

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

Ref No : 03/18/02 / 07 Mar 2018 /

Embargo : Not for publication or broadcast before 1500 hours on Wednesday 07 March 2018

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 strengthen. Global trade is showing strong growth momentum. In the advanced economies, rising wages and policy support will provide further impetus to growth. In Asia, growth will be driven by sustained domestic activity and strong external demand. Recent adjustments in the financial markets, though short-lived, indicate that volatility may reemerge. Trade tensions have also risen in the recent period. At this point, risks to the global growth outlook remain balanced, pointing towards continuity in global economic expansion.

For Malaysia, the strong growth performance in the fourth quarter of 2017 continued to be anchored by private sector spending. Looking ahead, growth prospects will be sustained by the positive global growth outlook and spillovers from the external sector to the domestic economy. Domestic demand will remain the key driver of growth, underpinned by favourable income and labour market conditions, spending on new and ongoing infrastructure projects and sustained capital investment by firms in the manufacturing and services sectors. With additional impetus from the external sector, growth is expected to remain strong in 2018.

Inflation is projected to average lower in 2018, on expectations of a smaller effect from global cost factors. A stronger ringgit exchange rate compared to 2017 will mitigate import costs. Global energy and commodity prices are expected to trend higher in 2018, but at a more moderate pace relative to the previous year. However, the trajectory of headline inflation will be dependent on future global oil prices which remain highly uncertain. Underlying inflation, as measured by core inflation, is also projected to moderate due to improving labour productivity and ongoing investments for capacity expansion.

The domestic financial markets have been resilient. The broad appreciation of the ringgit in the past year better reflects the economic fundamentals. Banking system liquidity remains sufficient with financial institutions continuing to operate with strong capital and liquidity buffers. The growth of financing to the private sector has been sustained and is supportive of economic activity.

At the current level of the OPR, the degree of monetary accommodativeness is consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid lower inflation. The MPC will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation.

Bank Negara Malaysia

07 Mar 2018

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