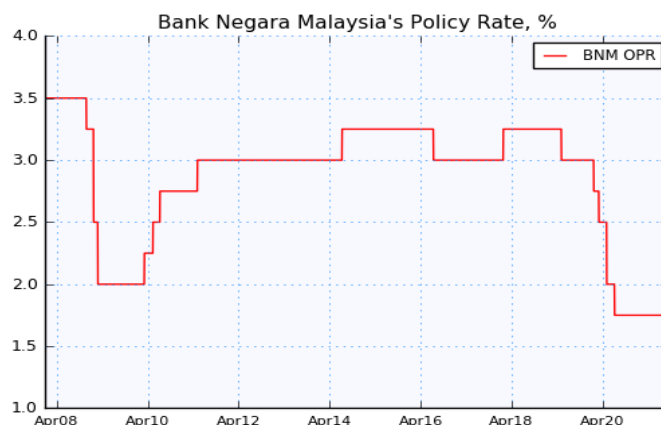


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Wisdom of the Crowd?

Bank Negara Malaysia kept rate unchanged as widely expected

- We had highlighted [our view](#) on why we think the Malaysian economy deserves that bit of a boost from further monetary policy easing recently. That came despite the knowledge that the wisdom of the crowd is such that a hold is the most likely course of action by the central bank, going by the consensus view that the OPR would stay unchanged at 1.75%.
- As it turns out, metaphorically at least, staying with the crowd was the safer choice, with BNM once again opting to keep its rate unchanged, despite having [slashed the 2021 growth forecast](#) by half essentially and continuing to highlight the prevalence of downside risks from global and domestic ends.
- The gist of the MPC statement has not detracted from the previous ones, striking a balance by emphasizing how even though the Malaysian economy has suffered due to the lengthy rounds of MCO restriction orders, those wounds are not deep enough for more relief to be had.
- By focusing on how growth momentum “going into 2022” will be supported by expectations of “further easing of containment measures, rapid progress of the domestic vaccination programme and continued expansion in global demand,” it might have also decidedly opted to place the hope for a better future ahead of the lingering pain of the present for now.
- To be sure, BNM highlighted its readiness to act if necessary, by noting that “Given the uncertainties surrounding the pandemic, the stance of monetary policy will continue to be determined by new data and information.”
- Still, the bar for it to cut rate appears to be a lot loftier than we had anticipated. If months of lockdown resulting in the spectre of a technical recession do not move the needle now, it would probably take a manifestation of risks of much greater magnitude for BNM to be easing. The 1.75% level of the OPR has been a tough floor to crack and likely to remain so in the foreseeable future, unless events take a dramatic turn southward.



Source: OCBC, Bloomberg.

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