

KERATAN AKHBAR

TARIKH : 7 JULAI 2023
AKHBAR : NEW STRAITS TIMES
MUKA SURAT : 18

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CONDUCTIVE TO SUSTAINABLE GROWTH

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KUALA LUMPUR: Bank Negara Malaysia maintained its benchmark interest rate at three per cent yesterday as the monetary policy stance is "slightly accommodative and supportive of the economy".

The central bank said the Monetary Policy Committee (MPC) saw "limited risks" of future financial imbalances but it remained vigilant to ongoing developments.

"The MPC will ensure that the

monetary policy stance remains conducive to sustainable economic growth."

Most economists had expected Bank Negara to keep the Overnight Policy Rate at 3.0 per cent after the surprise 25 basis points (bps) hike in May.

The central bank noted that the Malaysian economy expanded at a more moderate pace in recent months as exports were weighed down by the expected slowdown in external demand.

It said growth for the rest of the year would 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," it said.

Bank Negara added that the

progress of multi-year infrastructure projects were poised to support investment activity while domestic financial conditions remained 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."

It said headline inflation had also continued to ease amid lower cost factors.

Although core inflation has also moderated, it remained elevated relative to the long-term average amid lingering demand and cost factors, it added.

Both headline and core inflation are also projected to trend lower in the second half of the year.