

**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 3.00 percent.

Economic activity in the advanced and emerging economies has continued to improve. Global trade is also showing a recovery. In this environment, the Asian economies are benefiting from stronger external demand amid sustained domestic activity. For 2017, the global economy is projected to expand at a slightly faster pace. Nevertheless, there remain risks to global growth arising from threats such as protectionism, geopolitical developments, heightened volatility of financial markets and negative developments in the prices of key commodities.

Despite the challenging global and domestic environment, the Malaysian economy expanded by 4.2% in 2016. Growth was underpinned by private sector activity, with additional support from the turnaround in net exports. The growth momentum is expected to be sustained in 2017. With the growth of domestic demand being sustained, the more positive contribution from the external sector will lead to a better performance of the Malaysian economy.

Headline inflation is projected to be higher in 2017, reflecting primarily the pass-through impact of the increase in global oil prices on domestic retail fuel prices. Headline inflation would remain relatively high in the first half of the year before moderating thereafter. However, the projected trajectory of domestic headline inflation will be dependent on the future trend in global oil prices which remains highly uncertain. The cost-driven inflation is not expected to have a significant impact on the broader price trends given the stable domestic demand conditions. Core inflation is expected to increase modestly.

The ringgit, along with other emerging market currencies, has continued to stabilise. The implementation of financial market development measures has had a positive impact on the domestic financial markets. Banking system liquidity remains sufficient. Financial institutions continue to operate with strong capital and liquidity buffers and the growth of financing to the private sector is consistent with the pace of economic activity.

At the current level of the OPR, the stance of monetary policy is accommodative and supportive of economic activity. The MPC will continue to assess the balance of risks surrounding the outlook for domestic growth and inflation.

**Bank Negara Malaysia**

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