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|-----------------------------------|--------|
| 2025 GDP Growth                   | +5.2%  |
| 2026 GDP Growth Forecast:         | +4.7%  |
| 2025 Export Growth:               | +6.4%  |
| 2026 Export Growth Forecast:      | +16.3% |
| 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

### Stable OPR outlook as external conditions improve

- BNM kept the OPR at 2.75% at its July MPC meeting, in line with our expectations.
- The policy tone turned slightly more positive, with improving supply conditions and prices of key commodities supporting the global and domestic growth outlook.
- Nonetheless, BNM expects further upward pressure on inflation, underscoring its continued caution on the inflation outlook.
- We believe BNM remains comfortable with the current OPR level. However, the policy stance could turn more hawkish should there be signs of higher-than-expected inflation.
- With the growth and inflation outlook remaining broadly 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 July 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      | Unchanged (2.75%) |
| 5th             | 3 September 2026 |                   |
| 6th             | 5 November 2026  |                   |

Source: BNM

### BNM strikes a more optimistic but cautious tone

Globally, BNM struck a more positive tone on the economic outlook. Notably, the MPS highlighted resilient global growth amid strong global tech and “*improving supply conditions and prices of key commodities*”. BNM also noted that a sustained de-escalation of the Middle East conflict “*would further improve global growth momentum*”. Nonetheless, uncertainties surrounding the conflict remain, with downside risks to global growth still present.

Domestically, BNM expects resilient growth in 2Q26, underpinned by sustained domestic demand and “*stronger-than-expected export performance*”. Looking ahead, improved global prospects, robust E&E demand, a rebound in non-E&E exports and sustained tourist spending are expected to support Malaysia’s growth outlook. More importantly, BNM expects **2026 growth to be firmly within its 4.0-5.0% forecast range**.

On inflation, while price pressures remain broadly within expectations, BNM noted “*some initial pass-through of higher global cost pressures*”. With Middle East developments remaining fluid, elevated global commodity prices are expected to exert further upward pressure on inflation, underscoring BNM’s caution on the inflation outlook.

### Policy to remain data-dependent

On the timing of reversing the pre-emptive 25-bp cut in July 2025, BNM indicated that the insurance cut remains appropriate given continued uncertainties surrounding global geopolitical developments. At the same time, BNM will monitor for any signs of imbalances arising from the current policy stance.

We believe BNM remains comfortable with the current OPR level for now. However, the policy stance could turn more hawkish should there be clearer signs that elevated producer cost

pressures are passing through more broadly to consumer prices, resulting in higher-than-expected inflation.

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 monetary policy decisions will remain data-dependent.

### **OPR to stay pat**

Overall, we expect Malaysia’s growth and inflation outlook to remain 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.**

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## 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.

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## 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.

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