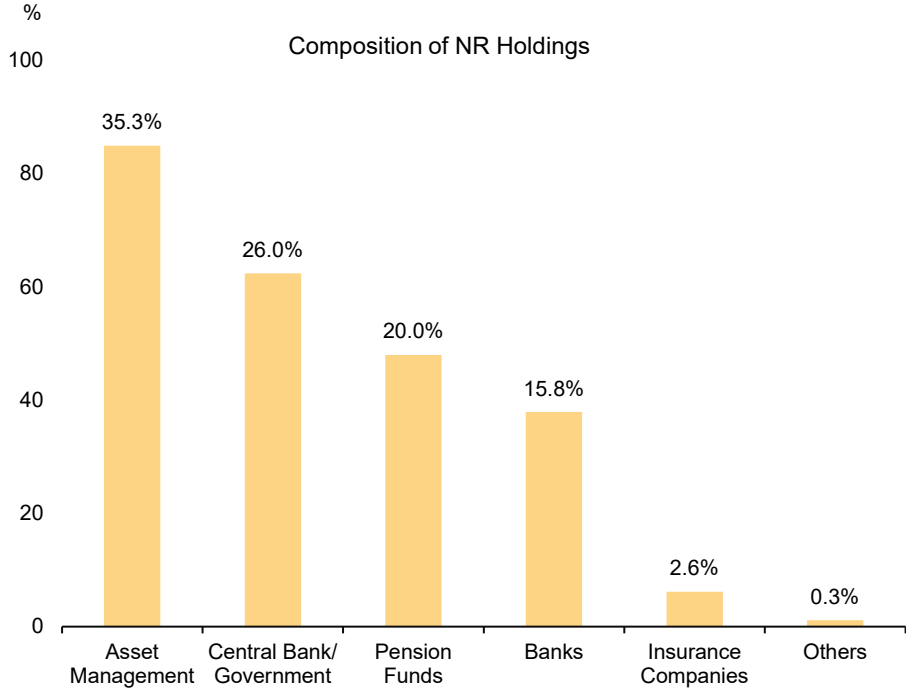


Source: Bank Negara Malaysia

Foreign bond market investors holdings remain stable, mostly made up of stable long-term investors

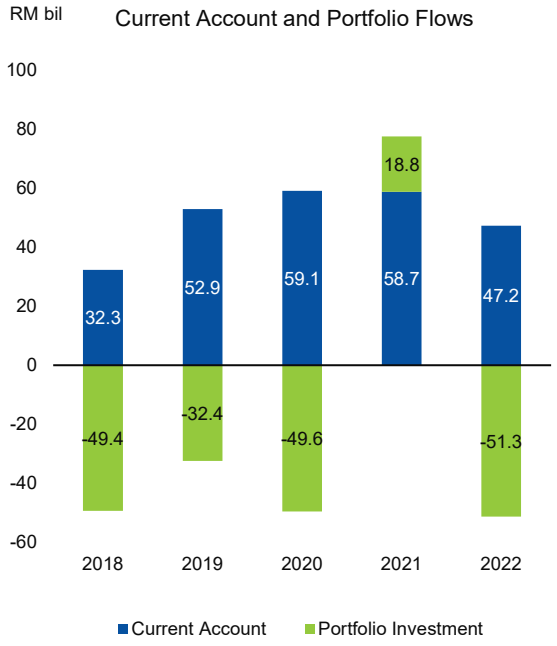


Source: Bank Negara Malaysia

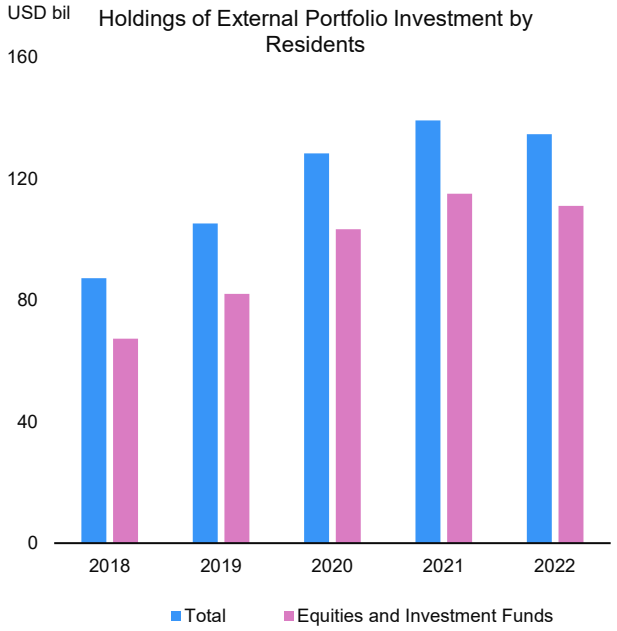


Source: Bank Negara Malaysia

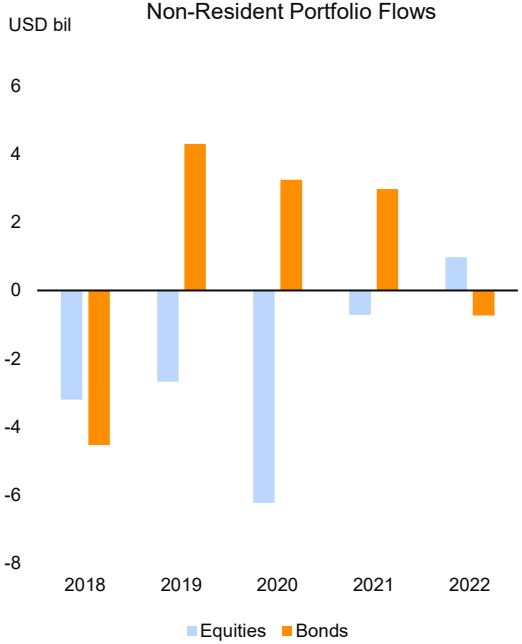
Nevertheless, trend of increasing external investments by Resident investors continue to persist despite relative stability of NR investors



Source: DOSM



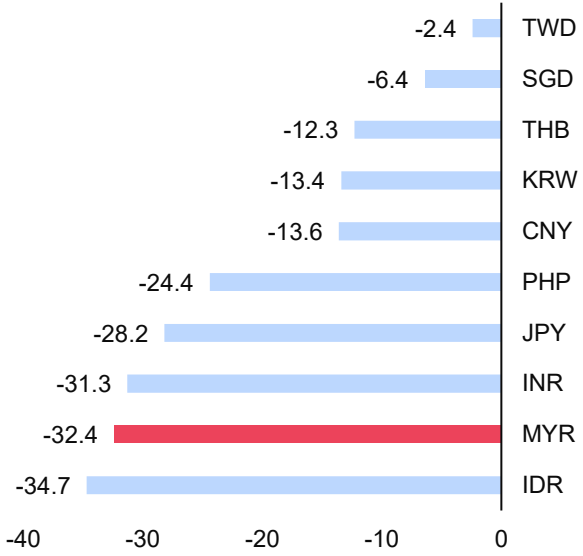
Sources: DOSM, Staff calculation



Source: Bloomberg

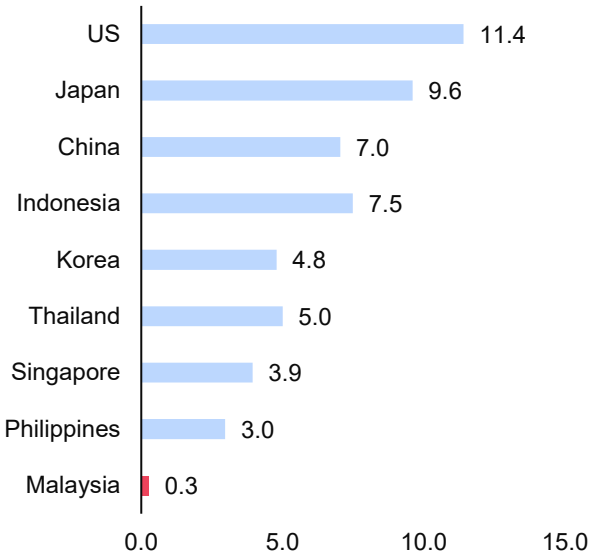
Returns on MYR assets over 10-year period

FX Total Spot Return (%)



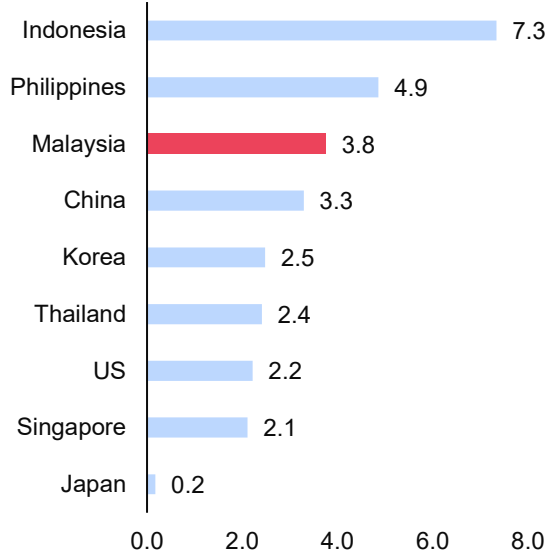
Source: Bloomberg

Annualised Local Bourse Returns (%)



Source: Bloomberg

10Y Average Yield (%)



Source: Bloomberg

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Implementation of key structural reforms to enhance Malaysia's growth potential and competitiveness



Digitalisation

Expedite digitalisation efforts in MyDIGITAL, INDUSTRY4WRD, and digital financial services



Fiscal Resilience

Fiscal Responsibility Act and gradual subsidy rationalisation



Climate Resilient Economy

Accelerate transition to low-carbon economy and build climate resilience



Growth Potential

Attract quality investments under the New Investment Policy



Future-Ready Workforce

Reskilling and upskilling via Active Labour Market Policies (ALMPs)



Social Protection

Facilitate the interlinkages between three pillars of social protection

Exchange rate flexibility remains relevant as Malaysia is an open economy

	Asian Financial Crisis (1997-98)	2022
RM/USD (annual % change)	-47%	-5.4%
Real GDP (annual % change)	-7.4%	8.7%
Net international investment position (IIP, end-year)	-RM137.6 billion	RM63.0 billion
International Reserve (end-year)	USD21.7 billion	USD114.6 billion
International reserves coverage of short-term external debt	1.4 times	1.0 times
Current account (annual)	-RM16.7 billion	RM47.2 billion
Banking system gross impairment loans ratio (% of total loans)	18.6%	1.7%
Government foreign currency debt (% of total Government debt)	19.1%	2.7%

*Please refer to Box Article: The Exchange Rate and the Malaysian Economy

Source: Bank Negara Malaysia, MOF, DOSM

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Thank You

The slides will be made available on bnm.gov.my/ss2023

