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2025 GDP Growth	+5.2%
2026 GDP Growth Forecast:	+4.7%
2025 Export Growth:	+6.4%
2026 Export Growth Forecast:	+4.8%
2025 Unemployment Rate	3.0%
2026 Unemployment Rate Forecast:	3.0%
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

Stable OPR outlook despite rising external risks

- **BNM maintained the OPR at 2.75% in its March MPC meeting, in line with expectations.**
- **The policy tone turned more cautious on the global economic outlook amid the Middle East conflict, while maintaining a sanguine outlook on domestic growth and inflation.**
- **We see no urgency for BNM to ease, barring an unexpected deterioration in growth below BNM's forecast.**
- **Given the sanguine growth outlook and benign inflation environment, we expect BNM to maintain the OPR at 2.75% through 2026.**

OPR kept at 2.75%

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

Figure 1: MPC meeting decisions for 2026

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

Source: BNM

BNM's tone turns more cautious

Globally, BNM struck a more cautious tone on the economic outlook. Notably, the MPC flagged that *"downside risks have risen"* due to escalating geopolitical tensions and heightened volatility in global financial markets. BNM highlighted that the Middle East conflict remains fluid, with the impact on the global economy depending on *"the length and severity of the conflict."* Importantly, the MPC also noted concerns over *"potentially higher tariffs."*

Domestically, BNM remains optimistic on the growth outlook. The MPC highlighted that the robust growth momentum in 2025 is expected to sustain into 2026, with domestic demand supported by resilient labour market conditions, policy measures and sustained investment activity, while the external sector will be underpinned by strength in electrical and electronics (E&E) exports. That said, the growth outlook remains subject to downside risks from the recent Middle East conflict.

On the inflation front, BNM reiterated its modest inflation outlook. While acknowledging that global commodity prices may remain volatile amid rising geopolitical tensions, the impact on domestic inflation is expected to remain modest. Meanwhile, core inflation is projected to remain stable in the absence of demand-driven pressures. This is in line with our modest inflation forecast of 1.8% in 2026 (2025: 1.4%), as the RON95 price cap should limit the pass-through of higher crude oil prices to inflation.

Key takeaways from MPC statement and BNM engagement

The Middle East conflict has added to the downside risks in BNM's assessment. In context, BNM previously guided that the pre-emptive 25-bp cut in July 2025 was intended to insure against external headwinds, particularly tariff uncertainties, rather than to rescue growth. With the growth outlook now increasingly tilted to the downside, this further reinforces BNM's view that the current monetary stance remains appropriate.

Nonetheless, we concur with BNM that the domestic growth outlook remains sanguine. BNM highlighted that Malaysia remains a net energy exporter, even as the country has increasingly imported crude oil for processing into petroleum products. As such, Malaysia should be relatively shielded from commodity price volatility stemming from geopolitical tensions. Furthermore, Malaysia's exports have proven more resilient than expected, supported by sustained E&E demand amid the AI-led technology upcycle.

More importantly, BNM highlighted that Malaysia's economic fundamentals have strengthened alongside meaningful structural developments. Malaysia has progressed towards higher-value product offerings, particularly in E&E, securing a more critical position in the global value chain. Domestically, data centre investments have reshaped the investment landscape, supporting productive capacity through ICT-related services. Notably, Malaysia recorded a services account surplus of 0.2% of GDP in 2025, the first in 14 years.

No immediate threat to Malaysia's growth outlook

Overall, Malaysia's growth and inflation outlook remain intact. As such, we see no urgency for BNM to ease, barring an unexpected deterioration in growth below BNM's forecast. While BNM currently maintains its 2026 growth forecast of 4.0–4.5%, the updated projection will be released alongside the Annual Report on 31 March 2026.

We will closely monitor developments in the Middle East conflict and US tariff policies. For now, we believe the narrative of sustained growth momentum into 2026 remains intact. We therefore **maintain our 2026 GDP forecast at +4.7%** (2025: +5.2%), with **inflation expected to remain modest at 1.8%** (2025: +1.4%).

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 sanguine growth outlook and benign inflation environment, we expect BNM to **maintain the OPR at 2.75%** through 2026.

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.
