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| | |
|---|---|
| **2025 GDP Growth** | **+5.2%** |
| **2026 GDP Growth Forecast:** | **+5.0%** |
| **2025 Export Growth:** | **+6.6%** |
| **2026 Export Growth Forecast:** | **+26.2%** |
| **2025 Unemployment Rate** | **3.0%** |
| **2026 Unemployment Rate Forecast:** | **3.0%** |
| **2025 Headline Inflation:** | **+1.4%** |
| **2026 Headline Inflation Forecast:** | **+2.0%** |
| **End-2025 OPR** | **2.75%** |
| **End-2026 OPR Forecast:** | **2.75%** |

# BNM MPC Meeting

## Prospect of a 25-bp rate hike in 2027

- **BNM maintained the OPR at 2.75% at its September MPC meeting, in line with our view.**
- **The policy tone remained positive, with 2027 growth driven by the external sector.**
- **BNM flagged the limited spillover of external sector strength to wages, underscoring its caution over modest domestic demand despite strong headline economic growth.**
- **We see the removal of the word "appropriate" from the MPS closing paragraph as a shift towards a mildly hawkish stance.**
- **We expect the OPR to stay on hold at 2.75% in 2026, followed by a 25-bp hike in 2027.**

### OPR kept at 2.75%

Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 2.75% at its September 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 | Unchanged (2.75%) |
| 6th | 5 November 2026 | |

*Source: BNM*

### BNM's tone turns mildly hawkish

On the global front, BNM flagged that global inflation is expected to remain elevated due to the lagged pass-through of higher energy costs to consumers. Elevated inflationary pressures, coupled with uncertainties surrounding the Middle East conflict, will continue to weigh on global growth. Nonetheless, BNM noted that the sustained tech upcycle will provide broader support to the global economic outlook.

Domestically, BNM guided that the robust year-to-date growth momentum, driven by the external sector, should bring **2026 growth to "*around 5%*"**. Notably, BNM expects **growth to remain resilient in 2027**, **driven mainly by the external sector** amid robust demand for E&E, tech-related non-E&E exports and sustained tourist spending. BNM also highlighted that higher tourism spending has helped offset lower tourist arrivals following the Middle East conflict, providing further support to the external sector.

On inflation, BNM highlighted that despite elevated business costs, the pass-through to consumer prices has remained contained by policy measures and *"limited spillover of external sector strength to wages"*. This underscores **BNM's caution over modest domestic demand and muted consumer inflation despite strong headline economic growth**. The MPC emphasised that it will remain vigilant to cost pressures and domestic demand conditions.

Another important change in the September MPC statement is the closing paragraph. In the sentence *"At the current OPR level, the MPC considers the monetary policy stance to be appropriate and consistent with the outlook…"*, the word *"appropriate"* has been removed. **We see this as a shift towards a mildly hawkish stance**, giving BNM greater policy flexibility should domestic demand prove sufficiently resilient and external uncertainties ease.

## OPR to stay pat in 2026; one 25-bp hike in 2027

We share BNM's view that elevated business costs and lingering external uncertainties remain the key downside risks to the domestic economy this year. Thus, BNM is likely to adopt a wait-and-see approach and assess the headwinds in 2H26. Our 2026 baseline GDP growth forecast of +5.0% and inflation forecast of +2.0% remain within BNM's current projections. We therefore **expect BNM to keep the OPR on hold at 2.75% in 2026**.

Meanwhile, judging by BNM's mildly hawkish tone, we see scope for a 25-bp hike in 2027. We have also previously flagged the prospect of a rate hike following the stronger-than-expected 1H26 GDP performance (refer to our 2Q26 GDP report). To recap, BNM delivered a pre-emptive 25-bp cut in July 2025. Bloomberg's implied OPR path from ringgit interest rate swaps reflects this view, pointing to one hike over the next year (Figure 2).

While Middle East tensions and US tariff policy remain fluid, the risks have eased considerably, with businesses proving more resilient than anticipated. We **expect a 25-bp rate hike in 2Q27**, effectively normalising the OPR to 3.00%, when there should be greater clarity and confidence on inflation stability, domestic demand resilience and geopolitical developments.

**Figure 2: Ringgit interest rate swap pointed to one rate hike over the next year**

| | Policy | | | | Implied Policy | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Country | Rate | Efctv | Basis | Meeting | 1M | 3M | 6M | 1Y | 2Y | 3Y | 5Y | Curve |
| Asia/Pacific | | | | | | | | | | | | |
| 1) Australia | 4.35 | 4.350 | 0.0 | 09/29 | 4.44 | 4.65 | 4.72 | 4.74 | 4.57 | 4.61 | 4.85 | |
| 2) New Zealand | 2.75 | 2.750 | 0.0 | 10/28 | 2.76 | 2.91 | 3.17 | 3.50 | 3.85 | 4.01 | 4.39 | |
| 3) Japan | 1.00 | 0.977 | -2.3 | 09/18 | 1.33 | 1.36 | 1.62 | 1.99 | 2.38 | 2.53 | 2.95 | |
| 4) China | 1.40 | 1.415 | 1.5 | | 1.43 | 1.42 | 1.42 | 1.40 | 1.43 | 1.51 | 1.62 | |
| 5) India | 5.25 | 5.080 | -17.0 | 10/07 | 5.52 | 5.68 | 6.10 | 6.34 | 6.66 | 6.70 | 6.96 | |
| 6) Korea | 3.00 | 3.120 | 12.0 | 10/22 | 2.93 | 3.18 | 3.48 | 3.76 | 3.96 | 4.02 | 4.06 | |
| 7) Malaysia | 2.75 | 3.470 | 72.0 | 09/03 | 2.72 | 2.79 | 2.91 | 2.99 | 3.01 | 2.97 | 3.21 | |
| 8) Philippines | 5.00 | 4.989 | -1.1 | | 5.14 | 5.17 | 5.45 | 5.30 | 5.51 | 5.32 | 5.73 | |
| 9) Thailand | 1.00 | 0.995 | -0.5 | 10/28 | 1.01 | 1.05 | 1.05 | 1.27 | 1.66 | 1.87 | 2.31 | |
| 10) Taiwan | 2.00 | 1.683 | -31.7 | 09/17 | 1.99 | 2.03 | 2.17 | 2.47 | 2.75 | 2.91 | 3.08 | |
| 11) Hong Kong | 1.42 | 3.030 | 161.0 | | 1.35 | 1.62 | 1.96 | 2.27 | 2.20 | 2.15 | 2.25 | |

*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



As of **Friday, 04 Sep, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.