



OPR stays at 2.75%: Steady hands, unsteady external headwinds

4 September 2025

In a nutshell

At the September 2025 MPC meeting, BNM kept the OPR steady at 2.75% as widely expected. The decision follows a pre-emptive cut in the previous meeting in July, which was the first since July 2020.

BNM remains vigilant to external developments but has kept its assessment of the domestic economy unchanged from the previous one. BNM believes growth this year is on track to meet its forecast of 4.0%-4.8%, while growth in 2026 will continue to be supported by resilient demand.

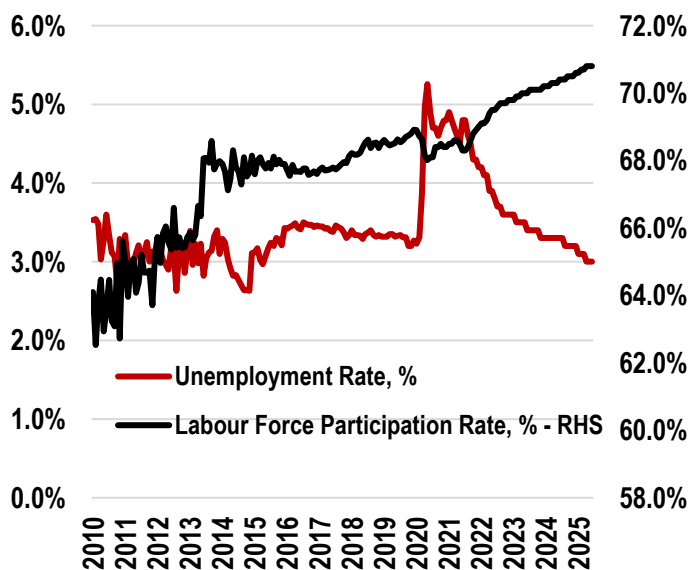
BNM reinstated its guidance on monetary stance after omitting it in the previous Monetary Policy Statement, emphasising that the current stance is appropriate and supportive of the economy amid price stability. We believe recent economic data provide a solid basis for this view. Given this, we maintain our view that the OPR will remain 2.75% for the remainder of the year.

BNM Interest Rate Decisions 2023-2025

2023		
	Date	OPR level & Change
1	18-19 January	2.75% (unchanged)
2	8-9 March	2.75% (unchanged)
3	2-3 May	3.00% (+25 bps)
4	5-6 July	3.00% (unchanged)
5	6-7 September	3.00% (unchanged)
6	1-2 November	3.00% (unchanged)
2024		
	Date	OPR level & Change
1	23-24 January	3.00% (unchanged)
2	6-7 March	3.00% (unchanged)
3	8-9 May	3.00% (unchanged)
4	10-11 July	3.00% (unchanged)
5	4-5 September	3.00% (unchanged)
6	5-6 November	3.00% (unchanged)
2025		
	Date	OPR level & Change
1	22 January	3.00% (unchanged)
2	6 March	3.00% (unchanged)
3	8 May	3.00% (unchanged)
4	9 July	2.75% (-25 bps)
5	4 September	2.75% (unchanged)
6	6 November	

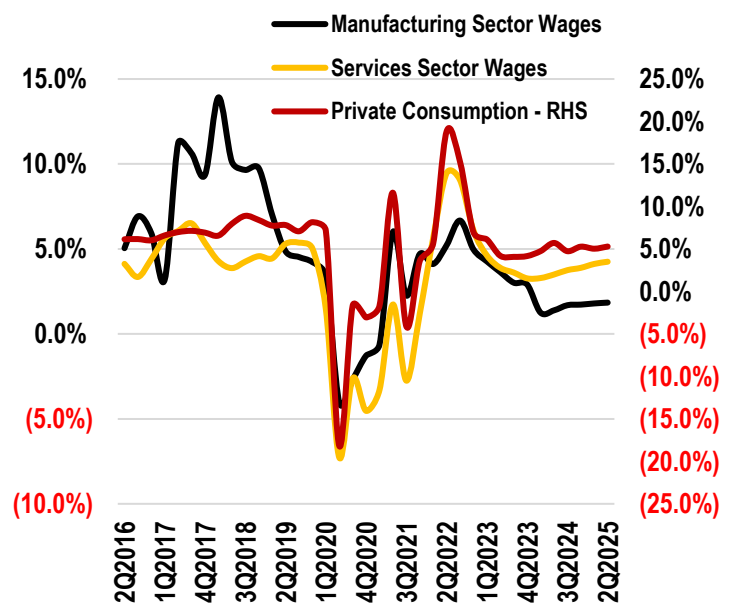
Sources: BNM, AmBank Economics

Exhibit 1: Labour Market Performance, %



Sources: DOSM, AmBank Economics

Exhibit 2: Private Consumption vs. Wage Growth, y/y%



Sources: DOSM, AmBank Economics

A pause after a pre-emptive cut

BNM kept the policy rate unchanged as widely expected.

At the September 2025 MPC meeting, BNM kept the OPR steady at 2.75% as widely expected. The decision follows a pre-emptive cut in the previous meeting in July, which was the first since July 2020.

BNM remains vigilant to external developments.

BNM remains vigilant to external developments, noting that “*downside risks remain, albeit to a lesser degree arising from potentially higher tariffs, especially product-specific ones, and escalations in geopolitical tensions*”. US President Trump announced plans to impose tariffs on semiconductors and other sectoral ones, with details expected in the coming weeks. Such measures could weigh heavily on Malaysia's exports, given that a significant share comprises semiconductors.

BNM believes growth is on track to meet its forecast of 4.0%-4.8% this year.

Nevertheless, BNM has kept its assessment of the domestic economy unchanged from the previous one, saying that growth is on track to meet its forecast of 4.0%-4.8% this year. The central bank also shared its 2026 outlook, anticipating that growth will remain supported by resilient domestic demand. Household spending is expected to benefit from favourable labour market conditions and income-related policy measures, while the progress of multi-year projects will drive investment activity, the realisation of approved investments (2024-3M2025: RM474.2 billion), and the ongoing implementation of catalytic initiatives under various national master plans and the 13th Malaysia Plan. Additional spending amid the MYR100 SARA aid supports this notion as well.

BNM emphasised that the current stance is appropriate and supportive of the economy amid price stability.

BNM reinstated its guidance on monetary stance after omitting it in the previous Monetary Policy Statement, emphasising that the current stance is *appropriate and supportive* of the economy amid price stability. We believe recent economic data provide a solid basis for this view. Given this, we maintain our view that the OPR will remain at 2.75% for the remainder of the year.

The current OPR level is supportive of economic growth

Inflation will ease further in 2H2025, but another OPR cut is unlikely.

Headline inflation has been contained for the 1H2025 before ticking slightly higher in July following the Sales and Services Tax (SST) rollout. For the record, the price pressure averaged at 1.4% y/y for the first seven months (7M2024: 1.8%), leading to our revised inflation projection in which we are now seeing the price pressure to average 1.5% this year (2024: 1.8%), at the lower bound of BNM's forecast range of 1.5% to 2.3%. We believe the upside risks to inflation are limited following the lack of domestic demand pressures. With domestic fundamentals remaining broadly solid, we maintain our view that the current OPR level is here to stay throughout the year.

Solid labour market performance, though low propensity to spend. However, private consumption, which accounts for over 60% of GDP, remains a key anchor of growth.

Moreover, the labour market continued to grow steadily, supported by key policy measures such as civil service salary adjustments, a higher minimum wage, and the Progressive Wage Model (PWM), which have helped boost disposable income. While the low inflation rate did not match the tight labour market amid lukewarm household spending, private consumption could have been significantly higher if consumer confidence had been stronger. Nonetheless, we believe private consumption will remain the key driver of economic growth in the coming months (1H2025: 5.2% vs. 2024: 5.1%).

Appendix 1: BNM Monetary Policy Statement Comparison Side by Side (July 2025 vs. September 2025)

July 2025 MPC Statement

At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to **reduce the Overnight Policy Rate (OPR) by 25 basis points to 2.75%. The ceiling and floor rates of the corridor of the OPR are correspondingly reduced to 3% and 2.5% respectively.**

The latest indicators point towards continued expansion in global growth, supported by sustained consumer spending and to some extent, front-loading activities. The global growth outlook would remain supported by positive labour market conditions, less restrictive monetary policy and fiscal stimulus. This outlook is weighed down by uncertainties surrounding tariff developments, as well as geopolitical tensions. Such uncertainties could also lead to greater volatility in the global financial markets and commodity prices.

For Malaysia, the latest developments point towards continued growth in economic activity in the second quarter, underpinned by sustained domestic demand and export growth. Moving forward, growth is expected to be supported by resilient domestic demand. Employment and wage growth, particularly within domestic-oriented sectors, as well as income-related policy measures, will support household spending. The expansion in investment activity will be sustained by the progress of multi-year projects in both the private and public sectors, the continued high realisation of approved investments, as well as the ongoing implementation of catalytic initiatives under the national master plans. Favourable trade negotiation outcomes, pro-growth policies in major economies, continued demand for electrical and electronic goods, and robust tourism activity could raise Malaysia's export prospects. However, the balance of risks to the growth outlook remains tilted to the downside, stemming mainly from a slower global trade, weaker sentiment, as well as lower-than-expected commodity production.

Headline and core inflation averaged 1.4% and 1.9% in the first five months of the year respectively. Overall, inflation in 2025 is expected to remain moderate, amid contained global cost conditions and the absence of excessive domestic demand pressures. Inflationary pressure from global commodity prices is expected to remain limited, contributing to moderate domestic cost conditions. In this environment, the overall impact of the announced and upcoming domestic policy reforms on inflation is expected to be contained.

The ringgit performance will continue to be primarily driven by external factors. Malaysia's favourable economic prospects and domestic structural reforms, complemented by ongoing initiatives to encourage flows, will continue to provide enduring support to the ringgit.

While the domestic economy is on a strong footing, uncertainties surrounding external developments could affect Malaysia's growth prospects. **The reduction in the OPR is, therefore, a pre-emptive measure aimed at preserving Malaysia's steady growth path amid moderate inflation prospects.** The MPC will continue to remain vigilant to ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation.

September 2025 MPC Statement

At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to **maintain the Overnight Policy Rate (OPR) at 2.75%.**

The latest indicators point towards continued expansion in global growth, supported by sustained consumer spending and front-loading activities. The conclusion of many trade negotiations has to some extent eased global uncertainty. The global growth outlook would remain supported by positive labour market conditions, less restrictive monetary policy and fiscal stimulus. Nonetheless, trade policy developments are still expected to weigh on global growth going forward, as announced tariff rates take effect and the frontloading activity dissipates. **Downside risks remain, albeit to a lesser degree arising from potentially higher tariffs, especially product-specific ones, and escalations in geopolitical tensions.** These lingering uncertainties could lead to greater volatility in the global financial markets and commodity prices. Upside potential includes favourable outcomes from remaining US trade negotiations and pro-growth policies in major economies.

The Malaysian economy expanded by 4.4% in the first half of 2025, underpinned by sustained spending and investment activities, and is on track to grow between 4% and 4.8% in 2025. Moving forward into 2026, growth will continue to be supported by resilient domestic demand. Employment, wage growth and income-related policy measures will remain supportive of household spending. The expansion in investment activity will be driven by the progress of multi-year projects in both the private and public sectors, the continued high realisation of approved investments, as well as the ongoing implementation of catalytic initiatives under the national master plans and the Thirteenth Malaysia Plan (RMK13). This outlook remains subject to uncertainties, in particular surrounding global developments. Downside risks to the growth outlook remain from slower global trade, weaker sentiment, as well as lower-than-expected commodity production. Meanwhile, favourable outcomes from remaining US trade negotiations, pro-growth policies in major economies, continued demand for electrical and electronic goods, and robust tourism activity could raise Malaysia's export and growth prospects.

Headline and core inflation averaged 1.4% and 1.9% in the first seven months of the year, respectively. Headline inflation for 2025 and 2026 is expected to remain moderate amid contained global cost conditions. The easing trend in global commodity prices is expected to contribute to moderate domestic cost conditions. Core inflation is expected to remain stable and close to the long-term average, reflecting continued expansion in economic activity and the absence of excessive demand pressures. This trend is expected to continue going into 2026. In this environment, the overall impact of the announced and upcoming domestic policy reforms on inflation is expected to be contained.

At the current OPR level, **the MPC considers the monetary policy stance to be appropriate and supportive of the economy amid price stability.** The MPC will continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation.

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