

Interest rates expected to be steady
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Bank Negara Malaysia is expected to hold interest rates steady on Thursday, with a large majority of analysts not expecting any more hikes for the rest of the year as global economic growth slows.

Fifteen out of 17 analysts polled by Reuters expect the central bank to hold rates at 2.75 percent after implementing three 25 basis point hikes between March and July.

The remaining two economists however believe that there is a chance the central bank may hike by a final 25 bps this year due to what they see as stronger domestic driven growth.

Following is a comparison between statements issued at monetary policy meetings on May 13 and July 8 and recent comments by the central bank governor.

Bank Negara monetary policy statement on May 13:

"Although external factors, including rising global commodity and food prices, may exert some additional upward pressure on domestic prices, overall inflation is expected to remain moderate in 2010."

"The MPC decided to adjust the OPR towards further normalisation of monetary conditions. At the new level of the OPR, the stance of monetary policy continues to remain accommodative and supportive of economic growth."

Bank Negara monetary policy statement on July 8:

"Prices are expected to rise at a gradual pace in the coming months, in line with the continued improvement in domestic economic conditions, and taking into account possible adjustments in administered prices.

"Overall, inflation is, however, expected to remain moderate going into 2011.

"The MPC considers the new level of the OPR to be appropriate and consistent with the current assessment of the growth and inflation prospects.

"The stance of monetary policy continues to remain accommodative and supportive of economic growth."

Following are key comments made by central bank governor Zeti Akhtar Aziz since the last monetary policy meeting on July 8.

She told reporters in Kuala Lumpur on August 18:

"We have already announced that rates currently in place is consistent and appropriate in the outlook for growth and inflation. Our policy is forward looking and not based on current conditions and based on the outlook.

"Based on outlook for inflation and growth, the current level is consistent and appropriate."

- Reuters

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