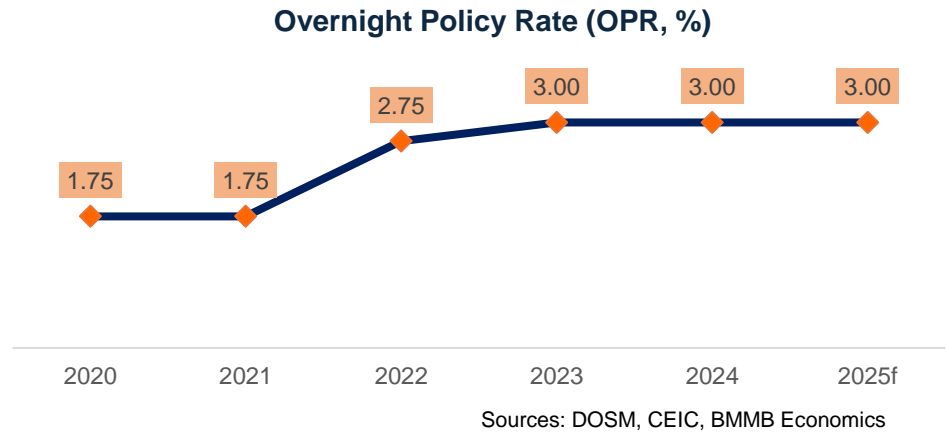
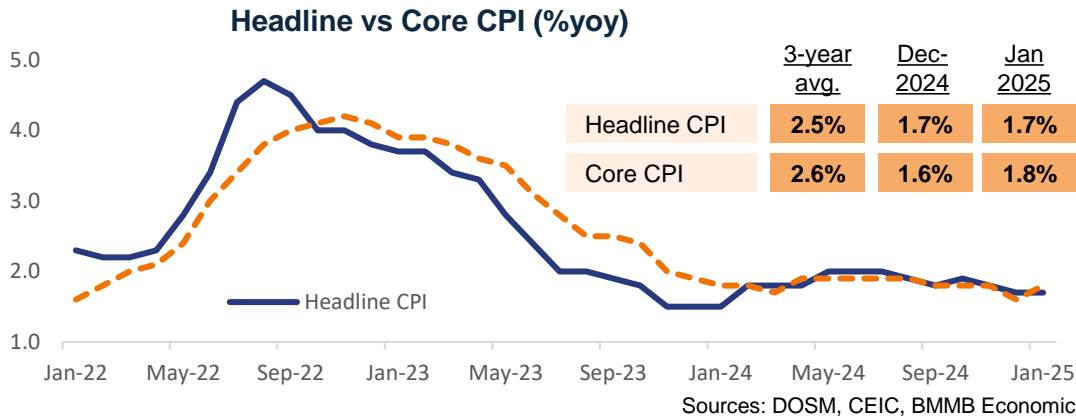


Dovish Tilt? BNM Flags Softer Growth Prospects While Keeping Rates Unchanged



As widely anticipated, BNM Monetary Policy Committee (MPC) **maintained the Overnight Policy Rate (OPR) at 3.00%** in today's meeting, reaffirming that current monetary settings remain supportive for economic growth while keeping inflation in check. However, **the statement carries a slightly more dovish tone** compared to previous meetings, **reflecting a more cautious assessment of global risks and domestic economic dynamics**. Notably, the MPC acknowledged increased downside risks to global growth, citing policy uncertainties and the expectation of softer external demand weighing on Malaysia's export outlook.

On the domestic front, household spending is expected to remain supported by sustained wage growth and policy measures, including the upward revision of the minimum wage and civil servant salaries. Meanwhile, investment activity will be underpinned by ongoing multi-year projects in both the private and public sectors. The committee also noted that global commodity prices are likely to trend lower, contributing to a **more benign cost environment**. This, coupled with the absence of excessive domestic demand pressures, suggests that **inflation risks remain contained** despite recent wage-related policy changes that could provide some support to demand. As a result, the overall impact of upcoming domestic policy reforms—particularly the fuel subsidy rationalization—is expected to be manageable.

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March Statement Signals a More Cautious Tone Across Key Areas

Line-by-line comparative analysis of the two BNM MPC statements:

	January 2025	March 2025	Key Change
Global growth development & growth prospects	<ul style="list-style-type: none"> The language may have been relatively measured, acknowledging global uncertainties but suggesting that growth, though modest, was on a stable footing. It likely balanced risks with some cautious optimism regarding the global economic environment. 	<ul style="list-style-type: none"> The narrative shifts to emphasize greater downside risks internationally. It could highlight deepening challenges—such as a slowdown in major economies, persistent trade tensions, or geopolitical headwinds—that weigh more heavily on the outlook. 	<ul style="list-style-type: none"> Where January presented uncertainties with a stable underlying outlook, March adopts a tone that underscores worsening global conditions, suggesting that the external environment is more uncertain.
Domestic economy	<ul style="list-style-type: none"> The assessment of the domestic economy might have been cautiously positive, noting some challenges but also resilience in certain sectors. 	<ul style="list-style-type: none"> The language appears more cautious than the one in January, particularly in outlook for household consumption and export performance. 	<ul style="list-style-type: none"> The March statement’s emphasis on vulnerabilities suggests a more cautious view on domestic economic momentum.
Inflation	<ul style="list-style-type: none"> Inflation was noted as low, with the central bank expressing confidence in its containment. There was a cautious acknowledgment of sector-specific pressures, but overall the message was one of stability. 	<ul style="list-style-type: none"> Although inflation remains subdued, the low readings may now be interpreted as a symptom of weaker demand rather than robust price stability. The statement could stress that the absence of inflation is tied to a slowdown in economic activity—a less positive indicator. 	<ul style="list-style-type: none"> Where January’s low inflation was viewed in a benign light, the March framing suggests that subdued inflation is a byproduct of a relatively weaker economic conditions.

BNM Acknowledges Risks, But No Urgency to Adjust Rates

Despite the slightly more dovish tone in the latest MPC statement, we believe BNM will maintain a **wait-and-see approach** and **keep the OPR unchanged throughout the year**. During its engagement session with analysts, BNM emphasized the importance of allowing recently introduced government measures to take effect while continuously reassessing economic developments and risks.

While external uncertainties and a softer export outlook pose downside risks, domestic growth is expected to remain supported by **household spending, wage growth, and sustained investment activity from ongoing multi-year projects**. Additionally, inflationary pressures are likely to stay contained, even with the implementation of fuel subsidy rationalization and wage-related policies.

On the **Ringgit outlook**, we anticipate continued volatility throughout the year, driven by shifts in global risk sentiment and external developments. However, weakening growth prospects in major advanced economies could prompt their central banks to ease monetary policy, **leading to a narrowing of interest rate differentials**. This, in turn, could provide some support for the Ringgit, especially if global rate cuts improve capital flows into emerging markets, including Malaysia.

Given this backdrop, we see **no urgency for BNM to adjust its monetary policy stance in the near term**, as current settings remain appropriate to support economic stability while monitoring evolving risks.

