

# BNM International Reserves

Deplete USD2.1b in December, but end 2024 higher by USD2.7b

- Bank Negara Malaysia (BNM) international reserves fell by USD2.1b or -1.8% MoM, reaching USD116.2b as of 31 December 2024, marking a five-month low**

- Despite the decline, reserve adequacy indicators improved, with Import coverage rose to 5.0 months (Nov: 4.6 months), and reserves also fully covered the total short-term external debt (1.0 time), aided by exchange rate revaluation. Notably, reserves grew by USD2.7b in 2024, rebounding from a USD1.2b contraction in 2023.

- The drop was driven primarily by a depletion in foreign currency reserves, and marginal reductions in special drawing rights (SDRs) and other reserve assets**

- Foreign currency reserves (-USD1.7b or -1.7% MoM to USD103.7b): fell after a modest rebound of USD0.9b in November. The drop largely reflects FX revaluation losses and sustained capital market outflows (around RM4.3b). To note, BNM's net FX reserves edged higher to USD63.9b in November (Oct: USD63.4b), partly due to a slight reduction in short positions.

- SDRs and other reserve assets recorded marginal declines of USD0.3b and USD0.1b respectively, while gold holdings and IMF reserve position remained largely stable.

- In ringgit terms, BNM's reserves surged to RM520.2b (+RM33.9b or +7.0% MoM) in December**

- USDMYR monthly average (4.46; Nov: 4.43): The ringgit depreciated for the third consecutive month in December, with the monthly average settling at 4.46 (Nov: 4.43), marking the worst quarter in nearly a decade. External headwinds drove the decline, including Trump's tariff threats, geopolitical uncertainties, the collapse of the French government, and unexpected political turmoil in South Korea. This was compounded by expectations of monetary policy divergence between the Fed and G10 central banks, the BoJ's cautious stance, a deteriorating eurozone growth outlook, and political instability in Canada. The yield differential between the 10-year MGS and UST widened further to an average of -58.8 bps (Nov: -49.3 bps), intensifying pressure on the ringgit.

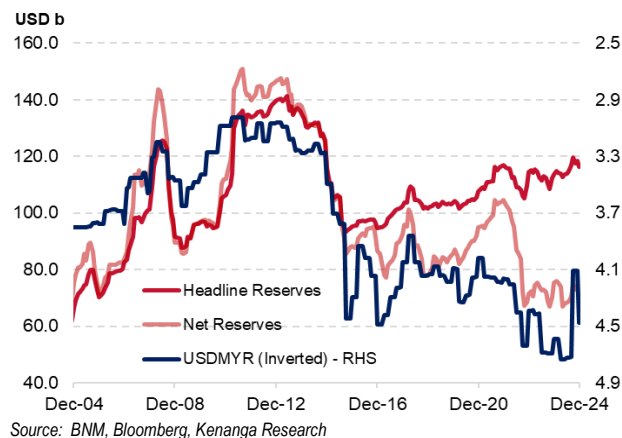
- Regional currencies: A firmer DXY in December (average: 107.2; Nov: 105.9), bolstered by shifting Fed policy signals and market positioning for Trump's return to power, weighed heavily on ASEAN-5 currencies. The IDR (-1.5%) led losses, followed by the SGD (-1.0%) and MYR (-0.6%). The PHP bucked the trend, appreciating by 0.5% on economic optimism, while the THB strengthened by 0.9% on robust export growth.

- BNM's status quo in 2025 amid global uncertainty; ringgit set for a volatile 2025**

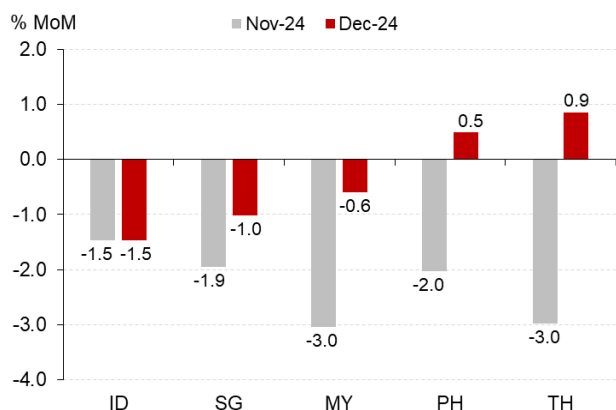
- BNM is expected to maintain the OPR at 3.00% in 2025, balancing domestic growth risks with inflationary pressures. However, heightened global uncertainties and potential upside risks from wage-price pass-through warrant close monitoring. Keeping a steady policy hand will support fiscal consolidation efforts while safeguarding price stability.

- USDMYR year-end forecast (4.45; 2024: 4.47): The ringgit is set for a volatile 2025. We expect weakness in 1H25 (4.50–4.60/USD) driven by Trump's USD-supportive policies, followed by a modest recovery to 4.40–4.50/USD in 2H25 as the Fed potentially cuts more than market anticipates. While the Fed's dot plot signals one to two rate cuts, we foresee two to three cuts amid further economic softening, with additional easing likely in early 2H25, weighing on the USD. Malaysia's fiscal consolidation and stable monetary policy could mitigate regional pressures, supporting relative outperformance. We maintain our year-end target of 4.45/USD.

Graph 1: BNM's International Reserves

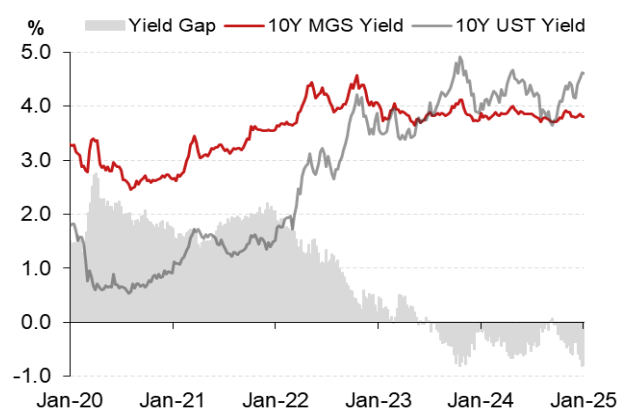


Graph 2: ASEAN-5 Currencies (monthly average)



Source: BNM, CEIC, Kenanga Research

Graph 3: 10-Year US Treasury vs. MGS Yield



Source: Bloomberg, Kenanga Research

09 January 2025

**Table 1: Latest Update and Historical Milestone for BNM Reserves**

		RM bil	Change from previous month	USDMYR	US bil	Change from previous month	Months of retained	Times of ST
	Month	O/stand.	RM bil	End Period	O/stand .	US bil	Imports.	Debt
Pre crisis high	Jan-94	89.99	13.51	2.7598	32.61	4.29	na	na
Start of Asian Financial Crisis (AFC)	Apr-97	70.93	-1.26	2.5110	28.25	-0.87	na	na
Reserves at its lowest in USD term	Nov-97	61.30	-0.40	3.5022	<b>17.50</b>	-0.50	3.4	na
Ringgit at its weakest during AFC (Monthly Average)	Jan-98	56.61	-2.5	<b>4.3990</b>	20.25	-1.46	3.2	na
Govt imposed capital control and pegged ringgit at 3.80 to USD	Sep-98	81.51	23.6	3.8000	21.45	1.22	4.4	na
USDMYR peg removed	Jul-05	297.17	13.07	3.7978	78.25	3.48	9.0	7.6
Highest level post USDMYR de-peg (before GFC)	Jun-08	410.87	10.73	3.2665	125.78	0.59	10.0	5.1
Biggest single month decline in USD-terms	Sep-08	379.35	-20.83	3.4567	109.75	<b>-12.84</b>	9.0	4.1
Lowest level during the Global Financial Crisis	May-09	322.47	2.07	3.6513	88.32	0.59	8.3	3.8
Highest Level (in USD term)	May-13	436.80	3.52	3.0884	<b>141.43</b>	1.12	9.5	4.3
Highest Level (in MYR term)	Aug-24	<b>550.45</b>	9.19	4.7128	116.80	2.14	5.4**	1.0
End-2020	Dec-20	432.37	8.28*	4.0170	107.64	4.02*	8.6	1.2
End-2021	Dec-21	486.85	54.47*	4.1650	116.89	9.25*	7.7	1.2
End-2022	Dec-22	503.33	16.48*	4.3900	114.65	-2.24*	5.2**	1.0
End-2023	Dec-23	520.75	17.42*	4.5890	113.48	-1.18*	5.4**	1.0
<b>Latest release</b>	<b>Dec-24</b>	<b>520.16</b>	<b>33.93</b>	<b>4.4764</b>	<b>116.20</b>	<b>-2.15</b>	<b>5.0**</b>	<b>1.0</b>

Source: Dept. of Statistics, Kenanga Research, CEIC, Bloomberg

\*: Change from the preceding year

\*\*: Imports of goods and services (effective from 22 February 2022)

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