

# BNM MPC Meeting (1 - 2 November)

Keeps policy rate steady, sees green shoots of recovery but repeats risk to growth mantra

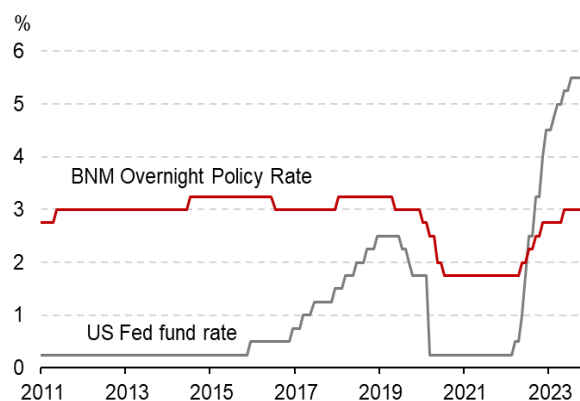
- **In line with prevailing expectations, Bank Negara Malaysia (BNM) maintained the overnight policy rate (OPR) at 3.00%.** This decision mirrors the consensus from the previous meeting, where all respondents surveyed by Bloomberg projected no change in the OPR.
- **Policy statement: The Monetary Policy Committee (MPC) reiterated its policy stance and highlighted concerns of a higher-for-longer interest rate environment in the US and heightened geopolitical risk**
  - **Global:** MPC sees green shoots of recovery, especially in the electrical and electronics (E&E) sector as well as China. But it reiterates soft global trade trends arising from a shift in spending from goods to services, higher-than-anticipated inflation outturns, rising geopolitical tensions and sharp tightening in the financial markets as hurdles to the global growth outlook.
  - **Domestic:** Despite the global challenges, the MPC remains optimistic about the overall trajectory of the economy. Apart from domestic demand, the MPC sees support from the expected stronger recovery in E&E exports, continued improvement in tourist arrivals, and ongoing progress of multi-year infrastructure projects. In short, the MPC expects growth momentum to persist into 2024. This is in line with the MoF’s GDP growth projection of 4.0% to 5.0% for 2024 (KIBB: 4.9%) from a forecast of 4.0% in 2023 (KIBB: 3.5% - 4.0%).
  - **Inflation:** No change to its outlook on inflation, and it expects inflation to remain modest in 2024. However, it stated that “risks to the inflation outlook remain highly subject to changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.” A caveat to the outlook for inflation and demand conditions would be “Government’s intention to review price controls and subsidies in 2024,” it adds.
- **OPR outlook: Downside bias to GDP growth to influence monetary policy direction**
  - We anticipate that escalating geopolitical tensions, which contribute to mounting macroeconomic uncertainty, could overshadow any emerging signs of recovery in global trade and growth. This would reinforce BNM’s current policy stance, albeit for longer. Moreover, scant justification exists for a policy shift, given the belief that it has concluded its rate normalisation cycle, a decision underscored by the emerging indications of subsiding inflationary pressures. This would rein in any hawkish tendencies and grants BNM the latitude to focus on fortifying financial stability while navigating external uncertainties.
  - Considering our anticipation that the Federal Reserve and other principal central banks will maintain their current policy rates for an extended period in response to persistently high inflation, we surmise that BNM has a strong rationale to hold the OPR steady at 3.00% well into 2024 and possibly beyond, barring any unforeseen jolts.

**Table 1: Policy Rates in Selected Countries**

Rate (Last Change)	Country	Central Bank Interest Rate	Date
6.50% (+0.25%)	Philippines	Target Reverse Repurchase	Oct-23
6.00% (+0.25%)	Indonesia	7-Day Reverse Repo Rate	Oct-23
2.50% (+0.25%)	Thailand	Repo Rate	Sep-23
4.50% (+0.25%)	Euro Area	Fixed Rate	Sep-23
5.25% (+0.25%)	UK	Base Rate	Aug-23
3.45% (-0.10%)	China	Loan Prime Rate (1Y)	Aug-23
5.25% - 5.50% (+0.25%)	USA	Funds Rate Target	Jul-23
4.10% (+0.25%)	Australia	Cash Rate	Jun-23
5.50% (+0.25%)	New Zealand	Official Cash Rate	May-23
3.00% (+0.25%)	Malaysia	Overnight Policy Rate	May-23
1.875% (+0.125%)	Taiwan	Discount Rate	Mar-23
3.50% (+0.25%)	South Korea	Base Rate	Jan-23
-0.10% (-0.20%)	Japan	Complementary Deposit Facility	Jan-16

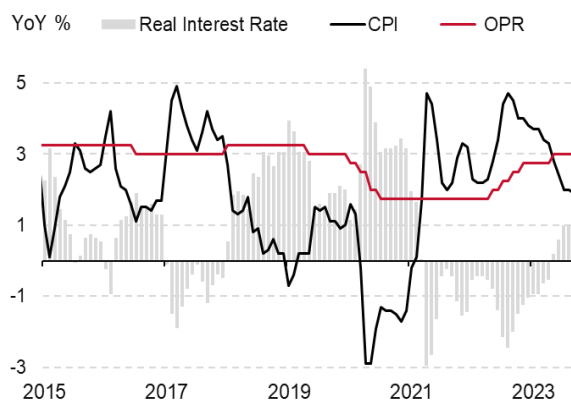
Source: Bloomberg, Kenanga Research

**Graph 1: US Fed Funds Rate and BNM OPR**



Source: Bloomberg, Kenanga Research

**Graph 2: Malaysia Real Interest Rate and BNM OPR**



Source: Bloomberg, Kenanga Research

03 November 2023

**Table 3: MPC Meeting Schedule for 2023 / KIBB Outlook**

No.	Date		KIBB Research Outlook	BNM Decision
1st	18 and 19 January (Wed and Thu)	<input checked="" type="checkbox"/>	+25 bps	No change
2nd	8 and 9 March (Wed and Thu)	<input checked="" type="checkbox"/>	No change	No change
3rd	2 and 3 May (Tue and Wed)	<input checked="" type="checkbox"/>	No change	+25 bps
4th	5 and 6 July (Wed and Thu)	<input checked="" type="checkbox"/>	No change	No change
5th	6 and 7 September (Wed and Thu)	<input checked="" type="checkbox"/>	No change	No change
6th	1 and 2 November (Wed and Thu)	<input checked="" type="checkbox"/>	No change	No change

Source: Bank Negara Malaysia, Kenanga Research

**Table 4: MPC Meeting Schedule for 2024 / KIBB Outlook**

No.	Date		KIBB Research Outlook	BNM Decision
1st	23 and 24 January (Tue and Wed)	<input type="checkbox"/>	No change	
2nd	6 and 7 March (Wed and Thu)	<input type="checkbox"/>	No change	
3rd	8 and 9 May (Wed and Thu)	<input type="checkbox"/>	No change	
4th	10 and 11 July (Wed and Thu)	<input type="checkbox"/>	No change	
5th	4 and 5 September (Wed and Thu)	<input type="checkbox"/>	No change	
6th	5 and 6 November (Tue and Wed)	<input type="checkbox"/>	No change	

Source: Bank Negara Malaysia, Kenanga Research

**For further information, please contact:**

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)