

Malaysia

5 September 2024

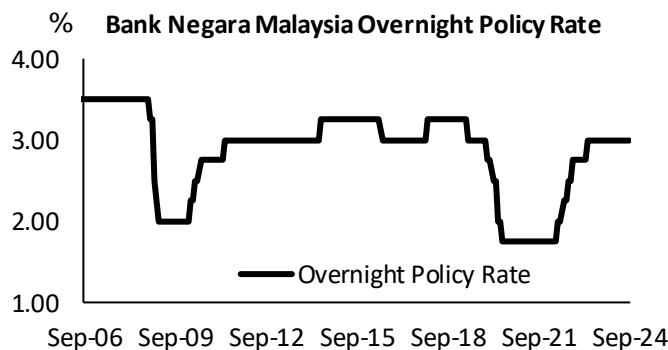
BNM Holding the Line

- Bank Negara Malaysia (BNM) kept its policy rate unchanged at 3.00%, in line with consensus and our expectations.
- There were few changes in assessment relative to the July meeting. BNM noted that the current stance remains supportive of the economy.
- As such, we maintain our view for BNM to remain on hold for the rest of 2024 and into 2025. The key risk is from changes to domestic price policies.

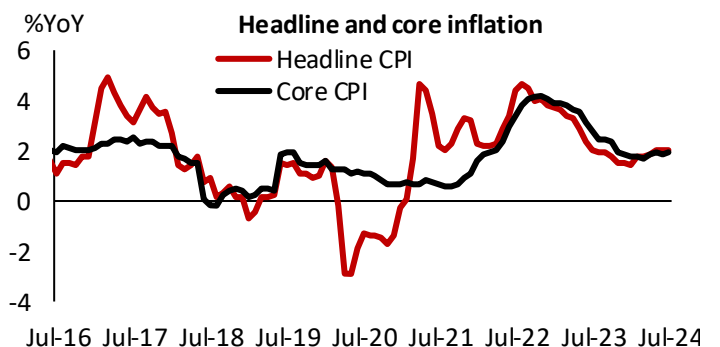
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BNM kept its policy rate unchanged at 3.00%, in line with expectations (Consensus & OCBC: 3.00%), for a seventh consecutive meeting.

BNM’s assessment on growth and inflation were broadly unchanged relative to its 11 July meeting. BNM still expects growth to be sustained by “resilient domestic demand and higher export activity”. If anything, BNM doubled down on strong assessment of investment spending adding a line that “the higher intermediate and capital imports will further support export and investment activity.”



Source: CEIC; OCBC Bank



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On inflation, BNM noted that “spillovers from the diesel price adjustment to broader prices have been contained...” BNM maintained its headline and core inflation forecast range at 2-3.5% and 2-3%, respectively. The risk to inflation remains from changes to domestic price policy (namely regarding RON95). Finally, BNM expects the “positive economic prospects and domestic structural reforms, complemented by ongoing initiatives to encourage flows...to provide enduring support to the ringgit.”

As such, we expect BNM to maintain status quo until there is further clarity on the fiscal front. The Budget 2025 announcement on 18 October will be watched closely in this regard.

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