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4Q25 Advance GDP Growth:	+5.7%
2025 GDP Growth Forecast:	+4.7%
2026 GDP Growth Forecast:	+4.3%
2025 Export Growth:	+6.5%
2026 Export Growth Forecast:	+4.8%
11M25 Unemployment Rate:	3.0%
2025 Unemployment Rate Forecast:	3.0%
2026 Unemployment Rate Forecast:	3.1%
2025 Headline Inflation:	+1.4%
2026 Headline Inflation Forecast:	+1.8%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

BNM MPC Meeting

Cautious optimism with stable OPR outlook

- **BNM maintained the OPR at 2.75% in its January MPC meeting, in line with expectations.**
- **BNM expects global growth to be supported by robust tech investment. Domestically, growth will be underpinned by steady labour market conditions, income-related measures and investment in mega infrastructure and smaller-scale public projects.**
- **Headline inflation will stay moderate in 2026 amid easing global commodity prices, while core inflation remains stable in the absence of excessive demand pressures.**
- **Overall, BNM holds a cautiously optimistic view on the growth outlook. While forecasts are kept unchanged for now, there may be room for upward revisions, with any adjustment earliest in March alongside the Annual Report release.**
- **BNM highlighted that the current monetary stance remains appropriate, noting that only a much stronger growth trajectory or a material reduction in external uncertainties would warrant a rate hike to the previous 3.00% level.**
- **Given the upside bias to growth and a benign inflation environment, we expect BNM to keep the OPR at 2.75% through 2026.**

OPR kept at 2.75%

Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 2.75% at its first Monetary Policy Committee (MPC) meeting of the year, in line with our view and market expectations.

BNM strikes a cautiously optimistic tone

BNM remains positive on the global outlook, citing stronger-than-expected growth in 2025. While tariff-related risks remain, BNM expects global growth to stay resilient, supported by robust technology investment, a notable addition to previous statements. That said, the MPC statement flagged potentially higher tariffs, geopolitical tensions and heightened volatility in global financial markets as downside risks to growth.

Domestically, BNM expects growth to be at the upper end of its official forecast range of 4.0-4.8% YoY in 2025, supported by resilient domestic demand, with momentum expected to sustain into 2026. The MPC reiterated that steady labour market conditions and income-related measures should continue to underpin household spending. On investment, BNM highlighted that in addition to multi-year infrastructure projects, new smaller-scale public projects are expected to provide additional support.

On the external front, BNM anticipates Malaysia to benefit from the robust E&E exports amid the ongoing tech upcycle, while tourism continues to provide upside. Budget 2026 has allocated over RM700m to tourism-related initiatives, including Visit Malaysia 2026 and promotion activities. BNM also pointed to steady tourist inflows from key markets such as India and China, with increasing flight connectivity providing tailwinds.

Modest inflation outlook

BNM expects headline inflation to remain modest in 2026, supported by easing global commodity prices. Core inflation is projected to stay stable, reflecting continued economic expansion without excessive demand pressures. The official inflation forecast range of 1.3-2.0% YoY for 2026 is in line with our forecast of +1.8%.

Key takeaways from BNM engagement

Overall, BNM holds a cautiously optimistic view on the growth outlook. Domestic demand remains the key growth anchor, while the external sector is the main swing factor in 2026. While export trends have been more resilient than previously thought, they remain vulnerable to tariff and geopolitical uncertainties. Meanwhile, BNM noted that the impact of a stronger ringgit on exports is likely to be mitigated by Malaysia's reduced sensitivity to currency fluctuations, as producers increasingly rely on better product offering to maintain competitiveness. While BNM

is keeping its forecasts for now, there may be room for upward revisions, with any adjustment earliest in March alongside the Annual Report release.

In addition, BNM highlighted its positive view on the ongoing technology upcycle, noting that World Semiconductor Trade Statistics (WSTS) projects the semiconductor uptrend to extend into 2026, supported by digitalisation demand and rising capex among major players. While acknowledging valuation risks in the early stages of the tech upcycle, BNM views any mild correction as healthy and supportive of a more sustainable growth. Overall, Malaysia stands to benefit from the tech upcycle.

More importantly, BNM reiterated that the pre-emptive 25-bp cut in July 2025 was intended to insure against external headwinds rather than to rescue growth, with baseline conditions remaining solid at the time. According to BNM, this assessment remains unchanged. While the external sector has proven more resilient than previously thought, uncertainties surrounding tariffs and geopolitical tensions persist. As such, the current monetary stance remains appropriate. BNM noted that only a much stronger growth trajectory or a significant easing in external uncertainties would warrant a hike to the previous 3.00% OPR level.

Upside to 2026 growth; external risks remain

We share BNM's view that domestic demand will remain the key growth anchor, with the external sector as the main swing factor. As detailed in our recently released [4Q25 advance GDP report](#), tariffs are likely to remain a central policy theme under the Trump administration, posing ongoing uncertainty to the global trade outlook. Meanwhile, potential semiconductor-related tariffs remain the key risk for Malaysia's export-oriented industries.

Thus, we **maintain our 2026 GDP growth forecast at +4.3% YoY** for now. We will closely monitor near-term manufacturing and trade indicators, including the final 4Q25 GDP release on 13 February. The advance estimate surprised on the upside at +5.7%, led by strong manufacturing activity amid improving nominal exports. **A sustained positive momentum into early 2026 could warrant an upward revision to our GDP forecast.**

OPR to stay pat

The MPC statement retained its guidance that *"the MPC considers the monetary policy stance to be appropriate and supportive of the economy amid price stability,"* pointing to a stable policy outlook. Given the upside bias to growth and a benign inflation environment, we expect BNM to **keep the OPR at 2.75%** through 2026.

Figure 1: MPC meeting decisions for 2026

No. of Meetings	Date	BNM Decision
1st	22 January 2026	Unchanged (2.75%)
2nd	5 March 2026	
3rd	7 May 2026	
4th	9 July 2026	
5th	3 September 2026	
6th	5 November 2026	

Source: BNM

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.
