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New Straits Times - It's Foreign Fund Outflows, Not Forex Losses

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STRONG REBUTTAL

'IT'S FOREIGN FUND OUTFLOWS, NOT FOREX LOSSES'

NST 20/12

RM39.6b is foreign fund outflows between 2013 and 2015, and not from BNM's forex trading losses, minister tells Dr M

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THE Finance Ministry said yesterday the so-called RM39.6 billion losses by Bank Negara as alleged by Tun Dr Mahathir Mohamad were actually foreign fund outflows, which is not unusual, and not losses from forex trading like those during his reign.

Second Finance Minister Datuk Seri Johari Abdul Ghani, in a strong rebuttal to the ex-premier's allegation, said the RM39.6 billion was actually an amount that reflected the decline in international reserves due to outflows of foreign funds from Malaysia between 2013 and 2015, and

not from Bank Negara's forex trading losses.

"The insinuation made in the video that BNM had been negligent in managing international reserve during period 2013-15 was not only reckless, but was also an attempt to undermine BNM's institutions mandate to safeguard the economic and financial stability of the nation by creating doubts and misperception among the general public," he said.

Johari said these 2013-15 outflows were due to concerns over weak global growth prospects, anticipation of monetary policy normalisation in the US and the sharp decline in global oil prices.

"During this period, capital outflows were not only unique to Malaysia but also affected other emerging markets, including Indonesia, the Philippines, Singapore, Thailand, India, China, South Korea and Taiwan," he said in a statement.

"All these external factors practically pushed foreign investors to liquidate their investments in our stock and bond markets. This in turn led to greater demands for the US dollar vis-a-vis the ringgit when foreign investors converted such funds in-



Datuk Seri Johari
Abdul Ghani says
Malaysia's
international
reserves have been
on the increase

to the USD and repatriated the same to their respective countries," he said.

"During this period, BNM provided USD liquidity to foreign investors in exchange for the ringgit and this was certainly different from the heavy speculative forex trading activities undertaken in the early 1990s," he said.

Johari said the current reserve management system by Bank Negara had worked remarkably well and the financial markets were orderly and stable notwithstanding the large capital outflows.

"Given our solid fundamentals, the decline in reserves during the period 2013-2015 had no material impact to the functioning of the Malaysian economy as well as the financial position of the central bank," he said.

"In fact, BNM continues to record

healthy net profits throughout the period unlike in 1993 when a net operating loss was recorded due to speculative forex trading activities.

"I must stress that international reserves remain as a crucial buffer against external shocks and is essential in maintaining stable operating environment in the domestic economy.

"Since then, Malaysia's international reserves have been on the increase," he said.

As at end November 2017, the international reserves stood at US\$101.9 billion and is sufficient to support 7.5 months of retained imports. The current amount of reserves is five times larger than the US\$21.7 billion recorded in 1997, which could only support 3.4 months of retained imports.

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