

Bank Negara holds rates steady, see gains in exports
Malaysian Insider
6 March, 2014

Malaysia's central bank kept its benchmark interest rate steady at 3% today, as expected, signalling it remains comfortable for now with the country's rising inflation rate.

Bank Negara Malaysia has kept its overnight policy rate on hold since mid-2011.

Malaysia's annual inflation rate quickened to 3.4% in January, the highest level in more than two years, reflecting increases in the price of food, transport and electricity.

"Inflation has been gradually rising due to disruptions in supply following adverse weather conditions and increases in domestic costs," the central bank said in a statement.

In future, it said, inflation is expected to be affected by higher domestic costs. However, "the subdued external price pressures and moderate domestic demand conditions will, to some extent, contain the impact of these cost factors on the underlying inflation."

BNM said it will "continue to monitor for signs of destabilising risks of financial imbalances".

All 17 economists in a Reuters poll had expected no change today.

But higher inflation and an expected pick-up in exports and overall growth have prompted many economists to predict a hike of at least 25 basis points this year.

Lee Heng Guie, economist at CIMB, said he believes the central bank is "moving slowly" to prepare for raising rates. He forecasts that the benchmark rate will be raised 50 basis points, to 3.5%, by end of this year.

Su Sian Lim, an economist at HSBC in Singapore, also thinks there will be two 25 basis point hikes "around the middle of this year".

The central bank said the global economic expansion "remains moderate. While there have been improvements in the advanced economies, the recovery has been modest and uneven".

For Malaysia, the latest indicators "point to further improvement in exports and continued expansion in private sector investment spending," it said. "Exports will continue to benefit from the recovery in the advanced economies and from regional demand."

Malaysia's economy beat expectations and picked up speed in the last quarter of 2013, with exports rebounding towards the end of the year as a gradual recovery in the global economy spurred more shipments of electronics and commodities.

Most economists expect Malaysia's economy to grow at a robust 5% or more this year, following an expected expansion of 4.5-5% in 2013, helped by a brighter global economy that should fuel its vital export sector.

The country's faster price rises are partly a result of a series of subsidy cuts made by Putrajaya last year. These have eased concerns over the Southeast Asian nation's high debt burden and

fiscal deficit. – Reuters, March 6, 2014. fiscal deficit. – Reuters, March 6, 20

Hakcipta © 2014 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/business/article/bank-negara-holds-rates-steady-see-gains-in-exports>