

**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.

The global economy continues to expand. Employment remains firm in the advanced economies, while in Asia, domestic demand is sustained. However, global growth momentum is moderating with slower growth in the major economies. Trade tensions are beginning to have a material impact on global trade and investments. Tightening financial conditions and heightened volatility in financial markets, coupled with country-specific factors ranging from heightened political and policy uncertainty and elevated debt levels, could further weigh on growth prospects.

For Malaysia, latest indicators point towards sustained economic expansion. For 2019, domestic demand will remain the key driver of growth. Private consumption will continue to be underpinned by stable employment and wage growth, while private investment will be supported by on-going multi-year projects in both export- and domestic-oriented industries. Sustained growth in private sector activity is expected to offset lower public spending arising from the ongoing fiscal consolidation by the Government. With moderating global growth, the external sector is likely to soften. Risks to growth are tilted to the downside, primarily from potential escalation of trade tensions and commodity-related shocks. On balance, the Malaysian economy is expected to remain on a steady growth path in 2019.

Headline inflation averaged at 1.0% in 2018. In 2019, inflation is expected to average moderately higher. The impact of the consumption tax policy on headline inflation in 2019 will start to lapse towards the end of the year. However, the trajectory of headline inflation will be dependent on global oil prices. Underlying inflation is expected to remain contained in the absence of strong demand pressures.

The domestic financial markets have remained resilient, despite bouts of volatility due to global developments. Domestic monetary and financial conditions remain orderly and supportive of economic growth. The financial sector is sound, with financial institutions operating with strong capital and liquidity buffers. Importantly, the domestic economy maintains its underlying fundamental strength, with steady economic growth, low unemployment and surplus in the

current account of the balance of payments. Bank Negara Malaysia's monetary operations will continue to ensure sufficient liquidity to support the orderly functioning of money and foreign exchange markets and intermediation activity.

At the current level of the OPR, the degree of monetary accommodativeness is consistent with the intended policy stance. The MPC will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation.

Bank Negara Malaysia

24 Jan 2019

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