

OVERNIGHT POLICY RATE

MAINTAIN ↔ AT: 3.00%

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Bank Negara Malaysia (BNM) has maintained the overnight policy rate (OPR) at 3.00% (July : 3.00%)

ECONOMIC GROWTH AND RISKS

GLOBAL



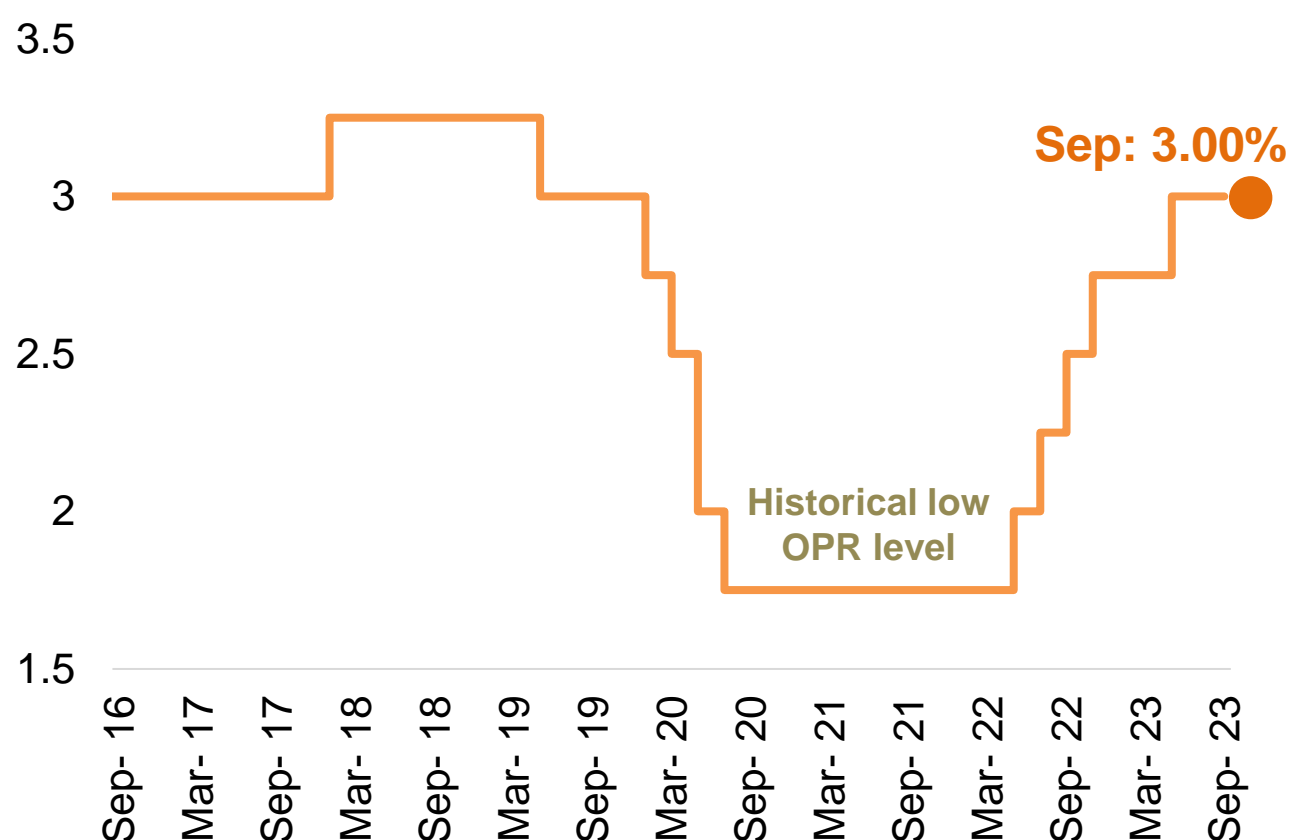
- Resilient domestic demand
- Strong labour market conditions
- Slower growth momentum in major economies
- Persistently elevated core inflation & higher interest rates
- Escalation of geopolitical tensions
- Sharp tightening in financial market conditions

DOMESTIC

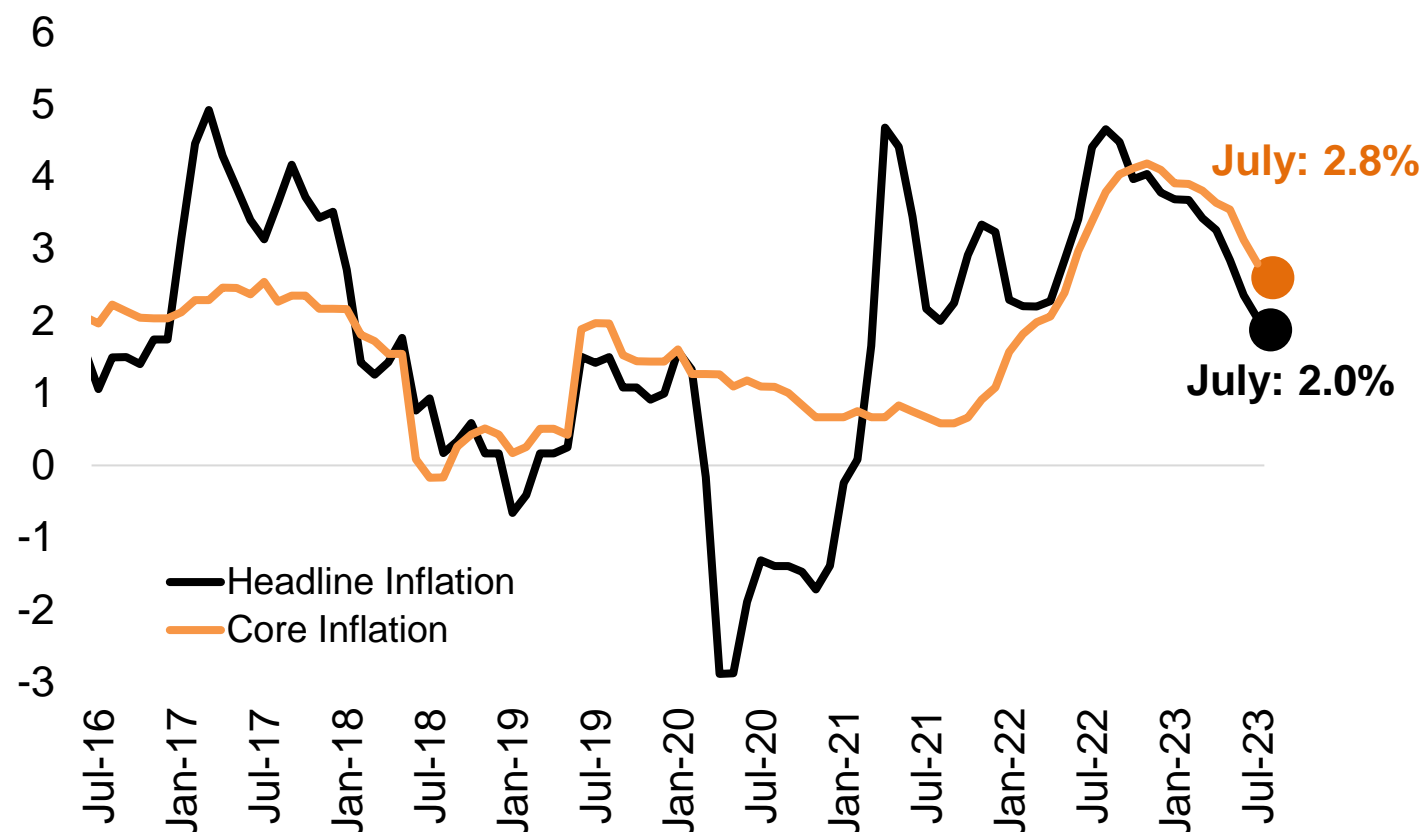


- Stronger-than-expected tourism activity
- Stronger recovery from the E&E downcycle
- Faster implementation of existing and new projects
- Weaker-than-expected external demand
- Larger and protracted declines in commodity production

OPR



CPI INFLATION



KEY TAKEAWAY

- BNM has **maintained OPR at 3.00%** for the 2nd straight meeting, **in line with our expectation amid moderation in economic growth.**
- Malaysia's economic performance recorded a slower pace in 2Q 2023, at 2.9% YoY (1Q: 5.6%), bringing the 1H 2023 GDP growth rate to 4.2% (1H 2022: 6.8%). This is the lower range of BNM's full year GDP forecast of 4.0% - 5.0%.
- While external demand remains weak – export fell 13.1% YoY in Jul 2023, the 5th straight month of decline – **domestic demand is expected to support the overall growth in 2H 2023** (continued employment and wage growth, improving tourist arrivals, progress of multi-year infra projects)
- Risk to inflation is highly subjected to (1) changes to domestic policy on subsidies and price controls, (2) global commodity prices and financial market developments, and (3) degree of persistence in core inflation.
- **We expect BNM to hold rates at 3.00% for the rest of the year.**

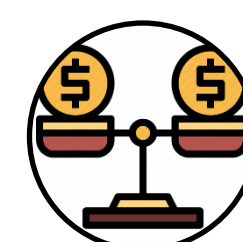
The monetary policy committee...



...reiterates that its monetary policy stance remains supportive of the economy



...remains vigilant to ongoing developments



...ensures that monetary policy remains conducive to sustainable economic growth amid price stability

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