

Global Markets Research

Malaysia - Economics

BNM paused and maintained a neutral policy tone

BNM left OPR unchanged at 2.75% as expected; little change to the neutral policy tone

Downside risks prevail but there are also upside potentials amid easing tariff uncertainties

Maintain our view for an extended OPR pause amid resilient domestic growth outlook

Summary

In a widely expected move, the BNM maintained its Overnight Policy Rate (OPR) at 2.75% at its November policy meeting today, given resilient domestic growth outlook and easing global uncertainties following the conclusion of more trade negotiations.

Overall policy statement was largely unchanged from the September statement, and remained very neutral with rather balanced risks on both the upside and downside in our view. This reaffirmed our view for an extended OPR pause going into 2026. The MPC has also approved the schedule of the six MPC meetings for 2026 as listed in Figure 3.

Continued expansion in global growth

Based on BNM assessment, the world economy continued to expand despite the impact of higher tariffs, supported by resilient labour market conditions, moderating inflation, less restrictive monetary policy and supportive fiscal policy. Global uncertainties have eased somewhat following the conclusion of more trade negotiations. However, downside risks remained, arising from potentially higher sector-specific tariffs, and escalation in geopolitical tensions, but this is expected to be cushioned by upside risks from milder tariff impact and pro-growth policies in major economies. **What was new to the statement was concerns over the elevated valuations in financial markets**, following the relentless rally recently.

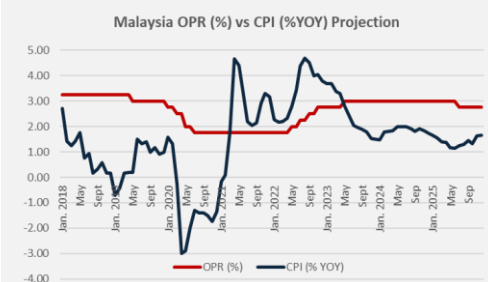
Better than expected growth in the Malaysian economy in 3Q

BNM highlighted the better than expected growth in the Malaysian economy in 3Q. The central bank remained optimistic that resilient domestic demand underpinned by household spending, progress of multi-year projects, continued faster realisation of approved investment, as well as initiatives under the 13MP and Budget 2026, will continue to support growth going into 2026. That said, uncertainties and downside risks remained, stemming from slower global trade, weaker sentiments, and lower than expected commodity production. On the flip side, 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 headline inflation will remain moderate and that impact from domestic policy reforms will be limited, very much in line with our house view.

Outlook

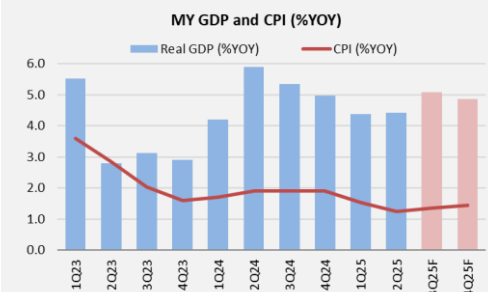
We reiterate our view for an extended pause in the OPR going into 2026, premising on resilient growth outlook and well-contained inflation, as well as easing global uncertainties with the dust on the tariff front settling somewhat. A stable and neutral policy locally is expected to be MYR positive, especially as the Fed's easing path looks to be delayed but not derailed. We therefore maintain our house view for the USDMYR to reach 4.10 by mid-2026.

Figure 1: BNM stood pat on OPR for the 2nd straight meeting in November



Source: BNM, DOSM, HLBB Global Markets Research

Figure 2: Resilient growth outlook and well-contained inflation support the case for an extended OPR pause



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

4-Sept-2025	6-Nov-2025
At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 2.75%. The latest indicators point towards continued expansion in global growth, supported by sustained consumer spending and front-loading activities. The conclusion of many trade negotiations has to some extent eased global uncertainty. The global growth outlook would remain supported by positive labour market conditions, less restrictive monetary policy and fiscal stimulus. Nonetheless, trade policy developments are still expected to weigh on global growth going forward, as announced tariff rates take effect and the frontloading activity dissipates. Downside risks remain, albeit to a lesser degree arising from potentially higher tariffs, especially product-specific ones, and escalations in geopolitical tensions. These lingering uncertainties could lead to greater volatility in the global financial markets and commodity prices. Upside potential includes favourable outcomes from remaining US trade negotiations and pro-growth policies in major economies. The Malaysian economy expanded by 4.4% in the first half of 2025, underpinned by sustained spending and investment activities, and is on track to grow between 4% and 4.8% in 2025. Moving forward into 2026, growth will continue to be supported by resilient domestic demand. Employment, wage growth and income-related policy measures will remain supportive of household spending. The expansion in investment activity will be driven by the progress of multi-year projects in both the private and public sectors, the continued high realisation of approved investments, as well as the ongoing implementation of catalytic initiatives under the national master plans and the Thirteenth Malaysia Plan (RMK13). This outlook remains subject to uncertainties, in particular surrounding global developments. Downside risks to the growth outlook remain from slower global trade, weaker sentiment, as well as lower-than-expected commodity production. Meanwhile, favourable outcomes from remaining US trade negotiations, pro-growth policies in major economies, continued demand for electrical and electronic goods, and robust tourism activity could raise Malaysia's export and growth prospects. Headline and core inflation averaged 1.4% and 1.9% in the first seven months of the year, respectively. Headline inflation for 2025 and 2026 is expected to remain moderate amid contained global cost conditions. The easing trend in global commodity prices is expected to contribute to moderate domestic cost conditions. Core inflation is expected to remain stable and close to the long-term average, reflecting continued expansion in economic activity and the absence of excessive demand pressures. This trend is expected to continue going into 2026. In this environment, the overall impact of the announced and upcoming domestic policy reforms on inflation is expected to be contained. 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.	At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 2.75%. The latest indicators point towards a continued expansion in global growth. While the impact of higher tariffs would continue to weigh on global growth, the outlook remains supported by resilient labour market conditions, moderating inflation, less restrictive monetary policy and supportive fiscal policy. The conclusion of more trade negotiations has, to some extent, eased global uncertainty. Downside risks remain, arising from potentially higher tariffs, especially product-specific ones, and escalation in geopolitical tensions. Additionally, there are concerns over the elevated valuations in financial markets. Upside potential includes a milder tariff impact on economic activity and pro-growth policies in major economies. For the Malaysian economy, latest developments indicate better-than-expected growth in the third quarter, driven by sustained domestic demand, resilient electrical and electronics (E&E) exports, and recovery in commodity production. Looking ahead, resilient domestic demand will continue to support growth going into 2026. Employment, wage growth and income-related policy measures will remain supportive of household spending. The expansion in investment activity will be driven by the progress of multi-year projects in both the private and public sectors, the continued high realisation of approved investments, as well as the ongoing implementation of catalytic initiatives under national master plans and the Thirteenth Malaysia Plan (RMK13). Measures under Budget 2026 will also support growth. This growth outlook remains subject to uncertainties, in particular surrounding global developments. Downside risks to the growth outlook remain from slower global trade, weaker sentiment, as well as 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 robust tourism activity. Year-to-date, headline and core inflation averaged 1.4% and 1.9%, respectively. Moving forward, headline inflation is expected to remain moderate in 2026 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. In this environment, the overall impact of the implemented domestic policy reforms on inflation in 2026 is expected to be limited. 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. The meeting also approved the schedule of MPC meetings for 2026. In accordance with the Central Bank of Malaysia Act 2009, the MPC will convene six times during the year. The Monetary Policy Statement will be released at 3:00 p.m. after each MPC meeting.

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