



BNM kept OPR steady amid Middle East tension

5 March 2026

As expected, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged at 2.75% at its second meeting of the year, aligning with market consensus amid global uncertainty, particularly from the ongoing US-Israel strike on Iran. We think that BNM remains comfortable with the current monetary policy stance, following resilient growth in 2025 and an easing inflation outlook.

BNM's latest monetary policy statement (MPS) showed very little tweak to its tone or overall assessment. BNM acknowledged that downside risks to the global growth outlook have increased, while noting that the extent of the impact will depend on the length and severity of the conflict. On the inflation front, BNM indicated that inflationary pressures arising from greater volatility in global commodity prices are expected to be contained, an assessment with which we agree, given the government's continued fuel subsidies and a stronger ringgit (compared to the previous episode of high global inflation during the Russia-Ukraine military conflict).

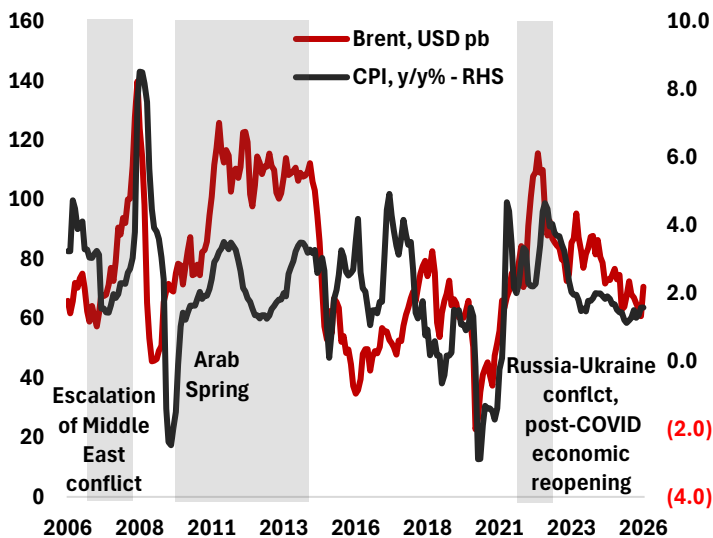
We believe BNM remains cautious, recognising that households and businesses are likely to face rising costs amid the "absence of excessive demand pressures". We take comfort in the fact that Malaysia does not operate an inflation-targeting regime, and supply-induced pressures are unlikely to trigger a monetary response. Given BNM's neutral stance in the latest MPS, we maintain our view that the OPR will be kept unchanged at 2.75% throughout 2026.

BNM Interest Rate Decisions 2024-2026

2024		
Date	OPR level & Change	
1	24 January	3.00% (unchanged)
2	7 March	3.00% (unchanged)
3	9 May	3.00% (unchanged)
4	11 July	3.00% (unchanged)
5	5 September	3.00% (unchanged)
6	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	2.75% (unchanged)
2026		
Date	OPR level & Change	
1	22 January	2.75% (unchanged)
2	5 March	2.75% (unchanged)
3	7 May	
4	9 July	
5	3 September	
6	5 November	

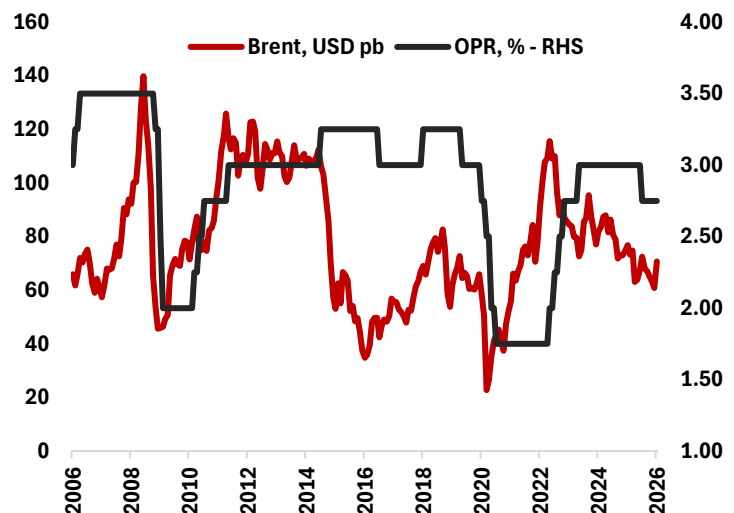
Sources: BNM, AmBank Economics

Exhibit 1: Malaysia's Inflation Rate vs Brent Crude



Sources: DOSM, CEIC Data, AmBank Economics

Exhibit 2: OPR vs Brent crude



Sources: BNM, CEIC Data, AmBank Economics

Appendix 1: BNM Monetary Policy Statement Comparison Side by Side (January 2026 vs March 2026)

January 2026 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%.

Global growth for 2025 turned out higher than expected, mainly reflecting lower-than-anticipated tariffs, higher artificial intelligence (AI)-led tech spending and stronger fiscal support. For 2026, while the impact of tariffs could weigh on global growth, the outlook remains resilient, supported by sustained domestic demand, moderating inflation, robust tech investments, and supportive fiscal and monetary policies. Downside risks remain, arising from potentially higher tariffs, further escalation in geopolitical tensions and heightened volatility in global financial markets. Additionally, there are continued concerns over the elevated valuations in financial markets. Upside potential includes stronger tech spending, a milder tariff impact on economic activity and pro-growth policies in major economies.

For the Malaysian economy, growth for 2025 is expected to be around the upper end of the forecast range. This growth momentum is expected to continue in 2026, supported by resilient domestic demand. 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 projects in both the private and public sectors, implementation of new smaller-scale public projects, continued high realisation of approved investments, as well as the ongoing implementation of national master plans. External sector will benefit from continued strength in electrical and electronics (E&E) exports and higher tourist spending. This growth outlook remains subject to uncertainties, in particular surrounding global developments. Downside risks remain from slower global trade and lower-than-expected commodity production. Meanwhile, upside potential to growth could arise from a better global growth outlook, stronger demand for E&E goods, and more robust tourism activity.

Headline and core inflation averaged 1.4% and 2.0%, respectively, in 2025. For 2026, headline inflation is expected to remain moderate amid the continued easing in global cost conditions. Global commodity prices are expected to remain modest, contributing to contained domestic cost conditions. Meanwhile, core inflation in 2026 is expected to remain stable and close to its long-term average, reflecting continued expansion in economic activity and the absence of excessive demand pressures.

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.

March 2026 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%.

Building on the strengths of 2025, global growth would continue to be supported by sustained domestic demand, moderating inflation, robust tech investments, and supportive fiscal and monetary policies. However, the recent conflict in the Middle East has raised uncertainty in the global economy. The impact on the global economy will depend on the length and severity of the conflict. In light of recent developments, downside risks have risen, arising from further escalation in geopolitical tensions and heightened volatility in global financial markets. Additionally, there are continued concerns over potentially higher tariffs and elevated valuations in financial markets. Upside potential includes stronger tech spending, a milder tariff impact on economic activity, and pro growth policy measures in key economies.

The Malaysian economy grew by 5.2% in 2025, driven by strong domestic demand, higher electrical and electronics (E&E) exports and robust inbound tourism. This growth momentum is expected to continue in 2026, anchored by resilient domestic demand. Employment, wage growth and policy measures will remain supportive of household spending. 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 projects, continued high realisation of approved investments, as well as the ongoing implementation of national master plans. The external sector will benefit from continued strength in E&E exports and higher tourist spending. This growth outlook remains subject to uncertainties surrounding global developments, including the recent conflict in the Middle East. Downside risks remain from slower global trade and lower-than-expected commodity production. Meanwhile, upside potential to growth could arise from a better global growth outlook, stronger demand for E&E goods, and more robust tourism activity.

Headline and core inflation stood at 1.6% and 2.3%, respectively, in January 2026. Overall, headline inflation in 2026 is expected to remain moderate. While global commodity prices may be subject to greater volatility given recent developments, the impact on domestic inflation is expected to be contained. Meanwhile, core inflation in 2026 is expected to remain stable and close to its long-term average, reflecting continued expansion in economic activity and the absence of excessive demand pressures.

The MPC acknowledges the uncertainties from the ongoing conflict in the Middle East. The impact to the global and Malaysian economy will depend on how these developments evolve. 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.

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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