



# **WEEKLY ECONOMIC UPDATE**

**10 MARCH 2025**

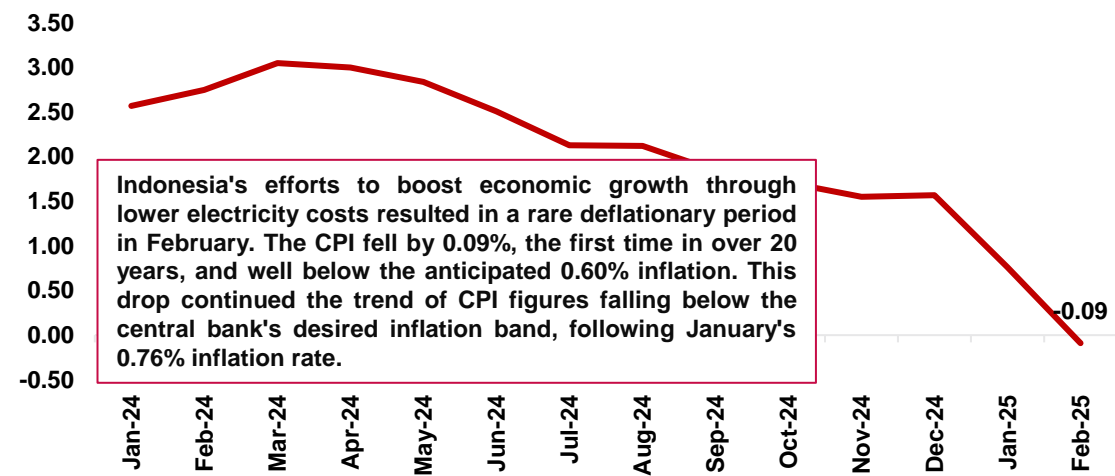
**ECONOMIC RESEARCH**

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# WEEKLY HIGHLIGHT: INDONESIA EXPERIENCED DEFLATION FOR THE FIRST TIME IN OVER 20 YEARS

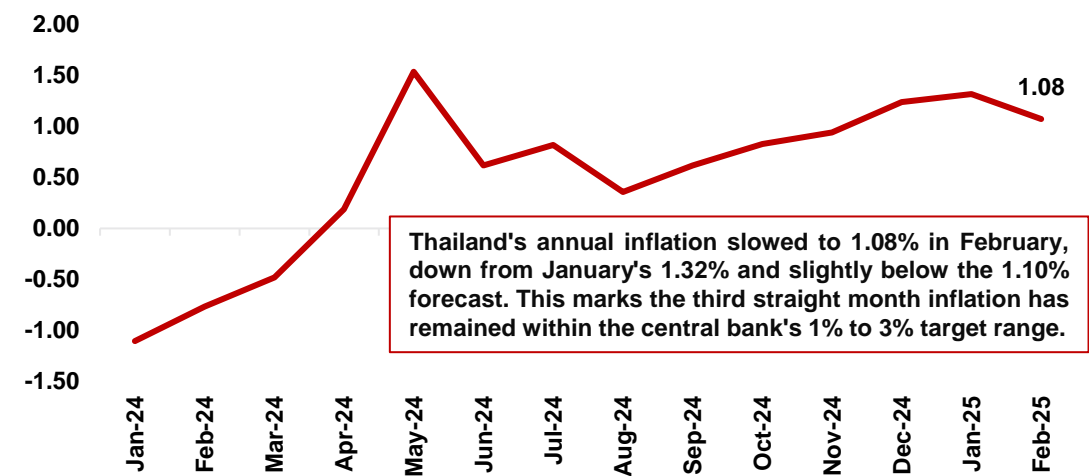
GLOBAL

### Indonesia - Consumer Price Index (CPI), y-o-y%



Indonesia's efforts to boost economic growth through lower electricity costs resulted in a rare deflationary period in February. The CPI fell by 0.09%, the first time in over 20 years, and well below the anticipated 0.60% inflation. This drop continued the trend of CPI figures falling below the central bank's desired inflation band, following January's 0.76% inflation rate.

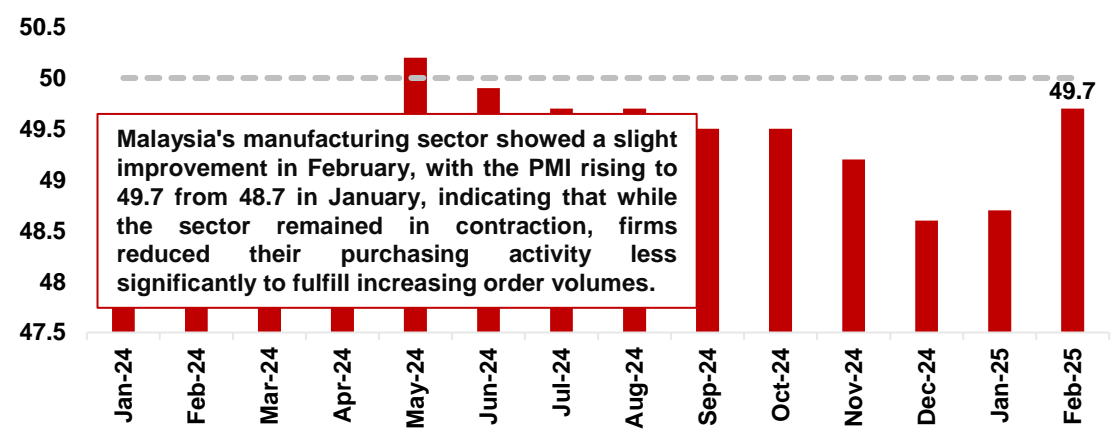
### Thailand - Consumer Price Index (CPI), y-o-y%



Thailand's annual inflation slowed to 1.08% in February, down from January's 1.32% and slightly below the 1.10% forecast. This marks the third straight month inflation has remained within the central bank's 1% to 3% target range.

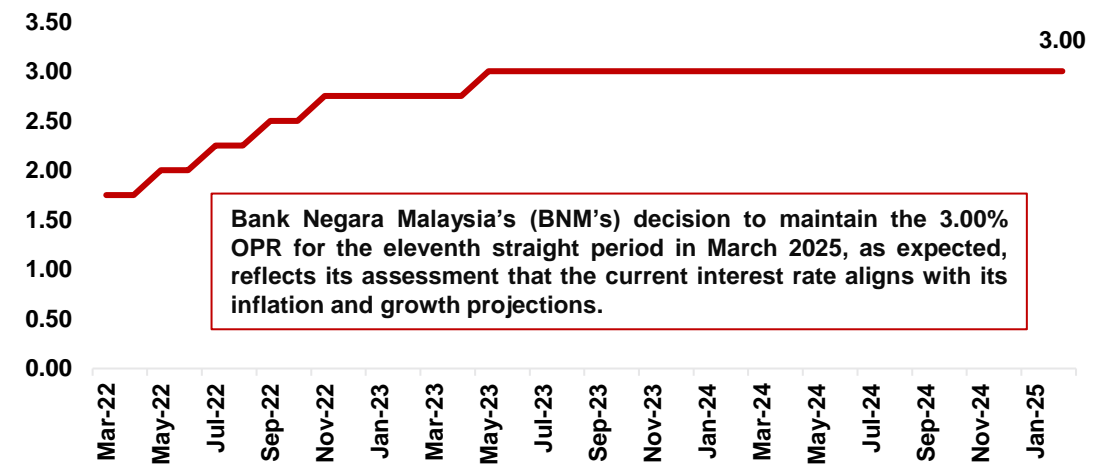
DOMESTIC

### Malaysia - Manufacturing Purchasing Managers' Index (PMI), points



Malaysia's manufacturing sector showed a slight improvement in February, with the PMI rising to 49.7 from 48.7 in January, indicating that while the sector remained in contraction, firms reduced their purchasing activity less significantly to fulfill increasing order volumes.

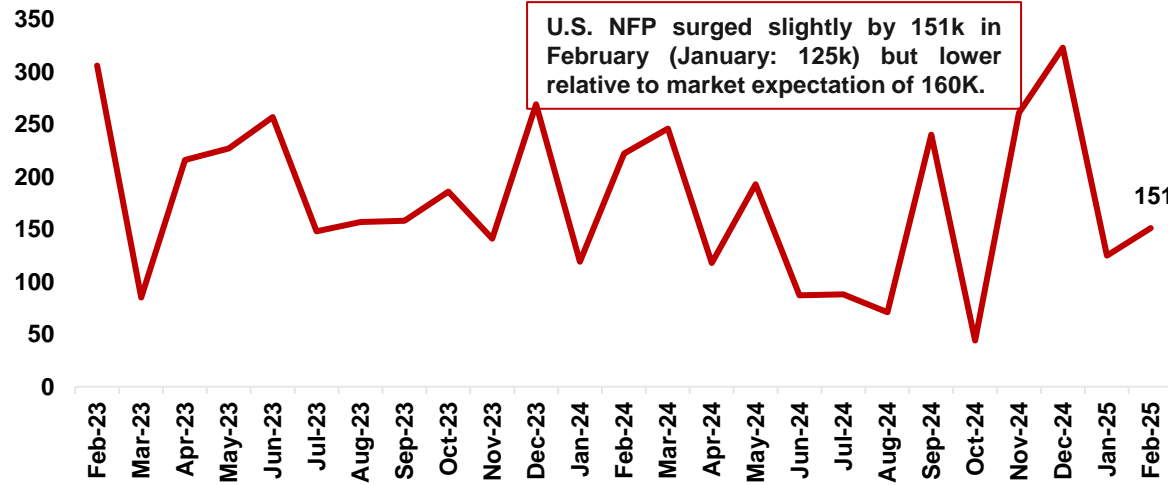
### Malaysia - Overnight Policy Rate (OPR), %



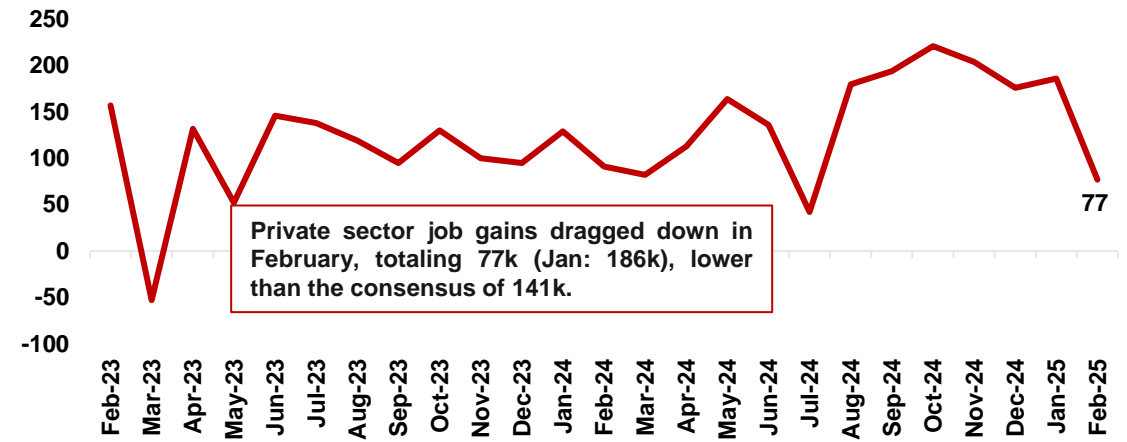
Bank Negara Malaysia's (BNM's) decision to maintain the 3.00% OPR for the eleventh straight period in March 2025, as expected, reflects its assessment that the current interest rate aligns with its inflation and growth projections.

# U.S. WEEKLY HIGHLIGHT: U.S LABOUR MARKET SOFTENED IN FEBRUARY

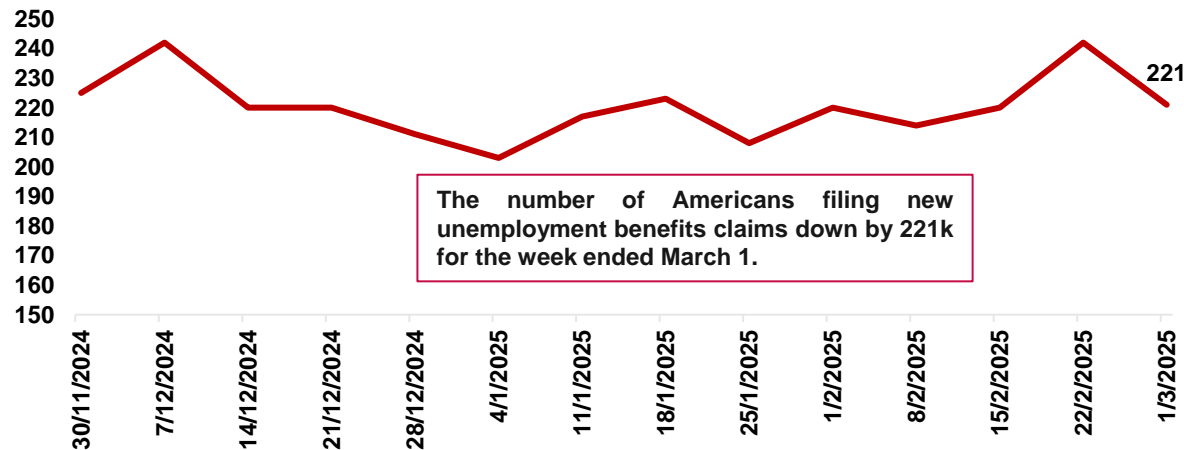
### U.S. Non-Farm Payroll, m-o-m changes ('000)



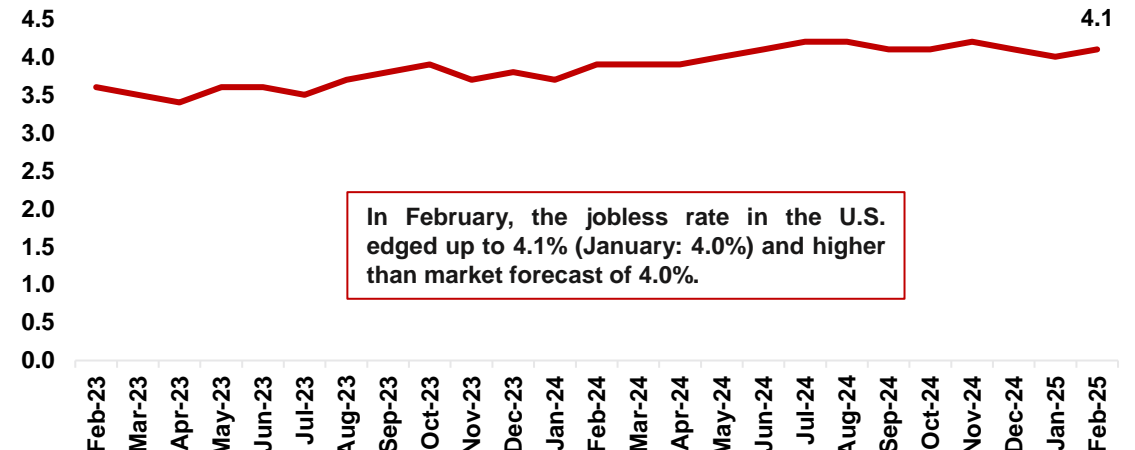
### U.S. ADP Nonfarm Employment, m-o-m changes ('000)



### U.S. Weekly Initial Jobless Claims (IJC), '000

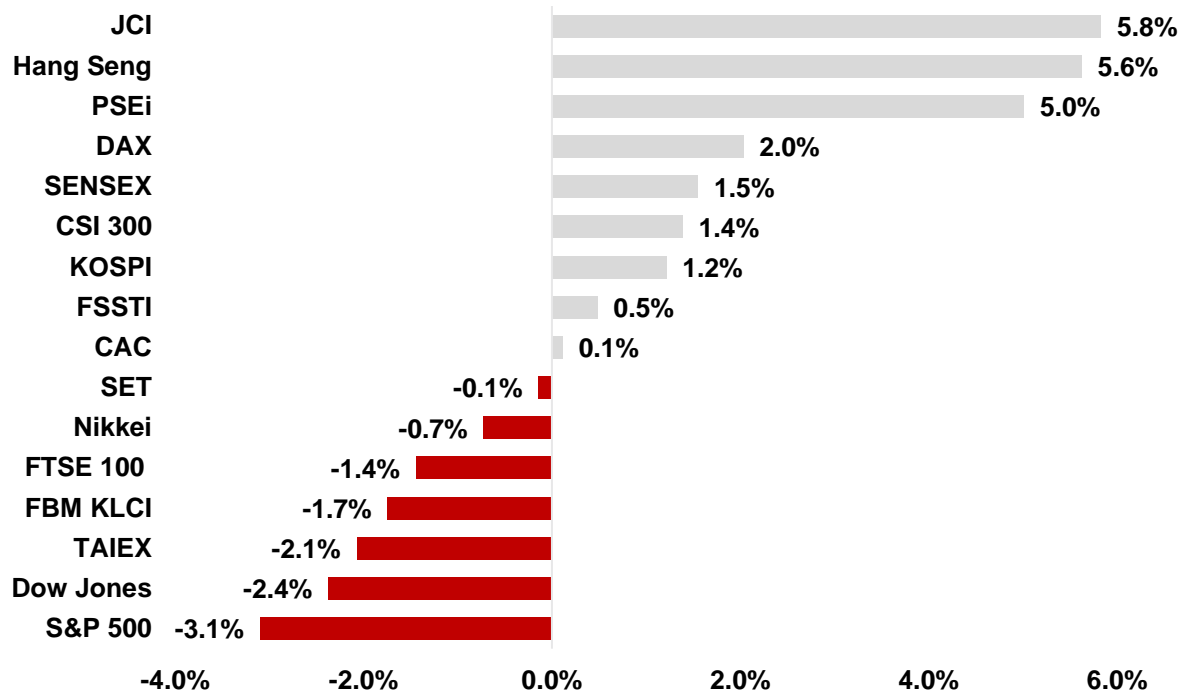


### U.S. Unemployment Rate, %

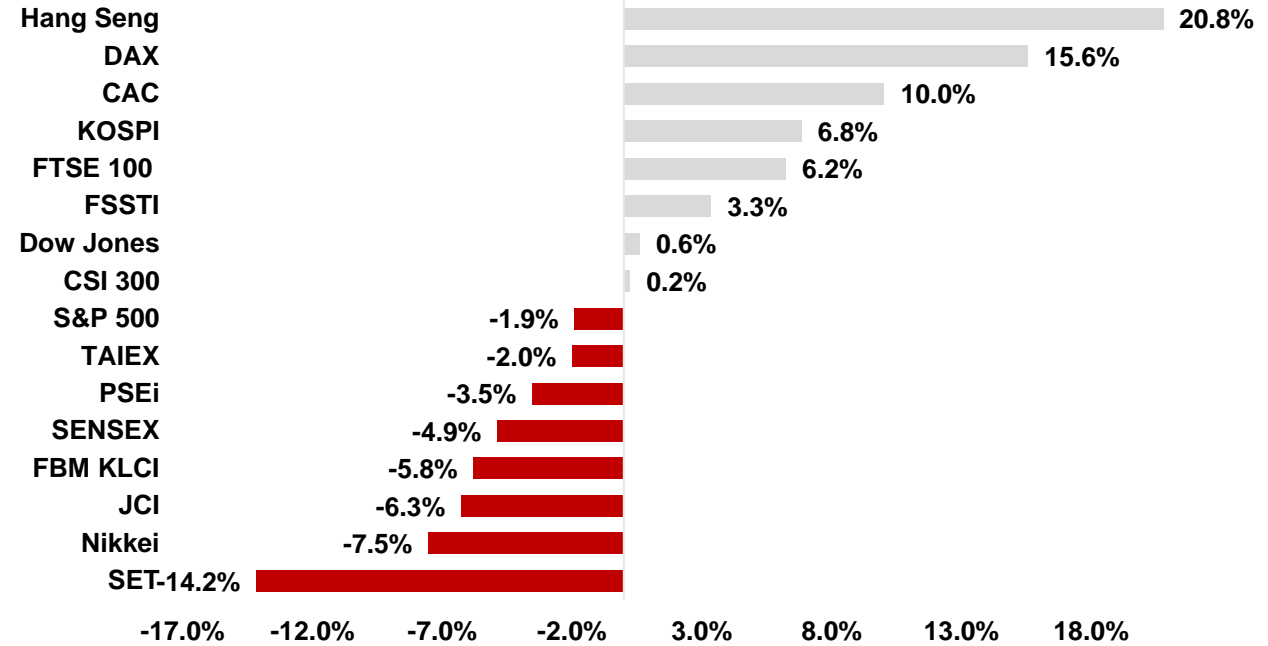


# REGIONAL EQUITY: TARIFF CONCERNS DRAGGED DOWN U.S. STOCKS

Weekly Gain/Loss of Major Equity Market, w-o-w%



YTD Gain/Loss of Major Equity Markets, %  
(As of 7 March 2025)

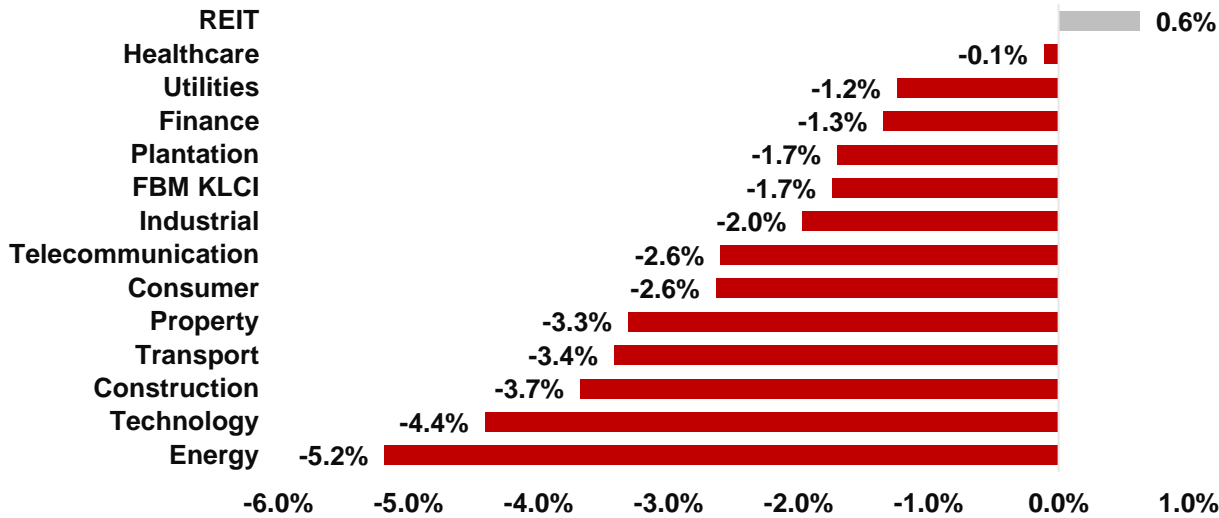


Sources: Bursa, CEIC Data

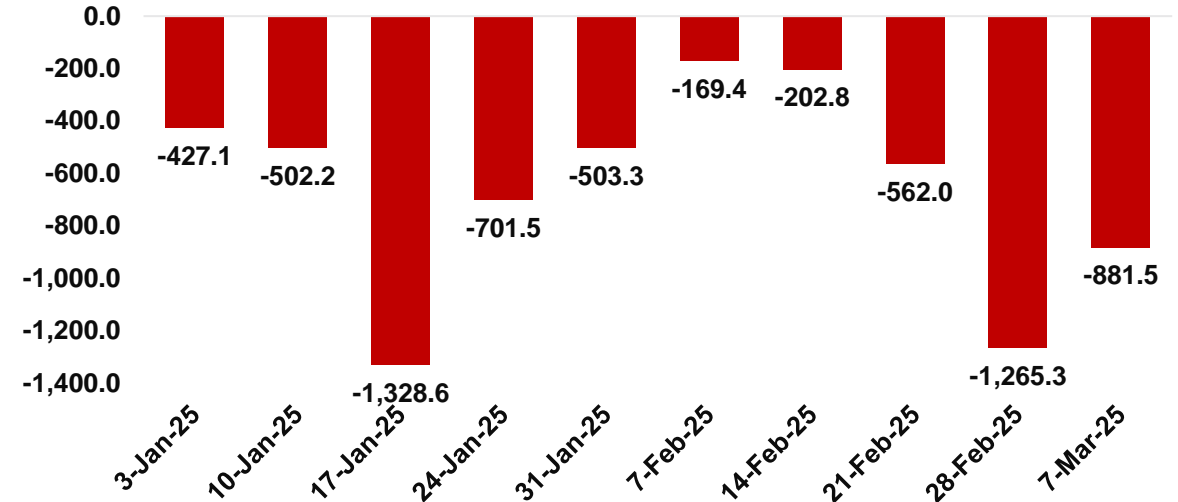
- The regional equity index ended mixed last week with Indonesia' JCI (+5.8%) as the major gainer. Indonesia's strategy to stimulate economic growth by reducing electricity costs led to an unexpected deflationary period in February. Consumer prices declined by 0.09%, a first in over two decades, significantly undershooting the projected 0.60% inflation.
- In addition, Hong Kong's Hang Seng also expanded by 5.6%. The surge was fueled by positive sentiment surrounding the A.I. industry, coupled with indications that China plans to boost fiscal spending and continue its accommodative monetary policy to bolster economic growth.
- In contrast, U.S. stocks – S&P 500 (-3.1%) and Dow Jones (-2.4%) were the major losers, as ongoing U.S. tariff uncertainty continues to dampen investor sentiment and heighten concerns about the U.S. economic outlook.

# DOMESTIC EQUITY: FBM KLCI IN THE RED, REFLECTING REGIONAL VOLATILITY AS TRUMP REVERSED HIS DECISION

Weekly Bursa Sectoral Performance, w-o-w%



Weekly Foreign Fund Net Inflows/Outflows, RM Million



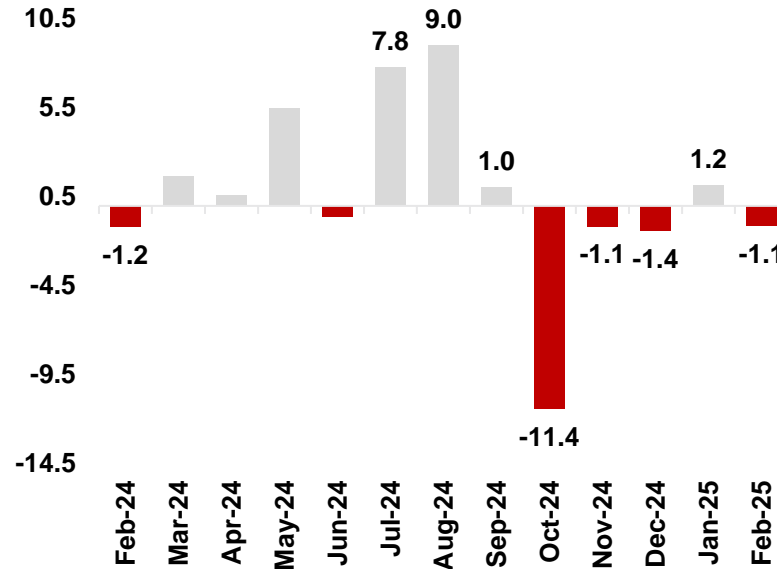
Sources: Bursa, CEIC Data

- The FBM KLCI slipped by 1.7% w-o-w for the week ending March 7, falling below the 1,550 level for the first time since August 2024.
- With a quiet calendar week domestically, investor sentiment was largely influenced by uncertainties surrounding the turbulent global trade environment. As the month-long pause on the 25% tariffs imposed on Canada and Mexico came to an end, U.S. President Donald Trump announced a conditional postponement for another month, causing ripples across the markets.
- Most Bursa indices closed in the negative territory, with the Energy index plunging by 5.2%, followed by the Technology and Construction indices, slumping by 4.4% and 3.7%, respectively.
- The single gainer was the REIT index as it rose by 0.6% w-o-w.
- Foreign investors remained net sellers for the tenth straight week this year, shedding a total of RM881.5 million worth of equities to increase the cumulative net outflow thus far to RM6.6 billion.

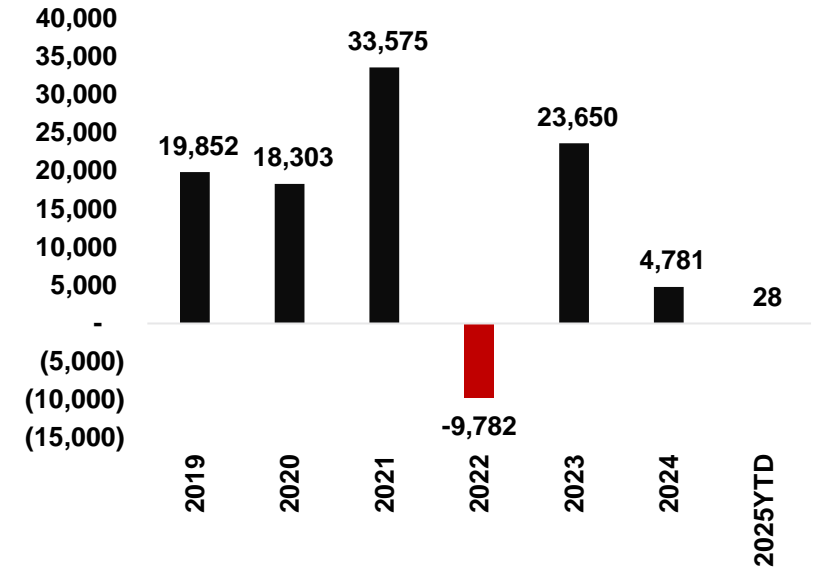
# FIXED INCOME: FOREIGN HOLDINGS PLUNGED TO NEGATIVE TERRITORY IN FEBRUARY

Weekly Changes, basis points (bps)			
UST	Yields (%) 28-Feb-25	Yields (%) 7-Mar-25	Change (bps)
3-Y UST	3.99	4.01	2
5-Y UST	4.03	4.09	6
7-Y UST	4.14	4.21	7
10-Y UST	4.24	4.32	8
MGS	Yields (%) 28-Feb-25	Yields (%) 7-Mar-25	Change (bps)
3-Y MGS	3.45	3.43	-2
5-Y MGS	3.60	3.59	-1
7-Y MGS	3.75	3.74	-2
10-Y MGS	3.79	3.78	-2
GII	Yields (%) 28-Feb-25	Yields (%) 7-Mar-25	Change (bps)
3-Y GII	3.55	3.55	0
5-Y GII	3.63	3.60	-3
7-Y GII	3.76	3.74	-2
10-Y GII	3.81	3.79	-2

Foreign Fund Flows in Local Bond Market, RM Billion



Cumulative Net Foreign Flows in Local Bonds (Yearly Comparison, RM Million)

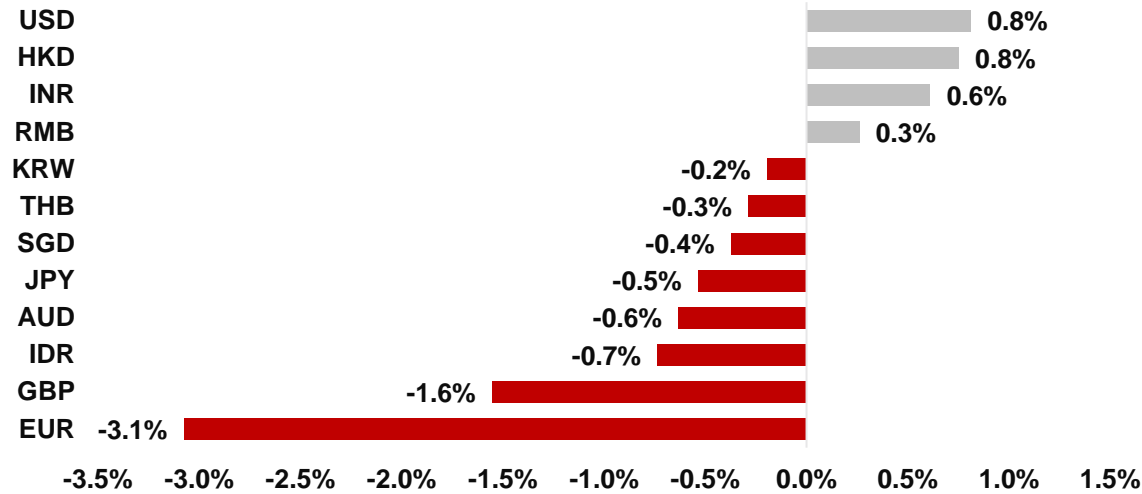


Sources: BNM, Federal Reserve Board

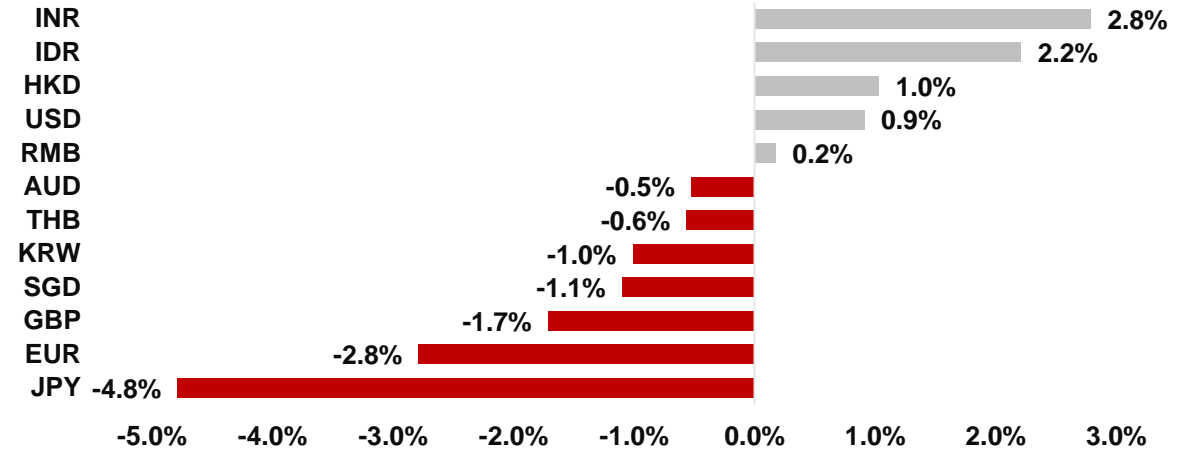
- The U.S. Treasury (UST) yield curve bearishly steepened in the range of 2bps and 8bps as the Federal Reserve (Fed) Chair, Jerome Powell calmed markets by affirming the economy's strength, while simultaneously signaling they are in no rush to lower interest rates.
- Malaysian Government Securities (MGS) and Government Investment Issues (GII) yields mostly edged lower between 1bp and 3bps except for 3-Y GII yield which remained at 3.55%.
- Foreign fund flows in the local bond market recorded a net foreign outflow of RM1.1 billion in February (Jan: +RM1.2 billion). Consequently, local govies' foreign shareholdings to total outstanding reduced to 21.4% in February (Jan: 21.7%).
- As of the first two months of 2025, the local bond market recorded the cumulative net foreign inflows of RM 28.4 million, higher than the outflows of RM6.3 billion in the same period in the previous year.

# FX MARKET: RINGGIT IS EXPECTED TO TRADE CAUTIOUSLY AHEAD OF KEY U.S. INFLATION FIGURES

MYR Against Regional Currencies, w-o-w%



MYR Against Regional Currencies, YTD% (As of 7 March 2025)

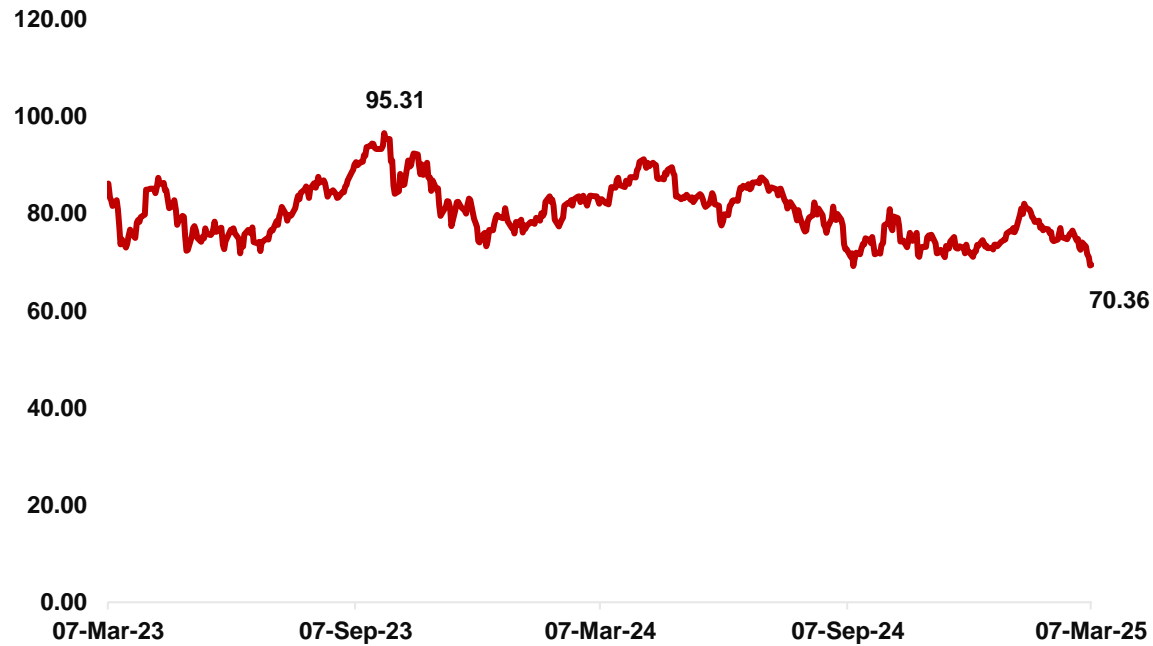


Sources: BNM, U.S. Bureau of Labor Statistics (BLS), CEIC Data

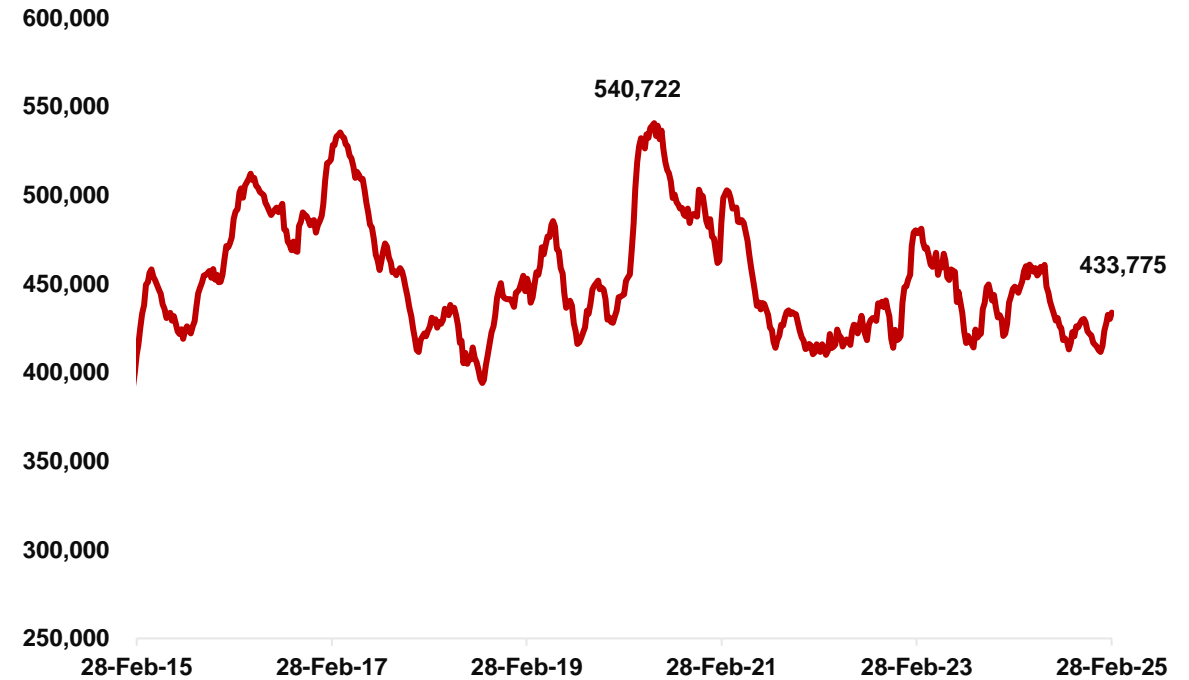
- The Ringgit appreciated by 0.8% w-o-w against the USD for the week ending March 7 as the USD index fell below the 104-level, marking the lowest point since early November 2024.
- The greenback was weaker over the course of the week amid heightened uncertainties surrounding the global trade environment following Trump swerving yet again on his trade policies. In his latest move, Trump extended the pause for another month on tariff implementation for Canadian and Mexican imports that comply with the 2020 USMCA trade deal with the U.S.
- Furthermore, recent data raised concerns of a cooling job market as the number of layoffs in the U.S. reached a whopping 172K in February (January: 49.8K), the highest level since July 2020, as government policies under Trump’s administration weighs on employers. Additionally, the unemployment rate outpaced estimates, rising to 4.1% from 4.0% in January.
- Such trend further highlighted the lower than anticipated Non-Farm Payrolls (NFP) data when the economy added only 151K jobs against estimates of 160K (January: 125K), albeit still increasing by more than 100K, heightening market expectations of more dovish rate cut bets.

# COMMODITY: BRENT OIL PRICES FALL TO ALMOST 4-YEAR LOW AMID WEAK DEMAND OUTLOOK AND OVERSUPPLY CONCERN

### Brent Crude in USD per barrel



### U.S. Crude Oil Inventory, '000 barrel - EIA



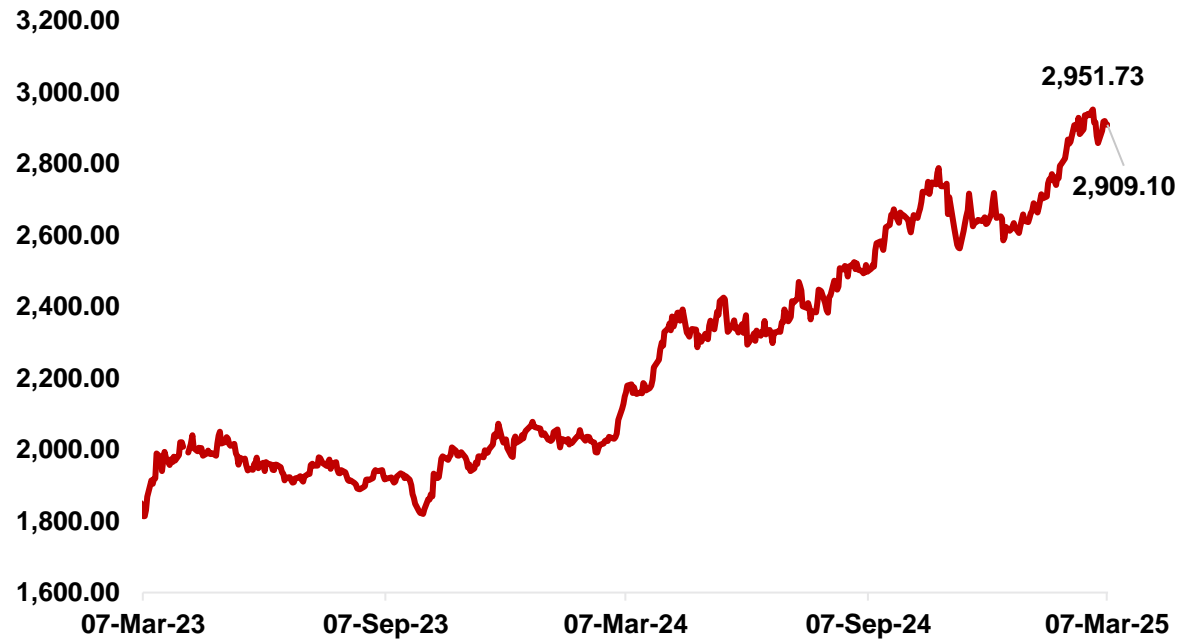
Sources: Bloomberg, Energy Information Administration (EIA)

- Brent oil prices fell below USD70/barrel on March 5 and decline by 3.9% w-o-w to settle at USD 70.36 on Friday (March 7). Growing concerns over a bleak global economic outlook, driven by escalating trade tensions and retaliatory measures, have led to expectations of weaker oil demand, reinforcing a bearish global oil market outlook.
- US crude oil inventories increased by 3.6 million barrels to 433.8 million for the week ending February 28. OPEC's announcement to proceed with the planned hike in oil production starting April 2025, alongside higher-than-expected US crudes inventories has raised concern on oversupply.

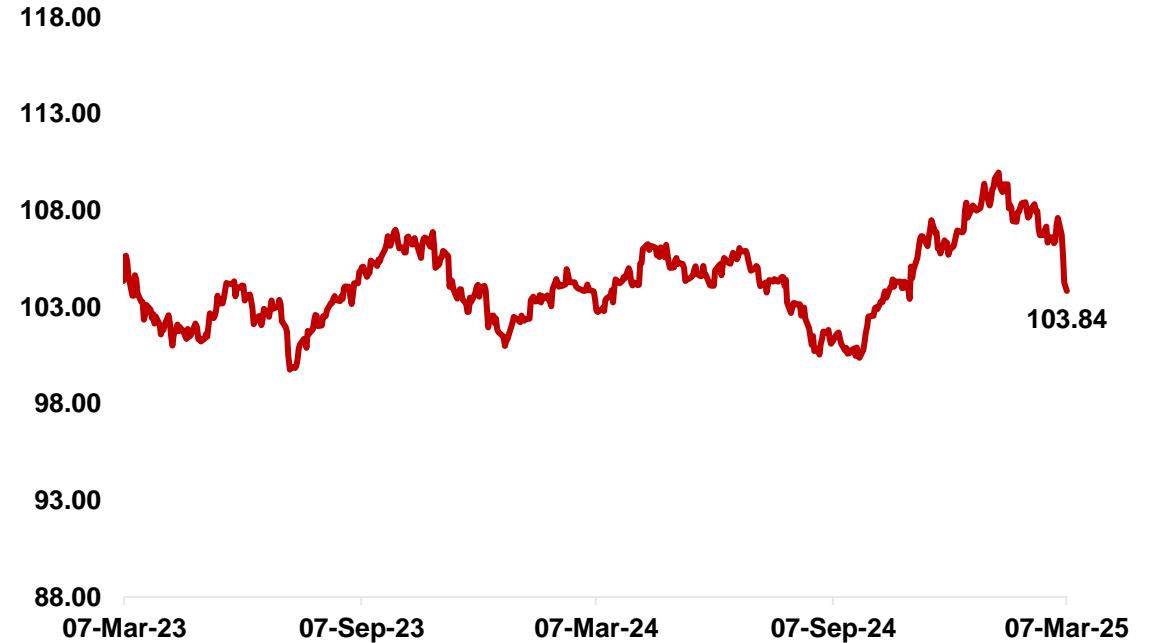


# COMMODITY: GOLD PRICE ON TRACK FOR WEEKLY GAIN AS INVESTORS DIGESTED TRUMP'S LATEST PIVOT

### Gold in USD per ounce



### U.S. Dollar Index (DXY)



Sources: Bloomberg, CEIC Data

- The bullion price surged by 1.8% w-o-w for the week ending March 7 due to the ongoing lack of clarity surrounding Trump's trade policies persisted. The unclear policy path, stemming from his remarks on trade tariffs as well as the back-and-forth in implementing them, had spurred the flight to safe-haven assets as investors remain in a risk-off modes to ride out this wave of uncertainties.
- Furthermore, recent data pointing a cooler-than-expected job market had also supported the bullion's uptrend amid heightened bets of the Fed's rate cuts.

## WHAT TO LOOK OUT FOR IN THE MARKETS THIS WEEK

- Attention will turn to U.S. inflation data this week, with the Consumer Price Index (CPI) for February scheduled for release on March 12. Growing concerns about the potential impact of tariff hikes on inflation in 2025 have raised doubts about the U.S. economic outlook. The proposed tariffs on key trading partners are expected to drive up prices for both consumers and businesses. As of early February, a survey by the Federal Reserve Bank of New York, released last week indicated that manufacturers and service firms expected inflation of 3.5% and 4%, respectively, over the next year resulting from higher operating costs stemming from the increased tariffs on imports. In another development last Friday, Trump once again delayed the implementation of 25% tariffs on Canada and Mexico, pushing back the decision for an additional month. This uncertainty complicates business planning, as firms are left unsure about future cost structures and market conditions. If inflation continues to rise, it may limit the Fed's ability to further reduce interest rates this year. We expect the Fed will hold its benchmark rate unchanged at 4.25%-4.5% on its upcoming meeting scheduled on March 19.
- The interest rate decision by the Bank of Canada (BoC) will also take a center stage this week. Although the BoC is expected to pause its rate cut in the upcoming meeting amid signs of domestic demand recovery, strong 4Q2024 GDP growth and steady unemployment rate, the ongoing US trade risks could push the central bank towards a seventh consecutive reduction. Trade uncertainty, especially surrounding tariffs, remains a key risk to Canadian businesses, yet fiscal policy could provide more targeted support than further rate cuts. Overall, the decision will likely reflect a cautious balance between economic support and controlling inflationary pressures.
- In the UK, the upcoming monthly GDP data will be closely monitored this week, with growth expected to stall in January 2025. Despite this, government consumption is likely to support the economy moving forward but risks remain tilted to the downside. Other key releases to focus on this week include Euro-area industrial production, which likely expanded at the start of 2025 but there are no clear signs of a pickup in the following months. Particularly in Germany, the recently announced plans to boost defense and infrastructure spending could give the country's struggling industry a boost in the medium term.

BANK ISLAM

**THANK YOU**