

# OVERNIGHT POLICY RATE

MAINTAIN ↔ AT: 3.00%

Bank Negara Malaysia (BNM) has maintained the overnight policy rate (OPR) at 3.00% (Mar: 3.00%)

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## ECONOMIC GROWTH AND RISKS

### GLOBAL



- Positive labour market conditions
- Less restrictive monetary policy
- Fiscal stimulus
- Tariff measures by US and retaliations
- Geopolitical tension
- Negative outcomes of trade negotiations
- Volatility in global financial market



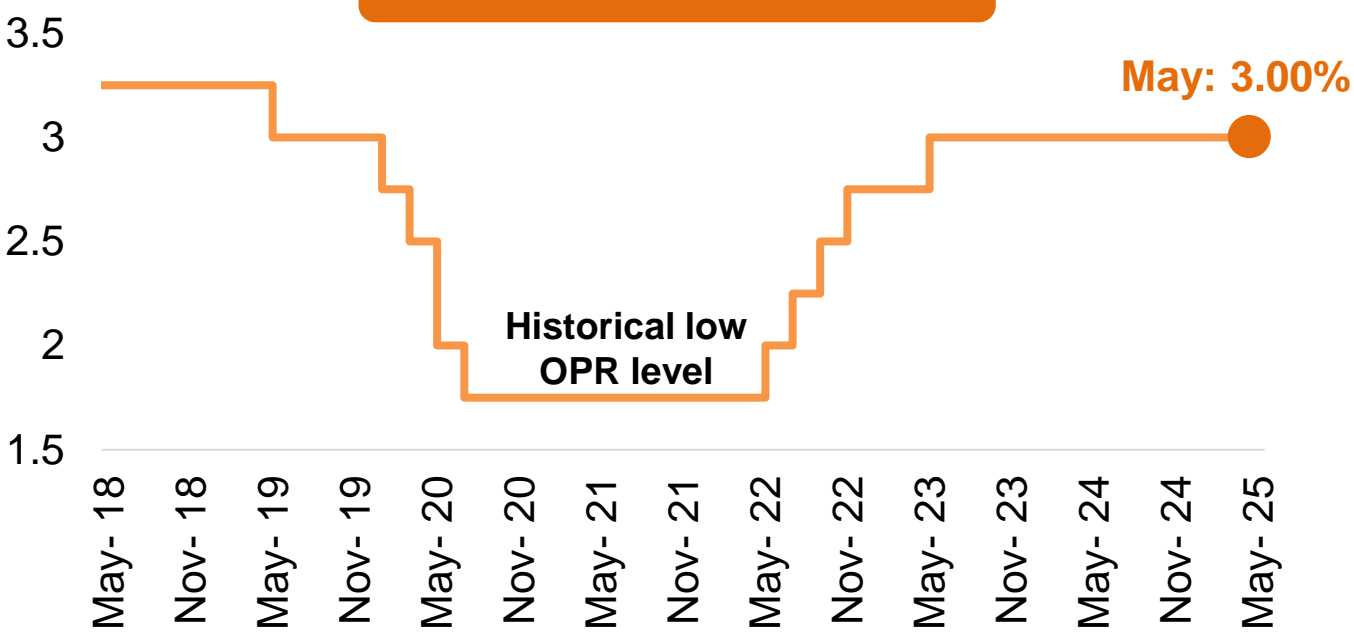
### DOMESTIC



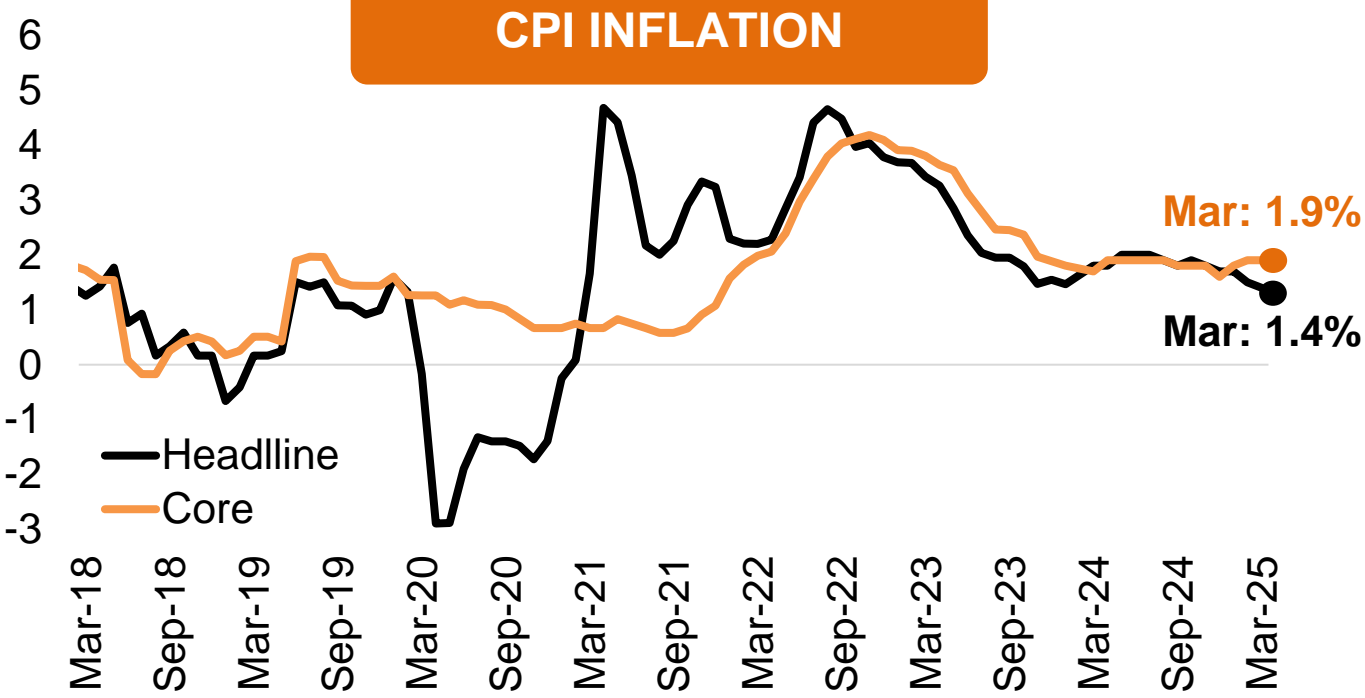
- Employment and wage growth
- High realisation of approved investment
- Ongoing demand for E&E goods
- Favourable trade negotiations outcomes
- Pro- growth policies in major economies
- Robust tourism activity
- Slowdown in major trading partner
- Weaker sentiment amid higher uncertainties
- Lower-than-expected commodity production



### OPR



### CPI INFLATION



### KEY TAKEAWAY

- BNM has maintained the OPR at 3.00% for the 3<sup>rd</sup> meeting of 2025, in line with our expectations.
- Headline and core inflation averaged 1.5% and 1.9% respectively in 1Q 2025. The inflationary pressure is subject to **cost push measures** which are expected to be rolled out in 2H 2025. However, falling global commodity prices, **are expected to cushion** both headline and core inflation throughout 2025.
- Meanwhile, **economic activity continued to grow in 1Q 2025**, where advanced estimate of GDP (released on 18th Apr) registered 4.4% (4Q 2024: 5.0%).
- Moving forward, with rising trade tensions and global policy uncertainty to weigh on the external sector, BNM recognises risks in the economic environment. Nonetheless, BNM expects **resilient domestic demand to continue anchoring GDP growth**, while E&E demand and tourist spending should offer some support to exports.
- Additionally, a special **parliamentary meeting was held on 5th May** to discuss **ongoing negotiations aimed at achieving zero-rated tariffs with the US**. The upside potential to growth lies in the successful outcome of these negotiations.
- As for Ringgit, potential narrowing interest rate differentials with the US, **favourable economic prospects and domestic structural reforms**, complemented by ongoing initiatives to encourage investment flows, will continue to provide enduring support to the Ringgit.
- In a separate announcement, BNM decided to lower **Statutory Reserve Requirement Ratio (SRR)** by 100bps to 1.00% from 2.00%, effective 16th May. This ratio is the lowest since Mar 2011. This will release RM19 bil into the banking system, ensuring sufficient liquidity in the domestic financial system. The last adjustment to the SRR was made in Mar 2020, where it reduced to 2.00% (Feb 2020: 3.00%).

### The monetary policy committee...



...is consistent with the current assessment of inflation and growth prospects.



...recognising downside risks in the economic environment, while remains vigilant to ongoing developments



...ensures that monetary policy stance remains conducive to sustainable economic growth amid price stability

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