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ECONOMICS

In this report:

Malaysia – BNM pauses yet again

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Dr. Anthony Dass
Chief Economist/Head
anthony-dass@ambankgroup.com
03-20322972

Munesh Nair Muralidharan
Economist
munesh-nair@ambankgroup.com
03-20362255

Nur Iman Binti Mohamed Azhar
Economist
iman-azhar@ambankgroup.com
03-20363020

Malaysia

BNM pauses yet again

BNM, in the final Monetary Policy Committee (MPC) meeting for this year, decided to maintain its overnight policy rate (OPR) at 1.75%. It is the second time in a row BNM left the policy rate unchanged where 9 economists out of 17 predicted no rate cut. This brings the cumulative rate cut to a total of 125bps.

Despite maintaining the OPR, BNM is being more cautious this time compared to September, The targeted CMCO could affect the momentum of economic recovery in the fourth quarter. BNM emphasized that the balance of risk is still tilted to the downside, citing the risk of a further resurgence of Covid-19 infections which could lead to weaker business, employment and income conditions.

However, the impact could be transitory. The massive fiscal stimulus worth RM305 billion or 21% of GDP should support the domestic economy. For 2020, we reiterate our growth outlook at -3.6% to -5.6% which is close to BNM's growth target of -3.5% to -5.5%. But the growth outlook for 2021 remains positive. Better global GDP and trade outlook, added with domestic stimulus measures, should see the domestic economy grow around 5.5% to 6.0%.

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Table 1: Malaysia Policy Data (%)

	Nov'19	Dec	Jan'20	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
OPR (%)	3.00	3.00	2.75	2.75	2.50	2.50	2.00	2.00	1.75	1.75	1.75	1.75	1.75
CPI y/y	0.9	1.0	1.6	1.3	-0.2	-2.9	-2.9	-1.9	-1.3	-1.4	-1.4	nm	nm
Core-CPI y/y	1.4	1.4	1.6	1.3	1.3	1.3	1.1	1.2	1.1	1.1	1.0	nm	nm
Real Returns(%)	2.1	2.0	1.2	1.4	2.7	5.4	4.9	3.9	3.1	3.2	3.2	nm	nm
RM/USD (avg)	4.155	4.146	4.079	4.163	4.296	4.349	4.336	4.273	4.261	4.184	4.148	4.150	nm
RM/USD (y/y%)	-0.7	-0.5	-0.9	2.1	5.4	5.8	4.0	2.7	3.4	0.0	0.8	-0.9	nm

Source: CEIC/AmBank Research

Table 2: Policy Rate Movement (%)

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Cumulative Rate Cut (bps)
Australia	0.75	0.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	-50
China	4.15	4.05	4.05	3.85	3.85	3.85	3.85	3.85	3.85	3.85	-30
EU	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	0
India	5.15	5.15	4.40	4.40	4.40	4.00	4.00	4.00	4.00	4.00	-115
Indonesia	5.00	5.00	4.50	4.50	4.50	4.25	4.00	4.00	4.00	4.00	-100
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	0
Malaysia	2.75	2.75	2.50	2.50	2.00	2.00	1.75	1.75	1.75	1.75	-125
New Zealand	1.00	1.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	-75
Philippines	4.50	4.25	3.75	2.75	2.75	2.75	2.75	2.25	2.25	2.25	-225
South Korea	1.25	1.25	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	-75
Thailand	1.25	1.00	0.75	0.75	0.50	0.50	0.50	0.50	0.50	0.50	-75
Turkey	11.25	10.75	9.75	8.75	8.25	8.25	8.25	8.25	8.25	8.25	-375
UK	0.75	0.75	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-65
US	1.50 – 1.75	1.50 – 1.75	0.00 – 0.25	0.00 – 0.25	0.00 – 0.25	0.00 – 0.25	0.00 – 0.25	0.00 – 0.25	0.00 – 0.25	0.00 – 0.25	-150
Vietnam	6.00	6.00	5.00	5.00	4.50	4.50	4.50	4.50	4.50	4.00	-200

Note: Figures in bold indicate MPC meeting; Yellow highlight indicates rate cut

Source: CEIC/AmBank Research

Table 3: Reserve Requirement Ratio (% , End Period)

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Cumulative Cuts (bps)
China	10.40	9.90	9.90	9.50	9.40	9.40	9.40	9.40	9.40	9.40	9.40	100
India	4.00	4.00	4.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	100
Indonesia	5.50	5.50	5.50	5.50	5.50	3.50	3.50	3.50	3.50	3.50	3.50	250
Japan	0.79	0.79	0.79	0.79	0.80	0.81	0.81	0.81	0.81	0.81	0.81	-2
Malaysia	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	100
Philippines	14.00	14.00	14.00	14.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	300
South Korea	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	0
Thailand	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0
Turkey	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	0
US	10.00	10.00	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1000

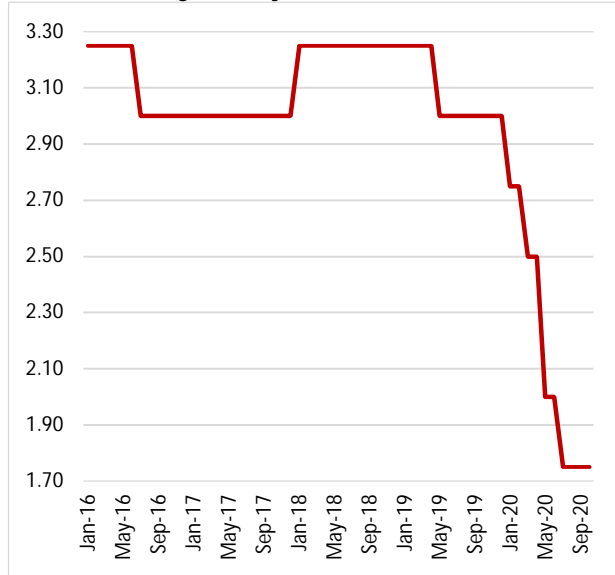
Source: CEIC/AmBank Research; Note: For China RRR = In view of the fact that the cut of the RRR effective from 15 Oct 2018 was not for all depository institutions, it could not be updated accordingly. Afterwards, if the official has disclosed the exact data of the ratio, it will be updated accordingly.

Table 4: BNM MPC Meeting Schedule 2021

MPC Meeting No	Date(s)
1st	19 – 20 January
2nd	3 – 4 March
3rd	5 – 6 May
4th	7 – 8 July
5th	8 – 9 September
6th	2 – 3 November

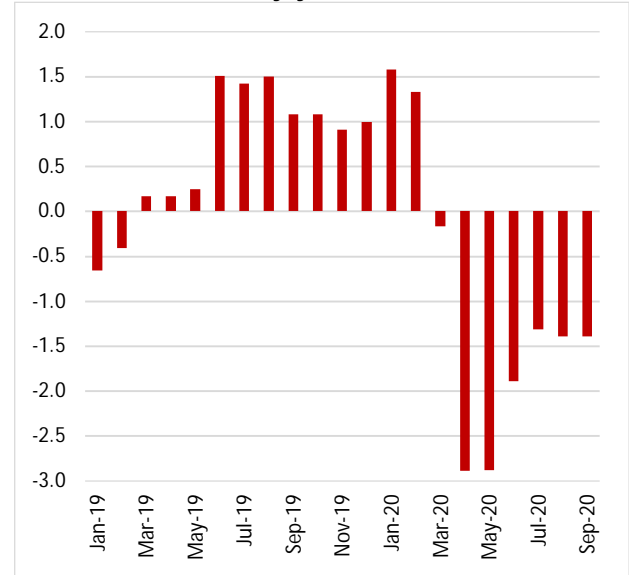
Source: BNM/AmBank Research

Chart 1: Overnight Policy Rate (%)



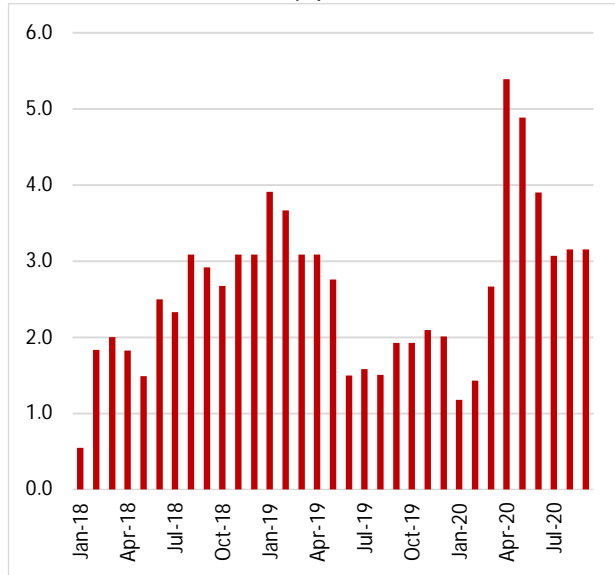
Source: CEIC/AmBank Research

Chart 2: Inflation Rate (y/y %)



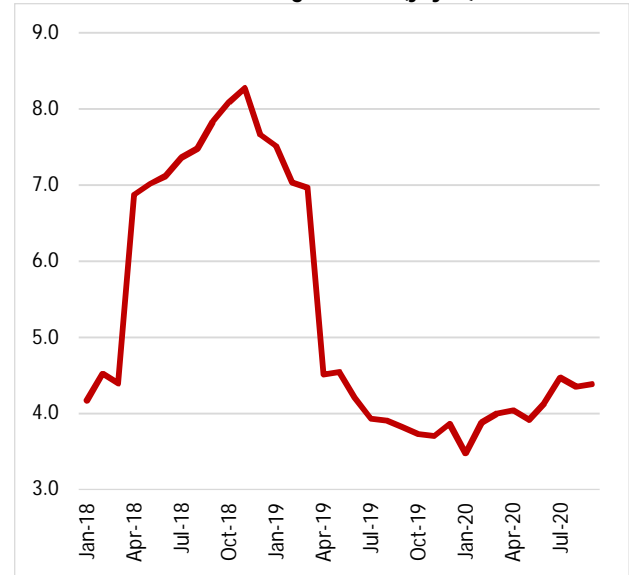
Source: CEIC/AmBank Research

Chart 3: CPI Real Returns (%)



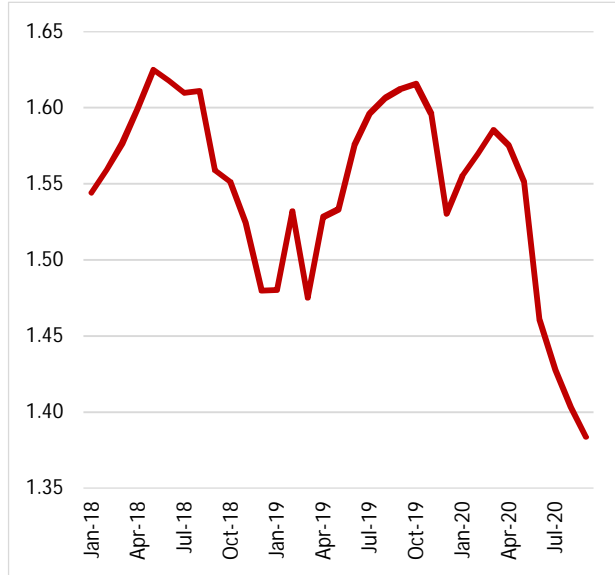
Source: CEIC/AmBank Research

Chart 4: Loan Outstanding Growth (y/y %)



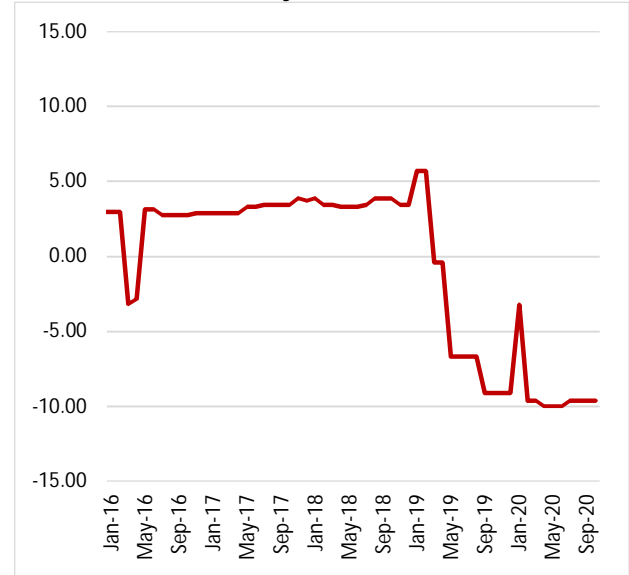
Source: CEIC/AmBank Research

Chart 5: NPL Ratio (%)



Source: CEIC/AmBank Research

Chart 6: Global Monetary Tracker



Source: CFR/AmBank Research

Chart 7: USDMYR Daily Performance



Source: CEIC/AmBank Research

Chart 8: KLCI Daily Performance



Source: CEIC/AmBank Research

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