

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

Ref No : 07/16/03 / 13 Jul 2016 /

Embargo : Not for publication or broadcast before 1500 hours on Wednesday 13 July 2016

At the Monetary Policy Committee (MPC) meeting today, Bank Negara Malaysia decided to reduce the Overnight Policy Rate (OPR) to 3.00 percent. The ceiling and floor rates of the corridor for the OPR are correspondingly reduced to 3.25 percent and 2.75 percent respectively.

The global economy continues to record growth at a more moderate pace, across major advanced and emerging market economies. In Asia, persistent weakness in the external sector has weighed on growth, although domestic demand remains supportive. Looking ahead, there are increasing signs of moderating growth momentum in the major economies. Global growth prospects have also become more susceptible to increased downside risks in light of possible repercussions from the EU referendum in the United Kingdom. International financial markets could also be subject to greater volatility going forward. In this light, global monetary conditions are expected to remain highly accommodative.

For Malaysia, domestic demand continues to be the main driver of growth. Private consumption will be supported by growth in income and employment, and measures implemented by the Government. While investment in the oil and gas sector is moderating, overall investment is expected to be supported by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors. Exports are projected to remain weak following more subdued demand from Malaysia's key trading partners. Overall, while the domestic economy remains on track to expand in 2016 and 2017, the uncertainties in the global environment could weigh on Malaysia's growth prospects.

Inflation was lower as the impact from the Goods and Services Tax (GST) implemented in April 2015 lapsed and is expected to remain stable in an environment of low global energy and commodity prices and generally subdued global inflation. Consequently, inflation is projected to be lower at 2 – 3 percent in 2016, compared to an earlier projection of 2.5 – 3.5 percent, and continue to remain stable in 2017.

Overall domestic financial conditions have remained stable since the previous MPC meeting with financial markets continuing to function in an orderly manner. The risks of destabilising financial imbalances have receded. Both macro and micro prudential measures as well as supervisory oversight have resulted in more prudent lending standards and contained

speculative activities in the property market.

The adjustment to the OPR is intended for the degree of monetary accommodativeness to remain consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid stable inflation, supported by continued healthy financial intermediation in the economy. The MPC will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation.

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See also:

- [Recorded video of the Monetary Policy Statement by Governor](#)

Bank Negara Malaysia

13 Jul 2016

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