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Running a country based on a stable ringgit has never been easy



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Ringgit gains on global optimism show how Malaysia's currency strength depends on geopolitics, tech cycles and steady governance.

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THE ringgit's firmer close against the US dollar is welcome, notwithstanding the lack of clear progress in the war in West Asia.

It reflects renewed optimism in global markets, buoyed by inflows into [semiconductor-related stocks](#) and tentative hopes that a [potential Iran peace](#) proposal may soften geopolitical tensions.

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At the margins, this has eased pressure on the US dollar and allowed currencies such as the ringgit to regain some ground.

Yet, no serious government should confuse a stronger currency with an easier task of governing. If anything, the opposite is true.

Running a country based on a stable ringgit has never been easy because the currency itself is a reflection of forces far beyond Malaysia's control.

It is shaped by the global semiconductor cycle, oil prices, capital flows, interest rate differentials, geopolitical tensions, and the [shifting expectations of investors](#) who respond in real time to events unfolding thousands of miles away.

Malaysia benefits disproportionately when semiconductor optimism rises.

The country is deeply embedded in the global electronics supply chain, with [Penang, Kulim, Johor and the Klang Valley](#) forming critical nodes in advanced manufacturing.

When global chip demand strengthens, capital flows into Malaysia.

When technology stocks rally, investor confidence in export-oriented economies like Malaysia improves.

But this interdependence cuts both ways.

The same ringgit that strengthens on optimism can weaken abruptly when uncertainty returns.

A flare-up in the [Strait of Hormuz](#), a shift in [US monetary policy](#), or renewed tensions between major powers can trigger capital outflows. In such moments, the ringgit becomes less a reflection of domestic fundamentals and more a barometer of global anxiety.

This is why governing Malaysia through the lens of a stable currency is inherently complex.

To maintain stability, Malaysia must navigate a delicate balance between domestic policy discipline and external adaptability.

Bank Negara Malaysia can manage interest rates and liquidity conditions, but it cannot control global oil prices or the [trajectory of the US Federal Reserve](#). Fiscal policy can support growth and buffer shocks, but excessive spending risks undermining investor confidence and weakening the currency.

In other words, the stability of the ringgit depends on a broader ecosystem of governance.

Political stability is paramount. Investors do not respond well to uncertainty, and any perception of policy inconsistency can quickly translate into currency volatility. Institutional credibility, therefore, becomes as important as economic fundamentals.

When governance is perceived to be [steady, transparent and forward-looking](#), the ringgit benefits indirectly through sustained capital inflows.

Energy security is another critical factor. Malaysia remains [exposed to global energy price fluctuations](#) despite being an energy producer.

When [oil prices spike](#), fiscal pressures [increase due to subsidies](#), while inflationary pressures can erode purchasing power.

These dynamics, in turn, affect the ringgit through their impact on macroeconomic stability.

At the same time, Malaysia must continue to upgrade its industrial base.

Reliance on low- to mid-tier manufacturing is no longer sufficient in a world increasingly defined by high-value technology and digital transformation.

The semiconductor sector offers opportunities, but it also [demands continuous investment in skills](#), infrastructure and innovation.

Without such upgrading, the benefits of global technology cycles will be short-lived.

Crucially, Malaysia must also exercise strategic restraint in foreign policy.

Malaysia's long-standing approach of maintaining balanced relations with all major powers is not just a diplomatic preference; it is an economic necessity.

The ringgit, in this sense, becomes a reflection of [Malaysia's ability to remain calm in a turbulent world](#).

A stronger ringgit today may be driven by optimism over a possible easing of tensions in the Middle East.

But such optimism can dissipate quickly. Markets are notoriously fickle, and what is priced in today can be priced out tomorrow.

This [volatility underscores the importance of building resilience](#) rather than relying on temporary gains.

A stable ringgit is not achieved through short-term interventions or rhetorical assurances.

It is the cumulative outcome of sound policies, credible institutions, economic diversification and prudent diplomacy. It requires patience, discipline and a clear understanding that external shocks are inevitable.

Malaysia cannot insulate itself entirely from global turbulence. But it can position itself to withstand such turbulence with minimal disruption.

Ultimately, the goal should not be to chase a strong ringgit for symbolic reasons.

A currency that appreciates too rapidly can hurt exports, just as one that depreciates too sharply can fuel inflation. What matters is [stability—predictable, sustained and underpinned](#) by real economic strength.

That is the essence of effective governance.

A strong ringgit for a day is encouraging. A stable ringgit across cycles of crisis and recovery is the true measure of statecraft.

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