

BNM MPC Meeting (22 January)

Holds rate steady; stability expected throughout 2025 amid growth and inflation focus

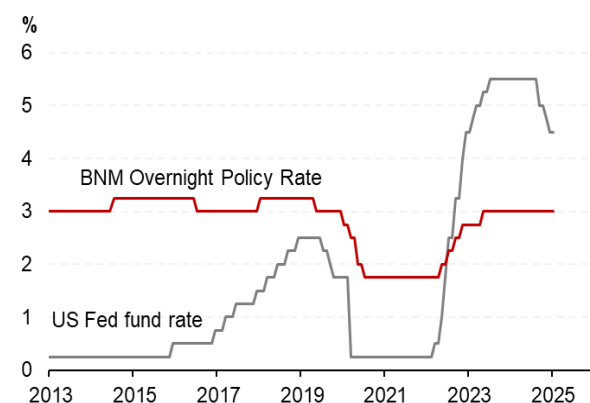
- **The Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3.00% in its first meeting of the year**, as expected by house and all 24 Bloomberg survey respondents.
- **Policy statement:** The MPC reiterated its stance as "supportive of the economy and is consistent with the current assessment of inflation and growth prospects."
 - **Growth:** The MPC expects the domestic economy to sustain growth in 2025, following a 2024 performance in line with expectations. Growth will be driven by resilient domestic expenditure, backed by household spending and increased investment activity, which should also boost exports. However, the growth outlook is still susceptible to downside risks from potential slowdown in major trading partners and weaker-than-expected commodity production.
 - **Inflation:** Headline and core inflation averaged 1.8% YoY in 2024, below BNM's initial forecast of 2.0% - 3.5%. The MPC has yet to announce its 2025 inflation target, which will be released in the BNM Annual Report 2024. We expect it to align with the MoF's 2.0% - 3.5% projection. The MPC highlighted that "upside risks to inflation would depend on the extent of spillover effects of domestic policy measures, as well as global commodity prices and financial market developments." This aligns with our expectation, as we forecast inflation to average 2.7% in 2025, considering the impact of subsidy rationalisation in 2H24.
 - **Ringgit:** BNM expects the Ringgit to be supported by narrowing interest rate differentials, favourable economic prospects, domestic reforms, and initiatives to encourage capital flows. However, it acknowledged that financial market volatility, driven by global policy uncertainties, could influence performance.
- **OPR outlook: policy rate likely to remain at 3.00% through 2025, barring unexpected developments**
 - **Reason:** The current policy rate supports growth while keeping inflation in check. Although most global central banks are leaning toward easing – except for the Bank of Japan – BNM's rate decisions remains focused on domestic factors. The MPC emphasised its vigilance, stating, "The MPC remains vigilant to ongoing developments to inform the assessment on the domestic inflation and growth outlook."
 - **Risks:** Inflation risks are tilted to the upside due to the impact of domestic policy measures in the 2H25, which could push rates higher. Conversely, downside risks to GDP growth stem from increasing global uncertainties, particularly due to policy shifts as Trump returns to the White House, and the possibility for China's economic recovery to disappoint.
 - **GDP forecast:** 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 2025 GDP growth forecast at 4.8%, slightly lower from an estimated 5.0% in 2024 (versus DOSM Advance estimate: 5.1%). This moderation reflects the normalisation of economic activity and a high base effect from last year.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
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
3.25% (-0.50%)	Canada	Overnight Rate	Dec-24
3.00% (-0.25%)	Euro Area	Key Deposit Facility Rate	Dec-24
4.75% (-0.25%)	UK	Base Rate	Nov-24
3.00% (-0.25%)	South Korea	Base Rate	Nov-24
4.25% (-0.50%)	New Zealand	Official Cash Rate	Nov-24
2.25% (-0.25%)	Thailand	Repo Rate	Oct-24
3.10% (-0.25%)	China	Loan Prime Rate (1Y)	Oct-24
0.25% (+0.15%)	Japan	Overnight Call Rate	Jul-24
4.35% (+0.25%)	Australia	Cash Rate	Nov-23
3.00% (+0.25%)	Malaysia	Overnight Policy Rate	May-23

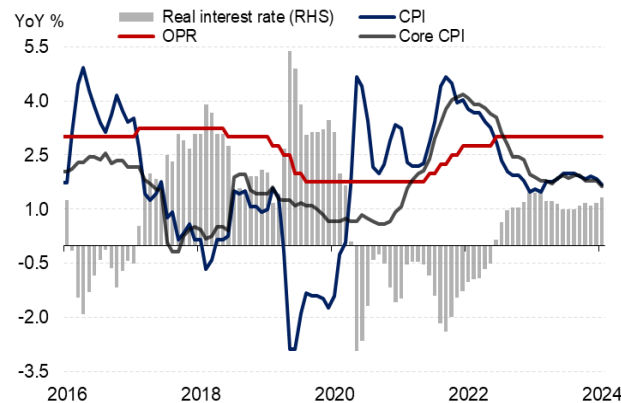
Source: Bloomberg, Kenanga Research

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

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 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

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

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