

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% (May: 3.00%)

ECONOMIC GROWTH AND RISKS

GLOBAL



- Continued recovery in global trade
- Positive momentum in global tech upcycle
- Favourable labour market conditions
- Moderating inflation



- Further escalation of geopolitical tensions
- Higher-than-anticipated inflation outturns
- Volatility in global financial market

DOMESTIC

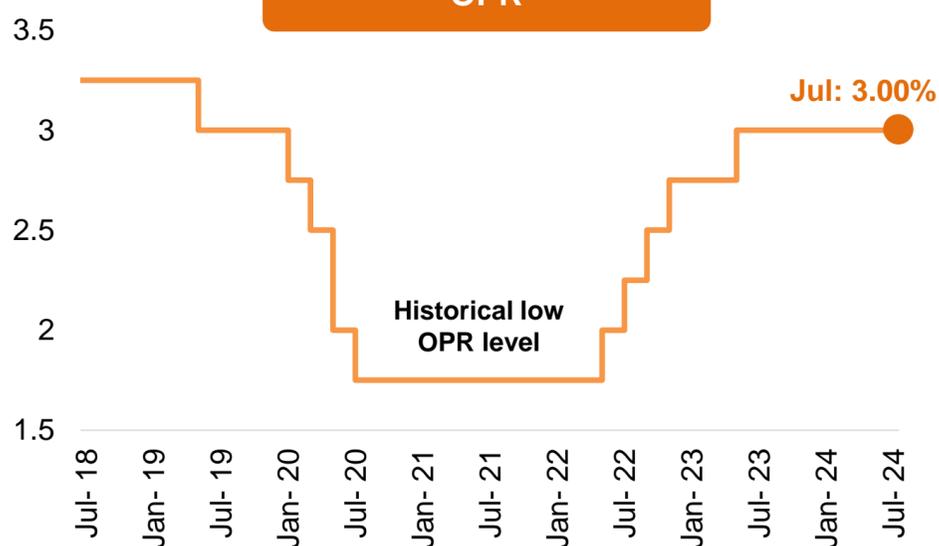


- Resilient domestic expenditure
- Better export performance
- Greater spillover from tech upcycle
- More robust tourism activity
- Continued employment and wage growth
- Faster implementation of existing & new projects

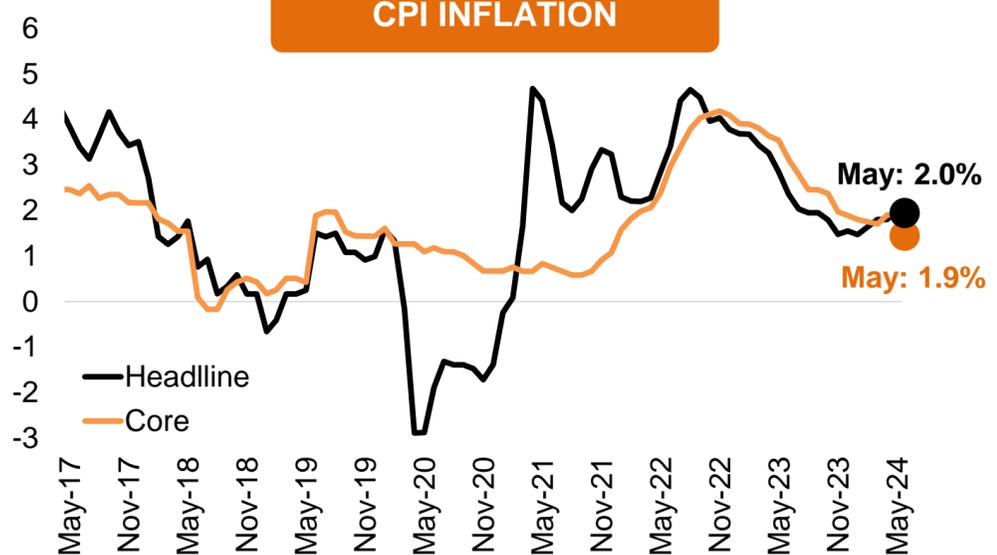


- Weaker-than-expected external demand
- Larger declines in commodity production

OPR



CPI INFLATION



KEY TAKEAWAY

- BNM has **maintained OPR at 3.00%** for the 4th meeting of 2024, in line with our expectation. At this juncture, we expect **BNM to hold this rate** for the rest of the year.
- Domestically, latest indicators point **towards continuous strength in economic activity in the 2Q**, driven by robust domestic expenditure and improved export performance. The growth outlook moving forward is subject to both downside and upside risks (*refer above*).
- Both headline and core inflation averaged 1.8% YoY in the first 5M 2024. **Inflation is anticipated to trend higher** in 2H 2024 following the rationalisation of diesel subsidies but viewed to be **manageable given mitigation measures** including targeted cash assistance. **Upside risk to inflation:** 1) extent of spillover effects of further domestic policy measures on subsidies and price controls to broader price trends, 2) global commodity prices and 3) financial market developments.
- Meanwhile, major economies' monetary policy paths and ongoing geopolitical tensions continue to influence ringgit's performance. Nonetheless, the pressure has been cushioned by BNM's ongoing initiatives with the GLCs, GLICs, and other corporates. BNM also view that **domestic structural reforms will provide more lasting support to the ringgit over the medium term.**

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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