

**PRESS RELEASES****Monetary Policy Statement**

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At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.25 percent.

Global growth momentum is showing signs of moderation amid slowing growth in most major advanced and emerging economies. Going forward, unresolved trade tensions remain a key source of risk, affecting global trade and investment activities. Tighter global financial conditions and elevated political and policy uncertainty could lead to financial market adjustments, further weighing on the overall outlook.

The Malaysian economy grew at a more moderate pace of 4.7% in 2018. Looking ahead, growth is expected to be sustained in 2019 with continued support from private sector spending. Stable labour market conditions and capacity expansion in key sectors will continue to drive household and capital spending. Support from the external sector is expected to soften, in tandem with the moderating global growth momentum. On balance, the baseline forecast is for the Malaysian economy to remain on a steady growth path. However, materialisation of downside risks from unresolved trade tensions, heightened uncertainties in the global and domestic environment, and prolonged weakness in the commodity-related sectors could further weigh on growth.

Headline inflation in January 2019 was at -0.7%, due mainly to negative transport inflation at -7.8% arising from lower global oil prices. Underlying inflation, as measured by core inflation^[1] remained stable at 1.5% in January 2019 reflecting sustained demand conditions. In the immediate term, inflation is expected to remain low mainly due to policy measures. These include the lower price ceiling on domestic retail fuel prices until mid-2019 and the impact of the changes in consumption tax policy on headline inflation. For 2019 as a whole, average headline inflation is expected to be broadly stable compared to 2018. The trajectory of headline inflation will continue to be dependent on global oil prices. Underlying inflation is expected to be sustained, supported by the steady expansion in economic activity and in the absence of strong demand pressures.

At the current level of the OPR, the degree of monetary accommodativeness is consistent with the intended policy stance. Recognising that there are downside risks in the economic and

financial environment, the MPC will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation.

^[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

Bank Negara Malaysia

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