

Global Markets Research
Malaysia - Economics

No change in OPR and BNM’s neutral policy stance

BNM maintained OPR at 2.75% as expected; policy tone remained broadly neutral
Downside risks have increased amid escalation in geopolitical conflicts in the Middle-east
Resilient domestic growth outlook shall support the case for an OPR pause

Summary

As widely expected, the BNM maintained its Overnight Policy Rate (OPR) at 2.75% for the 4th straight meeting at its March policy meeting. The better than expected growth performance in 2025 is expected to continue into 2026 although the MPC did acknowledge increased uncertainty and downside risks stemming from the heightened tension in the Middle-east, impact of which would depend on the duration and severity of the conflict. Overall policy statement remained neutral in our opinion, and reinforced our view for OPR to stay unchanged this year. That said, we do reckon increasing uncertainties and downside risks should the Middle-east conflict turn out to be a long-drawn war that disrupts global trade flows, world economic ecosystem, and stability in the global financial markets.

Global growth will continue to be supported in 2026

The world economy expanded soundly in 2025, and this growth momentum is expected to be sustained in 2026, supported by sustained domestic demand, moderating inflation, robust tech spending, and accommodative fiscal and monetary policies. However, escalation in the Middle-east conflict, increased volatility in financial markets, as well as continued concerns over trade policy, will exert downside risks to growth prospects.

Sustained growth for Malaysia underpinned by domestic demand

The Malaysian economy was more robust than expected with a surprised pick-up in real GDP growth to 5.2% in 2025. The central bank remained optimistic that resilient domestic demand underpinned by household spending, progress of multi-year projects, implementation of small scale projects, continued high realisation of approved investment, will continue to support growth going into 2026. That said, uncertainties and downside risks remained, stemming from slower global trade and lower than expected commodity production, in addition to the Middle-east conflict. On the other hand, BNM maintained that there are upside risks from a better global outlook, stronger demand for E&E, and robust tourism activity. BNM also maintained its stance on inflation outlook, emphasizing that core inflation will remain stable and close to its long run average in 2026.

Outlook

The most recent escalation in geopolitical risks following US-Israel’s strike on Iran after failed nuclear talk has certainly augmented uncertainties in the world economy especially if the warfare is prolonged, disrupted energy flows and global supply chain, be it in the form of shipment disruption through the Straits of Hormuz or damage to oil infrastructure at the Gulf states. The resultant increase in inflationary risks stemming from higher oil prices and financial market volatility in the event of a long-drawn conflict, will have implications on monetary policies, leading to delays in policy decisions by some of the major central banks, the Fed inclusive. As for Malaysia, we opine the impact will be relatively contained given Malaysia’s position as a net energy exporter and that domestic demand remains resilient. We shall also benefit from the lower tariffs following Supreme Court’s ruling against the reciprocal tariffs and as long as semiconductors remain in the exclusion list. We maintain our view that the Malaysian economy will remain on a moderate growth path growing around 4.8% this year. Benign inflation outlook will also provide more room for policy flexibility, allowing BNM to keep its monetary policy unchanged to support growth.

Figure 1: BNM kept OPR unchanged at 2.75% for the 4th straight meeting amid decent growth outlook and well-contained inflation



Source: BNM, DOSM, HLBB Global Markets Research

Figure 2: 3-month KLIBOR and MGS have been rangetrading tracking steady OPR outlook



Source: BNM, HLBB Global Markets Research

Figure 3: Schedule of Monetary Policy Decisions and Statements for 2026

MPC Meeting No	Dates
1	22 January 2026 (Thurs)
2	5 March 2026 (Thursday)
3	7 May 2026 (Thursday)
4	9 July 2026 (Thursday)
5	3 September 2026 (Thursday)
6	5 November 2026 (Thursday)

Source: BNM

Side-by-side Comparison of BNM Monetary Policy Statement

22-Jan-26	4-Mar-26
<p>At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 2.75%.</p> <p>Global growth for 2025 turned out higher than expected, mainly reflecting lower-than-anticipated tariffs, higher artificial intelligence (AI)-led tech spending and stronger fiscal support. For 2026, while the impact of tariffs could weigh on global growth, the outlook remains resilient, supported by sustained domestic demand, moderating inflation, robust tech investments, and supportive fiscal and monetary policies. Downside risks remain, arising from potentially higher tariffs, further escalation in geopolitical tensions and heightened volatility in global financial markets. Additionally, there are continued concerns over the elevated valuations in financial markets. Upside potential includes stronger tech spending, a milder tariff impact on economic activity and pro-growth policies in major economies.</p> <p>For the Malaysian economy, growth for 2025 is expected to be around the upper end of the forecast range. This growth momentum is expected to continue in 2026, supported by resilient domestic demand. Employment, wage growth and income-related policy measures will remain supportive of household spending. Investment activity will be driven by the progress of multi-year projects in both the private and public sectors, implementation of new smaller-scale public projects, continued high realisation of approved investments, as well as the ongoing implementation of national master plans. External sector will benefit from continued strength in electrical and electronics (E&E) exports and higher tourist spending. This growth outlook remains subject to uncertainties, in particular surrounding global developments. Downside risks remain from slower global trade and lower-than-expected commodity production. Meanwhile, upside potential to growth could arise from a better global growth outlook, stronger demand for E&E goods, and more robust tourism activity.</p> <p>Headline and core inflation averaged 1.4% and 2.0%, respectively, in 2025. For 2026, headline inflation is expected to remain moderate amid the continued easing in global cost conditions. Global commodity prices are expected to remain modest, contributing to contained domestic cost conditions. Meanwhile, core inflation in 2026 is expected to remain stable and close to its long-term average, reflecting continued expansion in economic activity and the absence of excessive demand pressures.</p> <p>At the current OPR level, the MPC considers the monetary policy stance to be appropriate and supportive of the economy amid price stability. The MPC will continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation.</p>	<p>At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 2.75%.</p> <p>Building on the strengths of 2025, global growth would continue to be supported by sustained domestic demand, moderating inflation, robust tech investments, and supportive fiscal and monetary policies. However, the recent conflict in the Middle East has raised uncertainty in the global economy. The impact on the global economy will depend on the length and severity of the conflict. In light of recent developments, downside risks have risen, arising from further escalation in geopolitical tensions and heightened volatility in global financial markets. Additionally, there are continued concerns over potentially higher tariffs and elevated valuations in financial markets. Upside potential includes stronger tech spending, a milder tariff impact on economic activity, and pro growth policy measures in key economies.</p> <p>The Malaysian economy grew by 5.2% in 2025, driven by strong domestic demand, higher electrical and electronics (E&E) exports and robust inbound tourism. This growth momentum is expected to continue in 2026, anchored by resilient domestic demand. Employment, wage growth and policy measures will remain supportive of household spending. Investment activity will be driven by the progress of multi-year projects in both the private and public sectors, implementation of new smaller-scale public projects, continued high realisation of approved investments, as well as the ongoing implementation of national master plans. The external sector will benefit from continued strength in E&E exports and higher tourist spending. This growth outlook remains subject to uncertainties surrounding global developments, including the recent conflict in the Middle East. Downside risks remain from slower global trade and lower-than-expected commodity production. Meanwhile, upside potential to growth could arise from a better global growth outlook, stronger demand for E&E goods, and more robust tourism activity.</p> <p>Headline and core inflation stood at 1.6% and 2.3%, respectively, in January 2026. Overall, headline inflation in 2026 is expected to remain moderate. While global commodity prices may be subject to greater volatility given recent developments, the impact on domestic inflation is expected to be contained. Meanwhile, core inflation in 2026 is expected to remain stable and close to its long-term average, reflecting continued expansion in economic activity and the absence of excessive demand pressures.</p> <p>The MPC acknowledges the uncertainties from the ongoing conflict in the Middle East. The impact to the global and Malaysian economy will depend on how these developments evolve. The Malaysian economy is facing these challenges from a position of strength, with robust domestic growth, moderate inflation, sound financial sector and resilient external position.</p> <p>At the current OPR level, the MPC considers the monetary policy stance to be appropriate and supportive of the economy amid price stability. The MPC will continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation.</p>

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