

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

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At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to reduce the Overnight Policy Rate (OPR) to 2.75 percent. The ceiling and floor rates of the corridor of the OPR are correspondingly reduced to 3.00 percent and 2.50 percent, respectively.

The global economy continues to expand at a moderate pace. Latest indicators and the recent dissipation of trade tensions point to improving global trade activity. Monetary easing across major economies in the second half of 2019 has helped ease financial conditions, and is expected to continue to support economic activity. However, downside risks remain due to geopolitical tensions and policy uncertainties in a number of countries. This could cause a resurgence of financial market volatility and weigh on the global growth outlook.

For the Malaysian economy, latest indicators and supply disruptions in commodity-related sectors point to moderate expansion of economic activity in the fourth quarter. For 2019, growth will be within the projected range. For 2020, growth is expected to gradually improve, with continued support from household spending and better export performance. Overall investment activity is expected to record a modest recovery, underpinned by ongoing and new projects, both in the public and private sectors. However, downside risks to growth remain. These include uncertainty from various trade negotiations, geopolitical risks, weaker-than-expected growth of major trade partners, heightened volatility in financial markets, and domestic factors that include weakness in commodity-related sectors and delays in the implementation of projects.

Headline inflation averaged at 0.7% in 2019. In 2020, headline inflation is expected to average higher but remain modest. The trajectory of headline inflation will be dependent on global oil and commodity price developments and the timing of the lifting of the domestic retail fuel price ceilings. Underlying inflation is expected to remain broadly stable, reflecting the continued expansion in economic activity and the absence of strong demand pressures.

The adjustment to the OPR is a pre-emptive measure to secure the improving growth trajectory amid price stability. At this current level of the OPR, the MPC considers the stance of monetary policy to be appropriate in sustaining economic growth with price stability.

**Bank Negara Malaysia**

**22 Jan 2020**

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