Ringgit fall has not led to decline in forex reserves, says Johari

KUALA LUMPUR: The depreciation of the ringgit has not led to a decline in the country's foreign exchange reserves, said Second Finance Minister Datuk Johari Abdul Ghani.

Clarifying a newspaper report, he explained that the weaker currency was due partly to the speculative activities in the offshore market.

"Malaysia's foreign reserves have been fairly stable throughout 2016 at around US$97 billion (RM433 billion) and rose to US$97.8 billion as at October 31."

The reserves level continues to be supported by account surpluses and inflows of foreign direct investment which provides buffer against volatility experienced in the financial markets, he said in a statement yesterday.

The highest recorded reserves level was US$141.4 billion (in May 2013) and not US$170 billion as reported, he added.

Meanwhile, Standard & Poor's analyst Tan Kim Eng said Bank Negara Malaysia's forward asset position had been positive and one should not look at its foreign reserves level only.

Bank Negara's positive forward asset position means that even if it intervened in the market to support the currency, it is allowing more of the forward position to unwind and not roll over. "In this sense, the spot position may increase event though they are spending the money to defend the ringgit.

"It is unlikely that Bank Negara is not accounting for reserves appropriately. It has been engaging in a forward position, intervening and (that) does not affect the spot of official foreign reserves," he said.

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