

KERATAN AKHBAR

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KUALA LUMPUR: The Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) yesterday decided to maintain the overnight policy rate (OPR) at 2.75%.

In the global economy, MPC said there were some positive developments with the reopening of China's economy and better-than-expected growth outturns in major economies, supported by resilient domestic demand.

Nevertheless, it added in a statement that the global economy continues to be weighed down by elevated cost pressures and higher interest rates. Headline inflation moderated slightly from high levels in recent months, but core inflation has remained above historical averages.

It said that some central banks are expected to continue raising interest rates to manage inflationary pressures. This will continue to pose headwinds to the global growth outlook. The growth outlook remains subject to

downside risks, mainly from an escalation of geopolitical tensions, higher-than-anticipated inflation outturns, and a sharp tightening in financial market conditions.

The Malaysian economy expanded strongly by 8.7% in 2022 driven by the recovery in private and public sector spending following the full reopening of the economy.

After the strong performance in 2022, MPC said the economy is expected to moderate in 2023 amid a slower global economy. Growth will remain driven by domestic demand. Household spending will be underpinned by sustained improvements in employment and income prospects.

Tourist arrivals are expected to continue rising, further lifting tourism-related activities. The continued progress of multi-year infrastructure projects will support investment activity.

The implementation of projects from the recently retabled Budget

2023, MPC said would provide upside risks to the domestic growth outlook.

"Downside risks continue to stem mainly from global developments including from weaker than expected growth outturns or much tighter and more volatile global financial conditions.

"Headline and core-inflation are expected to moderate over the course of 2023, but will continue to be elevated amid lingering demand and cost factors," said MPC.

It added that the extent of upward pressures to inflation will remain partly contained by existing price controls and fuel subsidies, and the remaining spare capacity in the economy. The balance of risk to the inflation outlook is tilted to the upside and continues to be highly subject to any changes to domestic policy on subsidies and price controls, as well as global

commodity price developments.

At the current OPR level, MPC said the stance of monetary policy remains accommodative and supportive of economic growth.

MPC will continue to assess the impact of the cumulative OPR adjustments, given the lag effects of monetary policy on the economy and will remain vigilant to cost factors, including those arising from financial market developments, that could affect the inflation outlook.

Further normalisation to the degree of monetary policy accommodation would be informed by the evolving conditions and their implications to the domestic inflation and growth outlook.

MPC said it will continue to calibrate the monetary policy settings that balance the risks to domestic inflation and sustainable growth.