

Malaysia

11 July 2024

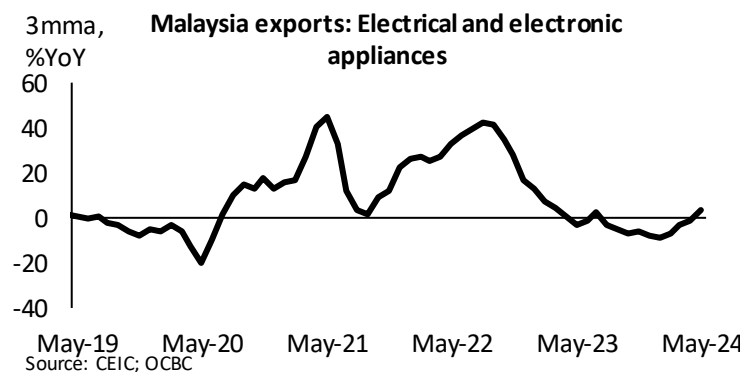
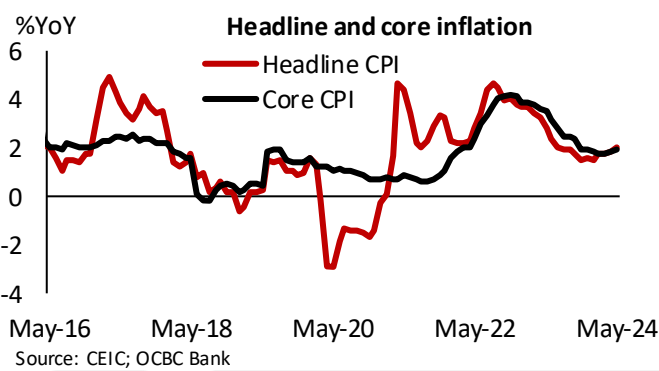
BNM Maintains Status Quo

- Bank Negara Malaysia (BNM) kept its policy rate unchanged at 3.00%, in line with consensus and our expectations.
- BNM remained sanguine on domestic growth prospects while noting that inflationary pressures remain manageable.
- As such, we maintain our view for BNM to remain on hold for the rest of 2024.

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BNM kept its policy rate unchanged at 3.00%, in line with expectations (Consensus & OCBC: 3.00%). BNM's tone remained sanguine around global growth prospects, with its assessment of the Malaysian economy broadly similar to its previous meeting on 9 May.

Specifically, BNM expects that domestic GDP growth will be supported by exports (electronics and non-electronics), tourism, household consumption and investment spending. BNM expects exports "to be further lifted by the global tech upcycle given Malaysia's position in the semiconductor supply chain". Indeed, electrical and electronics exports picked up in April and May.



On inflation, BNM deemed higher inflation in 2H24 to be "manageable" following upward adjustments to retail diesel prices, in line with our expectations. For June, our initial estimates suggest inflation will rise to 2.3% YoY and we maintain our full year 2024 average headline inflation forecast of 2.5% YoY (1H24: 1.8%). Relative to the 9 May policy statement, BNM noted that "the upside risk to inflation would be dependent on the extent of spillover effects of further domestic policy measures on subsidies and price controls to broader price trends...". This suggests that BNM is vigilant of price pressures from additional subsidy rationalisation measures.

Overall, BNM remains comfortable with the monetary policy stance, stating that it is supportive of its “current assessment of inflation and growth prospects”. As such, we maintain our forecast for BNM to keep its policy rate unchanged for the rest of 2024.

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