

BNM MPC Meeting (5 - 6 November)

OPR held at 3.00% as expected, stability expected through 2025

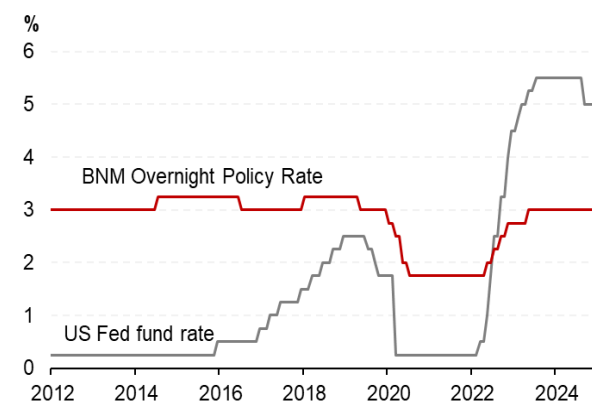
- The Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3.00% in its sixth and final meeting of the year, aligning with our forecast and the unanimous consensus of all 18 Bloomberg survey respondents. This marks the ninth consecutive meeting with no OPR change following a surprise hike in May 2023.**
- Policy statement:** No change to its stance. The MPC reinstated that its monetary policy "remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects."
 - Growth:** The MPC stated that "the latest indicators point towards sustained strength in economic activity driven by resilient domestic expenditure and higher export activity." Growth is expected to remain steady, mainly backed by exports, household spending, investment activity, and Budget 2025 measures. Overall, the outlook remains neutral, with risks seen as fairly balanced, aligning closely with the previous statement.
 - Inflation:** Year-to-date, headline and core inflation currently average at 1.8% YoY. This is lower than the BNM initial forecast of 2.0% - 3.5%. The MPC has not yet specified its 2025 inflation target, but the MoF recently projected a range of 2.0% - 3.5%. The MPC noted that the upside risk to inflation would depend on the implementation of announced domestic policy measures and its spillover effects.
 - Ringgit:** The MPC remarked, "the outcome of the US elections could heighten volatility in the near term", reflecting the impact of the US presidential election on global and domestic markets. However, the MPC expects the ringgit to gain support from narrowing interest rate differentials, favourable domestic economic prospects, and structural reforms alongside initiatives to encourage capital flow.
- OPR outlook: current policy rate likely to remain unchanged in 2025, barring unforeseen circumstances**
 - We expect BNM to maintain the OPR at 3.00% for the rest of 2025, even as global central banks lean towards easing. The current OPR rate remains accommodative, supporting domestic economic expansion while managing inflation risk, especially from Budget 2025 measures such as the minimum wage hike, government salary increase, and mid-2025 RON95 subsidy rationalisation. With MoF's growth projection at 4.5% - 5.5%, we see the current OPR rate as well-suited for meeting next year's growth target.
 - Against this backdrop, we believe keeping the current monetary policy stance is essential to sustain domestic growth and support the Madani government's reform agenda. As such, we maintain our 2024 GDP growth forecast at 5.0% (2023: 3.6%) and projected a slight moderation to 4.8% in 2025.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
3.75% (-0.50%)	Canada	Overnight Rate	Oct-24
3.10% (-0.25%)	China	Loan Prime Rate (1Y)	Oct-24
3.25% (-0.25%)	Euro Area	Key Deposit Facility Rate	Oct-24
6.00% (-0.25%)	Philippines	Target Reverse Repurchase	Oct-24
2.25% (-0.25%)	Thailand	Repo Rate	Oct-24
3.25% (-0.25%)	South Korea	Base Rate	Oct-24
4.75% (-0.50%)	New Zealand	Official Cash Rate	Oct-24
4.75% - 5.00% (-0.50%)	USA	Funds Rate Target	Sep-24
6.00% (-0.25%)	Indonesia	BI Rate	Sep-24
0.25% (+0.15%)	Japan	Overnight Call Rate	Jul-24
5.00% (-0.25%)	UK	Base Rate	Jul-24
4.35% (+0.25%)	Australia	Cash Rate	Nov-23
3.00% (+0.25%)	Malaysia	Overnight Policy Rate	May-23

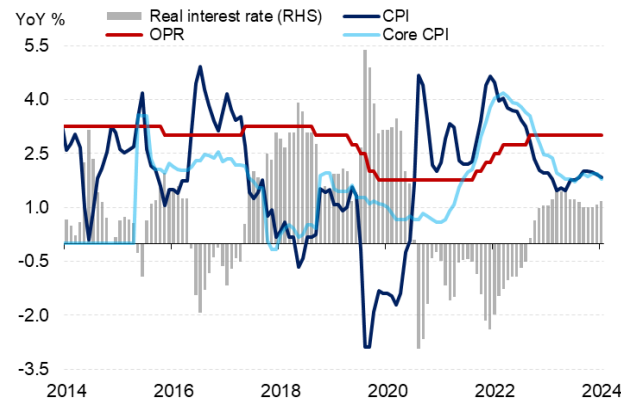
Source: Bloomberg, Kenanga Research

Graph 1: US Fed Funds Rate and BNM OPR



Source: Bloomberg, Kenanga Research

Graph 2: Malaysia Real Interest Rate and BNM OPR



Source: Bloomberg, Kenanga Research

07 November 2024

Table 2: MPC Meeting Schedule for 2024 / KIBB Outlook

No.	Date		KIBB Research Outlook	BNM Decision
1st	23 and 24 January (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change
2nd	6 and 7 March (Wed and Thu)	<input checked="" type="checkbox"/>	No change	No change
3rd	8 and 9 May (Wed and Thu)	<input checked="" type="checkbox"/>	No change	No change
4th	10 and 11 July (Wed and Thu)	<input checked="" type="checkbox"/>	No change	No change
5th	4 and 5 September (Wed and Thu)	<input checked="" type="checkbox"/>	No change	No change
6th	5 and 6 November (Tue and Wed)	<input checked="" type="checkbox"/>	No change	No change

Source: Bank Negara Malaysia, Kenanga Research

Table 3: MPC Meeting Schedule for 2025 / KIBB Outlook

No.	Date		KIBB Research Outlook	BNM Decision
1st	22 January (Wed)	<input type="checkbox"/>	No change	
2nd	6 March (Thu)	<input type="checkbox"/>	No change	
3rd	8 May (Thu)	<input type="checkbox"/>	No change	
4th	9 July (Wed)	<input type="checkbox"/>	No change	
5th	4 September (Thu)	<input type="checkbox"/>	No change	
6th	6 November (Thu)	<input type="checkbox"/>	No change	

Source: Bank Negara Malaysia, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

