BNM Extends Pause at 2.75%: Resilient Domestic Activity Buffers External Risks

Economic Review
Nov-26 BNM MPC



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- BNM left the Overnight Policy Rate (OPR) unchanged at 2.75% in its Nov-26 Monetary Policy Meeting, in line with our expectations and market consensus, and the final meeting for the year. At present, the Monetary Policy Committee (MPC) views the current monetary stance as consistent with the outlook for sustained price stability and durable economic growth.
- At the domestic level, BNM highlighted that recent economic indicators point to continued growth momentum in 3QCY26, following a strong first-half expansion. Growth remained well-anchored by solid export performance alongside sustained domestic demand. Consequently, BNM currently expects that the full-year 2026 GDP growth to exceed 5.0%, with sound economic fundamentals expected to sustain resilience into 2027.
- In line with our view that Bank Negara Malaysia (BNM) kept the OPR rate unchanged for this year. At the moment, our base case expects that BNM will maintain the OPR hold through 2027, or at least in 1H27, a stance bolstered by steady economic fundamentals and contained price pressures. On growth, given the stronger-than-expected performance in the first three quarters, we see upside to existing full-year 2026 GDP growth forecast of +5.1%, which could potentially reach +5.3–5.4%.

OPR unchanged within our expectations

BNM left the Overnight Policy Rate (OPR) unchanged at 2.75% in its Nov-26 Monetary Policy Meeting, in line with our expectations and market consensus, and the final meeting for the year. At present, the Monetary Policy Committee (MPC) views the current monetary stance as consistent with the outlook for sustained price stability and durable economic growth. Overall, while the policy statement maintains a broadly consistent tone from previous meetings, it reflects growing confidence in underlying economic momentum alongside heightened awareness of persistent, energy-driven cost-push inflation. This supports our view of a prolonged rate pause, keeping the OPR steady at 2.75% for the foreseeable future.

Global outlook: Technology upcycle remains a key driver

On the global front, BNM notes that global economic activity remains resilient, supported by robust technology investment and stable labour markets. However, headline inflation has edged up due to higher energy costs and is expected to remain elevated as these cost increases continue to pass through to consumer prices. While geopolitical uncertainties in the Middle East will continue to weigh on global GDP growth amid persistent price pressures, the impact is expected to be cushioned by robust technology expenditure and ongoing supply chain adaptation. Nevertheless, we maintain that recent global financial tightening could temper the medium-term growth trajectory. BNM explicitly highlights downside risks to global growth stemming from prolonged geopolitical tensions, tighter global financial conditions from monetary policy adjustments, elevated financial market valuations, and fiscal vulnerabilities.

Domestic outlook: domestic strength is expected, but downside risk could still prevail

At the domestic level, BNM highlighted that recent economic indicators point to continued growth momentum in 3QCY26, following a strong first-half expansion. Growth remained well-anchored by solid export performance alongside sustained domestic demand. Consequently, BNM currently expects that the full-year 2026 GDP growth to exceed 5.0%, with sound economic fundamentals expected to sustain resilience into 2027. Moving

forward, the external sector will serve as a primary growth engine, underpinned by the ongoing global technology upcycle and firm tourist spending. Domestically, stable labor market conditions, ongoing investment execution, and supportive Budget 2027 measures will continue to reinforce private consumption. Nevertheless, downside risks persist, primarily from prolonged geopolitical conflicts in the Middle East and potential lower commodity output, while upside potential stems from stronger-than-expected global demand, accelerating tech export orders, and higher tourist arrivals.

Slightly higher Inflation is expected for 2027

In view of stable prices, with headline and core inflation averaged +1.8%yoy and +1.9%yoy, respectively, in the first nine months of the year. According to BNM, moving into next year, geopolitical developments, elevated global commodity prices and adverse weather conditions are expected to exert upward pressure on inflation. Consequently, both headline and core inflation are projected to trend moderately higher, though price pressures will remain well-contained, cushioned by ongoing domestic policy measures and steady demand conditions. BNM to remain vigilant to any developments in cost pressures and domestic demand conditions.

BNM to hold rate in 2027

In line with our view that Bank Negara Malaysia (BNM) kept the OPR rate unchanged for this year. At the moment, our base case expects that BNM will maintain the OPR hold through 2027, or at least in 1H27, a stance bolstered by steady economic fundamentals and contained price pressures. On growth, given the stronger-than-expected performance in the first three quarters, we see upside to our existing full-year 2026 GDP growth forecast of +5.1% (2025: +5.2%), which could potentially reach +5.3–5.4%. Nevertheless, we expect growth to moderate in the final quarter as the pace of expansion may return to more normal levels, with challenges from elevated cost pressures. Our preliminary forecast, Malaysia's GDP growth is projected to moderate to +4.6% in 2027 (2026f: +5.1%). The moderation largely reflects the normalisation of growth from a relatively high base, rather than a material weakening in underlying economic conditions. Crucially, our macro-outlook assumes the worst of the Middle East conflict has transpired, mitigating severe downside risks to the supply chain. Robust domestic fundamentals continue to underpin Malaysia's resilience against external market volatility. On the price outlook, we continue to anticipate a potential uptick in inflation to +2.0% in 2026 (2025: +1.4%yoy), consequently to 2.2% in 2027, taking into account inflationary pressure, mainly supply-driven but mitigated by ongoing policy measures. On the downside, beyond heightened geopolitical tensions, the higher tariffs imposed by the US pose downside risks to external trade. Meanwhile, prolonged elevated global bond yield performance (Despite the recent easing) may still add additional pressure to the tight financial conditions that may cause slower economic activities due to the elevated borrowing costs, as corporates become more risk averse, and exercise greater prudence. Additionally, a potential scope expansion of tariffs on the semiconductor industry threatens to disrupt Malaysia's tech sector and the broader economic outlook.

Table 1: Central Bank Policy Rate (%) for Selected Countries

	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26
Malaysia	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Indonesia	4.75	4.75	5.25	5.75	5.75	5.75	5.75	5.75
Philippines	4.25	4.50	4.50	4.75	4.75	5.00	5.00	5.50
Thailand	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Vietnam	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	2.50	2.50	2.50	2.50	2.75	3.00	3.00	3.00
India	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.50
Japan	0.75	0.75	0.75	1.00	1.00	1.00	1.25	1.25
UK	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Euro area	2.15	2.15	2.15	2.40	2.40	2.40	2.65	2.65
US	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.75-4.00	3.75-4.00

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Table 2: Monetary Policy Meeting Schedule for 2026

Meeting	Date	Expected Decision* (Pre-MPC)	Decision (Post-MPC)
1st	22 January 2026	Hold	Hold
2nd	5 March 2026	Hold	Hold
3rd	7 May 2026	Hold	Hold
4th	9 July 2026	Hold	Hold
5th	3 September 2026	Hold	Hold
6th	5 November 20256	Hold	**Hold**

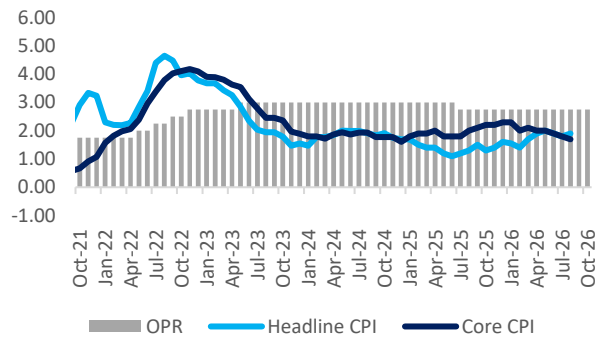
*Note: Refers to MBSBR expectations Source: BNM, MBSBR

Table 3: Side-by-side Comparison of BNM Monetary Policy Statement

3 September 2026	5 November 2026
At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 2.75%.	Bank Negara Malaysia's Monetary Policy Committee (MPC) kept the Overnight Policy Rate (OPR) unchanged at 2.75% during its meeting on 5 Nov-26.
The latest indicators point to resilient global growth, supported by strong global tech expansion, improving supply conditions and **stable labour markets**. **Inflation has edged lower in recent months but is expected to remain elevated given the lagged pass-through of energy costs to consumer prices**. **Going forward, while uncertainties surrounding the Middle East conflict will continue to weigh on global growth amid continued inflationary pressures, the impact is expected to be cushioned by sustained tech-related spending**. Downside risks to global growth remain, stemming from prolonged geopolitical tensions, tighter global financial conditions and concerns over valuations in financial markets. Upside potential includes stronger tech spending, faster-than-expected recovery in supply chain conditions and pro-growth policy measures in key economies.	Global economic activity remained resilient, supported by strong technology investment and stable labour markets. **Inflation edged higher following increased energy costs and is expected to remain elevated as higher costs continue to pass through to consumer prices**. Sustained technology-related spending and **the ongoing adaptation to supply constraints** should partially cushion the impact of geopolitical uncertainty on global growth. Nonetheless, downside risks remain from prolonged geopolitical tensions, tighter global financial conditions amid **monetary policy adjustments**, elevated financial market valuations and fiscal vulnerabilities. Conversely, stronger technology spending and a faster-than-expected recovery in supply-chain conditions could provide further upside to growth.
The Malaysian economy expanded robustly by 5.7% in the first half of 2026, despite the challenging global environment. Growth was driven by stronger-than-expected export performance amid sustained domestic demand. The solid growth momentum is expected to bring 2026 growth to around 5%, and the economy's sound fundamentals are expected to keep growth resilient in 2027. This will be driven by the external sector, which will be lifted by improved global prospects and robust demand for electrical and electronics (E&E) goods, as well as continued strength in tech-related non-E&E exports and sustained tourist spending. Stable labour market conditions and ongoing investment activity will remain supportive of domestic demand. This growth outlook remains subject to downside risks from a prolonged conflict in the Middle East and lower commodity production. Upside potential to growth could arise from better-than-expected global growth, stronger technology-related export demand and higher tourism activity.	For Malaysia, recent indicators pointed to continued strength in **economic activity in the third quarter 2026** was underpinned by robust export performance and sustained domestic demand. The solid growth momentum is expected to lift full-year growth **to above +5.0% in 2026**, while sound economic fundamentals should keep growth resilient in 2027. The external sector will remain a key growth driver, supported by the ongoing **global technology upcycle** and firm tourist spending. Stable labour market conditions and continued investment activity will underpin domestic demand, while **measures under Budget 2027 should provide further support to private consumption.** Downside risks remain centred on a prolonged Middle East conflict and lower commodity production, while stronger global growth, firmer technology-related export demand and higher tourism activity present upside potential.
Headline and core inflation in the first seven months of the year averaged 1.8% and 2% respectively. Despite elevated costs and strong economic growth, the pass-through to consumer prices has been contained by domestic policy measures and stable demand conditions amid limited spillover of external sector strength to wages. Developments surrounding the Middle East conflict remain **uncertain**, as elevated global commodity prices continue to exert upward pressure **on cost conditions**. **As these developments remain fluid, the MPC will remain vigilant to cost pressures and domestic demand conditions given their impact on the inflation outlook.**	Headline and core inflation averaged **+1.8%yoy and +1.9%yoy**, respectively, YTD. **Going into 2027, geopolitical developments, elevated global commodity prices and adverse weather conditions are expected to exert upward pressure on inflation. Consequently, headline and core inflation are expected to edge higher,** although price pressures should remain contained by domestic policy measures and stable demand conditions. The MPC will remain vigilant to cost pressures and domestic demand conditions given their implications for the inflation outlook.
At the current OPR level, the MPC considers the monetary policy stance to be consistent with the outlook of continued price stability and sustainable economic growth. The MPC will remain vigilant to ongoing developments and assess the balance of risks surrounding the outlook for domestic inflation and growth.	At 2.75%, the current OPR remains appropriate for maintaining price stability while supporting sustainable economic growth. **The latest guidance points to a continued wait-and-see stance, with BNM retaining policy flexibility as it monitors evolving cost pressures, domestic demand and geopolitical developments.** The MPC will remain vigilant to evolving conditions and assess their implications for the balance of risks surrounding Malaysia's inflation and growth outlook.

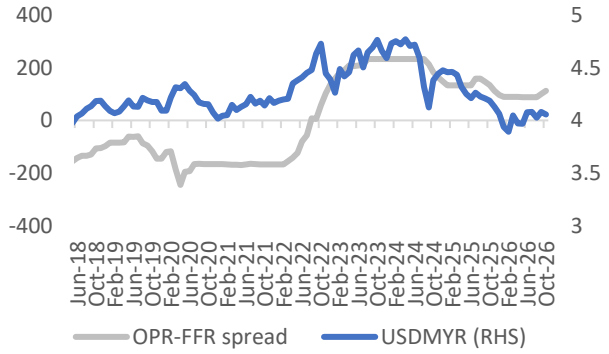
Source: BNM
Note: ***Dark blue*** text indicates newly added content. ***Dark red*** text indicates omitted from previous content.

Chart 1: Monetary Policy (%) vs Inflation (YoY%)



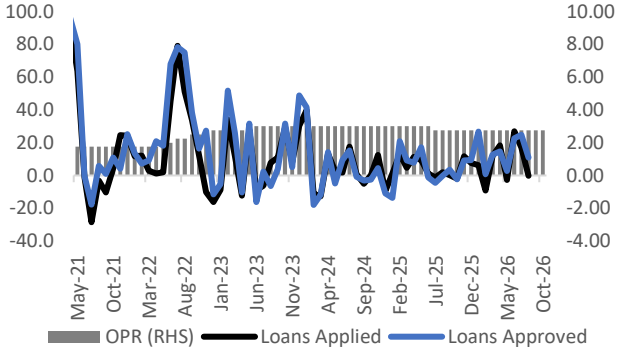
Source: Macrobond, MBSBR

Chart 2: OPR-FFR Differentials (bps) & USDMYR



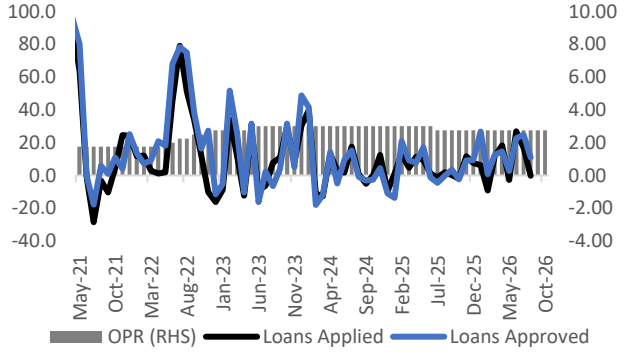
Source: Macrobond, MBSBR

Chart 3: OPR (%) vs Loan Growth (YoY%)



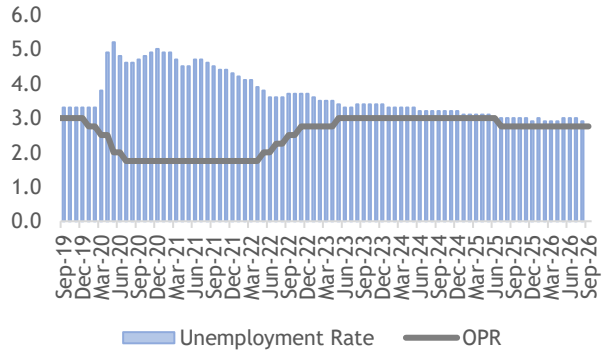
Source: Macrobond, MBSBR

Chart 4: MYR against selected currencies (YoY%)



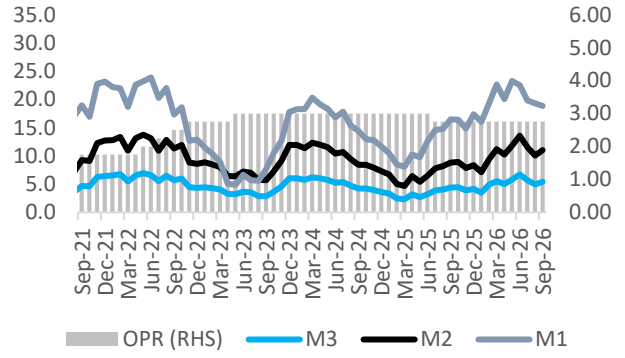
Source: Macrobond, MBSBR

Chart 5: OPR vs Unemployment Rate (%)



Source: DOSM, MBSBR

Chart 6: Money Supply (YoY%) vs OPR (%)



Source: DOSM, MBSBR

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