

**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 entrenched and synchronised across countries. Global trade has picked up significantly. In the advanced economies, both consumption and investment continue to improve. In Asia, growth is driven by sustained domestic activity and strong external demand. These developments point to sustained momentum in global growth. This outlook nevertheless may be affected by political and policy developments in major economies and geopolitical risks.

The Malaysian economy recorded a higher growth in the second quarter of 2017, driven by firmer domestic activity and exports. Looking ahead, growth prospects will be sustained by the more positive global growth outlook and stronger spillovers from the external sector to the domestic economy. Domestic demand will remain the key driver of growth, supported by improving incomes and overall labour market conditions, new and ongoing infrastructure projects and sustained capital investment by firms in the manufacturing and services sectors. Overall, growth in 2017 will be stronger than earlier expected.

Headline inflation continued its moderating trend, declining to 3.2% in July, due mainly to the decline in domestic fuel prices. Going forward, headline inflation is projected to moderate on expectations of a smaller effect from 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 strengthened to better reflect 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 stance of monetary policy remains accommodative. The MPC will continue to assess the balance of risks surrounding the outlook for domestic growth and inflation.

Bank Negara Malaysia

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