AmBank Group

AmBank Economics

#WhatWeThink

# July 2026 MPC: A confident hold amid external risks, OPR stays at 2.75%

9 July 2026

As widely expected, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) unchanged at 2.75% for the sixth consecutive meeting, reflecting continued confidence in domestic growth prospects amid robust export performance in recent months, while the de-escalation of tensions in West Asia and the subsequent decline in oil prices have helped alleviate inflationary pressures and supply concerns.

BNM's latest Monetary Policy Statement (MPS) suggests that policymakers have taken comfort from the recent de-escalation of the West Asia conflict. This is evident in the removal of the term "elevated" when describing downside risks to the global growth outlook, compared with the previous MPS in May.

On the domestic front, BNM noted that the latest developments point to resilient domestic activity in Malaysia in 2Q2026, reinforcing BNM's confidence in Malaysia's growth prospects. While the May MPS highlighted the electrical and electronics (E&E) sector as the key growth driver of the external sector, BNM now expects growth support to be broadened by the rebound in non-E&E exports and sustained tourist spending. This underpins the central bank's decision to maintain its 2026 GDP growth forecast at 4.0%-5.0% despite uncertainties remaining.

On inflation, BNM continues to acknowledge that elevated global commodity prices could exert upward pressures on domestic prices, although the pass-through is expected to be mitigated by domestic policy measures, particularly subsidies, as well as stable demand conditions. This view aligns with the recent uptrend in producer prices, which rose 7.8% in May, a third consecutive month of increase and the fastest pace since June 2022. Nevertheless, we expect consumer inflation to remain broadly contained in the near-term. Historical trends suggest changes in producer prices typically take time to be transmitted through supply chains and reflected in retail prices, with the lag estimated at around three months. As such, any upward pressure on consumer prices is likely to be gradual rather than immediate.

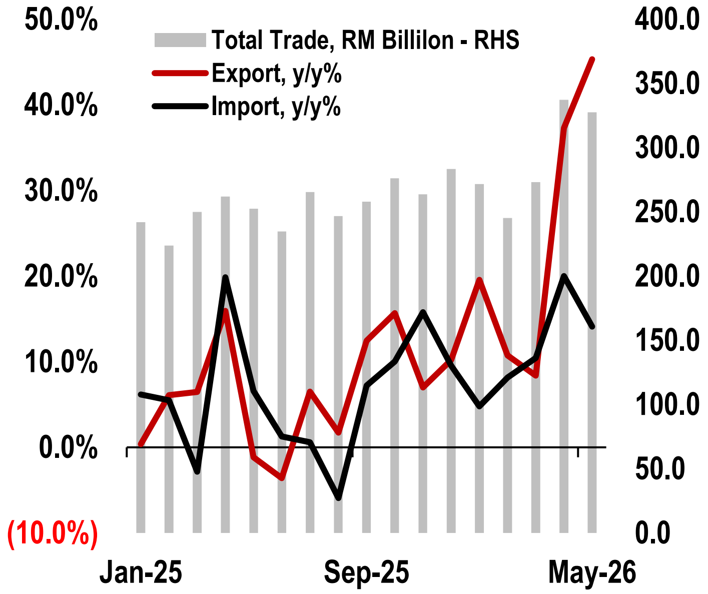
Overall, we take it that the latest MPC statement reinforces BNM's conviction that the current OPR is appropriate and is under no pressure to act on rates in the near term. Growth is well supported, as the MPS stated that it is "firmly within the forecast range of 4.0%−5.0%". BNM's assessment of inflation seems more market-assuring as higher global price pressures have resulted in "initial pass-through," with no consumer shock as "domestic policy measures" mitigate these effects. The way we see it, the main risk to the outlook remains external developments, particularly geopolitics, rather than the risks to sustaining growth momentum and/or price stability.

**BNM Interest Rate Decisions 2024-2026**

| | Date | OPR level & Change |
|---|---|---|
| | **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 | 2.75% (unchanged) |
| 5 | 3 September | |
| 6 | 5 November | |

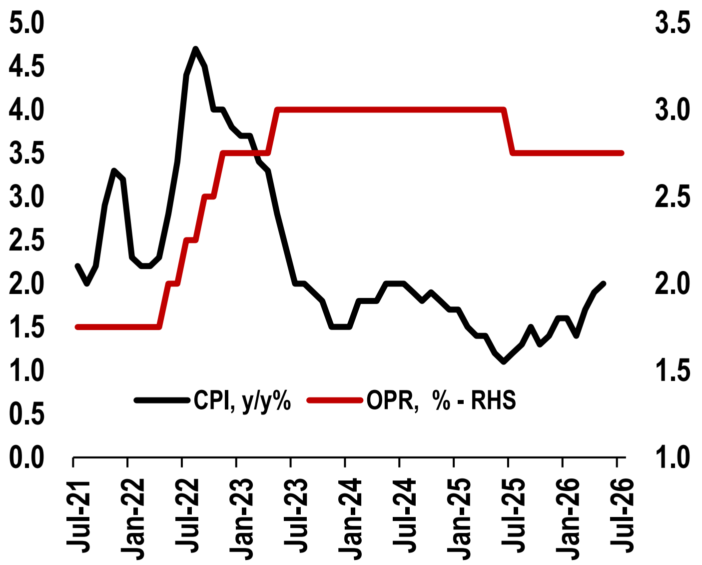
*Sources: BNM, AmBank Economics*

**Exhibit 1: Trade performance**




*Sources: Department of Statistics Malaysia (DOSM), AmBank Economics*

**Exhibit 2: OPR vs inflation**




*Sources: BNM, DOSM, AmBank Economics*

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

### 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.

### July 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%.

The latest indicators point to broadly resilient global growth, supported by strong global tech expansion as well as improving supply conditions and prices of key commodities. Going forward, a sustained de-escalation of the Middle East conflict would further improve global supply chain conditions. Downside risks to global growth remain, stemming from continued uncertainties surrounding the conflict, tighter global financial conditions and concerns over valuations in financial markets. Upside potential includes faster-than-expected recovery in supply chain conditions, stronger tech spending and pro-growth policy measures in key economies.

For Malaysia, latest developments point towards resilient growth in the second quarter, driven by sustained domestic demand and stronger-than-expected export performance. Ongoing uncertainties surrounding the Middle East conflict could affect the outlook of domestic inflation and growth. Malaysia's strong fundamentals will continue to underpin the economy's resilience against external shocks. 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 be further lifted by improved global prospects and robust demand for electrical and electronics (E&E). Additional support will come from the rebound in non-E&E exports and sustained tourist spending. Therefore, the growth projection for 2026 is expected to be firmly within the forecast range of 4%−5%. 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 a better global growth outlook following de-escalation of the conflict, stronger demand for E&E goods and higher tourism activity.

Headline and core inflation in the first five months of the year averaged 1.7% and 2.1% respectively, broadly within expectations, amid some initial pass-through of higher global cost pressures. Developments surrounding the Middle East conflict remain fluid, with elevated global commodity prices expected to exert upward pressure on inflation. 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.

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.

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