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Monetary Policy Committee (MPC) schedule 2025

No.	Date	Decision
1	22 January	↔
2	6 March	↔
3	8 May	
4	9 July	
5	4 September	
6	6 November	

Source: BNM, Apex Securities

BNM Monetary Policy Statement

Rate Stays Put at 3.00%

Executive Summary

- **BNM kept the OPR steady at 3.00%, reflecting a supportive stance for economic expansion and is consistent with the current assessment of inflation and growth prospects.**
- **Economic growth is set to remain strong, fuelled by solid domestic demand, a resilient labour market, export expansion, and key strategic investments.**
- **We expect the OPR to remain steady at 3.00%, supported by strong economic momentum, moderate inflation outlook and a less restrictive global monetary policy environment.**

BNM holds the line at 3.00%. The decision is in line with our forecast and market expectations, reflecting the central bank's belief that the current policy stance supports economic growth and aligns with the current outlook for inflation and growth. BNM reaffirmed its commitment to monitoring ongoing developments to inform its assessment of domestic inflation and growth prospects, ensuring that the monetary policy stance remains conducive to sustainable economic growth while maintaining price stability.

Growth anchored by domestic demand. On the domestic front, BNM anticipates continued economic growth in 2025 anchored by domestic demand. Employment and wage growth, as well as policy measures, including the upward revision of the minimum wage and civil servant salaries, will support household spending. The strong expansion in investment activity is expected to continue drive the progress in multi-year projects across both the private and public sectors, high realisation of approved investments, and the ongoing execution of key initiatives under national master plans. Export growth is likely to moderate amid global policy uncertainties. However, it will remain supported by the global tech upcycle, steady growth in non-electrical and electronics sectors, and higher tourist spending. The growth outlook faces downside risks from a potential slowdown in major trading partners due to uncertainties in trade policies and weaker-than-expected commodity production. On the upside, growth could benefit from stronger spillovers from the global tech upcycle, a more vibrant tourism sector, and accelerated implementation of investment projects.

Moderate inflation amid easing cost pressures. BNM's inflation outlook for 2025 remains moderate, with both headline and core inflation expected to stay within a manageable range. Inflation is projected to average between 2.0% and 3.5%, influenced by easing global cost pressures, the gradual rationalisation of RON95 subsidies, and the absence of excessive domestic demand pressures. Lower global commodity prices are expected to contribute to a more stable cost environment. Meanwhile, recently introduced wage-related policies are expected to support demand, though their impact on inflation is likely to be limited. In this context, the overall effect of announced domestic policy reforms on inflation is expected to remain contained. However, upside risks to inflation will depend on the extent of spillover effects from domestic policy measures, as well as external factors such as global commodity prices, financial market conditions, and trade policies.

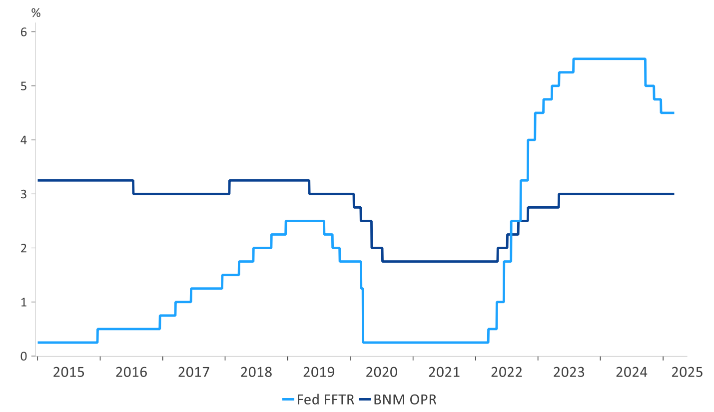
BNM stands guard as Ringgit finds support. BNM highlighted that ringgit movements continue to be driven by external factors, including shifts in global monetary policy and geopolitical uncertainties. However, the narrowing interest rate differential between Malaysia and advanced economies, coupled with strong economic fundamentals, is expected to provide support for the ringgit in 2025. The central bank reaffirmed its commitment to managing excessive volatility and encouraged market participants to focus on long-term trends rather than short-term fluctuations. Malaysia's positive economic outlook and ongoing structural reforms, along with initiatives to attract capital flows, will further reinforce support for the ringgit. Year-to-date, the

KDN PP13226/06/2024 (035469)

ringgit has appreciated by 0.8% against the US dollar. We maintain our year-end 2025 projection for the ringgit at **RM4.35** per US dollar.

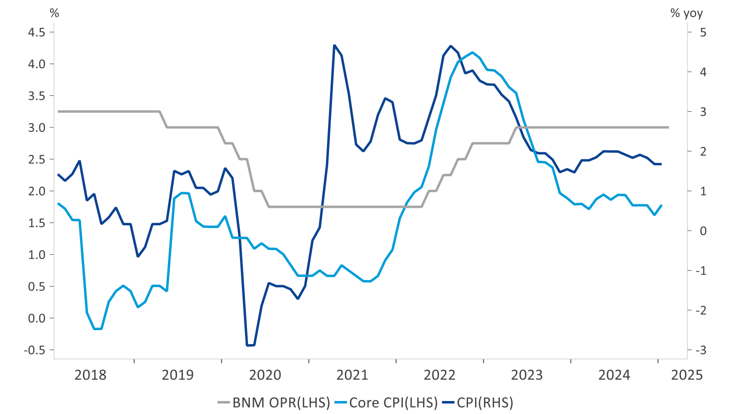
Our thoughts. We concur with BNM's view that the current OPR level is appropriate, as inflation remains manageable despite potential upward pressures from rising household incomes, the SST expansion, and subsidy rationalization. We expect the OPR to remain steady at **3.00%,** supported by strong economic momentum with GDP growth projected at **4.6%** in 2025, a moderate inflation outlook with headline CPI forecasted at **2.6%** within the official 2.0%-3.5% range, and a less restrictive global monetary policy environment. Our outlook remains optimistic, driven by resilient domestic spending, a strong labour market, recovering tourism, and ongoing multi-year infrastructure projects. Additionally, investment spending is expected to gain further traction, supported by pro-growth initiatives under the Economy MADANI framework, including the National Energy Transition Roadmap and the New Industrial Master Plan 2030.

Figure 1: OPR to remain steady at 3.00% versus the FFTR



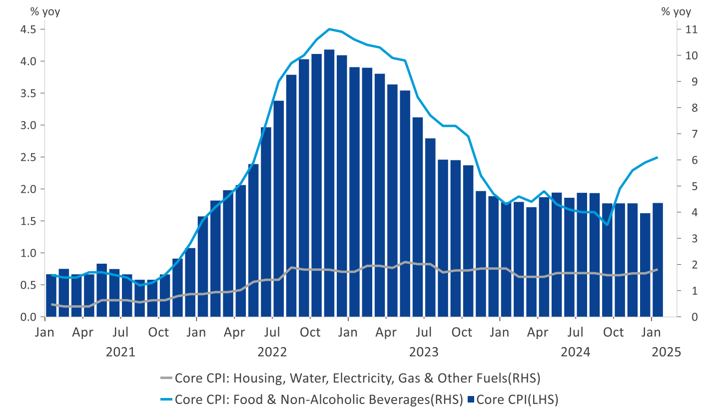
Source: Macrobond, Apex Securities

Figure 2: Inflation pressures remains manageable within the forecasted range



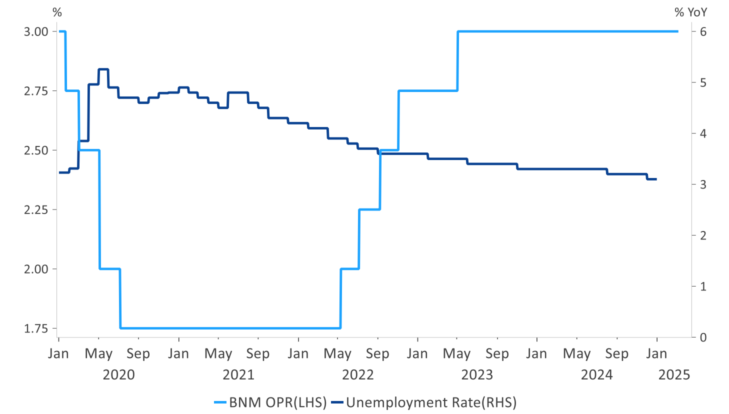
Source: Macrobond, Apex Securities

Figure 3: Core CPI increased by 1.8% YoY in Jan, up from 1.6% in Dec



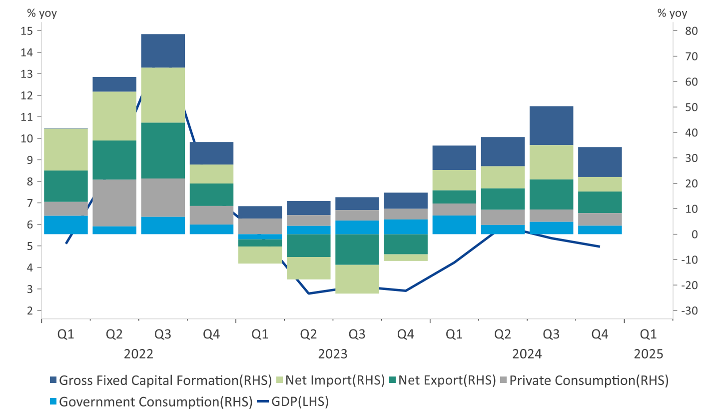
Source: Macrobond, Apex Securities

Figure 4: Unemployment rate declined to 3.1% in Dec 24, down from 3.3% a year earlier, reaching its lowest level since May 15



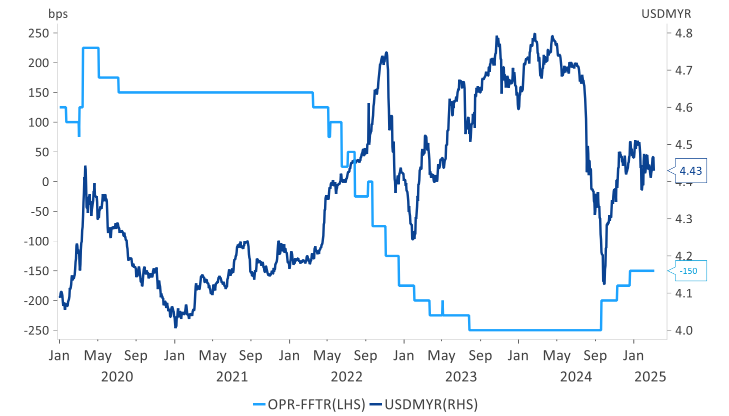
Source: Macrobond, Apex Securities

Figure 5: GDP expanded in 4Q24 albeit at a moderated pace of 5.0% yoy, compared to 5.4% in the previous quarter



Source: Macrobond, Apex Securities

Figure 6: Ringgit supported as the OPR-FFR spread narrows by -150 bps



Source: Macrobond, Apex Securities

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Friday, 07 Mar, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.