

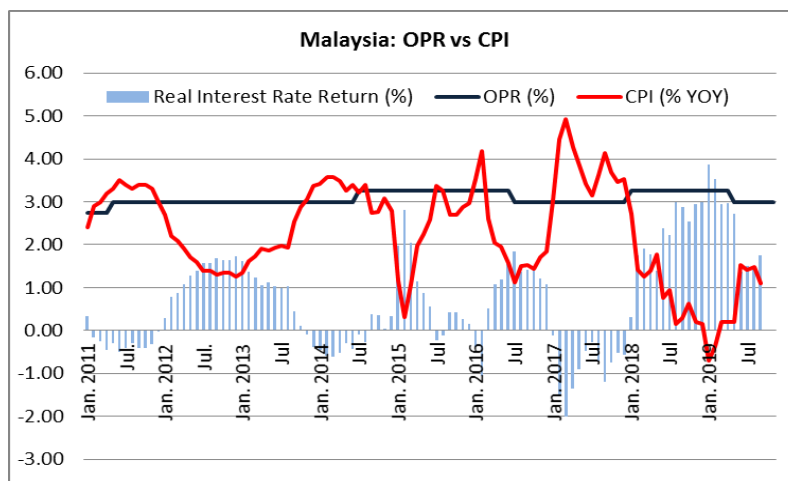
Global Markets Research
Economics - Malaysia

No change in OPR and neutral policy tone

BNM continued to pause and maintained a neutral policy tone, taking cognizant of still resilient domestic growth outlook even though its assessment on the global economic outlook has turned a tad more cautious. We believe a rate cut is not imminent in the near future, hence our house view for no change in OPR, given resiliency in the domestic economy, with support from the earlier preemptive 25bps cut in May and expansionary fiscal measures by the government. That said, increasing downside risks to global growth stemming from protracted trade disputes and geopolitical development could still prompt BNM to act should such risks escalate and spill over to the home front. At this juncture, BNM continue to reiterate that the stance of monetary policy remains accommodative and supportive of economic activity.

BNM stood pat at 3.00% and stayed neutral...suggesting no plan for an immediate cut

BNM kept the Overnight Policy Rate (OPR) unchanged at 3.00% as expected, and maintained a neutral policy tone suggesting there is no immediate plan to adjust OPR in the near term given still resilient growth domestically. Even though the policy stance remains neutral overall, we feel that BNM is offering a tinge of cautiousness, being mindful of potential downside risks to overall growth outlook acknowledging ongoing external uncertainties.



Global economic growth remains moderate...but its latest assessment cited more synchronized slowdown

On its assessment on the global economy, **BNM reiterated that the global economy is expanding at a more moderate pace. However, the central bank opined that the slowdown is becoming more synchronized** across both the advanced and emerging economies, a tad more cautious compared to the previous statement when it noted slower growth in “most” advanced and emerging economies. BNM also reaffirmed that geopolitical tensions, policy uncertainty and unresolved trade spats could exacerbate financial market volatility and further weigh on global growth outlook.

BNM expects the Malaysian economy to stay in line with expectations

As for the Malaysian economy, BNM commented that 3Q real GDP would continue to see moderate expansion. **BNM further assessed that overall growth will stay within projections in 2019, and continue to be sustained going into 2020**, supported by additional impetus from recent expansionary fiscal measures by the government. The private sector will remain the main growth engine supported by household spending as private investment stays modest. That said, BNM maintained that there continues to be downside risks stemming from macro and financial market uncertainties globally, in addition to weaknesses in commodity-related sectors.

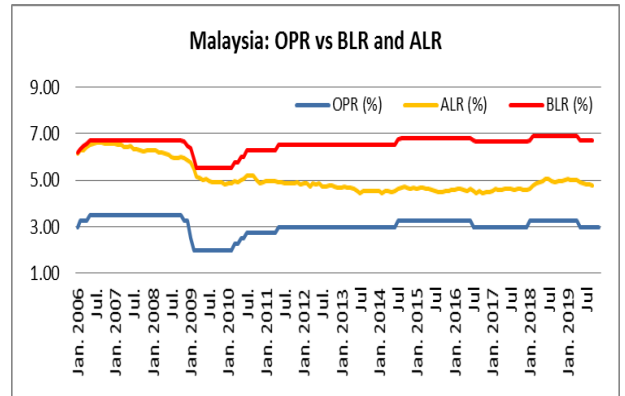
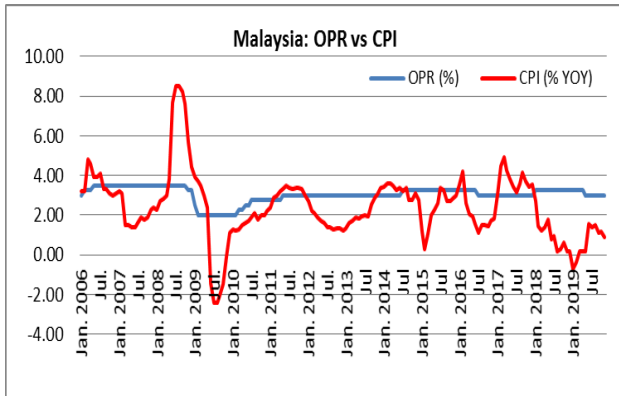
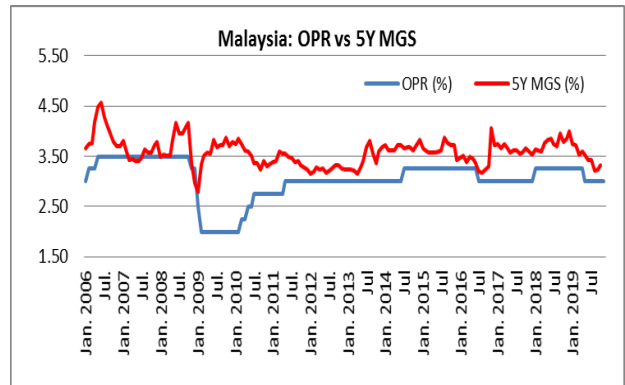
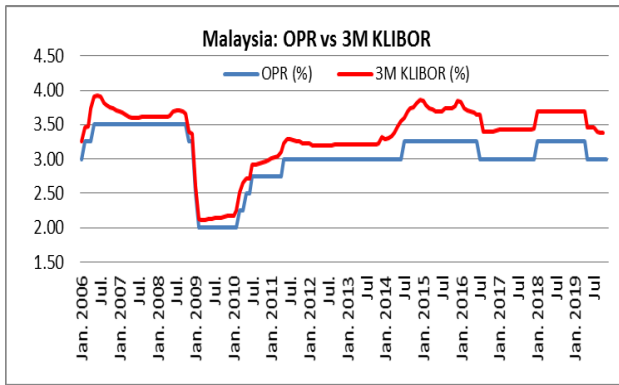
Modest inflation outlook

Moving on to inflation, BNM also maintained that inflation is expected to average higher but remains modest, reflecting mainly the lapse in the impact from consumption tax policy changes, removal of price ceiling for RON95 and expectations for subdued global crude oil prices. Earlier, MOF projected that CPI would average 0.7% this year before trending back up to 2.0% in 2020, compared to our house view of 0.7% and 1.4% respectively.

The still neutral statement reaffirmed our view for no change in OPR going forward

In a nutshell, we believe BNM has no plan to revise its monetary policy in the near future, hence our house view for no change in OPR, given resiliency in the domestic economy, with support from the earlier preemptive 25bps cut in May and expansionary fiscal measures by the government. That said, increasing downside risks to global growth stemming from protracted trade disputes and geopolitical development could still prompt BNM to act should such risks escalate and spill over to the home front. At this juncture, BNM continue to reiterate that the stance of monetary policy remains accommodative and supportive of economic activity.

MPC Meeting No.	Dates of Monetary Policy Committee Meetings for 2020
1st	21 and 22 January 2020 (Tuesday and Wednesday)
2nd	2 and 3 March 2020 (Monday and Tuesday)
3rd	4 and 5 May 2020 (Monday and Tuesday)
4th	6 and 7 July 2020 (Monday and Tuesday)
5th	9 and 10 September 2020 (Wednesday and Thursday)
6th	2 and 3 November 2020 (Monday and Tuesday)



Side by Side Comparison of BNM Monetary Policy Statement

12-Septembr-2019	5-Novembr-2019
<p>At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.00 percent.</p> <p>The global economy is expanding at a more modest pace amid slower growth in most major advanced and emerging economies. The recent escalation of trade tensions point to weaker global trade going forward, with increasing signs of spillovers to domestic economic activity in a number of countries. Monetary policy easing in several major economies has eased global financial conditions, but uncertainty from the prolonged trade disputes and geopolitical developments could lead to excessive financial market volatility.</p> <p>For Malaysia, the stronger economic growth performance in the second quarter of 2019 was underpinned by the resilience of private spending amid broad-based expansion in key economic sectors. Going forward, these domestic drivers of growth, alongside stable labour market and wage growth, are expected to remain supportive of economic activity. On the external front, Malaysia's diversified exports will partly mitigate the impact of softening global demand. Overall, the baseline growth projection for 2019 remains unchanged, within the range of 4.3% - 4.8%. This projection, however, is subject to further downside risks from worsening trade tensions, uncertainties in the global and domestic environment, and extended weakness in commodity-related sectors.</p> <p>Average headline inflation year-to-date is 0.3%. Headline inflation is projected to average higher for the remaining months of the year and into 2020. However, headline inflation is expected to remain low. This reflects the lapse in the impact of consumption tax policy changes, the relatively subdued outlook on global oil prices, and policy measures in place to contain food prices. The trajectory of headline inflation will, however, be dependent on global oil and commodity price developments. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.</p> <p>At the current level of the OPR, the stance of monetary policy remains accommodative and supportive of economic activity. The MPC will continue to assess the balance of risks to domestic growth and inflation, to ensure that the monetary policy stance remains conducive to sustainable growth amid price stability.</p>	<p>At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.00 percent.</p> <p>The global economy is expanding at a more moderate pace, with the slowdown becoming more synchronised across both the advanced and emerging economies. There is also evidence of the weak global trade affecting domestic demand, particularly investment activity. Going forward, geopolitical tensions, policy uncertainty and the unresolved trade disputes could exacerbate financial market volatility and further weigh on the global growth outlook. Monetary easing and other policy measures are expected to provide some support to growth.</p> <p>For the Malaysian economy, latest indicators are in line with expectations, suggesting moderate expansion of economic activity for the third quarter. Going forward, growth is expected to remain anchored by firm private sector expenditure. While private investment is projected to remain modest, household spending will be supported by continued employment and wage growth. The recent Government measures will provide additional impetus to economic activity. On the external front, while exports will continue to be affected by slower global demand, this will be partly mitigated by its diversified structure. Overall, growth of the Malaysian economy is expected to be within projections in 2019 and the pace sustained going into 2020. This projection remains subject to downside risks, mainly stemming from uncertainties in global economic and financial conditions as well as weakness in commodity-related sectors.</p> <p>Average headline inflation in 2019 will be low. In 2020, headline inflation is expected to average higher but remain modest. This reflects mainly the lapse in the impact from consumption tax policy changes, the lifting of the domestic retail fuel price ceiling amid the relatively subdued outlook on global oil prices, and measures in place to contain food prices. The trajectory of headline inflation will, however, be dependent on global oil and commodity price developments. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.</p> <p>At the current level of the OPR, the stance of monetary policy remains accommodative and supportive of economic activity. The MPC will continue to assess the balance of risks to domestic growth and inflation, to ensure that the monetary policy stance remains conducive to sustainable growth amid price stability.</p>

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