

10 June 2025

BNM International Reserves

Up USD0.9b in May amid persistent foreign capital inflows

- Bank Negara Malaysia (BNM) international reserves rose by USD0.9b (+0.8% MoM) to USD119.6b as of 30 May 2025

- Despite the increase, reserves remained sufficient to cover 5.0 months of imports. The reserves-to-short-term external debt ratio stayed at 0.9.

- The rise was once again driven by a buildup in foreign exchange (FX) reserves

- FX reserves climbed USD0.9b (+0.8% MoM) to USD106.4b, supported by continued net inflows into Malaysian assets. Notably, BNM's net FX reserves edged up to USD67.4b in April (Mar: USD65.6b) as short positions fell to a 14-month low.

- Other reserve assets edged up by USD0.03b (+1.2% MoM), while gold, IMF reserve position and Special Drawing Rights were broadly unchanged.

- In ringgit terms, reserves rose RM3.7b (+0.7% MoM) to RM530.0b in May, the highest in nine months

- USDMYR monthly performance:** The ringgit strengthened markedly in May, trading within a 4.20–4.32/USD and averaging 4.27 (April: 4.41). This was driven by strong portfolio inflows in May (RM14.4b; Apr: RM8.3b), as foreign investors moved to reduce USD exposure amid shifting global risks. Tentative US-China trade progress and a more conciliatory tone from Trump on the EU stabilise the DXY. However, persistent US fiscal concerns kept the risk premium on US assets elevated, weighing on the USD and lifting EM currencies.

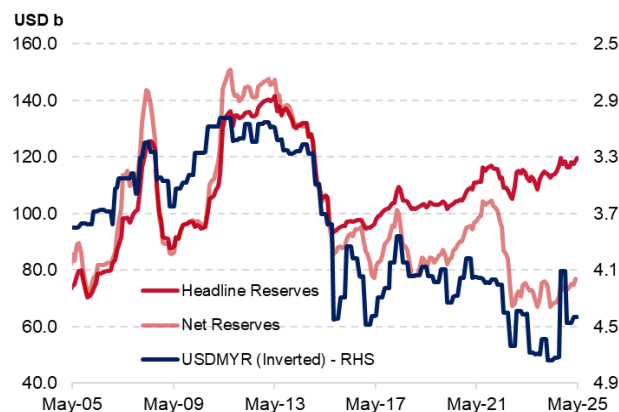
- Regional FX:** All Asean-5 (A5) currencies posted gains in May, buoyed by a softer USD and growing interest in de-dollarisation among global investors. The DXY slipped further to 100.1 (April: 100.7), reflecting not just near-term monetary dynamics but also a gradual rebalancing in global reserves. The MYR led A5 gains, rising 3.2%, followed by the THB (+2.4%), IDR (+2.3%), SGD (+2.2%), and PHP (+2.1%).

- BNM likely to hold steady in the near term amid stable fundamentals

- Monetary Policy Outlook:** Although the consensus is increasingly tilting towards two rate cuts in 2H25, we expect BNM to keep the OPR unchanged at 3.00% for now. Core inflation has stayed above its 1.8% long-term average over the past three months, pointing to steady domestic demand despite lower headline inflation. GDP growth slowed to 4.4% in 1Q25 (4Q24: 4.9%), but March data showed a strong 6.0% YoY expansion, suggesting underlying strength. That said, we remain cautiously optimistic for 2H25, although ongoing trade tensions remain a risk. Recent signs of de-escalation, especially between US and China, may limit downside risks.

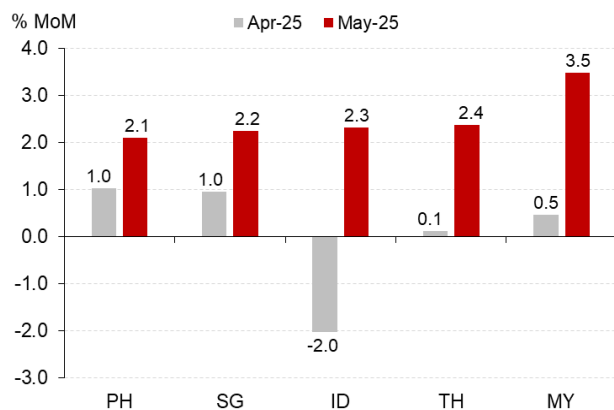
- USDMYR year-end forecast (4.08; 2024: 4.47):** The ringgit's outlook is supported by data showing a USD37.0b net divestment from US equities by foreign investors in May, reinforcing the broader de-dollarisation thesis. While trade policy uncertainty remains a risk, Malaysia's macro resilience and renewed foreign interest in local assets support a constructive view on the ringgit.

Graph 1: BNM's International Reserves



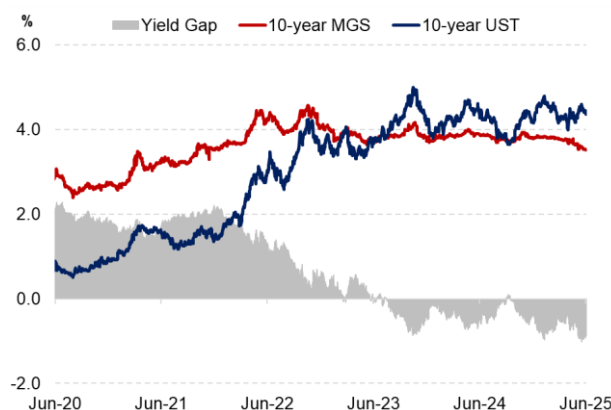
Source: BNM, Bloomberg, Kenanga Research

Graph 2: ASEAN-5 Currencies (monthly average)



Source: Macrobond, Kenanga Research

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



Source: Bloomberg, Kenanga Research

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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	May-25	530.00	3.72	4.4314	119.60	0.90	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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