BNM MPC Meeting (5 March)

Holds OPR steady as resilient growth and contained inflation keep policy on pause

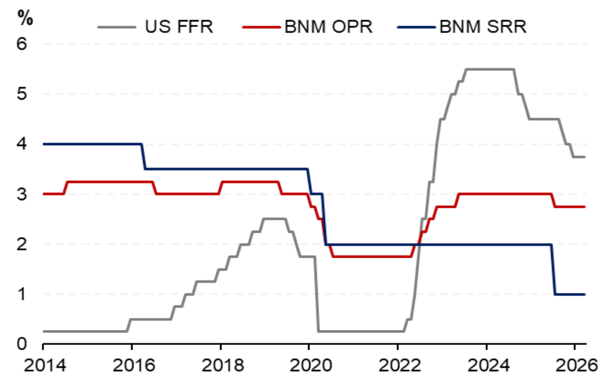
- **Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) kept the Overnight Policy Rate (OPR) unchanged at 2.75%** at its March 2026 meeting, in line with our house view and market expectations.
- **Policy statement:** The MPC reiterated that the current policy stance remains "appropriate and supportive of the economy amid price stability" and reaffirmed its data-dependent approach, stating that it will "continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation." This remains consistent with previous statement and underscores the MPC's aim to retain flexibility given rising global uncertainty.
- **BNM sees steady growth and contained inflation amid global uncertainty**
  - **Growth:** The MPC expects growth momentum to continue in 2026. It noted that "employment, wage growth and policy measures will remain supportive of household spending." It added that "investment activity will be driven by the progress of multi-year projects in both the private and public sectors, implementation of new smaller scale public initiatives, continued high realisation of approved investments, as well as the ongoing implementation of national master plans." Externally, the MPC emphasized that the economy will benefit from "continued strength in E&E exports and higher tourist spending."
  - **Inflation:** The MPC expects inflation to remain moderate in 2026 and emphasised "the impact of global commodity price volatility on domestic inflation is expected to be contained." Core inflation is projected to stay "stable and close to its long-term average." This remains consistent with our house forecast for contained inflation in 2026 (KIBB: 1.9%).
  - **Risk:** Downside risks stem from slower global trade, weaker commodity production and elevated geopolitical uncertainty, particularly the recent conflict in the Middle East, which the MPC said has "raised uncertainty in the global economy." The MPC also provided reassurance of Malaysia's ability to withstand external shocks, noting that "the Malaysian economy is facing these challenges from a position of strength, with robust domestic growth, moderate inflation, sound financial sector and resilient external position."
- **Outlook: No change to our OPR view, policy rate is expected to stay unchanged at 2.75% through 2026**
  - **OPR outlook**: We continue to expect BNM to keep the OPR unchanged at 2.75% throughout 2026, barring unexpected global shocks or weaker-than-expected domestic demand. The current stance remains supportive of domestic activity while maintaining price stability. Growth may moderate slightly in 2H26 due to base effects, but this is unlikely to justify a rate cut, especially as fiscal policy still has room to support demand if needed.
  - **GDP forecast**: Despite heightened tensions in the Middle East, we do not expect a material near-term impact on Malaysia's economy and maintain our 2026 GDP forecast at 4.5%. Nevertheless, there is upside risk as Malaysia generally benefits from higher crude oil and Liquefied Natural Gas (LNG) prices. While Malaysia has become a net crude oil importer, it remains a major LNG exporter. Although Oil & Gas (O&G) exports fell 17.9% to RM170.5b (2024: RM207.6b) last year, imports contracted more sharply by 21.8% to RM152.5b (2024: RM194.9b), widening the O&G trade surplus to RM18.0b (2024: RM12.6b). The implementation of targeted fuel subsidy under BUDI95, together with potential refinements such as excluding high-income households, should also ease fiscal pressures. Together, these factors provide a buffer against external shocks and help cushion growth from sharper slowdown.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
4.25% (-0.25%)	Philippines	Target Reverse Repurchase	Feb-26
3.85% (+0.25%)	Australia	Cash Rate	Feb-26
0.75% (+0.25%)	Japan	Overnight Call Rate	Dec-25
3.75% (-0.25%)	UK	Base Rate	De-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.50%)	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
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

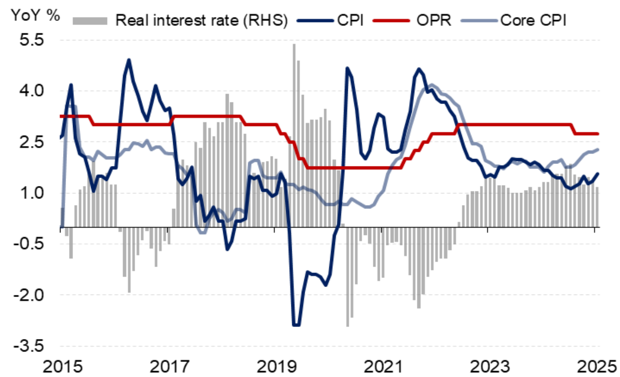
Source: Bloomberg, Kenanga Research

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)	☑	No change	No change
2nd	5 March (Thu)	☑	No change	No change
3rd	7 May (Thu)	☐	No change	
4th	9 July (Thu)	☐	No change	
5th	3 September (Thu)	☐	No change	
6th	5 November (Thu)	☐	No change	

Source: Bank Negara Malaysia, Kenanga Research

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