

BNM MPC Meeting (6 March)

Stands firm on OPR at 3.00%; growth holds, inflation in check

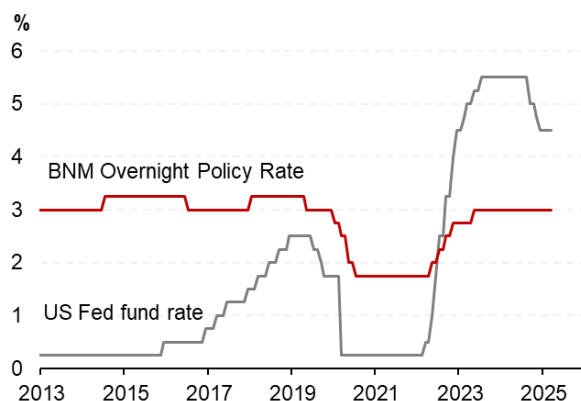
- **The Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3.00%** in its second meeting of the year, as expected by us and 21 Bloomberg survey respondents.
- **Policy statement:** The MPC reiterated its stance that policy remains "supportive of the economy and is consistent with the current assessment of inflation and growth prospects."
 - **Growth:** The MPC expects the domestic economy to sustain growth in 2025, driven by domestic demand. However, it sounded slightly cautious, stating, "Amid global policy uncertainties, exports are expected to expand at a more moderate pace" and added that "growth outlook is subject to downside risks from an economic slowdown in major trading partners following significant uncertainties surrounding trade policies and lower-than-expected commodity production."
 - **Inflation:** The MPC expects inflation in 2025 to remain manageable due to easing global cost pressures, the absence of excessive domestic demand, and lower global commodity prices. Wage-related policies are expected to have minimal impact. However, the MPC noted that "upside risks to inflation would be dependent on the extent of spillover effects of domestic policy measures, as well as external developments surrounding global commodity prices, financial markets and trade policies." This aligns with our inflation forecast of 2.7% in 2025 (2024: 1.8%).
 - **Ringgit:** BNM expects the Ringgit to be supported by narrowing interest rate differentials, favourable economic prospects, domestic structural reforms, and ongoing initiatives to encourage capital flows. However, the performance remains susceptible to external development.
- **OPR outlook: BNM status quo expected through 2025, barring unexpected shocks**
 - **Reason:** Despite global central banks leaning towards easing – except for the Bank of Japan – we expect BNM to maintain the OPR throughout 2025. The current rate supports economic growth while managing inflation risks, particularly from the potential impact of subsidy rationalisation. Besides, BNM's rate decisions remain domestically driven, with the MPC reiterating its vigilance: "The MPC remains vigilant to ongoing developments to inform the assessment on the domestic inflation and growth outlook." Maintaining a stable policy stance is crucial to sustaining economic growth and advancing the Madani government's reform agenda.
 - **Risks:** Inflation risks persist due to domestic policy adjustments but are expected to be contained through targeted measures. Meanwhile, GDP growth remains vulnerable to external uncertainties, including the shifts in US trade policy under the Trump administration. An escalation in the US-China trade war could slow China's economic recovery, though its domestic stimulus may help mitigate the impact. Despite these risks, domestic demand is expected to sustain expansion.
 - **GDP forecast:** We maintain our 2025 GDP growth forecast at 4.8% (2024: 5.1%). While this reflects a slight moderation, economic fundamentals remain stable, supported by resilient domestic demand, rising household income, increased tourist arrivals, and continued government spending. The outlook also accounts for the normalisation of economic activity following a high base in 2024.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
2.50% (-0.25%)	Euro Area	Key Deposit Facility Rate	Mar-25
2.75% (-0.25%)	South Korea	Base Rate	Feb-25
2.00% (-0.25%)	Thailand	Repo Rate	Feb-25
4.10% (+0.25%)	Australia	Cash Rate	Feb-25
3.75% (-0.50%)	New Zealand	Official Cash Rate	Feb-25
4.50% (-0.25%)	UK	Base Rate	Feb-25
0.50% (+0.25%)	Japan	Overnight Call Rate	Jan-25
3.00% (-0.25%)	Canada	Overnight Rate	Jan-25
5.75% (-0.25%)	Indonesia	BI Rate	Jan-25
5.75% (-0.25%)	Philippines	Target Reverse Repurchase	Dec-24
4.50% - 4.75% (-0.25%)	USA	Funds Rate Target	Dec-24
3.10% (-0.25%)	China	Loan Prime Rate (1Y)	Oct-24
3.00% (+0.25%)	Malaysia	Overnight Policy Rate	May-23

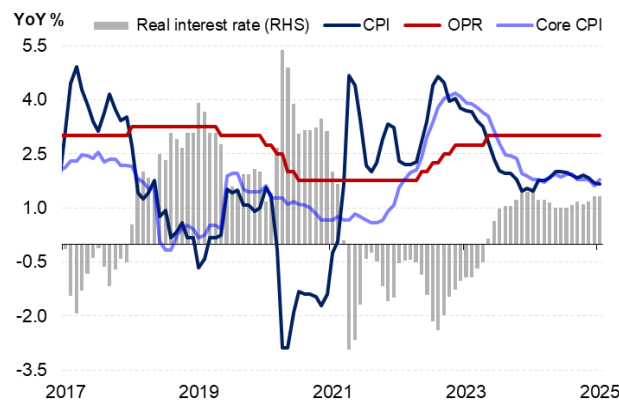
Source: Bloomberg, Kenanga Research

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

Table 2: MPC Meeting Schedule for 2025 / KIBB Outlook

No.	Date		KIBB Research Outlook	BNM Decision
1st	22 January (Wed)	<input checked="" type="checkbox"/>	No change	No change
2nd	6 March (Thu)	<input checked="" type="checkbox"/>	No change	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