

Policy Considerations

Highlights of the November 2025 MPC meeting

- The Monetary Policy Committee (MPC) maintained the OPR at 2.75% at the September 2025 MPC meeting, and most recently at the November 2025 MPC meeting.
- The MPC will continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation.

Monetary policy is appropriate and supportive of the economy amid price stability

Following the pre-emptive OPR reduction by 25 basis points at the July 2025 MPC meeting, the MPC maintained the OPR at 2.75% in its meetings in September and November 2025.

At the recent November meeting, the latest indicators pointed towards a continued expansion in global growth. The MPC assessed that while the impact of higher tariffs would continue to weigh on global growth, the outlook remains supported by resilient labour market conditions, moderating inflation, less restrictive monetary policy and supportive fiscal policy. The conclusion of more trade negotiations has, to some extent, eased global uncertainty. Downside risks remain, arising from potentially

higher tariffs, especially product-specific ones, and escalation in geopolitical tensions. Additionally, there are concerns over the elevated valuations in financial markets. Upside potential includes a milder tariff impact on economic activity and pro-growth policies in major economies.

For the Malaysian economy, the latest developments as of the November MPC meeting indicated better-than-expected growth in the third quarter, driven by sustained domestic demand, resilient electrical and electronics (E&E) exports, and recovery in commodity production. Looking ahead, the MPC assessed that resilient domestic demand will continue to support growth going into 2026. 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 national master plans and the Thirteenth Malaysia Plan (RMK13). Measures under Budget 2026 will also support growth. The MPC assessed that this growth 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, upside potential to growth could arise from a better global growth outlook, stronger demand for E&E goods, and robust tourism activity.

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Year-to-date, headline and core inflation averaged 1.4% and 1.9%, respectively. Moving forward, headline inflation is expected to remain moderate in 2026 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. In this environment, the overall impact of the implemented domestic policy reforms on inflation in 2026 is expected to be limited.

At the current OPR level, the MPC deemed that the monetary policy stance is 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.