

Policy Considerations

Highlights of the January 2025 MPC meeting

- The Monetary Policy Committee (MPC) maintained the OPR at 3% at the November 2024 and January 2025 MPC meetings.
- The MPC remains vigilant to ongoing developments to inform the assessment on the outlook of domestic inflation and growth.

Monetary policy remains supportive of the economy

At the November 2024 and January 2025 MPC meetings, the MPC maintained the OPR at 3%.

At the latest MPC meeting in January 2025, the MPC assessed that the global growth for 2024 turned out higher than expected, reflecting better outturns in the major economies and stronger global trade. For 2025, the global economy is anticipated to be sustained by positive labour market conditions, moderating inflation and less restrictive monetary policy. Global trade is expected to remain broadly sustained, supported by the continued tech upcycle. However, this outlook could be affected by the uncertainty surrounding more trade and investment restrictions. The elevated policy uncertainties could also lead to greater volatility in the global financial markets.

For the Malaysian economy, the overall growth for 2024 was within expectations. The MPC assessed that moving forward, the strength in economic activity is expected to be sustained in 2025, driven by resilient domestic expenditure. Employment and wage growth, as well as policy measures, including the upward revision of the minimum wage and civil servant salaries, will support household spending. The robust expansion in investment activity will be sustained by the progress of multi-year projects in both the private and public sectors, the continued high realisation of approved investments, as well as the ongoing implementation of catalytic initiatives under the national master plans. These investments, supported by higher capital imports, will raise exports and expand the productive capacity of the economy. Exports are expected to be supported by the global tech upcycle, continued growth in non-electrical and electronics goods and higher tourist spending. The growth outlook is subject to downside risks from an economic slowdown in major trading partners amid heightened risk of trade and investment restrictions, and lower-than-expected commodity production. Meanwhile, growth could potentially be higher from greater spillover from the tech upcycle, more robust tourism activity, and faster implementation of investment projects.

Headline and core inflation averaged 1.8% in 2024. Going into 2025, inflation is expected to remain manageable, amid the easing global cost conditions and the absence of excessive domestic demand pressures.

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Global commodity prices are expected to continue to trend lower, contributing to moderate cost conditions in the near term. In this environment, the overall impact of the recently announced domestic policy reforms on inflation is expected to be contained. Upside risk to inflation would be dependent on the extent of spillover effects of domestic policy measures, as well as global commodity prices and financial market developments.

Ringgit performance continues to be primarily driven by external factors. The narrowing interest rate differentials between Malaysia and the advanced economies is positive for the ringgit. While financial markets could experience bouts of volatility due to global policy

uncertainties, Malaysia's favourable economic prospects and domestic structural reforms, complemented by ongoing initiatives to encourage flows, will continue to provide enduring support to the ringgit.

At the current OPR level, the MPC deemed that the monetary policy stance remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects. The MPC remains vigilant to ongoing developments to inform the assessment on the domestic inflation and growth outlook. The MPC will ensure that the monetary policy stance remains conducive to sustainable economic growth amid price stability.