

Malaysia

7 March 2024

BNM On Hold

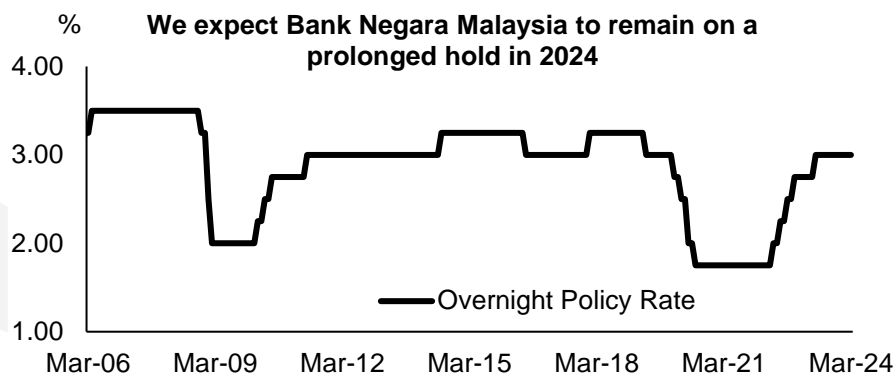
- Bank Negara Malaysia (BNM) maintained its policy rate at 3.00%, in line with expectations.
- There were no major changes to the growth and inflation outlook, while BNM stated that the currency was “currently undervalued”.
- We maintain our forecast for BNM to keep its policy rate unchanged in 2024.

Lavanya Venkateswaran
Senior ASEAN Economist
+65 6530 6875
lavanyavenkateswaran@ocbc.com

BNM kept its policy rate unchanged at 3.00%, in line with expectations. The tone of the official policy statement was also relatively unchanged from the previous meeting on 24 January.

There were some changes to made to BNM’s statement vis-à-vis certain parameters. While BNM maintains that the global growth will be supported by domestic demand and better trade activities, it sees expansion as moderate. Furthermore, it now sees “prospects of monetary easing in some countries in the second half of the year” which was absent in the January policy statement.

BNM’s assessment of growth and inflation was broadly unchanged relative to its January meeting. BNM continues to expect better GDP growth in 2024 versus 2023 supported by export growth, tourism, household spending and investments. It maintained that the inflation outlook remained “highly dependent on the implementation of domestic policy on subsidies and price controls...”. Our GDP growth forecast for 2024 is 4.2% versus 3.7% in 2023.



Source: CEIC; OCBC Bank

Importantly, BNM was categorical that the currency (MYR) is “currently undervalued”. It reiterated that the authorities (i.e., government and BNM) are taking “coordinated actions to encourage repatriation and conversion of foreign investment income” by government linked companies and government linked investment companies to shore up support for the currency. Indeed, MYR has appreciated versus USD since 1 March, when the Financial Markets Committee (FMC) convened to discuss external developments and step-up support for the currency.

Spot returns (vs USD) have improved for MYR following in March



Source: CEIC; OCBC

BNM will remain a steady pair of hands for the rest of 2024, in our view. We expect no changes to the policy rate, at 3%, while BNM remains mindful of external (specifically currency) developments.

Macro Research

Selena Ling

Head of Strategy & Research

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Keung Ching (Cindy)

Hong Kong & Macau Economist

Cindyckung@ocbc.com

Herbert Wong

Hong Kong & Macau Economist

HerbertWong@ocbc.com

Lavanya Venkateswaran

Senior ASEAN Economist

LavanyaVenkateswaran@ocbc.com

Ahmad A Enver

ASEAN Economist

Ahmad.Enver@ocbc.com

Jonathan Ng

ASEAN Economist

JonathanNg4@ocbc.com

Ong Shu Yi

ESG Analyst

ShuyiOng1@ocbc.com

FX/Rates Strategy

Frances Cheung, CFA

Rates Strategist

FrancesCheung@ocbc.com

Christopher Wong

FX Strategist

ChristopherWong@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo, CFA

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei, CFA

Credit Research Analyst

WongHongWei@ocbc.com

Chin Meng Tee, CFA

Credit Research Analyst

MengTeeChin@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

