

Malaysia

24 January 2024

BNM On Hold

- BNM kept its policy rate unchanged at 3.00%, in line with expectations.
- There were limited changes to BNM's outlook on global growth, domestic growth-inflation drivers and the currency compared to its 2 November meeting.
- We expect to BNM to remain on hold in 2024. We are cautiously optimistic on domestic growth prospects and expect inflation to be manageable this year.

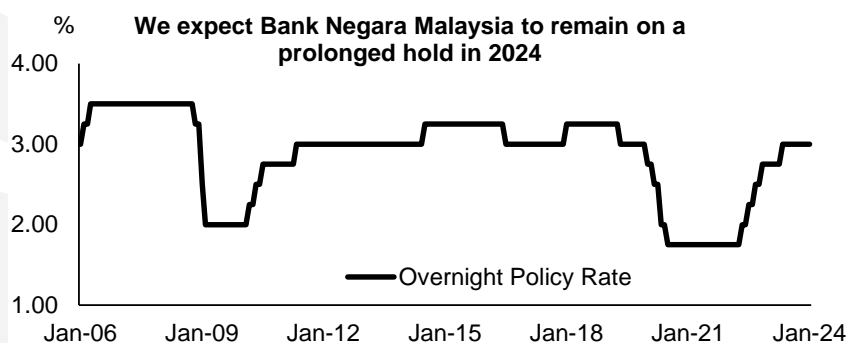
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BNM assessed that the risks to global growth remained to the downside even though it cited "further signs of recovery in the electrical and electronics" sector. On the domestic front, BNM looked through the weaker 4Q23 advance GDP print and remained of the view that 2024 growth will improve driven by household spending, tourism and broad-based investment activities. This is similar to our view.

Meanwhile, the inflation outlook remains less certain although it expected to remain "modest" and broadly reflect "stable cost and demand conditions". The main unknown is domestic policy changes. To that end, we believe that the timing and mechanism with regards to the implementation of targeted fuel subsidies will be crucial to watch going forward. On the currency, BNM maintained that moves in the MYR were driven "by external factors, and not reflective of the current domestic economic performance and prospects".

Notwithstanding, we expect to BNM to remain on hold in 2024. We are cautiously optimistic on domestic growth prospects and expect inflation to be manageable.



Source: CEIC; OCBC Bank

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