

Fed Holds Steady as Growth Cools and Views Diverge

At its **30–31 July** meeting, the Fed held the target range for the federal funds rate at 4.25%–4.50% for the fifth straight meeting, as widely expected. However, the statement struck a slightly more cautious note, stating that “**growth of economic activity moderated in the first half of the year**”—a subtle downgrade from June’s “solid pace” description. While the Fed acknowledged that the labour market remains strong and inflation is still elevated, it offered no strong signal that a pivot is imminent.

Dissent Within: Two Voters Call for a Cut

In a rare move, **two FOMC members**—Michelle Bowman and Christopher Waller—dissented, **voting for a 25bps rate cut**. Both are typically on the hawkish side of the spectrum, making their dissent especially significant. Their votes reflect growing concern over weakening growth dynamics and a belief that current policy may be too restrictive.

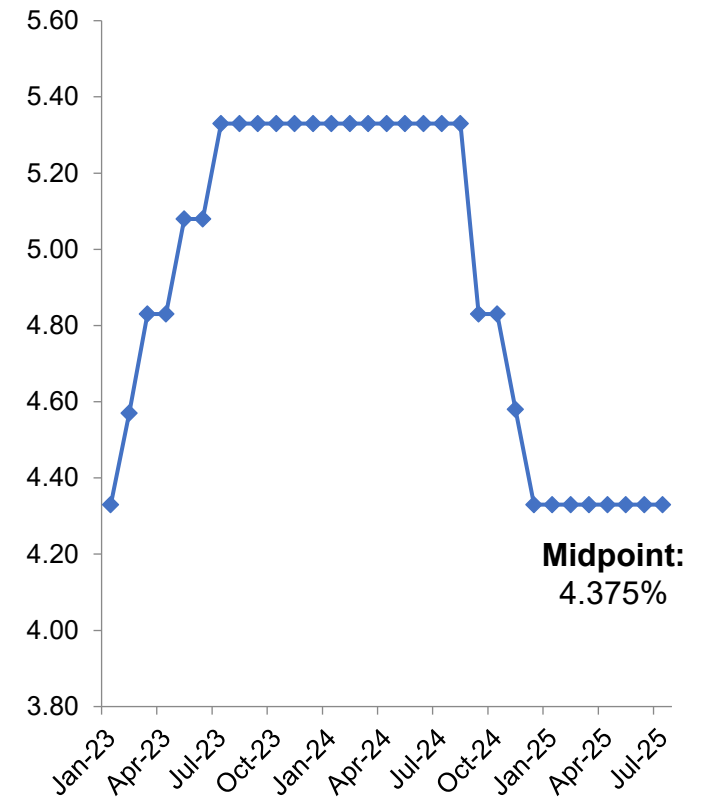
Forward Guidance: Data-Dependent, Not Calendar-Driven

Chair Powell reiterated that the Fed is not yet confident that inflation is on a sustained path toward 2%. While he acknowledged some encouraging signs—such as softer core inflation and moderating wage growth—he stressed that more data is needed before easing begins. Notably, Powell downplayed calendar-based expectations and emphasized that decisions will remain “data-dependent”, particularly on upcoming inflation prints.

Economic Outlook: Mixed Signals

The Fed statement confirmed a moderation in economic activity. Powell elaborated in his press conference that **consumer spending has slowed, while business investment—particularly in equipment and intangibles—showed improvement**. This nuanced outlook reflects a two-speed economy, with certain sectors showing resilience and others beginning to fade under the weight of tighter financial conditions.

Policy Rate: Effective Federal Funds Rate



Sources: CEIC, BMMB Economics

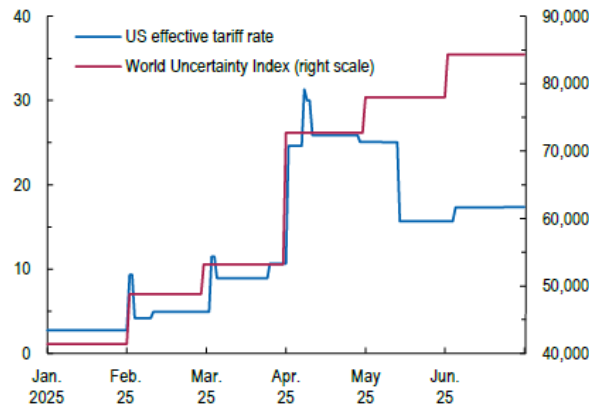


Key Changes in Fed Messaging: June vs July 2025

	June 2025	July 2025	Key analysis
Economic Activity	Recent indicators suggest that economic activity has continued to expand at a solid pace.	Recent indicators suggest that growth of economic activity moderated in the first half of the year.	Downgrade in tone; Fed acknowledges slower growth momentum.
Unemployment Rate & Inflation	The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated.	Same wording	No change; labour market still seen as strong but remains cautious on inflation.
Uncertainty	Uncertainty about the economic outlook has diminished but remains elevated.	Uncertainty about the economic outlook remains elevated.	The word ‘diminished’ is dropped from the statement, suggesting balance of risks to growth and inflation may be widening.
Dual Mandate Risk	In considering the extent and timing of additional adjustments... the Committee will carefully assess...	Same wording	Forward guidance unchanged; data-dependent stance remains intact.
Balance Sheet Plan	The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities.	Same wording	No change; QT (quantitative tightening) continues.
Voting	Unanimous decision to hold.	Two members dissented, preferring a 25bps cut. One member absent.	First sign of internal division; pressure to ease is building.

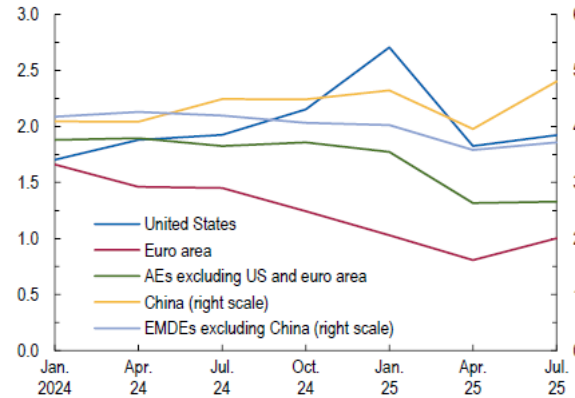
Policy Pause, Growth Upgrades: Malaysia Navigates with Flexibility

Tariffs and Global Uncertainty
(Percent; index, right scale)



Sources: [IMF WEO July 2025](#)

Evolution of 2025 Growth Forecasts
(Percent)



Sources: [IMF WEO July 2025](#)

USD Dollar Index



Sources: MarketWatch

Markets responded modestly to the Fed's pause: Treasury yields edged higher, equities were broadly flat to slightly softer, and the US dollar ticked up—DXY rose nearly 1% to around 99.8, reflecting cautious repricing of rate-cut odds.

While the Fed turned more guarded in its assessment, the **IMF's latest global forecast struck a cautiously constructive tone**, highlighting pockets of resilience despite lingering risks. The Fund revised its 2025 US growth forecast slightly higher to 1.9% (from 1.8%) in its July update, citing **sustained domestic demand, frontloading of activity** ahead of tariff implementation, and modest easing in financial conditions. Global growth was also revised up to 3.0% for 2025. In tandem, Malaysia's 2025 growth forecast was lifted to 4.5% (from 4.1%), aligning with **BNM's updated projection range of 4.0%–4.8%**. Against this backdrop, we view that current policy direction is accommodative to support growth amid a still-fragile global environment. We retain our Malaysia GDP forecast at 4.1% for 2025, with headline inflation averaging 2.0%, underpinned by steady domestic demand and a broadly contained inflation trajectory. Further monetary easing appears unlikely barring significant external shocks.

Appendix: Full July 2025 Statement

Although swings in net exports continue to affect the data, recent indicators suggest that growth of economic activity moderated in the first half of the year. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Alberto G. Musalem; and Jeffrey R. Schmid. Voting against this action were Michelle W. Bowman and Christopher J. Waller, who preferred to lower the target range for the federal funds rate by 1/4 percentage point at this meeting. Absent and not voting was Adriana D. Kugler.

Appendix: IMF WEO July Projections

Overview of the World Economic Outlook Projections (Percent change, unless noted otherwise)

	Year over Year						Q4 over Q4 2/		
			Projections		Difference from April 2025 WEO Projections 1/		Projections		
			2025	2026	2025	2026	2024	2025	2026
2023	2024	2025	2026	2025	2026	2024	2025	2026	
World Output	3.5	3.3	3.0	3.1	0.2	0.1	3.6	2.7	3.2
Advanced Economies	1.8	1.8	1.5	1.6	0.1	0.1	1.9	1.4	1.7
United States	2.9	2.8	1.9	2.0	0.1	0.3	2.5	1.7	2.0
Euro Area	0.5	0.9	1.0	1.2	0.2	0.0	1.2	0.7	1.7
Germany	-0.3	-0.2	0.1	0.9	0.1	0.0	-0.2	0.5	1.0
France	1.6	1.1	0.6	1.0	0.0	0.0	0.6	0.7	1.1
Italy	0.7	0.7	0.5	0.8	0.1	0.0	0.6	0.7	1.0
Spain	2.7	3.2	2.5	1.8	0.0	0.0	3.3	2.3	1.6
Japan	1.4	0.2	0.7	0.5	0.1	-0.1	1.4	-0.2	0.8
United Kingdom	0.4	1.1	1.2	1.4	0.1	0.0	1.5	1.5	1.2
Canada	1.5	1.6	1.6	1.9	0.2	0.3	2.3	1.1	2.5
Other Advanced Economies 3/	1.9	2.2	1.6	2.1	-0.2	0.1	1.8	2.2	1.7
Emerging Market and Developing Economies	4.7	4.3	4.1	4.0	0.4	0.1	4.9	3.6	4.3
Emerging and Developing Asia	5.1	5.3	5.1	4.7	0.6	0.1	5.8	4.5	5.2
China	5.4	5.0	4.8	4.2	0.8	0.2	5.4	3.8	4.7
India 4/	9.2	6.5	6.4	6.4	0.2	0.1	7.4	6.4	6.4
Emerging and Developing Europe	3.6	3.5	1.8	2.2	-0.3	0.1	3.3	1.5	2.0
Russia	4.1	4.3	0.9	1.0	-0.6	0.1	4.5	-0.1	0.5
Latin America and the Caribbean	2.4	2.4	2.2	2.4	0.2	0.0	2.4	1.9	2.8
Brazil	3.2	3.4	2.3	2.1	0.3	0.1	3.3	2.4	2.3
Mexico	3.4	1.4	0.2	1.4	0.5	0.0	0.4	0.3	2.2
Middle East and Central Asia	2.4	2.4	3.4	3.5	0.4	0.0	...	...	...
Saudi Arabia	0.5	2.0	3.6	3.9	0.6	0.2	4.4	3.6	3.9
Sub-Saharan Africa	3.6	4.0	4.0	4.3	0.2	0.1	...	...	...
Nigeria	2.9	3.4	3.4	3.2	0.4	0.5	3.7	4.0	4.2
South Africa	0.8	0.5	1.0	1.3	0.0	0.0	0.5	1.4	0.9
Memorandum									
World Growth Based on Market Exchange Rates	2.9	2.8	2.5	2.6	0.2	0.2	3.0	2.2	2.7
European Union	0.7	1.2	1.3	1.4	0.1	-0.1	1.6	1.1	1.7
ASEAN-5 5/	4.1	4.6	4.1	4.1	0.1	0.2	4.8	4.0	5.0
Middle East and North Africa	2.4	1.9	3.2	3.4	0.6	0.0	...	...	...
Emerging Market and Middle-Income Economies	4.7	4.3	4.0	3.9	0.3	0.1	4.9	3.6	4.3
Low-Income Developing Countries	4.1	4.0	4.4	5.0	0.2	-0.2	...	...	...
World Trade Volume (goods and services) 6/	1.0	3.5	2.6	1.9	0.9	-0.6	...	...	...
Advanced Economies	0.2	2.0	1.8	1.2	0.2	-0.8	...	...	...
Emerging Market and Developing Economies	2.3	5.8	3.8	3.2	2.0	0.0	...	...	...
Commodity Prices									
Oil 7/	-16.4	-1.8	-13.9	-5.7	1.6	1.1	-10.1	-11.3	-0.7
Nonfuel (average based on world commodity import weights)	-5.7	3.7	7.9	2.0	3.5	1.8	8.3	6.6	-0.5
World Consumer Prices 8/	6.6	5.6	4.2	3.6	-0.1	0.0	4.8	3.5	2.9
Advanced Economies 9/	4.6	2.6	2.5	2.1	0.0	-0.1	2.4	2.4	2.0
Emerging Market and Developing Economies 8/	8.0	7.7	5.4	4.5	-0.1	-0.1	6.6	4.4	3.5

Selected Economies: Real GDP Growth (Percent change)

			Projections		Difference from April 2025 WEO Projections 1/	
	2023	2024	2025	2026	2025	2026
Argentina	-1.9	-1.3	5.5	4.5	0.0	0.0
Australia	2.1	1.0	1.8	2.2	0.2	0.1
Brazil	3.2	3.4	2.3	2.1	0.3	0.1
Canada	1.5	1.6	1.6	1.9	0.2	0.3
China	5.4	5.0	4.8	4.2	0.8	0.2
Egypt 2/	3.8	2.4	4.0	4.1	0.2	-0.2
France	1.6	1.1	0.6	1.0	0.0	0.0
Germany	-0.3	-0.2	0.1	0.9	0.1	0.0
India 2/	9.2	6.5	6.4	6.4	0.2	0.1
Indonesia	5.0	5.0	4.8	4.8	0.1	0.1
Iran 2/	5.0	3.5	0.6	1.1	0.3	0.0
Italy	0.7	0.7	0.5	0.8	0.1	0.0
Japan	1.4	0.2	0.7	0.5	0.1	-0.1
Kazakhstan	5.1	4.8	5.0	4.3	0.1	0.0
Korea	1.6	2.0	0.8	1.8	-0.2	0.4
Malaysia	3.5	5.1	4.5	4.0	0.4	0.2
Mexico	3.4	1.4	0.2	1.4	0.5	0.0
The Netherlands	-0.6	1.1	1.2	1.2	-0.2	-0.2
Nigeria	2.9	3.4	3.4	3.2	0.4	0.5
Pakistan 2/	-0.2	2.5	2.7	3.6	0.1	0.0
Philippines	5.5	5.7	5.5	5.9	0.0	0.1
Poland	0.2	2.9	3.2	3.1	0.0	0.0
Russia	4.1	4.3	0.9	1.0	-0.6	0.1
Saudi Arabia	0.5	2.0	3.6	3.9	0.6	0.2
South Africa	0.8	0.5	1.0	1.3	0.0	0.0
Spain	2.7	3.2	2.5	1.8	0.0	0.0
Thailand	2.0	2.5	2.0	1.7	0.2	0.1
Turkiye	5.1	3.2	3.0	3.3	0.3	0.1
United Kingdom	0.4	1.1	1.2	1.4	0.1	0.0
United States	2.9	2.8	1.9	2.0	0.1	0.3

Source: IMF staff calculations.

Note: The selected economies account for approximately 83 percent of world output. WEO = World Economic Outlook.

1/ Difference based on rounded figures for the current and April 2025 WEO forecasts.

2/ Data and forecasts are presented on a fiscal year basis.

Sources: [IMF WEO July 2025](#)

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