

BNM International Reserves

Climb to USD118.3b in February on higher FX holdings; policy steady, risk looms

- Bank Negara Malaysia (BNM) international reserves gained USD1.9b or 1.7% MoM to USD118.3b as of 28 February 2025**

- Despite the increase, import coverage remained steady at 5.0 months, covering only 0.9 times total short-term external debt—below the IMF’s recommended threshold.

- Largest increase in five months driven by FX holdings**

- **Foreign currency reserves** (+USD2.1b or +2.0% MoM to USD105.9b): highest since September, supported by strong FDI inflows despite persistent capital outflows. Net FX reserves increased to USD64.7b in January (Feb: USD63.9b), though short positions widened slightly to USD29.3b (Dec: USD29.2b).
- **Other reserve assets** fell by USD0.2b, while special drawing rights, gold and the IMF reserve position remained largely unchanged.

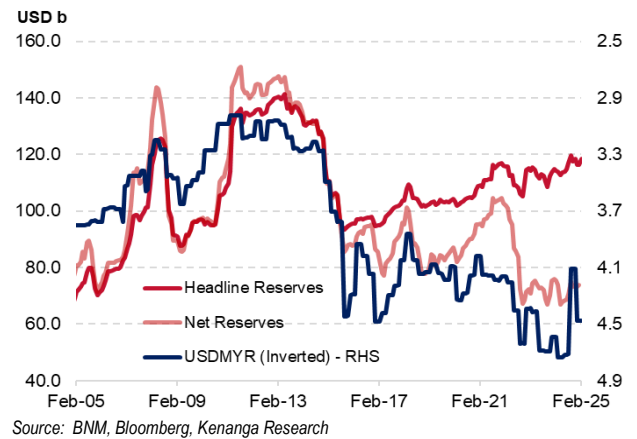
- In ringgit terms, BNM’s reserves rose to RM529.4b (+RM8.5b or +1.6% MoM) in February**

- USDMYR monthly average (4.44; Jan: 4.47): The ringgit traded within a stable range of 4.41–4.48 against the USD in February, hovering between gains and losses. On average, it was slightly strengthened as the USD index (DXY) eased to 107.3 (Jan: 108.6). The DXY weakened on fading market concerns over Trump’s tariff threats, improved risk sentiment on potential Ukraine ceasefire talks, soft US macro data, and shifting investor expectations to two Fed rate cuts. Growing bets on a Bank of Japan rate hike also pressured the DXY. Even so, recession fears and uncertainty over Trump’s trade policies provided a floor for the DXY.
- Regional currencies: Most ASEAN-5 currencies gained on the weaker DXY, led by THB (+1.4%), followed by SGD (+1.1%), PHP (+0.7%) and MYR (+0.5%). Risk-sensitive assets benefited from a lower US 10-year Treasury yield (4.44%; Jan: 4.62%) amid US growth concerns. The IDR (-0.5%) was the outlier, weakening for a second consecutive month as investors remained cautious about Jakarta’s fiscal policies.

- BNM to hold OPR at 3.00% in the near term, balancing growth and inflation**

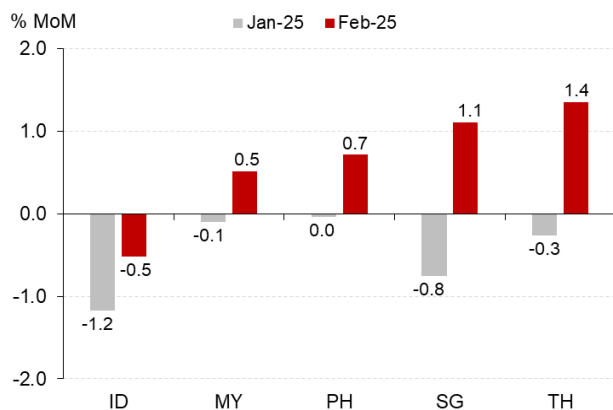
- **Monetary Policy Outlook:** While domestic fundamentals remain strong, global risks—including Trump’s tariff war and geopolitical tensions—necessitate caution. BNM’s steady stance is key to managing inflation risks from incoming subsidy rationalisation while supporting growth and facilitating the government’s reform agenda. A stable policy stance will help anchor fiscal reforms without stifling expansion.
- **USDMYR year-end forecast (4.45; 2024: 4.47):** Recent USD weakness following tariffs on Mexico and Canada was unexpected, but broader US trade policy, including forthcoming universal tariffs in April, supports a strong USD narrative. However, weak US macro data could prompt a more dovish Fed, weighing on the USD. A potential ECB pause due to Germany’s massive fiscal stimulus, may also pressure DXY lower. Given, Malaysia’s solid macro fundamentals, the ringgit stands to benefit. We maintain our 2025 year-end forecast at 4.45 but may revise it to 4.30-4.35 if Trump’s trade policies unwind.

Graph 1: BNM’s International Reserves



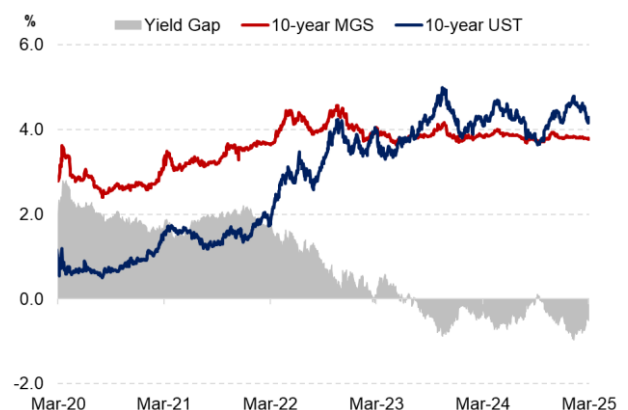
Source: BNM, Bloomberg, Kenanga Research

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

07 March 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	17.50	-0.50	3.4	na
Ringgit at its weakest during AFC (Monthly Average)	Jan-98	56.61	-2.5	4.3990	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	-12.84	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	141.43	1.12	9.5	4.3
Highest Level (in MYR term)	Aug-24	550.45	9.19	4.7128	116.80	2.14	5.4**	1.0
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
End-2024	Dec-24	520.16	2.75*	4.4764	116.20	-0.71*	5.0**	1.0
Latest release	Feb-25	529.37	8.47	4.4748	118.30	1.95	5.0**	0.9

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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