

**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 expand. Industrial activity and global trade have picked up. Growth is also becoming more synchronised across the advanced and emerging economies. Indicators suggest that the outlook for the global economy will continue to improve. In the advanced economies, the revival in investment is expected to provide additional impetus to economic activity. In the emerging economies, growth is projected to be supported by sustained domestic activity and stronger external demand. Nevertheless, there remain risks to global growth arising from threats such as protectionism, geopolitical developments, and commodity price volatility. These risks could also reignite financial market volatility.

For Malaysia, the growth momentum since the second half of 2016 is expected to strengthen in the first quarter of 2017, and to be sustained for the rest of the year. Growth will be mainly driven by domestic demand amid continued wage and employment growth, and the implementation of new and on-going investment projects. On the external front, given the improvement in global growth, exports are expected to perform more strongly and contribute positively to Malaysia's economic performance.

Headline inflation increased to 4.3% in the first quarter of the year, in line with the MPC's expectations. The increase in inflation reflected mainly the pass-through impact of higher global oil prices and temporary supply disruptions that led to higher food prices. The higher headline inflation is expected to moderate in the second half of the year. However, the trend of domestic headline inflation will be dependent on future global oil prices which remain highly uncertain. The cost-push inflation is not expected to have a significant impact on the broader price trends given the stable domestic demand conditions. Underlying inflation, as measured by core inflation, is expected to increase only modestly.

The ringgit has continued to stabilise. 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

12 May 2017

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