

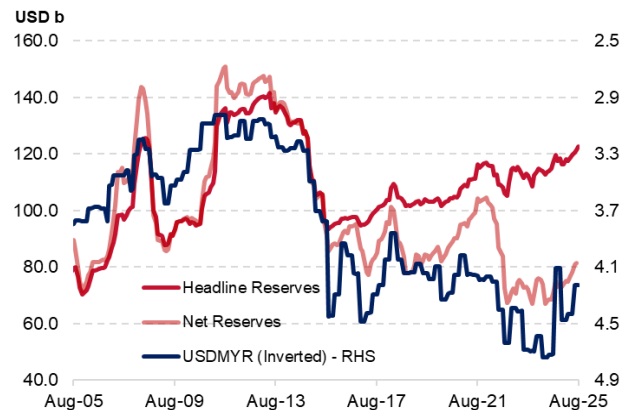
10 September 2025

BNM International Reserves

Hit near 11-year peak in August: Policy steady, ringgit set for further gains

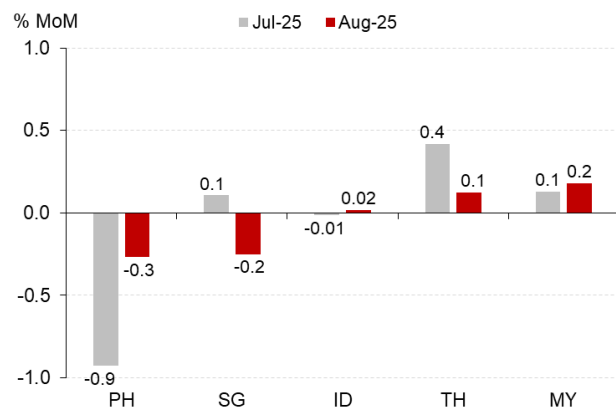
- **Bank Negara Malaysia (BNM) international reserves rose by USD1.4b or 1.2% MoM to USD122.7b as of 29 August 2025, the highest since 2014**
 - Despite the increase, both import coverage and the reserves-to-short-term external debt ratio held steady at 4.8 months and 0.9 times respectively.
- **The increase came entirely from foreign exchange (FX) reserves**
 - **FX reserves** climbed USD1.4b (+1.3% MoM) to USD109.1b, marking the highest in nearly 11 years. Foreign bond inflows in August, coupled with ongoing corporate FX repatriation, supported the gain. Net FX reserves continued to rise to USD71.9b in July (Jun: USD71.4b) as short positions narrowed further to USD21.2b (Jun: USD23.2b).
 - Other components remained broadly unchanged.
- **In ringgit terms, total reserves rose by RM5.8b (1.1% MoM) to RM518.7b in August, a three-month high**
 - **USDMYR monthly performance:** Despite a stronger USD in August, the ringgit was among the region's best performers, rising for a seventh consecutive month by 0.2% MoM (Jul: 0.1%). The initial DXY dip after a soft July US jobs report reversed sharply on hotter-than-expected inflation data, which triggered a repricing of the USD curve. USD gains were also backed by Trump's extension of the tariff pause on China. Meanwhile, risk-on sentiment persisted, a Fed cut expectations for September helped channel over RM3.0b into Malaysian bonds.
 - **Regional FX:** Performance across ASEAN-5 currencies were mixed as DXY edged up 0.3% MoM to 98.3 (Jul: 98.0). The MYR led regional gains (+0.2%), followed by the THB (+0.1%) and IDR (+0.02%). By contrast, the SGD (-0.2%) and PHP (-0.3%) underperformed.
- **Policy space preserved as growth holds; reforms and FX repatriation to lift ringgit**
 - **Monetary Policy Outlook:** Domestic demand remains resilient, with mining set to recover and services expanding steadily, cushioning external weakness. This stability allows BNM room to hold policy steady and preserve space for future shocks. Inflation risks are building after a muted start to the year. Lagged SST effects, subsidy reform and higher minimum wages may push prices up. Still, the absence of excess demand, improving supply capacity and targeted fiscal support should keep pressures contained. With growth steady and inflation manageable, the current policy rate at 2.75% remains appropriate. A cut looks unnecessary so long as domestic demand holds, though BNM will stay data dependent.
 - **USDMYR year-end forecast (4.08; 2024: 4.47):** The ringgit continues to benefit from Malaysia's macro stability, ongoing reforms and investor rotation out of US assets as fiscal risks lift Treasury term premia. BNM's July rate cut narrowed the real yield gap and trimmed some bond appeal, but Malaysia still offers selective opportunities, supported by corporate earnings repatriation. FX deposits hit a record RM292.8b in July, while BNM's Qualified Resident Investor programme gives firms stronger incentives to convert holdings. Over the next 9–12 months, the USD should weaken on fiscal concerns and Fed easing, though a near-term rebound looks likely as positioning normalises. That offers an entry point into EM assets, with Malaysia standing out as a reform-driven market.

Graph 1: BNM's International Reserves



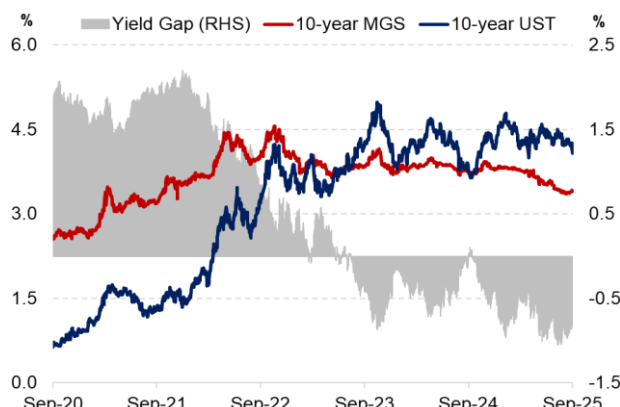
Source: BNM, Macrobond, Kenanga Research

Graph 2: ASEAN-5 Currencies (monthly average)



Source: Macrobond, Kenanga Research

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



Source: Bloomberg, Kenanga Research

10 September 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	Aug-25	518.67	5.83	4.2272	122.70	1.42	4.8**	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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