BNM MPC Meeting (5-November)

November MPC: OPR Holds at 2.75%, but Hike Risk Builds for 1Q27

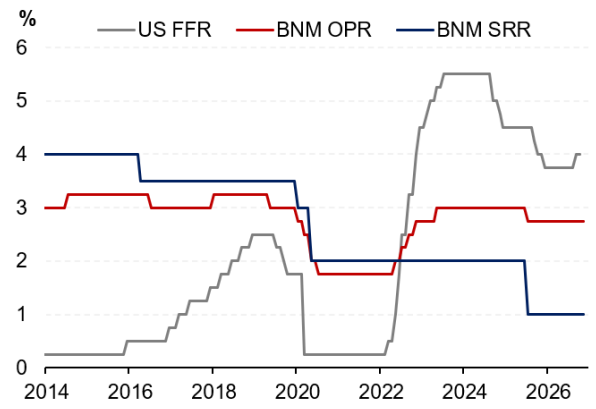
- **Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) kept the Overnight Policy Rate (OPR) at 2.75%** at its sixth and final meeting of the year, in line with our house view and market expectations.
- **Policy statement:** The MPC said the current policy setting remains appropriate to support price stability and sustainable growth. The statement was largely unchanged from the previous meeting. BNM also kept its forward guidance, pledging to closely monitor incoming data and risks to the inflation and growth outlook. The decision reinforces BNM's data-dependent approach.
- **Growth momentum strengthens on resilient demand and exports, with inflation pressures still manageable**
  - **Growth:** BNM struck a more upbeat tone. Recent indicators point to sustained momentum in 3Q26, driven by robust exports and resilient domestic demand. BNM now expects 2026 GDP growth to exceed 5.0%, signalling greater confidence in the near-term outlook. Growth should stay resilient in 2027, underpinned by the global technology upcycle, firm tourism and supportive domestic demand. Stable labour market conditions, continued investment and Budget 2027 measures should further support consumption.
  - **Inflation:** Inflation remains contained, with headline and core inflation averaging 1.8% and 1.9% year-to-date. BNM expects price pressures to rise modestly in 2027 on geopolitical uncertainty, elevated commodity prices and weather-related disruptions. Even so, it sees inflation staying within a manageable range, helped by existing policy measures and stable demand.
  - **Risk:** BNM kept a balanced view of growth risks. Externally, downside risks stem from persistent geopolitical tensions, tighter global financial conditions, elevated asset valuations and fiscal vulnerabilities. Upside risks from stronger tech spending and a faster recovery in global supply chains offset these. Domestically, a prolonged Middle East conflict and weaker commodity production remain key risks. Stronger global growth, firmer tech exports and higher tourism could lift growth further.
- **Outlook: We expect a potential 25 bps hike to 3.00% in 1Q27, followed by a long hold through 2027**
  - **OPR outlook:** The statement supports our view that BNM prefers policy normalisation over a full tightening cycle. Growth momentum remained resilient, with 3Q26 GDP growth at 5.3%. We expect BNM to deliver a single 25 bps hike to 3.00% in 1Q27, then stay on hold. With most major central banks tightening, a stale OPR risks widening rate differentials and pressuring the ringgit, while a modest pickup in 2027 inflation would erode the real OPR. Inflation remains benign at 1.8% in September, but persistent geopolitical tensions warrant a measured shift towards more neutral policy settings. That said, BNM is likely to retain a data-dependent approach and will assess the evolution of inflationary pressures before proceeding with any policy adjustment.
  - **GDP forecast:** BNM's assessment supports our view that the outlook remains broadly constructive, though risks are tilting. We keep our 2026 GDP growth forecast at 5.3% (2025: 5.2%), backed by resilient domestic demand, robust services and sustained investment in AI and digital infrastructure. E&E demand from AI and data centre expansion should continue to support manufacturing, while tourism adds a further tailwind. Growth should moderate in 4Q26 as front-loading fades and trade momentum normalises. Still, firm labour market conditions and continued investment should cushion external headwinds. Looking ahead, we maintain our GDP growth forecast at 5.0% in 2027 (2026F: 5.3%). The high 2026 base and slower manufacturing point to softer momentum in 2027, but domestic fundamentals remain supportive.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
4.85% (+0.25%)	Australia	Cash Rate	Nov-26
2.50% (+0.25%)	Canada	Overnight Rate	Oct-26
5.50% (+0.50%)	Philippines	Target Reverse Repurchase	Oct-26
1.25% (+0.25%)	Japan	Overnight Call Rate	Sep-26
3.75% - 4.00% (+0.25%)	USA	Funds Rate Target	Sep-26
2.50% (+0.25%)	Euro Area	Key Deposit Facility Rate	Sep-26
2.75% (+0.25%)	New Zealand	Official Cash Rate	Sep-26
3.00% (+0.25%)	South Korea	Base Rate	Aug-26
5.75% (+0.25%)	Indonesia	BI Rate	Jun-26
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
3.75% (-0.25%)	UK	Base Rate	Dec-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-25
3.00% (-0.10%)	China	Loan Prime Rate (1Y)	May-25

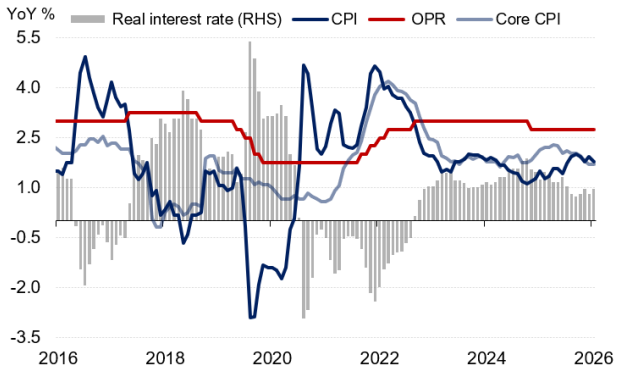
Source: Bloomberg, Kenanga Research

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	No change

Source: Bank Negara Malaysia, Kenanga Research

Table 2: MPC Meeting Schedule for 2027 / KIBB Outlook

No.	Date		KIBB Research Outlook	BNM Decision
1st	21 January (Thu)	☐	25 bps hike	
2nd	4 March (Thu)	☐	No change	
3rd	6 May (Thu)	☐	No change	
4th	8 July (Thu)	☐	No change	
5th	9 September (Thu)	☐	No change	
6th	4 November (Thu)	☐	No change	

Source: Bank Negara Malaysia, Kenanga Research

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