

**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.

The global economy is expanding at a more modest pace amid slower growth in most major advanced and emerging economies. The recent escalation of trade tensions point to weaker global trade going forward, with increasing signs of spillovers to domestic economic activity in a number of countries. Monetary policy easing in several major economies has eased global financial conditions, but uncertainty from the prolonged trade disputes and geopolitical developments could lead to excessive financial market volatility.

For Malaysia, the stronger economic growth performance in the second quarter of 2019 was underpinned by the resilience of private spending amid broad-based expansion in key economic sectors. Going forward, these domestic drivers of growth, alongside stable labour market and wage growth, are expected to remain supportive of economic activity. On the external front, Malaysia's diversified exports will partly mitigate the impact of softening global demand. Overall, the baseline growth projection for 2019 remains unchanged, within the range of 4.3% - 4.8%. This projection, however, is subject to further downside risks from worsening trade tensions, uncertainties in the global and domestic environment, and extended weakness in commodity-related sectors.

Average headline inflation year-to-date is 0.3%. Headline inflation is projected to average higher for the remaining months of the year and into 2020. However, headline inflation is expected to remain low. This reflects the lapse in the impact of consumption tax policy changes, the relatively subdued outlook on global oil prices, and policy measures in place to contain food prices. The trajectory of headline inflation will, however, be dependent on global oil and commodity price developments. Underlying inflation is expected to remain stable, supported by the continued expansion in economic activity and in the absence of strong demand pressures.

At the current level of the OPR, the stance of monetary policy remains accommodative and supportive of economic activity. The MPC will continue to assess the balance of risks to domestic growth and inflation, to ensure that the monetary policy stance remains conducive to

sustainable growth amid price stability.

Bank Negara Malaysia

12 Sep 2019

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