

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



- Robust domestic demand
- Strong labour market conditions
- Further signs of recovery in the E&E sector
- Continuous signs of improvement in China's economy



- Persistent weakness in China's property market
- Higher-than-anticipated inflation outturns
- Escalation of geopolitical tensions
- Heightened volatility in global financial markets

DOMESTIC

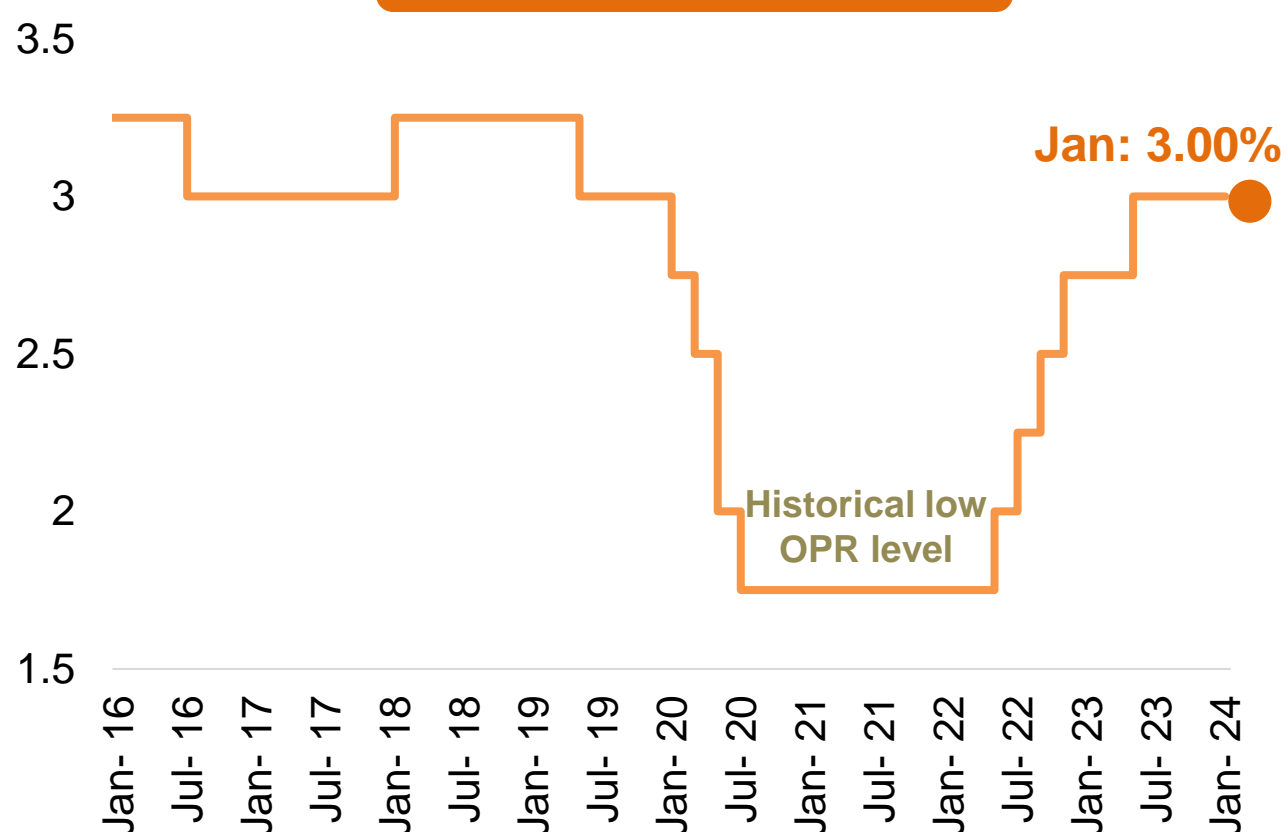


- Continued employment and wage growth
- Further improvement in the tourism sector
- Recovery in export
- Continued progress of multi-year projects
- Catalytic initiatives under the national master plans
- Greater spillover from the tech upcycle

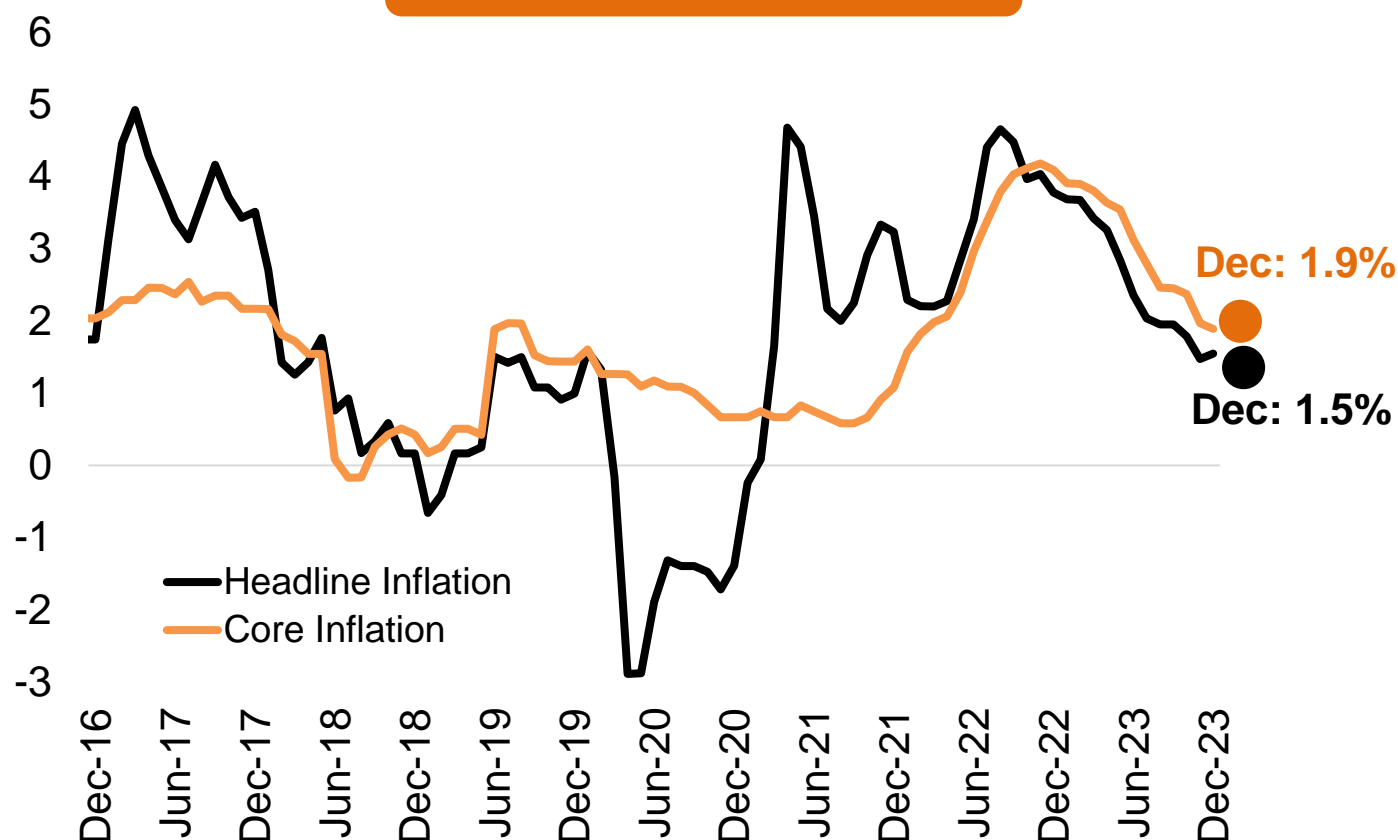


- Weaker-than-expected external demand
- Larger declines in commodity production

OPR



CPI INFLATION



KEY TAKEAWAY

- BNM has **maintained OPR at 3.00%** for the first meeting of 2024, **in line with our expectation amid moderation in inflation.**
- Both headline and core inflation for 2023 are within expectations, averaging for the year at 2.5% and 3.0% (2022: 3.3% and 3.0%), respectively.
- For 2024, risk to inflation outlook is highly subjected to (1) changes to domestic policy on subsidies and price controls, (2) global commodity prices, and 3) financial market developments.
- Meanwhile, advance GDP estimate for 4Q 2023 points to a slight improvement (3.4% vs 3.3% in 3Q), suggesting that overall growth for 2023 may land at the lower tail of our 4% to 5% (MOF: 4%) forecast range or slightly below.
- For 2024, the economic growth is anticipated to improve, supported by robust domestic expenditure and recovery in exports.
- **At this juncture, we expect BNM will continue to hold rates at 3.00% in 2024.**

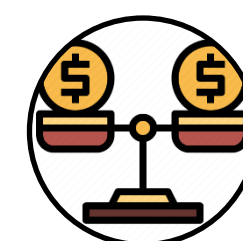
The monetary policy committee...



...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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