



May 2026 MPC meeting: BNM remains cautious, quash rate hike expectation

8 May 2026

As widely expected, Bank Negara Malaysia (BNM) left the Overnight Policy Rate (OPR) unchanged at 2.75% for the fifth consecutive meeting. The rate-hold decision reflects still-solid economic conditions, which afford BNM some flexibility to maintain a wait-and-see stance amid heightened external uncertainties, including the ongoing war in West Asia, which has escalated to the prolonged closure of the Strait of Hormuz – disrupting nearly one-fifth of global oil supply.

In its latest Monetary Policy Statement, BNM largely maintained its assessment of growth outlook, while slightly tweaking its inflation narrative. Notably, BNM removed its earlier assessment that “*headline inflation is expected to remain moderate*”, although it retained its view that the impact of higher global commodity prices on domestic inflation will be contained. BNM projects inflation to range between 1.5% - 2.5%, a view we share, with our forecast centred around 2%, given the government’s continued fuel subsidies. Nonetheless, BNM appears increasingly focused on downside risks to the domestic economy emanating from the external sector. Additionally, the central bank highlighted that both growth and inflation remain contingent on the uncertainties of the war in West Asia.

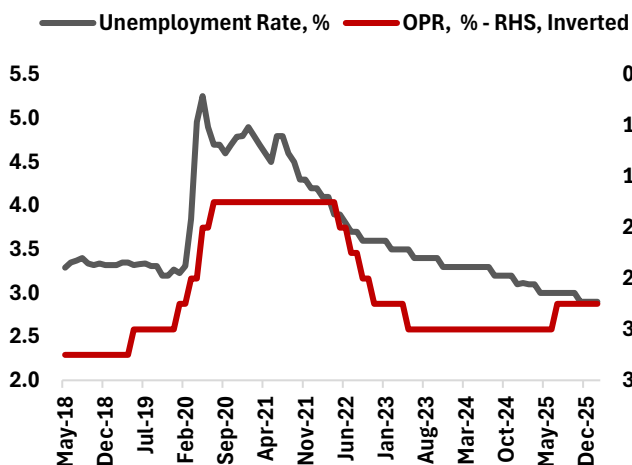
We maintain the view that BNM is adopting a cautious stance as households and businesses are likely to face rising costs amid the “*absence of excessive demand pressures*”. In its forward guidance, BNM noted that at the current OPR level, the MPC considers the monetary policy stance to be “*appropriate and consistent with the outlook of continued price stability and sustainable economic growth*”, replacing its earlier wording that “*appropriate and supportive of the economy amid price stability*”, which we perceive as a signal that the BNM is unlikely to consider a rate hike in the near-term.

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	2.75% (unchanged)
4	9 July	
5	3 September	
6	5 November	

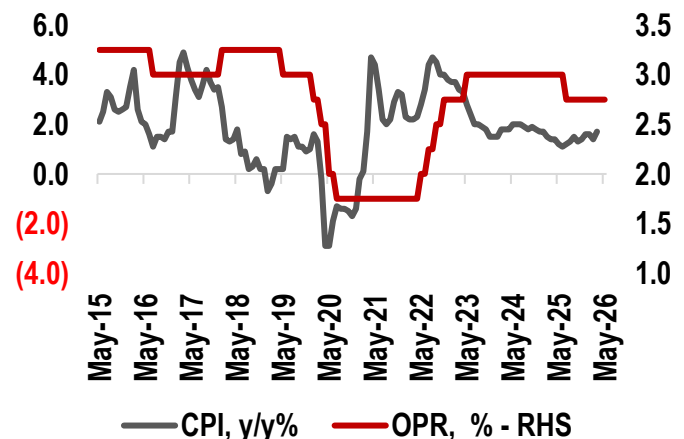
Sources: BNM, AmBank Economics

Exhibit 1: OPR vs unemployment rate



Sources: DOSM, CEIC Data, AmBank Economics

Exhibit 2: OPR vs inflation



Sources: BNM, CEIC Data, AmBank Economics

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

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.

May 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 remained resilient in the first quarter of 2026, supported mainly by sustained domestic demand and continued global tech expansion. However, sharp increases in energy and commodity prices as well as supply chain disruptions from the Middle East conflict are beginning to weigh on the global growth momentum. Downside risks to global growth remain elevated stemming from the uncertainties surrounding the length and severity of the conflict, tighter global financial conditions and concerns over valuations in financial markets. Upside potential includes de-escalation of the conflict leading to improving supply chain conditions, stronger tech spending and pro growth policy measures in key economies.

For Malaysia, latest indicators point towards continued growth momentum in the first quarter, driven by sustained domestic demand and strong export performance. Moving forward, uncertainties surrounding the duration and severity of the Middle East conflict will affect the outlook of domestic growth and inflation. Nevertheless, Malaysia's strong fundamentals will continue to underpin the economy's resilience. 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 electrical and electronics (E&E) exports, while tourist spending will be sustained albeit at a more moderate pace. This growth outlook remains subject to downside risks from a prolonged conflict in the Middle East and lower commodity production. Meanwhile, upside potential to growth could arise from the de-escalation of the conflict, stronger demand for E&E goods and higher tourism activity.

Headline and core inflation averaged 1.6% and 2.1% in the first quarter of 2026, respectively. Higher global commodity prices arising from the Middle East conflict are expected to raise domestic cost pressures, causing inflation to edge higher. Nevertheless, the impact on both headline and core inflation in 2026 is expected to remain contained, reflecting domestic policy measures and stable demand conditions, which will mitigate the pass-through of external cost pressures to domestic prices.

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. At the current OPR level, the MPC considers the monetary policy stance to be appropriate and 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.

AmBank Economics	
Firdaos Rosli	firdaos.rosli@ambankgroup.com
Nik Ahmad Mukharriz Nik Muhammad	nik-ahmad-mukharriz.n@ambankgroup.com
Lee Si Xin	lee.si-xin@ambankgroup.com
Raja Adibah Raja Hasnan	raja-adibah.r@ambankgroup.com
Michael Yim	yim.soon-kah@ambankgroup.com
Aman Nazmi Abd Karim	aman-nazmi.abd-karim@ambankgroup.com
Group Treasury & Markets	
Corporate Client Group (CCG)	+603-2059 8700/8600
Institutional Client Group (ICG)	+603-2059 8690
Azli Bin Abdul Jamil	azli-abd-jamil@ambankgroup.com
Jacqueline E. Rodrigues	jacqueline-r@ambankgroup.com
Ho Su Farn	ho-su-farn@ambankgroup.com
Melisa Lim Giok Ling	melisa-lim@ambankgroup.com
Roger Yee Chan Chung	roger-yee@ambankgroup.com
Muhammad Hafizin Aiman Bin Halim	muhammad-hafizin-aiman.h@ambankgroup.com

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmBank (M) Berhad ("AmBank") without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation, or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures, investment, or other products. AmBank recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal, or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmBank believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmBank has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete, or up-to-date and they should not be relied upon as such. All information included in this report constitute AmBank's views as of this date and are subject to change without notice. Notwithstanding that, AmBank has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmBank's affiliates and/or related corporations (collectively, "AmBank Group").

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmBank's prior written consent. AmBank, AmBank Group and its respective directors, officers, employees, and agents ("Relevant Person") accept no liability whatsoever for any direct, indirect, or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmBank is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.