

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% (Jan: 3.00%)

ECONOMIC GROWTH AND RISKS

GLOBAL



- Positive labour market conditions
- Moderating inflation
- Less restrictive monetary policy
- Continued tech upcycle



- Tariff and trade policy risks
- Geopolitical uncertainty
- Volatility in global financial market

DOMESTIC

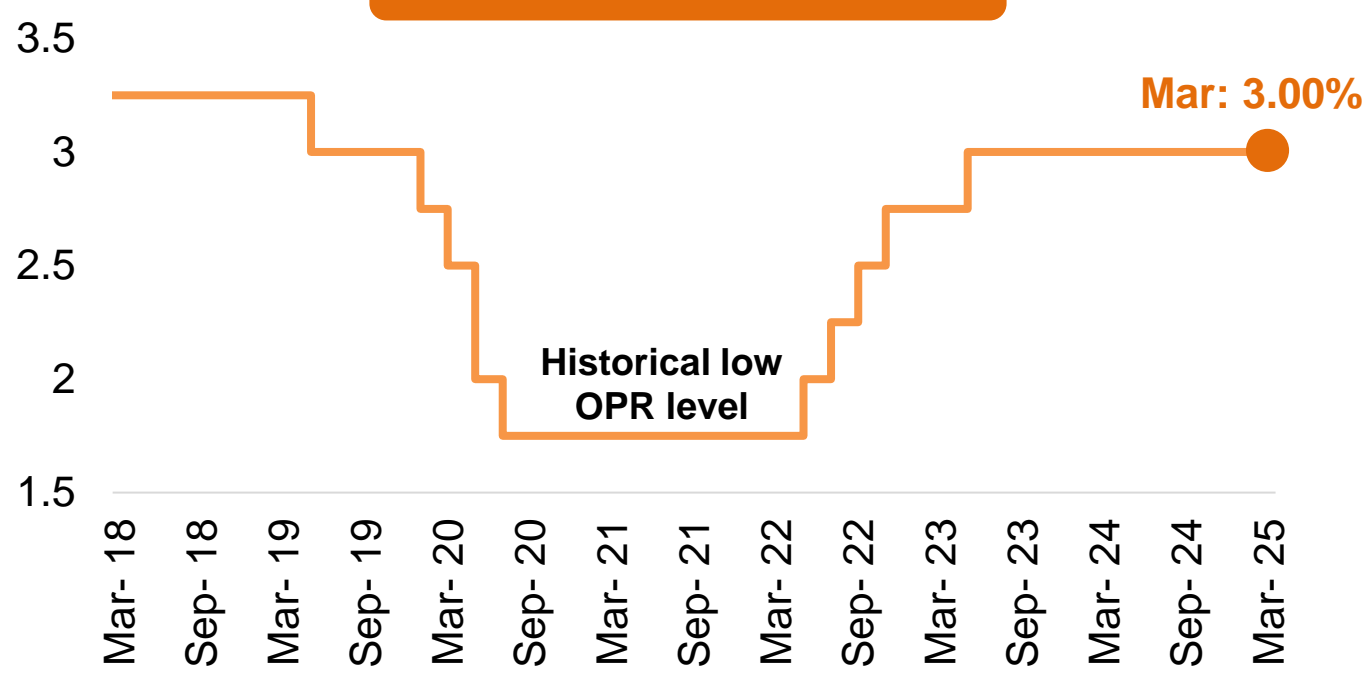


- Resilient domestic demand
- Employment and wage growth
- Continued growth in non-E&E products
- High realisation of approved investment
- Robust tourism activity
- Faster implementation of investment projects

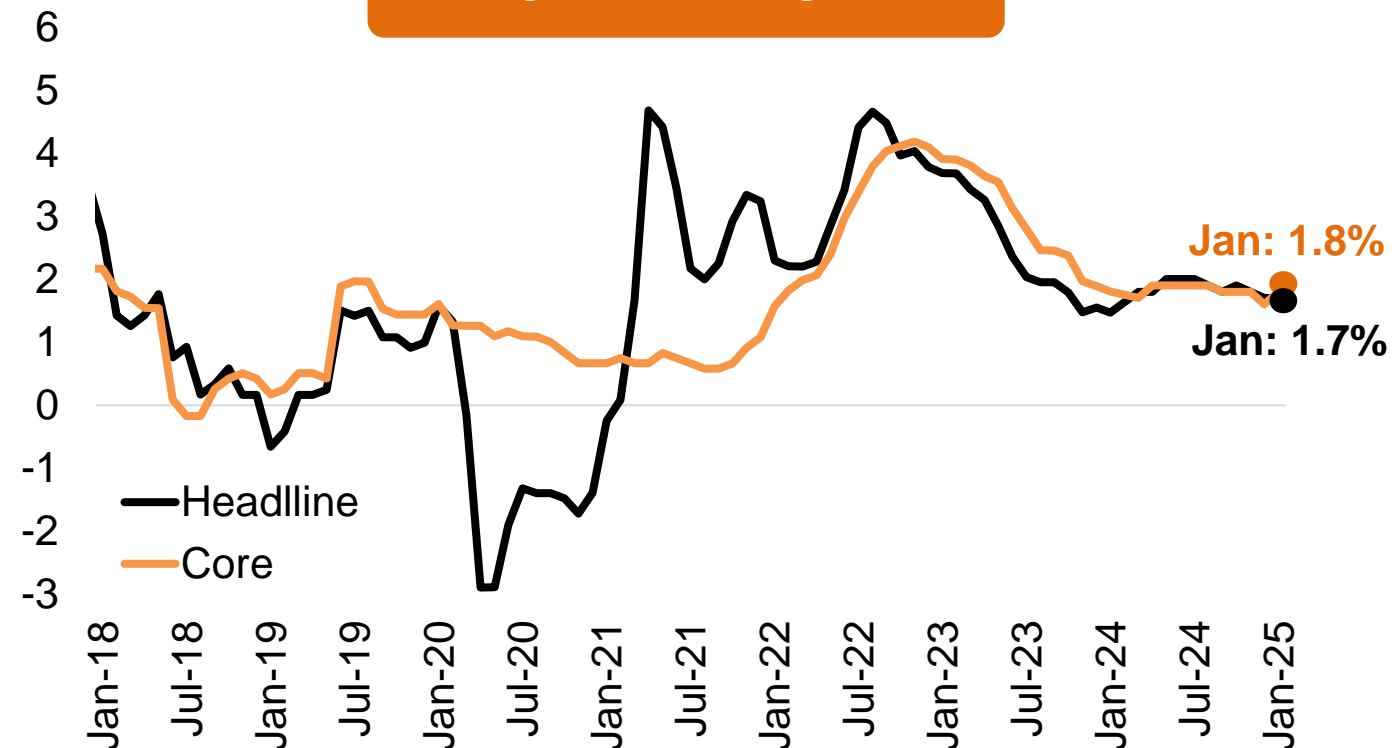


- Slowdown in major trading partner
- Lower-than-expected commodity production

OPR



CPI INFLATION



KEY TAKEAWAY

- BNM has maintained the OPR at 3.00% for the 2nd meeting of 2025, in line with our expectations.
- Both headline (Jan: 1.7%; Dec: 1.7%) and core inflation (Jan: 1.8%; Dec: 1.6%) were remained modest in Jan 2025 and are **likely to stay moderate in the 1H 2025**, depending on 1) the timing roll out of domestic policy measures, 2) global commodity prices. Moreover, it is worth highlighting that the food and beverage group, the main contributor to the CPI (29.8%), has **shown a slowdown trend in 3 years** (2024: 2.0% YoY; 2023: 4.8%; 2022: 5.8%).
- Nonetheless, we forecast inflation to rise in 2025 **within range of 2.1%–3.1%** (MoF: 2.0% – 3.5%) as an array of Govt’s pro-inflationary measures to be implemented this year expect to bring significant upside risk towards inflation. However, this **inflationary pressure is expected to be temporary**, cost-push, and not broad-based, making it unlikely to prompt any changes in the OPR.
- Meanwhile, U.S. Fed is **expected to maintain interest rates at 4.25%–4.50%** in its upcoming meeting later this month, as inflation remains above its 2% target and upside risks emanating from reciprocal tariff measures.
- As for the ringgit, narrowing **interest rate differentials** between the U.S. and Malaysia, **sustained domestic economic growth**, and a continued current account surplus are expected to support its performance this year. However, the **ringgit could remain volatile**, influenced by uncertainty amid Trump’s tariff measures.

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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