

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% (Nov: 3.00%)

ECONOMIC GROWTH AND RISKS

GLOBAL



- Positive labour market conditions
 - Moderating inflation
 - Less restrictive monetary policy
 - Sustained global trade
 - Continued tech upcycle
- Uncertainty from trade and investment restrictions
 - Elevated policy uncertainties
 - Volatility in global financial market



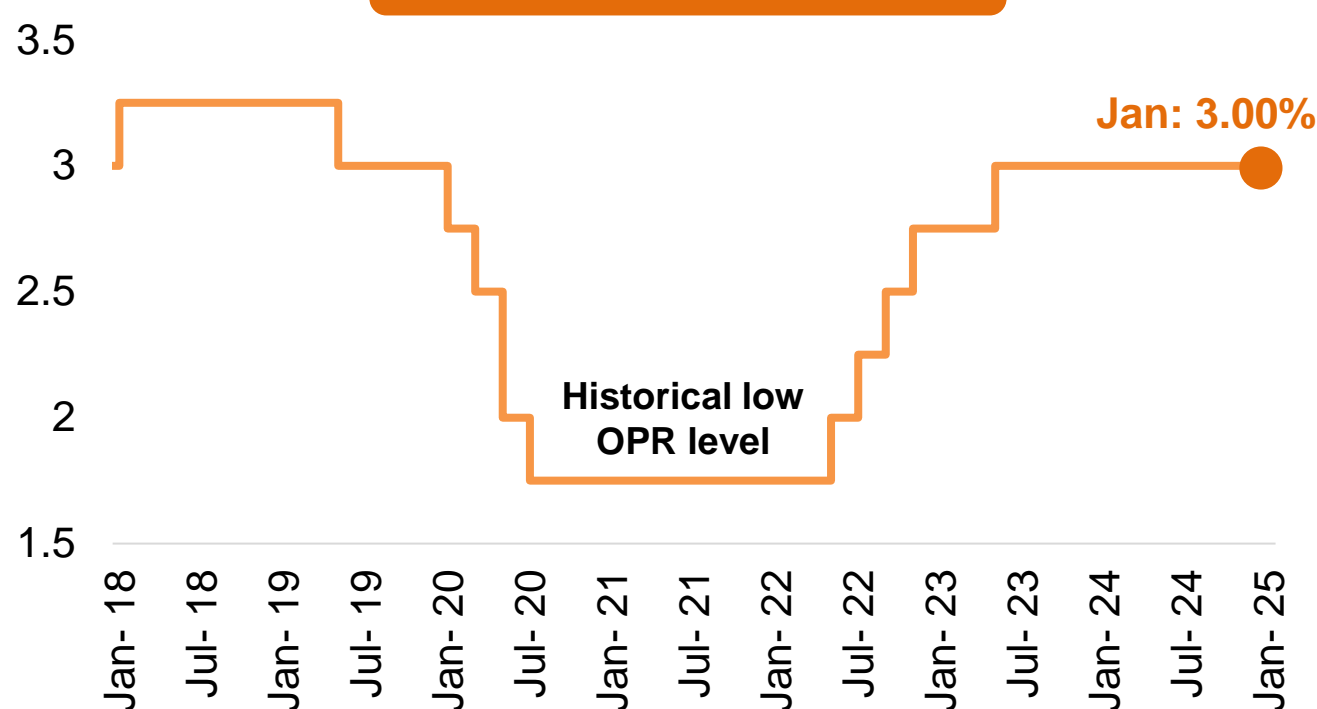
DOMESTIC



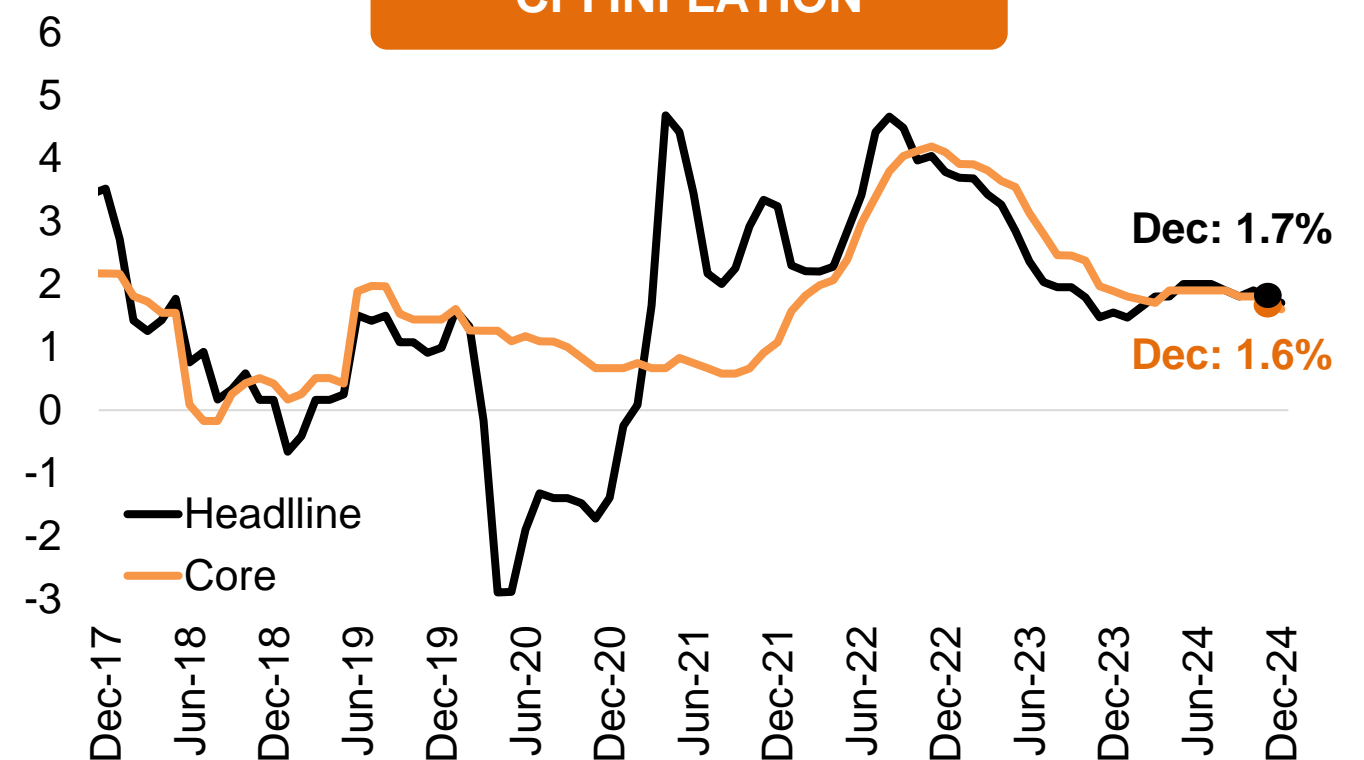
- Resilient domestic expenditure
 - Employment and wage growth
 - Supportive policy measures
 - Greater spillover from tech upcycle
 - Robust tourism activity
 - Faster implementation of investment projects
- Slowdown in major trading partner
 - Trade and investment restrictions risk
 - Lower-than-expected commodity production



OPR



CPI INFLATION



KEY TAKEAWAY

- BNM has maintained **OPR at 3.00%** for the 1st meeting of 2025, in line with our expectation.
- Both headline and core inflation in 2024 **averaged at 1.8% YoY** (2023: 2.5% and 3.0%, respectively), falling short below the official forecast (MOF: 2.0%-3.0%).
- Entering 2025, BNM expects **inflation to remain manageable**, amid the easing global cost conditions and the absence of excessive domestic demand pressures. While there is significant upside risk towards inflation this year via Govt's pro-inflationary measures, the risks are largely from cost push factors and we expect it to be temporary.
- While Trump pro-business plans and elevated policy uncertainties on the external front will influence Ringgit's performance this year, narrowing interest rate differentials with US (Fed's dot plot signals to cut 50bps in 2025) and favourable domestic economic prospects will provide support to the Ringgit.
- The **advance GDP estimate for 4Q 2024** (released 17th Jan 2025) stood at **4.8%YoY** (3Q: 5.2%), bringing the full year growth to 5.1%, within SME Bank (4.3% - 5.3%) and Govt's forecast range (4.8% - 5.3%).
- **For 2025**, economic growth will be supported by resilient domestic demand, 1) improvement in labour market, 2) higher minimum wage & civil servant salary revision, 3) expansionary Budget 2025, 4) expansion in investment activity (private & public) and acceleration of 12MP's project in the final year.

The monetary policy committee...



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



...remains vigilant to ongoing developments



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

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