

Malaysia

9 May 2024

BNM On Hold

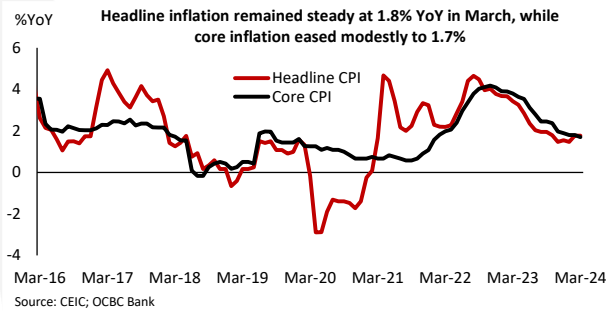
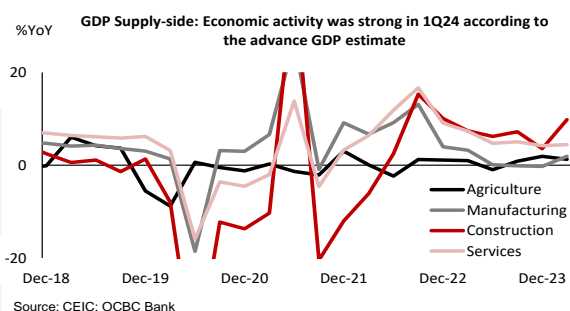
- Bank Negara Malaysia (BNM) maintained its policy rate at 3.00%, in line with expectations.
- BNM’s assessment on growth, inflation and currency were broadly unchanged from its previous meeting on 7 March 2024.
- We maintain our forecast for BNM to keep its policy rate unchanged in 2024.

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BNM kept its policy rate unchanged at 3.00%, in line with expectations. There have been some significant changes in global markets since BNM’s previous meeting on 7 March and these were acknowledged in the official policy statement.

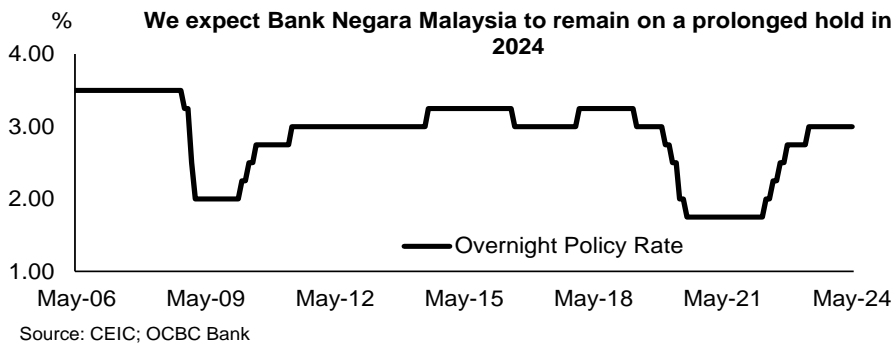
Specifically, BNM noted on the global front that economic growth is likely to be sustained and that the pace of “disinflation has slowed in advanced economies”. It added that “this increases prospects of interest rates remaining high for longer, particularly in the US.” BNM’s assessment remained that risks to global growth were skewed to the downside.

Meanwhile, BNM remained upbeat on domestic growth prospects and noted that “the recovery in exports is expected to gather momentum supported by the global tech upcycle and continued strength in non-electrical and electronics goods.” The domestic demand factors supporting growth such as household spending, investment activities “supported by the ongoing progress of multi-year projects in both the private and public sectors, the implementation of catalytic initiatives under the national master plans, as well as the higher realisation of approved investments” were unchanged from the March meeting. Our GDP growth forecast for 2024 is 4.2% versus 3.7% in 2023, within BNM’s 4-5% forecast range.



On inflation, BNM noted that it “inflation in 2024 is expected to remain moderate” and that the outlook for the rest of the year is “dependent on the implementation of domestic policy on subsidies and price controls” amongst other factors.

Nonetheless, BNM noted that its 2024 headline and core inflation forecast ranges of 2.0% - 3.5% and 2.0% - 3.0%, respectively, incorporates the “potential impact of subsidy rationalisation.” Our headline inflation forecast of 2.5% is within this range and suggests that inflationary pressures are likely to remain well contained.



On the currency, BNM reverted to stating that the currency ringgit “currently does not reflect” economic fundamentals and growth prospects. It further stated that coordinated action from the government and BNM “have gained traction, cushioning the pressure on the ringgit.”

The bottom-line for us is that BNM remains comfortable with current monetary policy settings, as growth is expected to improve with inflationary pressures manageable. BNM noted that it will continue to “manage risks arising from heightened financial market volatility” with regard to the currency. As such, we continue to expect BNM to keep its policy rate unchanged at 3.00% in 2024.

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