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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:	+2.1%
End-2025 OPR	2.75%
End-2026 OPR Forecast:	2.75%

BNM MPC Meeting

BNM to remain data-dependent

- **BNM kept the OPR at 2.75% at its May MPC meeting, in line with our expectations.**
- **The policy tone was slightly cautious, particularly on the balance of risks surrounding the growth and inflation outlook amid fluid Middle East developments.**
- **BNM will remain data-dependent. While the hurdle for a rate hike remains high, a rate cut cannot be ruled out should the conflict materially weigh on the domestic economy.**
- **Given that the growth and inflation outlook remain intact, we continue to expect BNM to maintain the OPR at 2.75% through 2026.**

OPR maintained at 2.75%

Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 2.75% at its May 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	Unchanged (2.75%)
4th	9 July 2026	
5th	3 September 2026	
6th	5 November 2026	

Source: BNM

BNM's tone remains cautious amid external uncertainties

BNM struck a slightly cautious tone, particularly on the balance of risks surrounding the growth and inflation outlook, as it has now been more than two months since the onset of the Middle East conflict.

On the global front, the MPS flagged that sharp increase in energy and commodity prices, alongside supply chain disruptions stemming from the Middle East conflict are *“beginning to weigh on global growth momentum”*. Nonetheless, BNM acknowledged upside risks from a potential de-escalation of the conflict, improving supply chain conditions, stronger technology spending and pro-growth policy measures in key economies.

Domestically, BNM highlighted that the duration and severity of the conflict will drive Malaysia's growth and inflation outlook. That said, BNM remains constructive on the domestic economy at this juncture, reiterating that Malaysia's strong fundamentals will continue to underpin resilience. In particular, resilient household spending, ongoing investment activity and sustained strength in electrical and electronics (E&E) exports are expected to remain key growth drivers. Tourist spending is also expected to remain supportive, albeit at a more moderate pace.

On inflation, BNM noted that higher global commodity prices are expected *“to raise domestic cost pressures, causing inflation to edge higher”*. Nonetheless, BNM reiterated that inflation should remain contained, supported by domestic policy measures and stable demand conditions that help mitigate the pass-through of higher external costs pressures.

Policy to remain data-dependent

Importantly, the MPS retained its guidance that the MPC will continue to *“assess the balance of risks surrounding the outlook for domestic inflation and growth”*, suggesting that BNM's monetary policy decisions will remain data-dependent amid highly fluid Middle East developments.

That said, we think the hurdle for a rate hike remains high even if inflation edges up, as current price pressures are mainly supply-driven. Tightening policy against the backdrop of a supply shock could risk exacerbating downside pressures on growth.

On the other hand, prolonged supply chain disruptions or weaker global growth could materially weigh on the domestic economy, pushing growth towards the lower end of BNM's 4.0-5.0% projection range. In such a scenario, a rate cut cannot be ruled out, especially if BNM judges that the pre-emptive 25-bp cut in July last year is no longer sufficient to cushion growth.

OPR to stay pat

Overall, we believe Malaysia's growth and inflation outlook remains broadly intact, suggesting no urgency for BNM to adjust its monetary policy stance at this juncture. We maintain our 2026 GDP forecast at +4.7% (2025: +5.2%), while inflation is expected to trend moderately higher to +2.1% (2025: +1.4%). As such, we continue to 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.
