

MPC Statement

20 January 2022

Interest Rate Decision

Nov 2021	Jan 2022
<p>At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 1.75 percent.</p>	<p>At its meeting today, the Monetary Policy Committee (MPC) of Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 1.75 percent.</p>

Global Economic Outlook

Nov 2021

The global economy remains on a recovery path, driven by expansion in manufacturing and services activity. Amid continued strength in global demand, supply chain disruptions, higher commodity prices and labour shortages, inflation has also risen.

Nevertheless, global growth prospects will be supported by further progress in vaccination coverage and relaxation of containment measures. In several major economies, sizeable fiscal and monetary policies will continue to support the recovery momentum.

Jan 2022

The global economy continues to recover, supported by manufacturing and trade activity. Labour market conditions have also improved in many countries. However, several countries reintroduced measures to curb ongoing COVID-19 resurgences, causing some moderation in the pace of recovery in domestic activity, especially services.

Inflation remains elevated in a number of countries, driven by both supply and demand factors.

Going forward, continued progress in vaccination coverage, advancements in vaccine efficacy, and the availability of anti-viral treatments will allow for better management of the pandemic, hence supporting global growth prospects.

Global Economic Outlook

Nov 2021	Jan 2022
<p>Overall, the balance of risks to the global growth outlook remains tilted to the downside. This is attributed mainly to uncertainty surrounding the emergence of variants of concern, the risk of more prolonged global supply chain disruptions, and potential risk of heightened financial market volatility amid adjustments in monetary policy in major economies.</p>	<p>The global growth outlook will continue to be affected by uncertainties over the emergence of new variants of concern, risks of prolonged global supply disruptions, and risks of heightened financial market volatility amid adjustments in monetary policy in major economies.</p>

Domestic Economic Outlook

Nov 2021	Jan 2022
<p>For Malaysia, economic activity weakened in the third quarter, amid the imposition of nation-wide containment measures to curb the resurgence in COVID-19 cases. However, in line with the relaxation of restrictions, latest high frequency indicators show that economic activity has recovered from the trough in July.</p> <p>Going into 2022, the growth momentum is expected to improve, supported by expansion in global demand, higher private sector expenditure in line with the resumption of economic activity and continued policy support.</p>	<p>For Malaysia, the latest high-frequency indicators show that economic activity rebounded in the fourth quarter, in line with the relaxation of containment measures.</p> <p>For 2021, growth will be within the projected range of 3% - 4%. Looking ahead, growth is expected to gain further momentum in 2022. This will be driven by the expansion in global demand and higher private sector expenditure amid improvements in the labour market and continued policy support.</p>

Domestic Economic Outlook

Nov 2021	Jan 2022
<p>Risks to the growth outlook, however, remain tilted to the downside due to external and domestic factors. These include a weaker-than-expected global growth, a worsening in supply chain disruptions, and the re-imposition of containment measures due to the impact of new COVID-19 variants of concern.</p>	<p>Risks to the growth outlook, however, remain tilted to the downside. Such risks may arise from a weaker-than-expected global growth, a worsening in supply chain disruptions, and the emergence of severe and vaccine-resistant COVID-19 variants of concern.</p>

Inflation Outlook

Nov 2021

In line with earlier assessments, headline inflation is likely to average within the projected range of between 2.0% and 3.0% for 2021, having averaged 2.3% year-to-date.

Underlying inflation, as measured by core inflation, is expected to average below 1.0% for the year. Moving into 2022, headline inflation is projected to remain moderate.

As economic activity normalises, core inflation is expected to edge upwards but remain benign given the continued spare capacity in the economy and slack in the labour market.

Jan 2022

Headline inflation has averaged 2.3% for the period January-November 2021. For 2022, average headline inflation is likely to remain moderate as the base effect from fuel inflation dissipates.

Underlying inflation, as measured by core inflation, is expected to edge upwards as economic activity normalises amid the environment of high input costs.

Nevertheless, core inflation is expected to be modest, with upside risk contained by the continued slack in the economy and labour market.

Inflation Outlook

Nov 2021	Jan 2022
The outlook, however, continues to be subject to global commodity price developments and some risk from prolonged supply-related disruptions.	The outlook, however, continues to be subject to global commodity price developments amid risks from prolonged supply-related disruptions.

The Stance of Monetary Policy

Nov 2021

The MPC considers the stance of monetary policy to be appropriate and accommodative.

In addition, fiscal and financial measures will continue to cushion the economic impact on businesses and households and provide support to economic activity.

Given the uncertainties surrounding the pandemic, the stance of monetary policy will continue to be determined by new data and information and their implications on the overall outlook for inflation and domestic growth.

The Bank remains committed to utilise its policy levers as appropriate to foster enabling conditions for a sustainable economic recovery.

Jan 2022

The MPC considers the current stance of monetary policy to be appropriate and accommodative.

Fiscal and financial measures will continue to cushion the economic impact on businesses and households and provide support to economic activity.

The stance of monetary policy will continue to be determined by new data and their implications on the overall outlook for inflation and domestic growth.

Thank You