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2Q25 GDP Growth:	+4.4%
2025 GDP Growth Forecast:	+4.2%
7M25 Headline Inflation:	+1.4%
2025 Headline Inflation Forecast:	+1.9%
BNM OPR:	2.75%
End-2025 OPR Forecast:	2.75%

BNM MPC Meeting

Neutral tone while tariff risks loom

- BNM held the OPR at 2.75% in its September MPC meeting, in line with expectations.
- Policy tone turned more balanced, noting both downside risks and upside potentials in the global landscape, while projecting inflation to stay moderate into 2026.
- We believe the materialisation of tariff risks could prompt BNM to reassess risks and adjust its policy path ahead.
- We share BNM's view that domestic demand remains resilient for now, while remaining mindful that sector-specific tariffs could trigger broader growth spillovers.
- We see scope for a 25-bp cut in 2026 if tariffs intensify, though BNM's neutral tone suggests no urgency to ease. We keep our OPR forecast at 2.75% through 2025 and 2026.

OPR kept steady in September

Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 2.75% in its September Monetary Policy Committee (MPC) meeting, in line with expectations. This marks the first hold since July's pre-emptive 25-bp cut, which was aimed at cushioning downside risks from external headwinds.

Figure 1: MPC meeting decisions for 2025

No. of Meetings	Date	BNM Decision
1st	22 January 2025	Unchanged (3.00%)
2nd	6 March 2025	Unchanged (3.00%)
3rd	8 May 2025	Unchanged (3.00%)
4th	9 July 2025	25-bp cut (2.75%)
5th	4 September 2025	Unchanged (2.75%)
6th	6 November 2025	

Source: BNM

BNM's tone turns more neutral

BNM struck a more balanced tone on the economic outlook. On the global front, the MPC acknowledged downside risks from *"potentially higher tariffs, especially product-specific ones,"* but also pointed to upside potential from *"favourable outcomes in ongoing US trade negotiations and pro-growth policies in major economies."*

Domestically, BNM reiterated that growth will remain supported by resilient household spending and investment, with additional support likely from Budget 2026 measures as Malaysia enters an election cycle. BNM also noted that the gradual pace of subsidy rationalisation will help sustain private consumption. Thus, BNM reaffirmed its 2025 GDP growth forecast of 4.0-4.8%.

On the inflation front, BNM now expects *"the easing trend"* in global commodity prices to contribute to moderate domestic inflation. Core inflation is projected to stay stable into 2026, supported by the absence of demand-driven pressures. In our view, this slightly more dovish inflation assessment suggests some room for further policy easing if needed.

Tariff developments could change BNM's risk assessment

While BNM's tone is overall neutral, the central bank reiterated its stance that the risks to growth remain *"on the downside"*. We believe BNM is comfortable with the current level, but could shift towards a dovish stance should unfavourable tariff developments materialize and threaten growth momentum.

As detailed in our recently released [GDP report](#), we believe tariff-related risks have increased over the past months. When BNM eased in July, reciprocal US tariffs were set at 25%, forming

the baseline of its revised 2025 GDP forecast of 4.0–4.8% YoY. Since then, while Malaysia's reciprocal tariff has been reduced to 19%, the Trump administration has launched Section 232 investigation on semiconductors and furniture imports for potential tariffs (Figure 2). We estimate that a 100% semiconductor tariff (with partial exemptions) together with furniture tariffs could push Malaysia's effective tariff rate above 35%, higher than BNM's 25% baseline.

Figure 2: Timeline of tariff developments and BNM decisions

Date	Event
8 July 2025	US announced 25% tariff on Malaysia's exports to US
9 July 2025	BNM reduced the OPR by 25 bps to 2.75%
28 July 2025	BNM revised its 2025 growth forecast to 4.0–4.8% (from 4.5–5.5%)
1 August 2025	US set Malaysia's tariff rate at 19%
7 August 2025	US touted potential 100% tariff on semiconductor
15 August 2025	Trump said US semiconductor tariffs could reach 200–300%
15 August 2025	Malaysia's 2Q25 GDP release (4.4% YoY)
24 August 2025	US launched tariff investigation into furniture imports
4 September 2025	BNM maintained the OPR at 2.75%

Source: Various news, Apex Securities

Growth risks tilted to downside

We share BNM's view that domestic demand remains resilient for now. The latest 2Q25 GDP print indicated solid private consumption and investment, supporting our **2025 baseline GDP forecast of +4.2% YoY** under the current 19% tariff scenario. On a positive note, a federal appeals court in August ruled that President Trump overstepped his authority in imposing country-level tariffs under the International Emergency Economic Powers Act (IEEPA). The final outcome remains uncertain, pending the administration's appeal to the Supreme Court.

Nonetheless, sector-specific tariffs could have broader spillovers. Beyond weaker exports, risks include labour market softening and reduced FDI, particularly if semiconductor firms shifted their production to the US. The export-oriented segment of the manufacturing sector accounts for c.10.9% of total employment. If sectoral tariffs are implemented, growth could ease toward 4.0% in 2025 and slip further to 3.6–3.9% in 2026.

Scope for easing but no urgency to cut for now

We continue to see scope for a further 25-bp cut in 2026 if tariffs intensify. A rate cut would ease borrowing costs, keep domestic firms competitive, and underpin investment. A firmer ringgit, supported by narrowing US-Malaysia rate differentials on anticipated Fed pivots, alongside stable inflation, would also lower the hurdle for easing. Bloomberg's implied OPR path from ringgit interest rate swaps reflects this view, pointing to one cut over the next year (Figure 3).

That said, judging by BNM's neutral tone, there is no urgency to cut. BNM will likely remain data-dependent and access the transmission of July's cut through early 2026 before further moves. For now, we maintain our forecast for **OPR to stay at 2.75%** through 2025 and 2026.

Figure 3: Ringgit interest rate swap pointed to one rate cut over the next year

Country	Policy				Implied Policy					Total Change 1Y
	Rate	Effctv	Basis	Meeting	3M	6M	1Y	2Y	3Y Curve	
Asia/Pacific										
1) Australia	3.60	3.590	-1.0	09/30	3.33	3.21	3.16	3.35	3.58	-44
2) New Zealand	3.00	3.000	0.0	10/08	2.66	2.56	2.66	3.03	3.42	-34
3) Japan	0.50	0.478	-2.2	09/19	0.62	0.73	0.90	1.14	1.23	40
4) China	1.40	1.470	7.0		1.51	1.48	1.41	1.48	1.56	1
5) India	5.50	5.390	-11.0	10/01	5.57	5.45	5.47	5.74	6.05	-3
6) Korea	2.50	2.530	3.0	10/23	2.42	2.32	2.27	2.39	2.57	-23
7) Malaysia	2.75	3.210	46.0	09/04	2.71	2.65	2.56	2.54	2.66	-19
8) Philippines	5.00	5.017	1.7		4.99	4.83	4.59	4.96	4.86	-41
9) Thailand	1.50	1.495	-0.5	10/08	1.24	1.01	0.92	0.98	1.12	-58
10) Taiwan	2.00	1.678	-32.2	09/18	1.98	1.98	1.97	1.97	2.12	-3
11) Hong Kong	1.04	3.012	197.2		1.08	0.98	0.83	0.70	0.85	-21

Source: Bloomberg, Apex Securities

Figure 4: Ringgit has appreciated by 5.6% YTD against the greenback



Source: Bloomberg, Apex Securities

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.
