Ringgit Strengthened in March 2025 Despite US Market Volatility

ECONOMIC REVIEW:
Apr-25 Monthly Currency Review



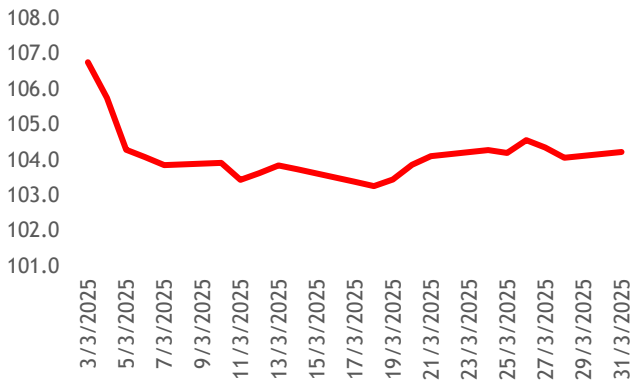
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Economic Review

- USD closed the month lower. The US dollar index weakened by -3.2% mom to 104.21, marking the second month of weaker performance. On an average basis, the dollar index also weakened by -3.0%mom to 104.13 (Feb:107.32).
- Ringgit appreciated for the third month. The ringgit appreciated against the US dollar which increased by +0.6%mom and ended the month at USDMYR4.434 (previous: USDMYR 4.463).
- Ringgit continues its appreciation trajectory in 2025. We continue to forecast that Malaysian ringgit will strengthen against the US dollar this year, targeting an average USDMYR rate of RM4.23 (2024 average: RM4.56), to be backed by narrowing interest rate differentials and still positive economic fundamentals.

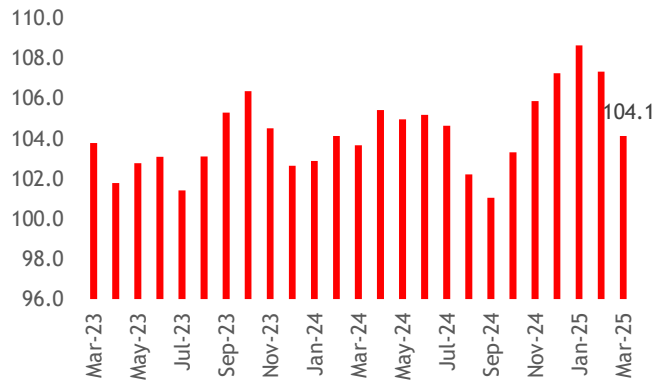
USD closed the month lower. The US dollar index weakened by -3.2% mom to 104.21, marking the second month of weaker performance. On an average basis, the dollar index also weakened by -3.0%mom to 104.13 (Feb:107.32), the lowest in 5 months. The weakness in the dollar performance was partially attributed to the market future sentiment which leaned towards weaker growth or the increase in the probability of a recession in the US. In turn, the interest rate futures have shifted, pricing in additional rate cuts for the year, possibly three cuts with the first reduction expected to be in Jun-25. Meanwhile, the FOMC left the fed funds rate (FFR) unchanged and kept its projection of 2 rate cuts this year despite signalling a slightly higher PCE inflation forecast, which was raised to +2.7% (Dec-24 projection: +2.5%), and a downward revision to the US GDP growth forecast. On top of that, there was selling pressure in the equity market throughout the month, partly reacting to the expectation of weaker economic activities also weighed down on the DXY performance. In terms of tariffs, President Donald Trump went ahead with the increased tariff on Canadian, Chinese, and Mexican products, which led to growing expectations of a higher inflationary environment in the US.

Chart 1: Movement of DXY Dollar Index in Mar-25



Source: Bloomberg, MIDFR

Chart 2: Monthly Average of DXY Dollar Index



Source: Bloomberg, MIDFR

USD depreciated against most currencies. The weakening of the US dollar in Mar-25 was broadly seen across different currency pairings. Against major currencies, the euro strengthened by +4.3%mom and the pound sterling strengthened by +2.7%mom against the US dollar. Among Asian currencies, the biggest appreciation against the US dollar was recorded by the Indian rupee (+2.4%mom) and the Philippine peso (+1.3%mom) followed by the Thai baht (+0.9%mom). In contrast, the Korean won (-1.0%), Taiwan dollar (-0.9%mom), and the Vietnam dong (-0.1%mom) were among the worst-performing currencies as these currencies weakened against the US dollar during the month.

Table 1: End Period of USD Against Selected Currencies, YTD Change and MoM Change

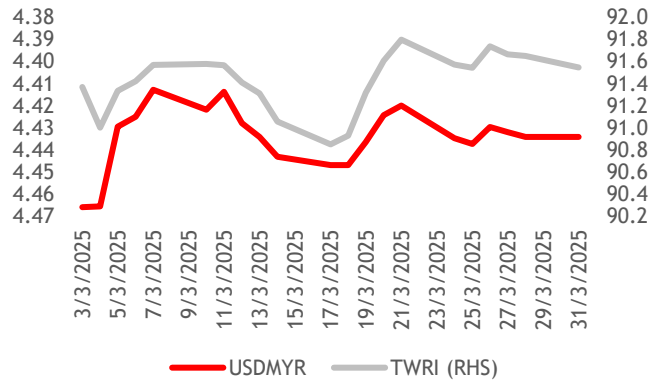
	2021	2022	2023	2024	Mar-25	YTD Change	MoM Change
DXY	95.67	103.52	101.33	108.49	104.21	-3.9%	-3.2%
USDJPY	115.08	131.12	141.04	157.20	149.96	+4.8%	+0.4%
EURUSD	1.137	1.071	1.104	1.035	1.082	+4.5%	+4.3%
GBPUSD	1.353	1.208	1.273	1.252	1.292	+3.2%	+2.7%
USDSGD	1.349	1.340	1.320	1.366	1.343	+1.7%	+0.6%
USDAUD	1.377	1.468	1.468	1.616	1.601	+0.9%	+0.6%
USDCAD	1.264	1.355	1.324	1.438	1.439	-0.0%	+0.5%
USDPHP	50.99	55.74	55.39	57.98	57.26	+1.3%	+1.3%
USDTHB	33.21	34.61	34.26	34.35	33.96	+1.2%	+0.9%
USDMYR	4.167	4.405	4.594	4.472	4.434	+0.8%	+0.6%
USDCNY	6.356	6.899	7.100	7.299	7.257	+0.6%	+0.3%
USDKRW	1,190	1,260	1,291	1,479	1,474	+0.3%	-1.0%
USDINR	74.34	82.74	83.21	85.61	85.47	+0.2%	+2.4%
USDVND	22,826	23,633	24,269	25,485	25,577	-0.4%	-0.1%
USDTWD	27.67	30.73	30.58	32.79	33.20	-1.2%	-0.9%
USDIDR	14,263	15,573	15,399	16,132	16,580	-2.7%	+0.1%

Source: Bloomberg, MIDFR

Ringgit appreciated for the third month. The ringgit appreciated by +0.6%mom against the US dollar and ended the month at RM4.434 (previous: RM4.463). As a result, the ringgit has been appreciated by +0.8%ytd in the first 3 months this year. In particular, ringgit gained in the early part of the month and strengthened to RM4.41 by 7th March on the back of weakening dollar. Although we have a favourable assessment of Malaysia's economic performance, the ringgit's recent decline was primarily attributed to capital outflows on the back of the persistent divergence in interest rates between Malaysia and the US. With the Fed is expected to continue easing its monetary policy later this year, we foresee the ringgit will continue to appreciate. However, the pace of rate cuts, and therefore ringgit's appreciation bias, may be limited by the elevated inflation outlook in the US. For example, the US import tariff hikes will be among factors that could push US inflation higher in the coming months.

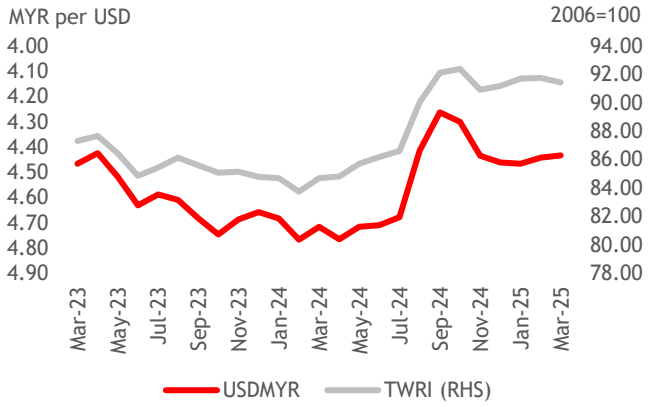
Ringgit depreciated against trading partner currencies. Ringgit weakened against currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index (TWRI) declined by -0.1%mom to 91.54 (Feb-25: 91.63). This indicates the currencies of Malaysia's trading partners appreciated against the US dollar at a relatively steeper pace vis-à-vis the ringgit's appreciation against the US dollar. In particular, the ringgit's weakness was more pronounced against the major currencies, particularly Japanese yen (-3.8%ytd), euro (-3.0%ytd), and British pound (-2.3%ytd).

Chart 3: USDMYR vs. MIDF TWRI in Mar-25



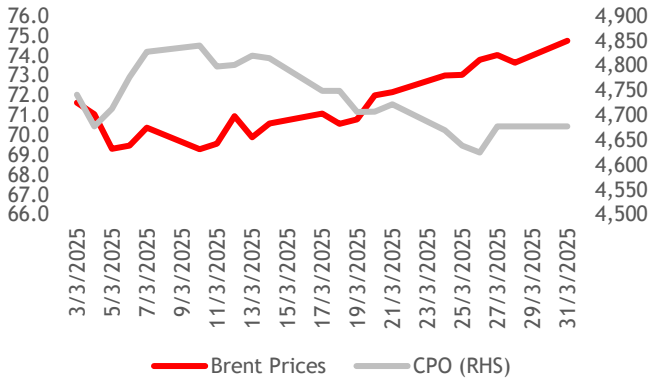
Source: Bloomberg, MIDFR

Chart 4: USDMYR vs MIDF TWRI Monthly Average



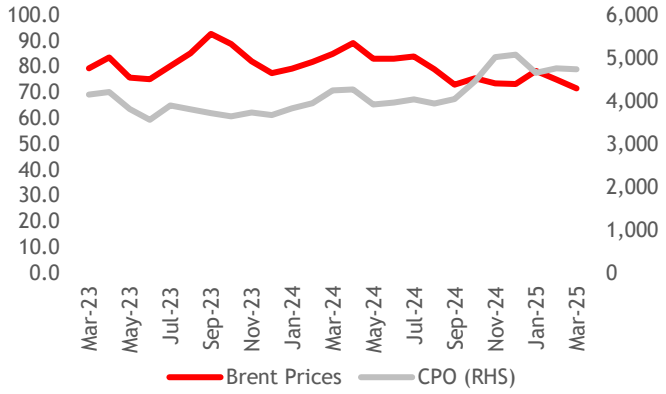
Source: Bloomberg, MIDFR

Chart 5: Brent Crude Oil (USD pb) and Crude Palm Oil (RM/tonne) Prices



Source: Bloomberg, MIDFR

Chart 6: Monthly Average Prices of Brent Crude Oil (USD pb) and Crude Palm Oil (RM/tonne)



Source: Bloomberg, MIDFR

Ringgit strengthened against other currencies. The appreciation of the ringgit against the US dollar is also reflected towards the ringgit's performance against other cross-currency pairings. This can be reflected in the ringgit's appreciation against among others the Turkish lira (+5.0%mom), the Taiwan dollar (+1.6%mom), and the Korean won (+1.4%mom). Apart from weakening against major currencies such as euro (-3.4%mom) and pound sterling (-2.2%mom), Malaysian ringgit also depreciated against Nepalese rupee (-1.7%mom).

Table 2: End Period of MYR Against Selected Currencies, YTD Change and MoM Change

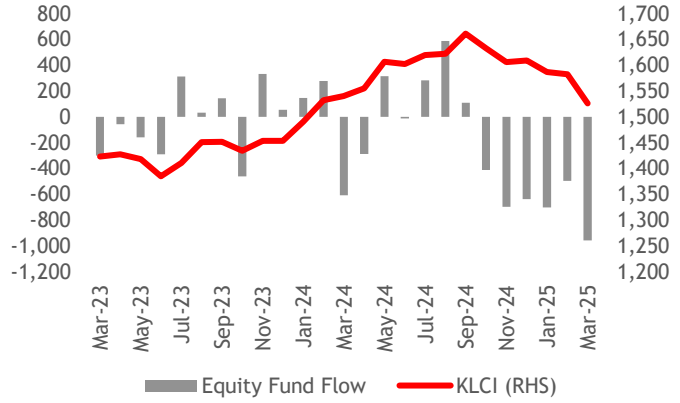
	2021	2022	2023	2024	Mar-25	YTD Change	MoM Change
USDMYR	4.167	4.405	4.594	4.472	4.434	+0.8%	+0.6%
CADMYR	3.271	3.251	3.467	3.113	3.090	+0.7%	+0.0%
SGDMYR	3.086	3.283	3.478	3.286	3.308	-0.7%	+0.0%
GBPMYR	5.631	5.299	5.837	5.615	5.746	-2.3%	-2.2%
EURMYR	4.719	4.693	5.076	4.659	4.803	-3.0%	-3.4%
TRYMYR	0.312	0.235	0.155	0.126	0.117	+8.5%	+5.0%
IDRMYR	0.029	0.028	0.030	0.028	0.027	+3.5%	+0.4%
BDTMYR	4.831	4.271	4.181	3.721	3.641	+2.3%	+0.9%
TWDMYR	0.151	0.143	0.150	0.136	0.134	+2.2%	+1.6%

LKRMYR	0.021	0.012	0.014	0.015	0.015	+1.8%	+0.8%
VNDMYR	0.183	0.187	0.189	0.175	0.173	+1.2%	+0.7%
NPRMYR	0.035	0.033	0.035	0.033	0.032	+0.7%	-1.7%
KRWMYR	0.350	0.350	0.356	0.303	0.302	+0.6%	+1.4%
CNYMYR	0.655	0.638	0.646	0.613	0.611	+0.3%	+0.3%
THBMYR	12.56	12.75	13.40	13.02	13.05	-0.2%	+0.2%
PHPMYR	0.082	0.079	0.083	0.077	0.078	-0.5%	-0.6%
JPYMYR	3.620	3.358	3.255	2.846	2.957	-3.8%	+0.2%

Source: Bloomberg, MIDFR

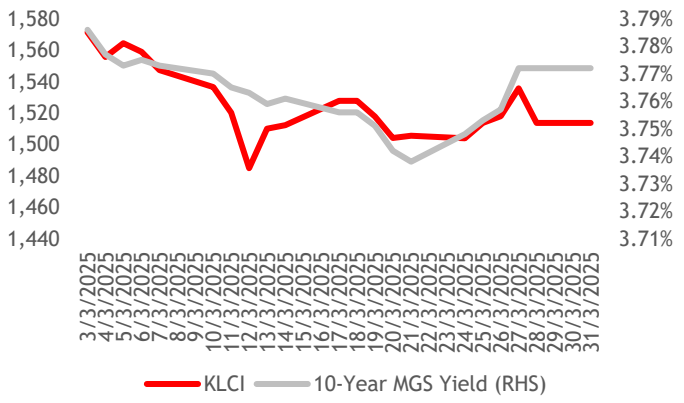
The sixth month of net fund outflows from the equity market. The equity markets saw continued foreign investor outflows in Mar-25, with net sales of Malaysian equities reaching -RM958m, the largest monthly outflow since Oct-24. This extends the six-month trend of net outflows. On the other hand, foreign holdings of Malaysian debt securities rose to RM278.5b (Feb-25: RM275.2b), reversing the previous month's decline. On that note, despite the net outflows of foreign funds from the equity market, the ringgit's appreciation was supported by the +RM3.2b foreign inflows into the debt market.

Chart 7: FBMKLCI (Average) vs Fund Flow Into Malaysian Equity (USD m)



Source: Bloomberg, MIDFR

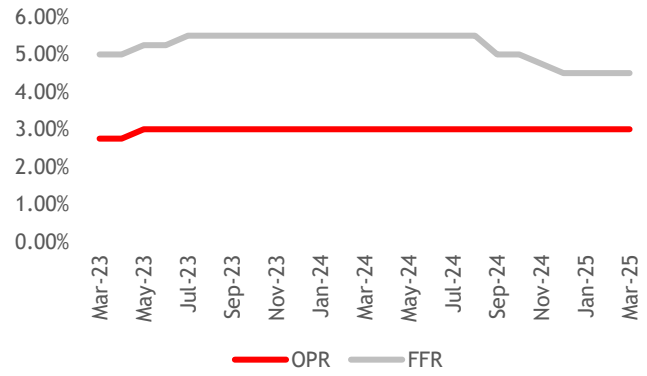
Chart 8: FBMKLCI and 10y MGS Yield Movement in Mar-25



Source: Bloomberg, MIDFR

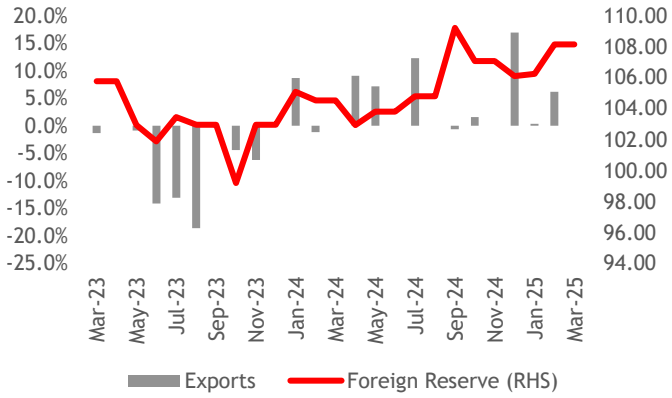
Ringgit continues its appreciation trajectory in 2025. We continue to forecast that Malaysian ringgit will strengthen against the US dollar this year, targeting an average RM4.23 (2024 average: RM4.56). As stated in our latest outlook report, we adjusted our year-end ringgit projection to RM4.13 (from RM4.03 previously), looking at more stable movement recently. The anticipated narrowing of interest rate differentials, even with only two rate cuts by the Fed this year, will provide support for emerging market currencies, including the ringgit. Moreover, Malaysia's strong growth fundamentals, evidenced by sustained trade and current account surpluses, reinforce our positive outlook. Consequently, we expect our MIDF TWRI to climb to 95.0 by year-end, indicating broader ringgit appreciation. Nevertheless, we expect volatility in the financial markets will continue to affect the foreign exchange markets given the ongoing geopolitical tensions and the intensification of trade war. On another note, changing inflation and growth outlook which will also affect the pace of policy changes by monetary authorities.

Chart 9: Fed Funds Rate vs OPR at Month-End (%)



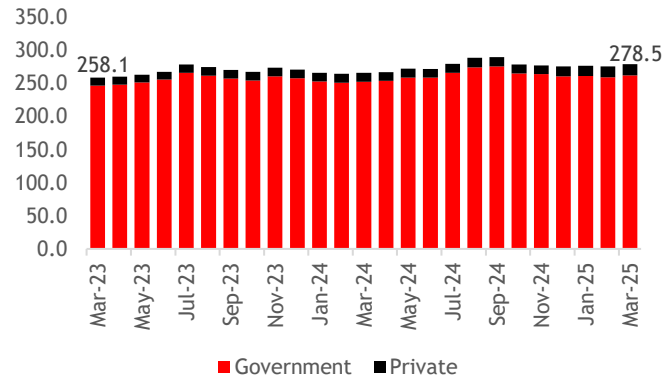
Source: Bloomberg, MIDFR

Chart 10: Exports (YoY%) and Foreign Currency Reserves (USD b)



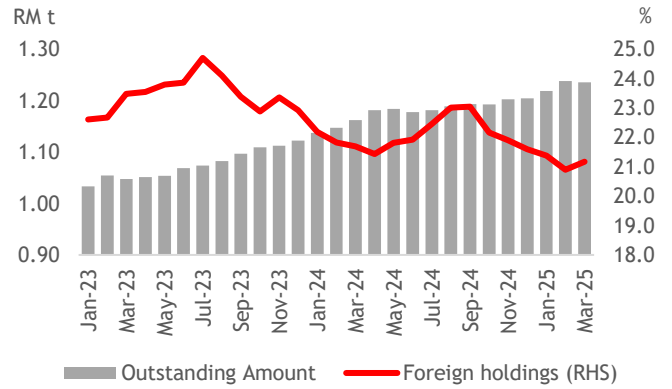
Source: Bloomberg, IMF, MIDFR

Chart 11: Foreign Holdings of Malaysian Bonds (RM b)



Source: BNM, Bondstream, MIDFR

Chart 4: Chart 12: Foreign Holdings as % of Outstanding Malaysian Government Bonds



Source: BNM, Bondstream, MIDFR

March 2025 Key Economic Events

3 Mar: Govt committed to reducing deficit to 3.8% in 2025, says Amir Hamzah. The government remains committed to reducing the deficit with a projection of 3.8% in 2025, said Finance Minister II Datuk Seri Amir Hamzah Azizan.

4 Mar: Malaysian capital market's 50% rise in average daily value in 2024 shows investor confidence, says Amir Hamzah. The Malaysian capital market's average daily value (ADV) rose by more than 50% to RM3.15 billion in 2024 from RM2.06 billion in 2023, underscoring investor confidence and interest, according to Second Finance Minister Datuk Seri Amir Hamzah Azizan.

6 Mar: BNM keeps OPR at 3% as it bets on steady growth, manageable inflation. Bank Negara Malaysia (BNM) maintained the overnight policy rate (OPR) at 3% on Thursday, as widely expected, citing an outlook of continued global and domestic growth, despite tariff and geopolitical uncertainties from major economies, and manageable inflation.

6 Mar: ECB cuts interest rate to 2.50%. The European Central Bank has signalled a possible slowdown in cuts to borrowing costs, as rate-setters reduced their benchmark interest rate by a quarter point to 2.5 per cent. Thursday's move was the sixth cut in the ECB's deposit rate since the bank started its rate-cutting cycle last June.

7 Mar: US dollar sags after weaker-than-expected jobs data, Fed's Powell comments. The U.S. dollar dropped to multi-month lows against the euro and yen and fell versus most currencies to end last week after data showed the labor market in the world's largest economy slowed last month, creating fewer jobs than expected.

9 Mar: Amir Hamzah: Putrajaya to cut reliance on Petronas, eyes SST expansion for extra RM5b revenue. Putrajaya will continue reducing its reliance on local oil and gas giant Petronas for revenue, with the sales and services tax (SST) set to generate additional revenue rather than a return to the goods and services tax (GST).

11 Mar: BNM, stakeholders to expedite long-term solution to tackle rising medical cost, Dewan Negara told. Bank Negara Malaysia (BNM) and relevant stakeholders are working together to expedite the implementation of a long-term solution to effectively control medical cost inflation, said Finance Minister II Datuk Seri Amir Hamzah Azizan.

19 Mar: Fed holds interest rates steady, still sees two cuts coming this year The Federal Reserve held the line on benchmark interest rates though still indicated that reductions are likely later in the year. Faced with pressing concerns over the impact tariffs will have on a slowing economy, the Federal Open Market Committee kept its key borrowing rate targeted in a range between 4.25%-4.50%.

20 Mar: Rafizi: 13MP to continue integrated policy, focus on high-growth and high-value industries. The Ministry of Economy will ensure that an integrated and appropriate policy focusing on high-growth and high-value (HGHV) industries continues in the preparation of the 13th Malaysia Plan (13MP) to boost the economy towards a higher and more complex value chain.

20 Mar: GLICs urged to invest around RM120b over five years for economic growth, says Anwar. Government-linked investment companies (GLICs) have been urged to make domestic direct investments (DDIs) of about RM120 billion over five years to stimulate the country's economic growth, said Prime Minister Datuk Seri Anwar Ibrahim.

20 Mar: Bank of England warns on 'economic uncertainty' as rate held. The Bank of England kept its key interest rate at 4.5 percent Thursday, as it warned of "a lot of economic uncertainty" caused largely by US President Donald Trump's tariffs. The BoE opted against a fourth cut in seven months despite stagnant U.K. economic growth as inflation stays elevated.

24 Mar: Ringgit may see heightened volatility this year amid global policy uncertainties, BNM cautions The Malaysian ringgit could be more volatile this year as capital flows fluctuate sharply with global policy uncertainties, the central bank cautioned. Foreign inflows from narrower interest rate differentials will support the ringgit, while prolonged high US interest rates and safe-haven demand for US dollar will weigh on the local currency.

24 Mar: Matrade targets 5% increase in Malaysia's export value of goods this year. The Malaysia External Trade Development Corporation (Matrade) has been given a target to increase the country's export value of goods by 5% to RM1.58 trillion in 2025.

26 Mar: BNM Works with ASEAN Peers To Boost Local Currency Settlement - Deputy Governor. - Bank Negara Malaysia (BNM) will work with its ASEAN counterparts to encourage businesses to use local currencies in facilitating trade within the region, said Deputy Governor Datuk Marzunisham Omar.

27 Mar: Malaysia's air passenger traffic up 6.9% in February, driven by new routes and visa perks. Malaysia's air passenger traffic saw a 6.9% year-on-year (y-o-y) increase in February 2025, reaching 8.7 million passengers. This growth was fueled by increased seat capacity, the introduction of new international routes, and visa exemptions for tourists from China and India, according to the Malaysian Aviation Commission (Mavcom).

27 Mar: Targeted RON95 Subsidy Mechanism Still Being Fine-tuned -- Amir Hamzah. The mechanism for the targeted RON95 subsidy is still being fine-tuned and will involve a two-tier pricing system as well as potentially involve using MyKad said Second Finance Minister Datuk Seri Amir Hamzah Azizan.

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