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➤ Central bank says Malaysian economy has expanded at a more moderate pace recently

PETALING JAYA: Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) has maintained the Overnight Policy Rate (OPR) at 3%.

BNM said in a statement yesterday that, at the current OPR level, the monetary policy stance is slightly accommodative and remains supportive of the economy. "The MPC continues to see limited risks of future financial imbalances. The MPC remains vigilant to ongoing developments, and will continue to monitor incoming data to inform the assessment on the outlook of domestic inflation and growth. The MPC will ensure that the monetary policy stance remains conducive to sustainable economic growth amid price stability."

The central bank added that the global economy continues to expand, driven by resilient domestic demand supported by strong labour market conditions.

It said global economic growth, however, remains weighed down by persistent core inflation and higher interest rates. While China's reopening remains supportive of the global economy, its pace of recovery has slowed in recent months.

Globally, BNM said, headline inflation continues to moderate, but core inflation remains above historical averages. For most central banks, the monetary policy stance is likely to remain tight. The growth outlook remains subject to downside risks, mainly from a slower momentum in major



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

Following a strong outturn in the first quarter of the year, BNM said, the Malaysian economy expanded at a more moderate pace in recent months as exports were weighed down by slower external demand, as expected. Growth for the remainder of the year will continue to be driven by resilient domestic demand.

Household spending continues to be underpinned by favourable labour market conditions, particularly in the domestic-oriented sectors. Tourist arrivals have been steadily improving, and are expected to continue rising, thereby lifting tourism-related activities.

Investment activity will be supported by continued progress of multi-year infrastructure projects. Domestic financial conditions also

remain conducive to financial intermediation amid sustained credit growth. While the growth outlook is subject to some downside risks stemming from weaker-than expected global growth, upside risks mainly emanate from domestic factors such as stronger-than-expected tourism activity and faster implementation of projects.

The central bank said headline inflation has continued to ease amid lower cost factors. While core inflation has also moderated, it remains elevated relative to the long-term average amid lingering demand and cost factors.

For the second half of 2023, it said, both headline and core inflation are projected to trend lower, broadly within expectations. Risks to the inflation outlook remain highly subject to the degree of persistence in core inflation, changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

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