

Central Bank of Malaysia: Monetary Policy Statement

 Thursday, Sep 08 2016

Monetary Policy Statement

At the Monetary Policy Committee (MPC) meeting today, Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.00 percent.

The global economy continues to expand at a moderate pace. Growth across the advanced economies has been modest. In Asia, economic activity has been supported by domestic demand amid weaker export growth. While volatility in the international financial markets has subsided, markets remain vulnerable to setbacks and changes in sentiments. Going forward, downside risks to global growth remain high following uncertainty over the growth momentum and policy shifts in major economies, and unresolved issues post the EU referendum in the United Kingdom.

For Malaysia, growth moderated slightly in the second quarter of the year, following weaker net exports and a drawdown in stocks. Domestic demand, however, remained the key driver of growth, with private consumption and private investment growing at a faster pace. Going forward, private consumption will remain supported by wage and employment growth, with additional impetus coming from announced Government measures to increase disposable income. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors. On the external front, export growth is expected to remain weak following subdued demand from Malaysia's key trading partners. Overall, the economy is projected to expand within expectations in 2016, and to remain on a steady growth path in 2017.

Headline inflation moderated to 1.1% in July. Inflation is expected to be at the lower end of the 2 to 3% range for 2016 and to remain relatively stable in 2017 given the environment of low global energy and commodity prices, and generally subdued global inflation.

Domestic financial conditions have remained stable since the previous MPC meeting with financial markets continuing to function in an orderly manner. 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. Banking system liquidity remains ample.

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 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.

Bank Negara Malaysia
7 September 2016

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