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KEMENTERIAN KEWANGAN MALAYSIA *MINISTRY OF FINANCE MALAYSIA*

PRESS RELEASE BY MENTERI KEWANGAN II

MALAYSIA'S INTERNATIONAL RESERVES (2013-2015)

1. I refer to an allegation by Tun Mahathir recently in a video posted on YouTube that Bank Negara Malaysia (BNM) lost USD39.6 billion between the period 2013 and 2015 in managing the country's international reserves. This allegation has caused much consternation among the public and I wish to set the facts right.
2. The so-called USD39.6 billion loss as alleged was actually an amount that reflected the decline in international reserves due to outflows of foreign funds from Malaysia and not losses due to forex trading. These outflows were due to concerns over weak global growth prospects, anticipation of monetary policy normalization 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, Philippines, Singapore, Thailand, India, China, South Korea and Taiwan.
3. 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 USD vis-à-vis the ringgit when foreign investors converted such funds into the USD and repatriated the same to their respective countries. 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.
4. The current reserve management system by BNM has 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. 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.
5. 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 has been on the increase. As at end November 2017, our international reserves stood at USD101.9 billion and is sufficient to support 7.5 months of retained imports. The current amount of reserves is five times larger than the USD21.7 billion recorded in 1997 which can only support 3.4 months of retained imports.
6. The insinuation made in the video that BNM had been negligent in managing international reserves during period 2013-2015 was not only reckless but was also an attempt to undermine BNM's institutional mandate to safeguard the economic and financial stability of the nation by creating doubts and misperception among the general public. Instead falling for such ruse which could potentially divide us further, it would be in the best interest of all Malaysians that we work together to engender a robust and sustainable economy for the benefit of our future generation.

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