



## MNI Bank Negara Malaysia Preview – May 2025.

**Meeting Date:** Thursday 08 May, 2025.

**Announcement Time:** 02:00 GMT/15:00 MYT

**Link To Prior Statement:** <https://www.bnm.gov.my/-/monetary-policy-statement-06032025>

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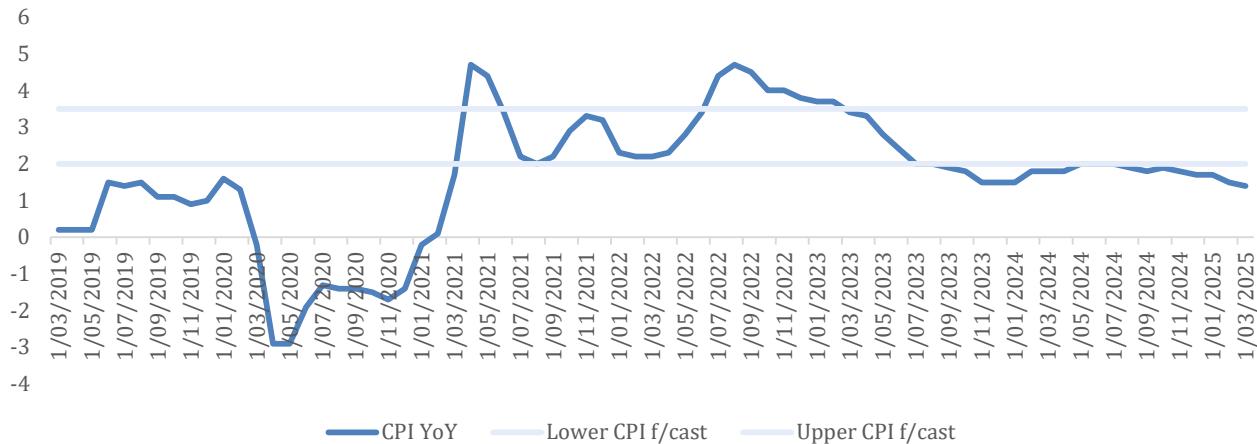
### MNI POV (Point Of View): On Hold For Now.

When the Bank Negara Malaysia (“BNM”) meets tomorrow to decide on its Overnight Policy Rate it seems unlikely they will cut when we consider the statement from the last meeting.

The BNM seems comfortable with the trajectory for growth for 2025. The BNM describes 2025 as a continuation of 2024 despite the Bank Negara Malaysia Governor Abdul Rasheed Ghaffour saying that he expects an increasingly challenging external environment in 2025. The forecast range for the growth outlook is +4.5%+5.5% for 2025. First quarter GDP was weaker than expected at +4.4% being the lower end of that range.

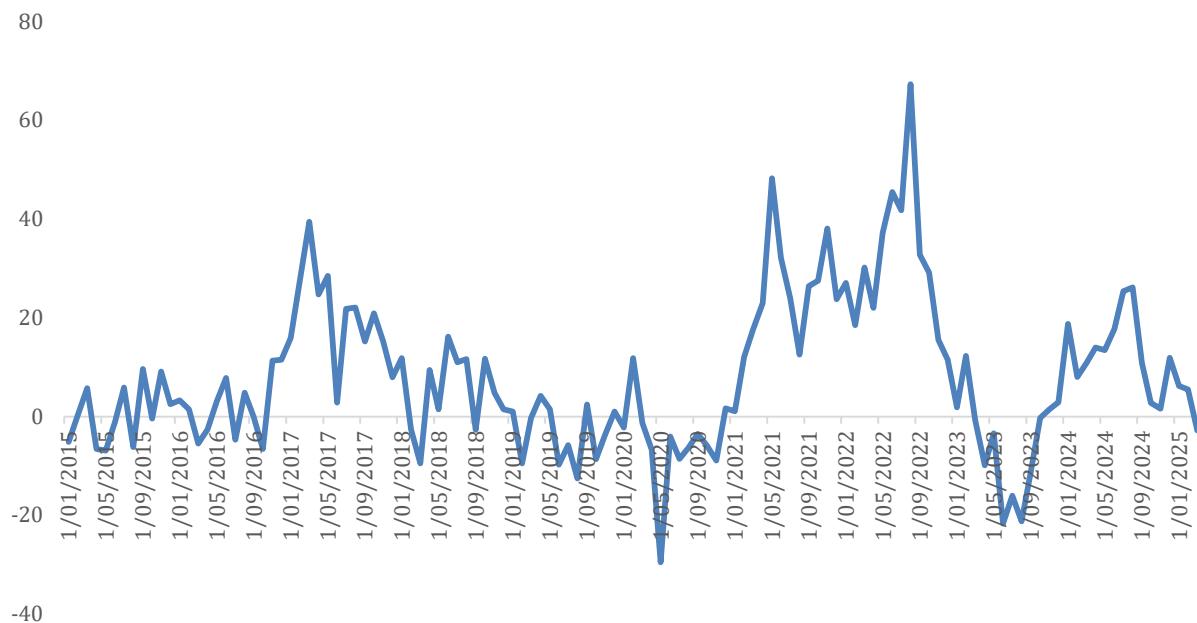
The BNM had pointed to an inflation outlook that remains manageable, with easing global cost pressures and an absence of excessive domestic demand pressures. With inflation seemingly entrenched below prior targets, the BNM has provided no forecast for 2025. The 2024 forecast bands appear a suitable indication with headline and core inflation projected to average between 2% to 3.5%. The March CPI print saw it softening further to +1.4% from +1.5% to the lowest levels in the post COVID period. Looking forward the BNM has stated publicly of their concerns that the current trade war and the tariffs that come with it have the potential for pushing up inflation.

## Malaysia CPI vs BNM Target Range



The BNM remains constructive on the outlook for domestic consumption as one of the primary drivers for GDP growth. Consumer demand has remained supportive of growth, mainly due to the increase in civil servants' salaries, the rise in minimum wages and stable employment conditions and the recently deferred rise in sales tax is a supportive development. The demand from wholesale and retail trade during the festive season in 1Q25 has been supportive of growth yet despite this, imports have contracted.

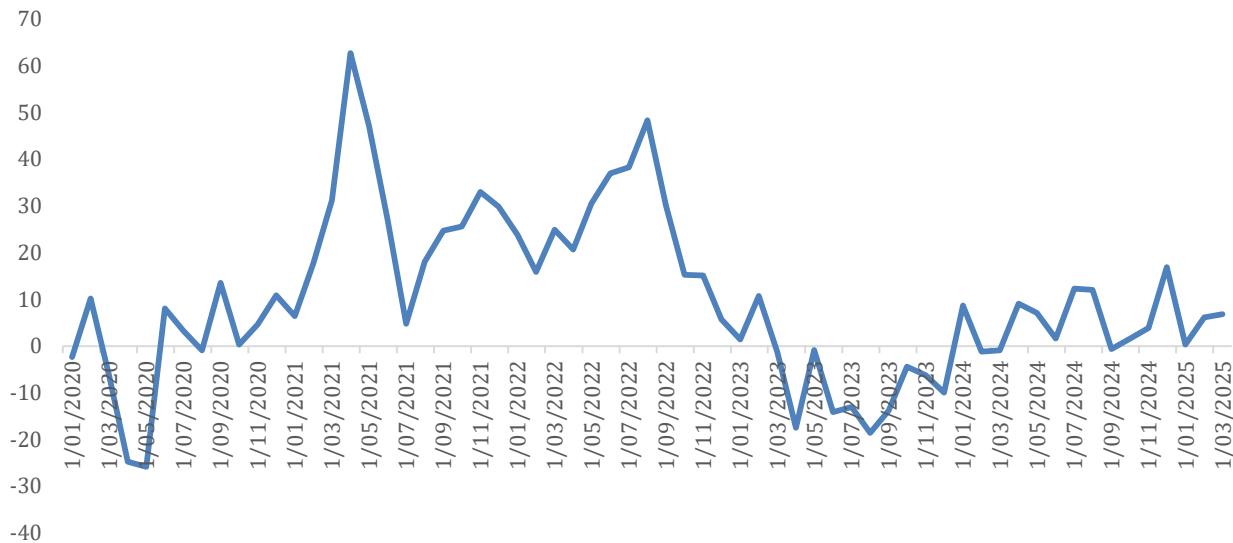
## Malaysia Imports YoY



The BNM remains comfortable with investment activity given approved investments of 378.5 billion ringgit (\$85.8 billion) in 2024, a record figure and an increase of 14.9 percent from the previous year. Going forward Malaysia is targeting at least US\$100bn in investments for its semiconductor industry as it positions itself in the trade war between US and China. Malaysia received a slew of digital investments from major tech firms last year, including Alphabet's Google, helping to propel its economy with growth beating market expectations in the second and third quarters. With 45% of investments coming from foreign investors, it is a proof statement for the government that the outlook for the economy and how it is positioned in the region and provides ongoing support for the domestic consumption outlook.

March's export release saw a rebound of +6.80% following a strong February. This came after a poor January which was likely impacted by the earlier than normal Lunar New Year holidays in China and uncertainty from potential tariffs. Malaysian exports have been a key growth engine for the economy averaging over 10% for the last five years yet the outlook for exports for the region remains uncertain as the US embarks on implementing tariffs.

Malaysia External Trade Gross Exports



Since the election of President Trump, the USD strength had been a major market theme but in recent weeks, this has changed with the Ringgit now up +5.7% over the last month. The BNM had highlighted concerns as to Ringgit weakness prior and leading into the meeting, this appears to be off the table as a key risk.

Consensus is robust when it comes to expectations for the BNM. Of the 25 economists who have provided forecasts, only five have forecast a cut. This reflects the robustness of the Malaysian outlook currently, a view we share and what seems to be relative calm from the BNM governor.

There is no immediate need for the BNM to cut rates and as such we forecast no change from the BNM.

# Monetary Policy Statement

**Embargo : Not for publication or broadcast before 1500 on Thursday, 6 March 2025**

**6 Mar 2025**

At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3%.

Latest indicators point towards continued global growth, supported by resilient domestic demand and global trade. For 2025, the global economy is anticipated to be sustained by positive labour market conditions, moderating inflation and less restrictive monetary policy. Disinflation in most advanced economies is expected to continue, facilitated by moderating commodity prices and dissipating effects of past monetary policy tightening. Global trade is expected to remain supported by the continued tech upcycle. However, the outlook for global growth, inflation and trade is subject to considerable uncertainties surrounding tariff and other policies from major economies and geopolitical developments. Such uncertainties could also lead to greater volatility in the global financial markets.

The Malaysian economy recorded a higher growth of 5.1% in 2024, driven by stronger domestic demand and a rebound in exports. Moving forward, despite external uncertainties, the strength in economic activity is expected to be sustained 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 robust expansion in investment activity will be sustained by the progress of multi-year projects in both the private and public sectors, the continued high realisation of approved investments, as well as the ongoing implementation of catalytic initiatives under the national master plans. Amid global policy uncertainties, exports are expected to expand at a more moderate pace. Nevertheless, exports will remain supported by the global tech upcycle, continued growth in non-electrical and electronics, as well as higher tourist spending. The growth outlook is subject to downside risks from an economic slowdown in major trading partners following significant uncertainties surrounding trade policies and lower-than-expected commodity production. Meanwhile, growth could be lifted by greater spillovers from the global tech upcycle, more robust tourism activity, and faster implementation of investment projects.

Headline and core inflation stood at 1.7% and 1.8% respectively in January 2025. Overall, inflation in 2025 is expected to remain manageable, amid the easing global cost conditions and the absence of excessive domestic demand pressures. Global commodity prices are expected to continue to trend lower, contributing to moderate cost conditions. The recently introduced wage-related policies would provide additional support to demand, although the impact on inflation is expected to be limited. In this environment, the overall impact of the announced domestic policy reforms on inflation is expected to be contained. Upside risk to inflation would be dependent on the extent of spillover effects of domestic policy measures, as well as external developments surrounding global commodity prices, financial markets and trade policies.

Ringgit performance continues to be primarily driven by external developments. The narrowing interest rate differentials between Malaysia and the advanced economies is positive for the ringgit. Financial markets could experience heightened bouts of volatility due to global policy uncertainties. Nevertheless, Malaysia's favourable economic prospects and domestic structural



reforms, complemented by ongoing initiatives to encourage flows, will continue to provide enduring support to the ringgit.

At the current OPR level, the monetary policy stance remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects. The MPC remains vigilant to ongoing developments to inform the assessment on the domestic inflation and growth outlook. The MPC will ensure that the monetary policy stance remains conducive to sustainable economic growth amid price stability.



## Sell-Side Analyst Views

**ANZ:** “ We expect the BNM to maintain its policy rate at 3.00%. Q1 GDP fell short of expectations on the other hand inflation has remained in a downward trend. We think the BNM will wait for more clarity on the US trade policies before taking action.”

**DBS:** “Bank Negara Malaysia (BNM) (May 8): Malaysian fixed income markets are pricing in around one to two 25bps policy rate cuts over the next six to 12 months, amid dimming economic growth prospects from escalating global trade tensions. However, they do no build in an imminent monetary policy easing, which aligns with our view that BNM will hold its overnight policy rate (OPR) at 3.00% during its May meeting. On April 9, BNM Governor Abdul Rasheed Ghaffour said that monetary policy is not the best tool for resolving trade wars, while seeing resilient domestic demand, strong investment, and diversified trade partners as some sources of economic support. Nonetheless, advance estimates indicated that Malaysia’s real GDP growth slowed to 4.4% YoY in 1Q25, falling below 5.0% YoY for the first time since 1Q24. The moderation was due to softer expansion in the manufacturing, construction, and services sectors. Given the 1Q25 GDP miss, expectations of mounting external headwinds from US-led tariffs that could escalate into a global trade war, alongside pipeline risks from US semiconductor import duties to which Malaysia is significantly exposed to, we are lowering our 2025 Malaysia real GDP growth forecast to 4.0% (from 4.8%). We believe that it will be a matter of time that policymakers downgrade their official 2025 growth forecast from the current 4.5-5.5% range, even as they continue to engage the US regarding the 24% reciprocal tariffs imposed on Malaysia on Liberation Day”

**GS:** “Bank Negara Malaysia meeting (May 8): We expect Bank Negara Malaysia (BNM) to reduce the overnight policy rate by 25 basis points to 2.75% in its meeting next week (Bloomberg consensus: 3.00%). Real GDP growth slowed in Q1, mainly due to a contraction in construction activity and slower services sector activity. Manufacturing front-loading likely ended in Q1, and growth is likely to slow going forward given the high global trade policy uncertainties. Meanwhile, CPI inflation remains manageable. We expect the impact from potential fuel (RON 95) subsidy removal to be more muted given the lower Brent crude oil prices and slower growth. Given the slowing growth and low inflation, we think the BNM will be forward-looking and lower the policy rate to 2.75% in the May meeting. Risks to our forecast are skewed to the hawkish side, i.e., a later cut if the BNM decides to take a wait-and-see approach to tariffs (which have been paused for now) or decides to utilize non-monetary policy tools, as was alluded by the Governor in early April.”

**MUFG:** “BNM left rates unchanged at 3% in March, as expected. Given rising growth risks due to tariffs, there's likely space for BNM to cut rates as early as May”

**Scotiabank:** “Consensus is somewhat divided on Bank Negara Malaysia’s next step on Thursday. Most expect a hold at an overnight rate of 3%, but some expect a 25bps cut. Key is whether Negara pivots more aggressively toward addressing growth downsides as the ringgit has appreciated throughout the past month.”

**UOB:** “The Bank Negara Malaysia (BNM) will have its monetary policy decision on Thu (8 May 3pm SGT). According to the Bloomberg poll (as of 2 May), of the 5 economists surveyed, four expect no change to the overnight policy rate (OPR) at 3.0% but one economist expects a 25-bps



cut to 2.75%. Our economists, Julia Goh and Jasmine Loke, also expect BNM to leave the overnight policy rate (OPR) unchanged at 3.00% while continuing to assess the fallout from global trade pressures on the local economy and how the trade negotiation plays out. Meanwhile, domestic growth remains positive albeit moderately, inflation pressure stays contained, while financial market conditions remain orderly, providing BNM room to extend its rate pause “