Ringgit Appreciated in Aug-25 as the US Dollar Slid Lower

ECONOMIC REVIEW:
Aug-25 Monthly
Currency Review



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Economic Review

- US dollar weakened in Aug-25. The US dollar weakened in Aug-25 as the DXY index declined by -1.9%mom to 98.02 (Jul-25: 99.97), as demand for US dollar declined following heightened expectations for rate cuts. On average, the US dollar index increased slightly by +0.3%mom to 98.27 (Jul-25: 97.96).
- After depreciating in Jul-25, the ringgit has reversed course, resuming the appreciating trend it had maintained for 6 months prior to Jul-25. The ringgit appreciated by +1.0%mom in Aug-25, closing at RM4.225 by the end of month (end-Jul-25: RM 4.265). In the first 8 months this year, the ringgit has strengthened by +5.9%ytd (Jul-25: +4.9%ytd).
- Ringgit is expected to appreciate in 2025. We continue to forecast that the ringgit will strengthen against the US dollar this year, with an average exchange rate of around RM4.30 (2024 average: RM4.56).

US dollar weakened in Aug-25. The US dollar weakened in Aug-25 as the DXY index declined by -1.9%mom to 98.02 (Jul-25: 99.97), returning to the depreciating trend against major currencies as seen in the 5 months prior to the strengthening in Jul-25. On average, the US dollar index increased slightly by +0.3%mom to 98.27 (Jul-25: 97.96). The greenback weakened throughout the month, especially in the early part of the month, driven by the news that the job gains were significantly lower, indicating a weaker-than-expected labour market condition. This led to market pricing in for a higher chance of rate cut at the Sep-25 FOMC meeting. Meanwhile, the rate cut expectation continued as the headline inflation was softer than market expectations. To a certain extent, rate cut expectations were limited by the pick-up in the core inflation as well as signs of price pressure on US producers. On another note, the DXY tracked lower after Fed Chair Jerome Powell signalled at the Jackson Hole Symposium of a possible interest rate cut in the next meeting, but he stated increasing risks to the job market with inflation remaining a significant threat. Further delays in Fed rate cuts could elevate the dollar, as the Fed remains cautious in managing the renewed inflationary pressures from higher tariffs which could adversely affect the US economic growth. Market players are pricing in an 89.7% probability for a rate cut at the Sep-25 FOMC meeting.

Most currencies gained against the US dollar. As the US dollar weakened, most of the major currencies and regional currencies gained in Aug-25. Among the major currencies, the euro appreciated by +2.2%mom and pound sterling strengthened by +1.9%mom. Among regional currencies, the biggest appreciation was the Philippine peso (+2.1%mom), Singapore dollar (+1.0%mom), and the Thai baht (+0.9%mom); while on the contrary the Indonesian rupiah (-0.2%mom) and the Vietnamese dong (-0.6%mom) weakened. Other Asian currencies like the Chinese yuan also strengthened (+0.9%mom) last month.

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

	2021	2022	2023	2024	Aug-25	YTD Change	MoM Change
DXY	95.67	103.52	101.33	108.49	98.02	-9.6%	-1.9%
EURUSD	1.137	1.071	1.104	1.035	1.167	+12.7%	+2.2%
GBPUSD	1.353	1.208	1.273	1.252	1.346	+7.5%	+1.9%
USDJPY	115.08	131.12	141.04	157.20	147.18	+6.8%	+2.4%
USDSGD	1.349	1.340	1.320	1.366	1.285	+6.3%	+1.0%
USDAUD	1.377	1.468	1.468	1.616	1.532	+5.5%	+1.6%
USDCAD	1.264	1.355	1.324	1.438	1.375	+4.6%	+0.8%
USDTWD	27.68	30.72	30.71	32.79	30.60	+7.2%	-2.4%
USDKRW	4.166	4.404	4.594	4.472	4.225	+5.9%	+1.0%
USDMYR	1,189	1,266	1,288	1,472	1,392	+5.8%	+0.1%
USDTHB	33.41	34.61	34.14	34.10	32.39	+5.3%	+0.9%
USDPHP	6.356	6.899	7.100	7.299	7.133	+2.3%	+0.9%
USDCNY	50.99	55.73	55.39	57.84	57.14	+1.2%	+2.1%
USDINR	14,253	15,568	15,397	16,102	16,490	-2.4%	-0.2%
USDIDR	74.34	82.74	83.21	85.61	88.21	-2.9%	-0.7%
USDVND	22,826	23,633	24,269	25,485	26,351	-3.3%	-0.6%

Source: Bloomberg, MBSBR

After depreciating in Jul-25, the ringgit has reversed course, resuming the appreciating trend it had maintained for 6 months prior to Jul-25. The ringgit appreciated by +1.0%mom in Aug-25, closing at RM4.225 by the end of month (end-Jul-25: RM 4.265). In the first 8 months this year, the ringgit has strengthened by +5.9%ytd (Jul-25: +4.9%ytd). Like other currencies, the ringgit gained against the weakening of the US dollar. On the domestic front, the ringgit's appreciation last month was backed by reduced demand for the US dollars following the positive reaction stemming from the US decision to impose a relatively lower import tariff on Malaysian exports at 19%, keeping Malaysia to remain competitive among its peers. On top of that, the latest data release continued to indicate still robust domestic economic activities, such as stronger industrial production and distributive trade, on the back of healthy labour market. On top of that, Malaysia's domestic consumption is expected to be supported by recent mini fiscal measures and the recent pre-emptive OPR cut. In addition, ongoing fiscal reforms, including the expansion of the Sales and Service Tax (SST) coverage and further subsidy rationalisation are anticipated to bolster investor confidence on the ringgit outlook

Ringgit slightly appreciated against major trading partner currencies. The ringgit strengthened against currencies of Malaysia's major trading partners as our MBSB Trade-Weighted Ringgit Index (TWRI) increased by +0.5%mom to 93.97 (Jul-25: 93.54). The appreciation was mainly against the against the Taiwan dollar (+3.3%mom), Turkish lira (+2.2%mom), and Nepalese rupee (+1.6%mom). We opine the nominal appreciation of the ringgit against a basket of currencies signals Malaysia's improved growth fundamentals vis-à-vis its major trading partners.

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

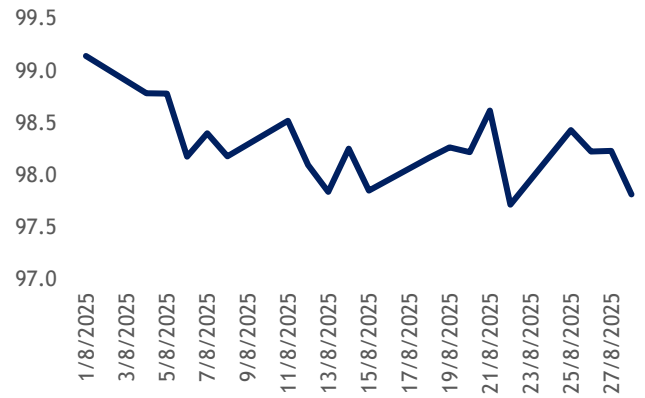
	2021	2022	2023	2024	Jun-25	YTD Change	MoM Change
USDMYR	4.166	4.404	4.594	4.472	4.225	+5.9%	+1.0%
CADMYR	3.271	3.251	3.467	3.113	3.071	+1.3%	+0.3%
SGDMYR	3.086	3.283	3.478	3.286	3.288	-0.1%	+0.1%
GBPMYR	5.631	5.299	5.837	5.615	5.687	-1.3%	-0.8%
EURMYR	4.719	4.693	5.076	4.659	4.933	-5.5%	-1.0%
TRYMYR	0.312	0.235	0.155	0.126	0.103	+23.2%	+2.2%
LKRMYR	0.183	0.187	0.189	0.175	0.160	+9.4%	+1.6%
VNDMYR	0.021	0.012	0.014	0.015	0.014	+9.1%	+1.0%
NPRMYR	0.035	0.033	0.035	0.033	0.030	+8.8%	+1.6%
IDRMYR	0.029	0.028	0.030	0.028	0.026	+8.2%	+1.3%
BDTMYR	4.831	4.271	4.181	3.721	3.481	+7.1%	+0.3%
PHPMYR	0.082	0.079	0.083	0.077	0.074	+4.3%	-0.9%
CNYMYR	0.655	0.638	0.646	0.613	0.592	+3.4%	+0.1%
JPYMYR	0.350	0.350	0.356	0.303	0.304	-0.1%	+0.8%
THBMYR	12.56	12.75	13.40	13.02	13.04	-0.1%	-0.2%
KRWMYR	3.620	3.358	3.255	2.846	2.871	-0.9%	-1.4%
TWDMYR	0.151	0.143	0.150	0.136	0.138	-1.4%	+3.3%

Source: Bloomberg, MBSBR

Net outflows from the equity market. On the back of increased uncertainties, Malaysia's equity market again recorded a net outflow for the third month in Aug-25, with the net selling of Malaysian equities amounting to -USD735m (Jul-25: -USD221m), being the highest net selling since Apr-25. Based on latest data, foreign holdings of Malaysian debt declined by -RM5.5b to RM291.1b in Jul-25 (Jun-25: RM296.6b). In view of the stabilisation in the MGS yields and the BNM is not expected to for further rate cuts, inflows into the debt market would be limited. Nevertheless, we believe the strengthening of the ringgit last month was mainly attributed to the renewed inflows into the domestic debt market.

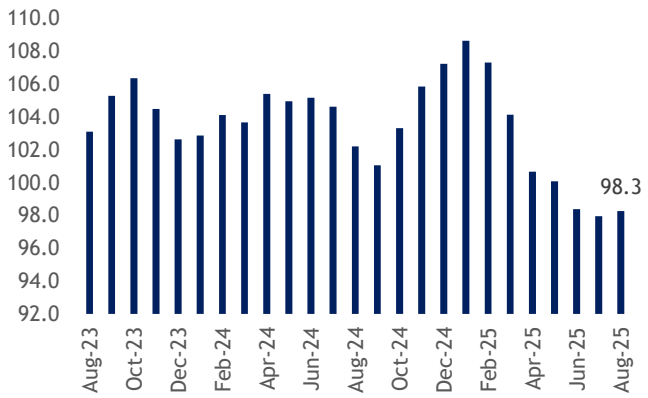
Ringgit is expected to appreciate in 2025. We continue to forecast that the ringgit will strengthen against the US dollar this year, with an average exchange rate of around RM4.30 (2024 average: RM4.56). There is still appreciation bias for ringgit, primarily driven by the expected narrowing of interest rate differentials as the US Federal Reserve is projected to implement two rate cuts in the 2HCY25 while Bank Negara Malaysia to maintain its OPR at 2.75%. This positive outlook is also supported by Malaysia's strong economic fundamentals, though it faces risks from potential delays in US rate cuts due to persistent inflation and ongoing global uncertainties. We forecast an increase in our MBSB Trade-Weighted Ringgit Index (TWRI) to 95.0 by year-end as we anticipate the ringgit will also strengthen against the currencies of Malaysia's major trading partners. The strength of the Malaysian ringgit is supported by the stability of Malaysia's policy settings. While other central banks have adopted a more dovish stance by recently easing their policy interest rates to support economic growth, Malaysia's central bank has maintained a stable position. This approach is justified by the country's modest and stable inflation, which provides a solid foundation for ringgit to gain against other currencies.

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



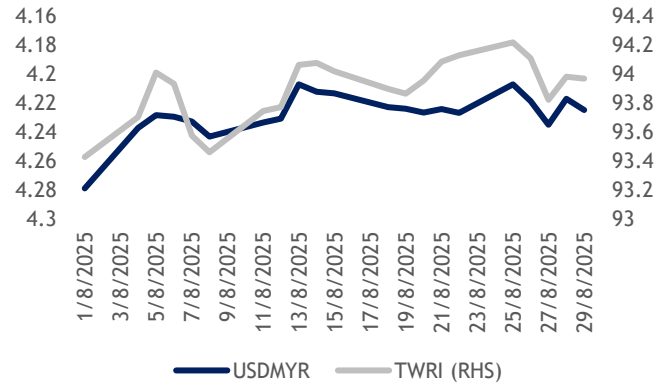
Source: Bloomberg, MBSBR

Chart 2: Monthly Average of DXY Dollar Index



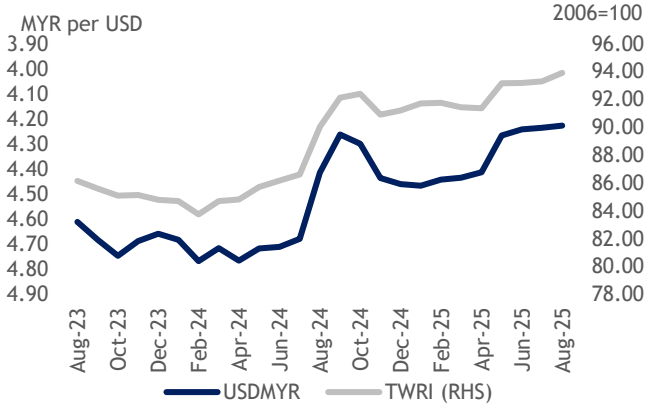
Source: Bloomberg, MBSBR

Chart 3: USDMYR vs. MBSB TWRI in Aug-25



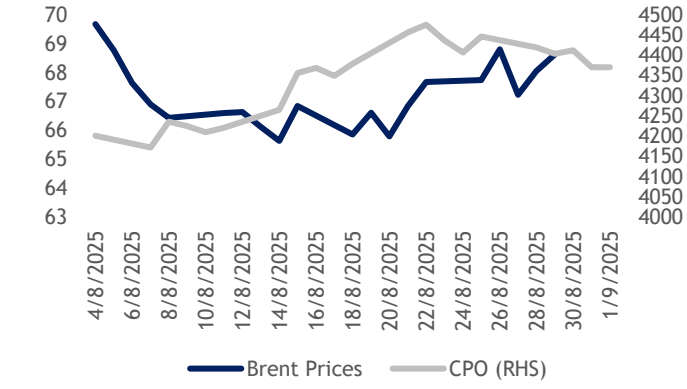
Source: Bloomberg, MBSBR

Chart 4: USDMYR vs MBSB TWRI Monthly Average



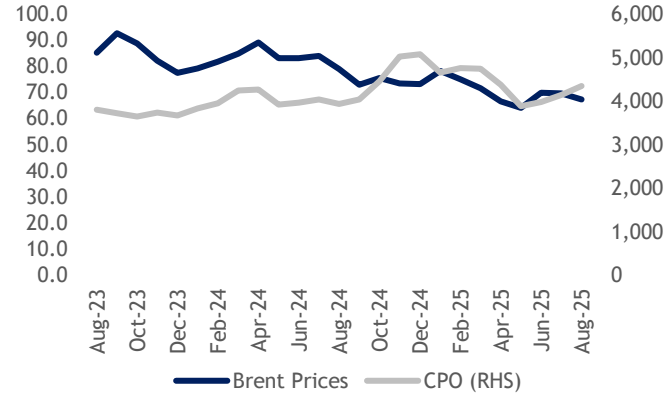
Source: Bloomberg, MBSBR

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



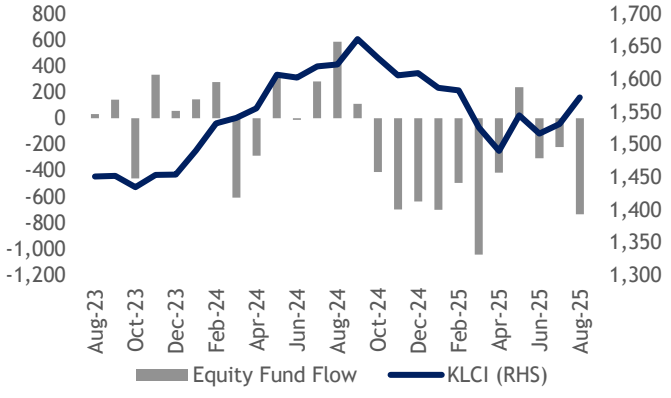
Source: Bloomberg, MBSBR

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



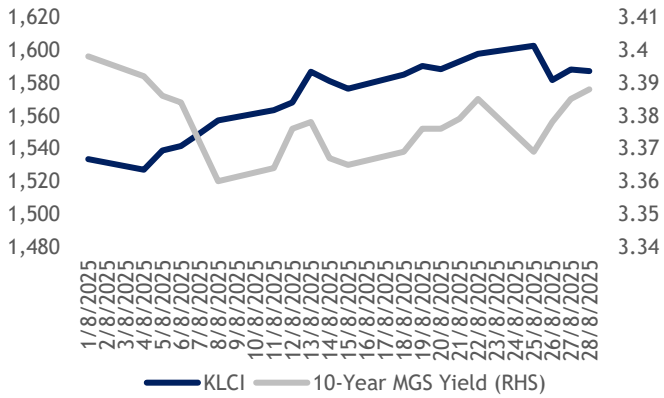
Source: Bloomberg, MBSBR

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



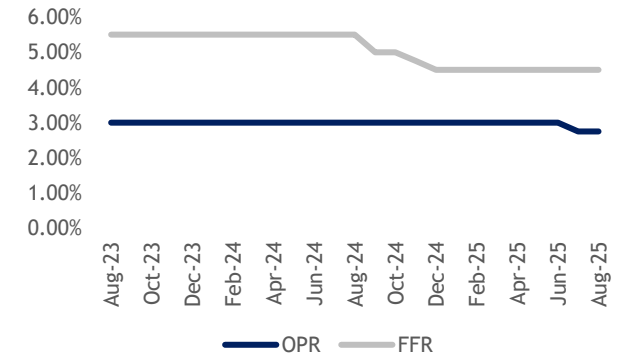
Source: Bloomberg, MBSBR

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



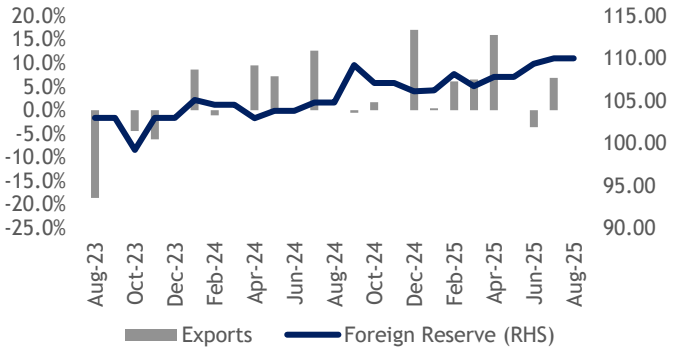
Source: Bloomberg, MBSBR

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



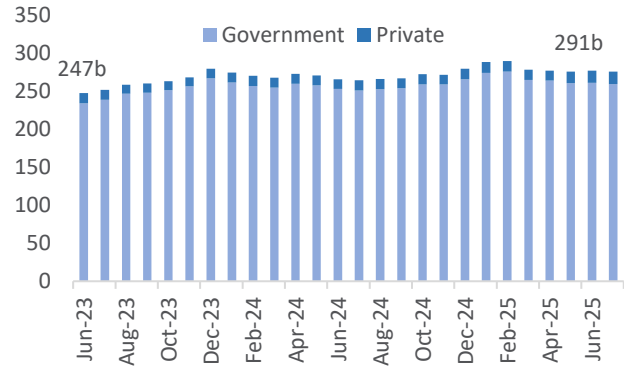
Source: Bloomberg, MBSBR

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



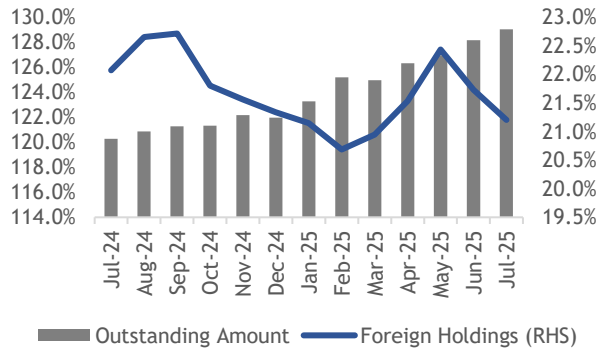
Source: Bloomberg, IMF, MBSBR

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



Source: BNM, Bondstream, MBSBR

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



Source: BNM, Bondstream, MBSBR

AUGUST 2025 KEY ECONOMIC EVENTS

1 August: U.S. added just 73,000 jobs in July and numbers for prior months were revised much lower. Nonfarm payrolls growth totalled 73,000 for July, above the June total of 14,000 but below even the merger Dow Jones estimate for a gain of 100,000. June and May totals were revised sharply lower, down by a combined 258,000 from previously announced levels.

4 August: Malaysia commits over US$240b in purchases and investments to narrow trade surplus with US — trade minister. Malaysia has agreed to buy and invest over US$240 billion (RM1.02 trillion) with the US to help reduce the trade gap between the two countries. Minister of Investment, Trade and Industry Tengku Datuk Seri Zafrul Abdul Aziz told Parliament on Monday, in a special ministerial statement, that the commercial considerations helped secure a lower 19% US tariff, down from 25%.

5 August: Malaysia, Indonesia, Thailand rope in more banks for local currency settlement. Central banks of Malaysia, Indonesia and Thailand have appointed more commercial banks to participate in the local currency transaction framework. The banks, known as Appointed Cross-Currency Dealers, will facilitate cross-border settlement of trade and investment between the respective countries, Bank Negara Malaysia (BNM), Bank Indonesia, and Bank of Thailand said in a joint statement on Tuesday

7 August: Malaysia's forex reserves up by US$400m at end-July, hitting new 10-year high. Bank Negara Malaysia (BNM) today announced a reduction in its Overnight Policy Rate (OPR) by 25 basis points to 2.75%. The decision by the Monetary Policy Committee also sees a corresponding adjustment of the OPR corridor, with the ceiling and floor rates now at 3% and 2.5% respectively

8 August: Matrade says it supports RM2.09 tril export target by 2030. The Malaysia External Trade Development Corporation (Matrade) supports the country's gross export growth target, averaging 5.8% annually, to reach RM2.09 trillion by 2030.

11 August: MPOB: Malaysia's palm oil stocks rise to highest in nearly two years. Malaysia's palm oil stocks rose for a fifth consecutive month in July to their highest level in almost two years, as production growth outpaced exports, data from the industry regulator showed on Monday.

15 August: Malaysia's Current Account Balance to Remain in Surplus This Year - BNM Governor. Malaysia's current account balance is expected to remain in surplus of between 1.5 per cent and 2.5 per cent of gross domestic product (GDP) in 2025, said Bank Negara Malaysia governor Datuk Seri Abdul Rasheed Ghaffour today.

19 August: MPOC sees near-term palm oil prices above RM4,300 per ton on supply slowdown. Palm oil prices are expected to hold above RM4,300 ringgit per metric tonne (US$1,018) in the near term on a supply slowdown and a cut in soybean availability amid demand for biodiesel, the Malaysian Palm Oil Council (MPOC) said on Tuesday.

21 August: Export Value of Rubber Gloves Hits RM6 Bln in First Five Months Of 2025 – Johari. The export value of Malaysia's rubber glove sector hit RM6 billion for the period January 2025 to May 2025, said Minister of Plantation and Commodities Datuk Seri Johari Abdul Ghani.

22 August: BNM's International Reserves Rise to US$122 Bln As of Aug 15. The international reserves of Bank Negara Malaysia (BNM) rose to US$122 billion as of Aug 15, 2025, up from US$121.3 billion recorded on July 31, 2025.

22 August: Malaysia's approved investments up 18.7% y-o-y to RM190.3b in 1H2025 — Mida. Foreign investments surged 43.5% to RM106.8 billion, accounting for 56.1% of total approvals, with domestic sources contributing RM83.5 billion or 43.9%.

23 August: Powell says Fed may need to cut rates, will proceed carefully. Federal Reserve Chair Jerome Powell on Friday signaled a possible interest rate cut at the U.S. central bank's meeting next month, saying that risks to the job market were rising but also noting inflation remained a threat and that a decision wasn't set in stone.

25 August: Anwar: Govt has reduced new debt, fiscal deficit reduction to continue. The country's new debt has gradually reduced despite continuing polemics on the national debt position, said Prime Minister Datuk Seri Anwar Ibrahim. Anwar, who is also the finance minister, said that this reduction is important because as long as a fiscal deficit exists, the total amount of debt will continue to rise.

29 August: BNM in talks with industry experts to explore the use of tokenisation, says MOF. Bank Negara Malaysia (BNM) is discussing with tokenisation experts and financial industry practitioners to explore the use of tokenisation through a co-creation approach, carried out via the Asset Tokenisation Industry Working Group forum.

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