

Policy Considerations

Highlights of the May 2026 MPC meeting

- The Monetary Policy Committee (MPC) maintained the OPR at 2.75% at the March 2026 and May 2026 meetings.
- Considering ongoing uncertainties, the MPC will remain vigilant to ongoing developments and assess the balance of risks surrounding the outlook for domestic inflation and growth.

Monetary policy is appropriate and consistent with the outlook of continued price stability and sustainable economic growth

At the March 2026 and May 2026 MPC meetings, the MPC maintained the OPR at 2.75%.

As of the May 2026 meeting, global growth remained resilient in the first quarter of 2026, supported mainly by sustained domestic demand and continued global tech expansion. 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 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

Policy Considerations

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.