

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

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At its Monetary Policy Committee (MPC) meeting today, the MPC of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.25 percent.

The global economy continues to gain strength with growth being more broad based and synchronised across regions. Global trade sustained its strong momentum. In the advanced economies, higher wages and diminishing labour market slack remain supportive of growth. Additional policy support, particularly in the US, is expected to lift growth further. In Asia, growth will be driven by sustained domestic activity and strong external demand. Financial markets continue to face intermittent volatility amid rising trade tensions. Global growth prospects remain balanced although there are risks should trade and geopolitical tensions worsen.

For the Malaysian economy, latest indicators point towards continued expansion in private sector activity and exports. Going forward, the positive growth momentum is expected to be sustained, driven by the strength in both domestic and external demand. Private consumption will be supported by favourable income and labour market conditions. Investment activity is projected to be sustained by implementation of ongoing infrastructure projects and capacity expansion by firms. On the external front, exports are expected to continue benefitting from the positive momentum in global growth and trade in advanced and regional economies. Overall, the prospects for the Malaysian economy remain strong.

Headline inflation is expected to remain moderate for the year as a whole on expectations of a smaller effect from global cost factors. A stronger ringgit exchange rate compared to 2017 will mitigate import costs. However, the trajectory of headline inflation will be dependent on future global oil prices which remain highly uncertain. Underlying inflation, as measured by core inflation, is projected to remain moderate amid stable demand conditions.

Despite financial market volatility due to external developments, domestic financial markets have remained resilient. Malaysia's economic fundamentals are strongly anchored. The domestic economic outlook remains positive, the financial sector is strong and monetary and financial conditions are supportive of economic growth in the post-election environment.

At the current level of the OPR, the degree of monetary accommodativeness is consistent with the policy stance to ensure that the domestic economy continues on a steady growth path

amid lower inflation. The MPC will continue to monitor and assess the balance of risks surrounding the outlook for domestic growth and inflation.

Bank Negara Malaysia

10 May 2018

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