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# Bank Negara may cut OPR by 25 basis points, say analysts

DIYANA ISAMUDIN

**KUALA LUMPUR:** In anticipation of slowing economic growth triggered by new reciprocal tariffs by the United States, analysts predict Bank Negara Malaysia will cut the overnight policy rate (OPR) by 25 basis points (bps) to 2.75 per cent.

CIMB Securities Sdn Bhd said the central bank might consider easing the rate as early as July to support domestic demand, if growth conditions deteriorate further.

"The risk of additional monetary easing remains on the table, particularly if global headwinds — stemming from a sharper-than-expected US slowdown or broader weakness in external demand — intensify and weigh on Malaysia's growth momentum.

"While Bank Negara has thus far maintained a cautious stance, we now revise our OPR forecast to a single 25bps cut, bringing the policy rate to 2.75 per cent in 2025, compared with our earlier expectation of a hold at three per cent," it said in a note yesterday.

Maybank Investment Bank Bhd (Maybank IB) also adjusted its forecast for the OPR, now expecting a range between 2.75 per cent and three per cent, down from an earlier prediction of three per cent.

It said this adjustment came as Bank Negara navigated increasing challenges in fulfilling its dual mandate — fostering sustainable economic growth while ensuring price stability.

The downside risk to economic growth due to external factors, such as the potential impact of US trade and tariff policies under the Trump administration, is a key consideration.

"At the same time, there is an upside risk to inflation, largely due to domestic policy factors in the second half of 2024.

"These includes RON95 petrol subsidy rationalisation, Tenaga Nasional Bhd's tariff review and foreign labour costs, such as multi-tier levies and two per cent Employees Provident Fund contributions," Maybank IB said.

On Wednesday, US President Donald Trump announced new reciprocal tariffs on imports, which fuelled widespread fears of an impending global recession.

The 24 per cent tariff on Malaysia is lower than the rates imposed on Cambodia (49 per cent), Laos (48 per cent), Vietnam (46 per cent), Myanmar (44 per cent), Thailand (36 per cent), China (34 per cent), Taiwan (32 per cent), Indonesia (32 per cent) and South Korea (25 per cent).

However, it is higher than the rates imposed on the European Union (20 per cent), the Philippines (17 per cent) and other countries with a rate of only 10 per cent, such as Singapore, the United Kingdom, Australia and Brunei.

On the gross domestic product, CIMB Securities expected growth to slow to four percent this year, while Maybank IB expected a 4.3 per cent expansion in the same year, followed by a further decline to four per cent in 2026.

The firms attributed this to weaker demand from the US, which is expected to impact Malaysia's export-driven economy.

CIMB Securities said the tariffs, set against the backdrop of a slowing US domestic economy at 2.5 per cent in the fourth quarter of 2024, present a dual challenge for Asian exporters, which are among the most exposed by size of tariff rates and export exposure to the US market.

"Substitution effects and demand erosion present first-order shocks to export-oriented economies, including Malaysia and Thailand.

"While Indonesia is more insulated, it faces downside risks as second-order effects from weakening demand in key markets like the US and China dampen growth momentum," the research firm said.

Maybank IB said the adjustments reflected the direct impact of US reciprocal tariffs through the external trade channel, factoring in exemptions, particularly for semiconductor-related products.

These products are key exports for Malaysia to the US, with Malaysia accounting for 23.8 per cent of total US imports of integrated circuits and 14.6 per cent of US imports of semiconductor devices last year.

The research bank said Malaysia's "negotiate, not retaliate" stance avoided the risk of escalation through tit-for-tat tariff actions, which can cause bigger, even extreme, growth downside.

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