

**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 continues to strengthen with growth becoming more synchronised across countries. Industrial activity and global trade are exceeding earlier projections. In the advanced economies, the broad-based increase in investment amid the steady growth in consumption is raising growth prospects. In Asia, growth is expected to be driven by domestic activity and stronger external demand. Risks to the global growth outlook arise mainly from political and policy uncertainties in the major economies, geopolitical and financial market developments, and volatility of commodity prices.

The Malaysian economy performed better than expected in the first quarter of 2017. Growth was lifted by stronger domestic demand with additional impetus from exports. Going forward, the more favourable global growth prospects will lead to sustained export performance and generate positive spillovers to the domestic economy. Private consumption will be underpinned by higher wages and employment. The improved investment outlook is being driven by new and ongoing infrastructure projects, and stronger capacity expansion in the manufacturing and services sectors. Overall, the economy is expected to register higher growth in 2017.

Headline inflation moderated to 3.9% in May, due mainly to the decline in domestic fuel prices during the month. Headline inflation is expected to moderate in the second half of the year mainly reflecting the waning effect of global cost factors. Underlying inflation, as measured by core inflation, will be sustained by the more robust domestic demand but is expected to remain contained.

The domestic financial markets have been resilient. The ringgit has remained stable with a more balanced demand and supply of foreign currencies following the implementation of the two financial market development measures. 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 improved, 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**

**13 Jul 2017**

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