

The Star - BNM Keeps 3% Overnight Policy Rate

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KUALA LUMPUR — The Monetary Policy Committee of Bank Negara Malaysia has maintained the overnight policy rate at 3%, the central bank said in a press statement yesterday.

Citing continuous improvement in economic activity of both advanced and emerging economies and recovering global trade, the central bank said Asian economies are benefiting from stronger external demand amid sustained domestic activity.

“For 2017, the global economy is projected to expand at a slightly faster pace. Nevertheless, there remain risks to global growth arising from threats such as protectionism, geopolitical developments, heightened volatility of financial markets and nega-

tive developments in the prices of key commodities.

“Despite the challenging global and domestic environment, the Malaysian economy expanded by 4.2% in 2016. The growth momentum is expected to be sustained in 2017. With the growth of domestic demand being sustained, the more positive contribution from the external sector will lead to a better performance of the Malaysian economy,” BNM said.

Headline inflation is projected to be higher in 2017, reflecting primarily the pass-through impact of the increase in global oil prices on domestic retail fuel prices. The central bank expects headline inflation to remain relatively high in the first half of

the year before moderating thereafter.

However, the projected trajectory of domestic headline inflation will be dependent on the future trend in global oil prices which remains highly uncertain, it said.

Meanwhile, the ringgit, along with other emerging market currencies, has continued to stabilise. “The implementation of financial market development measures has had a positive impact on the domestic financial markets.

“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,” BNM said.