

BNM MPC Meeting (22 January)

Keeps OPR steady as growth stays firm and inflation remains contained

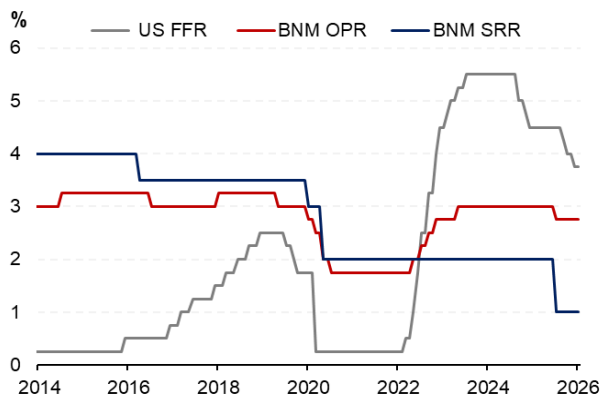
- Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) started the year by holding the Overnight Policy Rate (OPR) at 2.75%** at its first meeting of 2026, in line with our house view and market expectations.
- Policy statement:** The MPC reiterated that the current policy stance is "...appropriate and supportive of the economy amid price stability". It also reaffirmed its cautious, data-dependent approach, stating "the MPC will continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation." This mirrors previous statements and underscores the MPC's commitment to maintaining flexibility as growth and inflation dynamics evolve.
- Growth momentum to remain firm in 2026 with inflation staying controlled**
 - Growth:** The MPC expect domestic growth momentum to continue in 2026, supported by resilient domestic demand. It continues to expect that "employment, wage growth and income-related policy measures will remain supportive of household spending." Investment activity will be driven by the progress of multi-year public projects, the realisation of approved investments, and the ongoing implementation of national master plans. Externally, the MPC expect E&E exports and higher tourist spending to provide support. Upside risk could come from stronger global activity, firmer E&E demand, and tourism. However, risks remain from slower global trade, and lower commodity output. On the global front, the MPC also flagged concerns over the elevated financial markets valuations, potentially higher tariffs, and escalating geopolitical tensions.
 - Inflation:** After headline inflation eased to 1.4% in 2025, the MPC expects 2026 inflation to remain moderate amid continued easing in global cost conditions, citing "global commodity prices are expected to remain modest, contributing to contained domestic cost conditions" which aligns with our 2026 inflation forecast of 1.9%.
- Outlook: OPR to stay unchanged at 2.75% through 2026, with stability prioritised**
 - OPR outlook:** We expect the monetary stance to remain steady through 2026, with the current 2.75% level continuing to balance support for domestic activity and price stability. Policymakers are likely to stay cautious as they monitor US policy development, tariff-related effects, pass-through effects of subsidy rationalisation, and wage measures on inflation and growth outlook. A status quo remains the most likely path, barring a major global shock or sharp deterioration in external conditions.
 - GDP forecast:** We maintain a modest growth projection on the domestic economy in 2026 at 4.5% following a stronger-than-expected growth in 2025 with DOSM Advance Estimate at 4.9% points to a resilient domestic expansion. This moderation reflects our cautiously optimistic view as downside risk persist.
 - Risk:** External risk remains the key downside, particularly US policy shifts, tariff impacts, and China's uneven recovery. While this could weigh on export-oriented sectors, the impact should be limited as Malaysia's exports remain supported by strong demand in E&E sector amid continued demand in AI, 5G, and EVs. Strong labour market conditions, tourism boost, and targeted fiscal measures should help cushion risks and preserve overall macro stability.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
0.75% (+0.25%)	Japan	Overnight Call Rate	Dec-25
3.75% (-0.25%)	UK	Base Rate	Dec-25
1.25% (-0.25%)	Thailand	Repo Rate	Dec-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
4.50% (-0.25%)	Philippines	Target Reverse Repurchase	Dec-25
2.25% (-0.25%)	New Zealand	Official Cash Rate	Nov-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
4.75% (-0.25%)	Indonesia	BI Rate	Sep-25
3.60% (-0.25%)	Australia	Cash Rate	Aug-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-25
2.00% (-0.25%)	Euro Area	Key Deposit Facility Rate	Jun-25
2.50% (-0.25%)	South Korea	Base Rate	May-25
3.00% (-0.10%)	China	Loan Prime Rate (1Y)	May-25

Source: Bloomberg, Kenanga Research

Graph 1: US Fed Funds Rate, BNM OPR and SRR



Source: Bloomberg, Kenanga Research

Graph 2: Malaysia Real Interest Rate and BNM OPR



Source: Bloomberg, Kenanga Research

Table 2: MPC Meeting Schedule for 2026 / KIBB Outlook

No.	Date		KIBB Research Outlook	BNM Decision
1st	22 January (Thu)	<input checked="" type="checkbox"/>	No change	No change
2nd	5 March (Thu)	<input type="checkbox"/>	No change	
3rd	7 May (Thu)	<input type="checkbox"/>	No change	
4th	9 July (Thu)	<input type="checkbox"/>	No change	
5th	3 September (Thu)	<input type="checkbox"/>	No change	
6th	5 November (Thu)	<input type="checkbox"/>	No change	

Source: Bank Negara Malaysia, Kenanga Research

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my