BNM MPC Meeting (3 September)

Holds rates steady, backs a 5.0% growth story amid Middle East risks

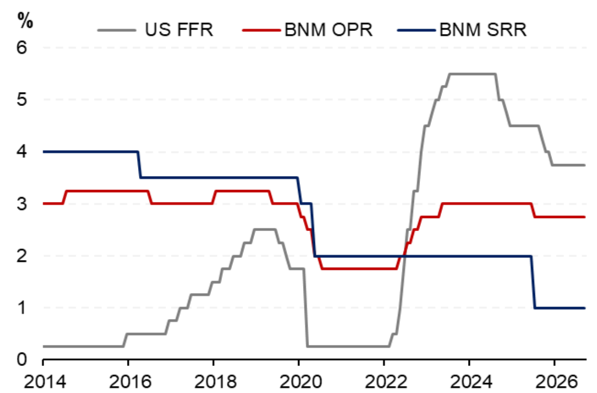
- **Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) held the Overnight Policy Rate (OPR) at 2.75%** at its September 2026 meeting, in line with our house view and consensus.
- **Policy statement:** The MPC stated that the current policy stance is "consistent with the outlook of continued price stability and sustainable economic growth," largely unchanged from its previous statement. It also kept the forward guidance, saying it will "remain vigilant to ongoing developments and assess the balance of risks surrounding the outlook for domestic inflation and growth". This confirms BNM's data-dependent approach.
- **Upgraded growth outlook, while inflation stays manageable despite external cost pressures**
  - **Growth:** The MPC gave a more constructive assessment of global and domestic growth prospects. Globally, growth is supported by "strong global tech expansion, improving supply conditions and stable labour markets," with sustained tech-related spending cushioning the impact of geopolitical uncertainties. Domestically, the MPC now expects 2026 growth of around 5.0%, up from its previous guidance of growth "firmly within the 4.0% - 5.0% range." This revision signals greater confidence in domestic growth and sits well above Ministry of Finance's 4.0%-4.5% forecast. For 2027, BNM expects growth to stay resilient, supported by E&E exports, continued strength in tech-related non-E&E exports, sustained tourism spending, stable labour market conditions and ongoing investment activity.
  - **Inflation:** Inflation remains well contained, with headline and core inflation averaging 1.8% and 2.0%, respectively, in the first seven months of 2026. Despite elevated costs and robust growth, the MPC noted limited pass-through to consumer prices, helped by domestic policy measures, stable demand conditions and limited spillovers from export-led growth into wages. Still, BNM flagged risks from the Middle East conflict, with elevated global commodity prices posing upside risks to domestic costs.
  - **Risk:** The MPC kept a broadly balanced risk assessment. Downside risks stem from prolonged geopolitical tensions, tighter global financial conditions and elevated financial market valuations. Domestically, a prolonged Middle East conflict and lower commodity production could weigh on growth. Upside risks include stronger technology-related export demand, better-than-expected global growth, higher tourism activity, a faster global supply chain recovery and pro-growth policies in major economies.
- **Outlook: We maintain our call for the OPR to stay at 2.75% through 2026**
  - **OPR outlook**: The latest statement reinforces our view that BNM remains comfortably on hold. With growth now assessed at around 5.0% in 2026 and inflation (July: 1.8%) well below levels that would warrant tightening, there is limited urgency for further policy adjustment. We therefore expect the OPR to remain at 2.75%, as the current stance balances firmer growth momentum and emerging external cost pressures.
  - **GDP forecast**: The MPC's latest growth assessment broadly aligns with our outlook. We forecast 2026 GDP growth at 5.3% (2025: 5.2%), following stronger-than-expected 1H26 performance, supported by net exports and resilient domestic demand. Looking ahead, growth fundamentals remain favourable and risks are balanced, supported by external and a resilient domestic demand.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
2.75% (+0.25%)	New Zealand	Official Cash Rate	Sep-26
5.00% (+0.25%)	Philippines	Target Reverse Repurchase	Aug-26
2.75% (+0.25%)	South Korea	Base Rate	Jul-26
5.75% (+0.25%)	Indonesia	BI Rate	Jun-26
1.00% (+0.25%)	Japan	Overnight Call Rate	Jun-26
2.25% (+0.25%)	Euro Area	Key Deposit Facility Rate	Jun-26
4.35% (+0.25%)	Australia	Cash Rate	May-26
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
3.75% (-0.25%)	UK	Base Rate	Dec-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-25
3.00% (-0.10%)	China	Loan Prime Rate (1Y)	May-25

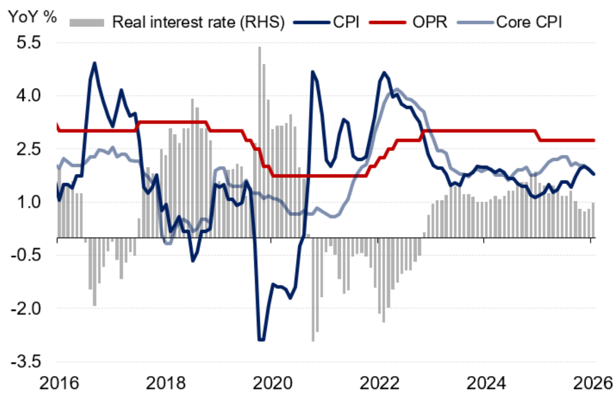
Source: Bloomberg, Kenanga Research

Graph 1: US Fed Funds Rate, BNM OPR and SRR



Source: Bloomberg, Kenanga Research

Graph 2: Malaysia Real Interest Rate and BNM OPR



Source: Bloomberg, Kenanga Research

Table 2: MPC Meeting Schedule for 2026 / KIBB Outlook

No.	Date		KIBB Research Outlook	BNM Decision
1st	22 January (Thu)	☑	No change	No change
2nd	5 March (Thu)	☑	No change	No change
3rd	7 May (Thu)	☑	No change	No change
4th	9 July (Thu)	☑	No change	No change
5th	3 September (Thu)	☑	No change	No change
6th	5 November (Thu)	☐	No change	

Source: Bank Negara Malaysia, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880   Website: www.kenanga.com.my   E-mail: research@kenanga.com.my