

Bank Negara: Country on firm recovery path

Domestic and external factors to drive growth

ECONOMY

KUALA LUMPUR: Malaysia's economy is firmly on a recovery path supported by domestic and external demand, says Bank Negara governor Tan Sri Nor Shamsiah Mohd Yunus.

The economy is expected to grow steadily in 2022 and 2023 despite the challenges from rising cost pressures, the Russia-Ukraine military conflict and China's strict Covid-19 containment measures, she added.

The country is benefiting from the strong demand for its exports especially electrical and electronics, commodity-based and other diversified export products.

According to her, the global market will continue to support the country's export growth.

"Based on observation, we are seeing increased strength in domestic demand, domestic spending particularly consumers' expenditure, of which retail sales, debit card transactions and consumer goods imports have exceeded pre-pandemic levels," she said in her keynote speech at the 12th International Conference on Financial Crime and Terrorism Financing 2022 here yesterday.

She pointed out that the strengthening job market has benefited the country's economy and 26,000 new jobs were created in the first three months of this year – similar to the pre-pandemic level.

Simultaneously, job vacancies and wages are also rising, which would further reinforce the



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recovery in domestic demand going forward.

On rising prices, Nor Shamsiah emphasised that the current situation is a global phenomenon and Malaysia is impacted due to the indirect effect of high global commodity prices as they are the key driver for the rise in producer input costs.

"Inflation development in Malaysia was reflected by the pass-through of some of these costs as well the strengthening domestic demand.

"Consequently, although the headline inflation is projected to remain low and stable to range between 2.2% and 3.2% this year, core inflation increased to an average of 2.2% in the first six months of this year compared with only 0.7% in 2021," she said.

The governor reiterated that as the economy was on a firmer growth trajectory and no longer in a state of crisis, the central bank through the Monetary Policy Committee judged that it was the right time to begin withdrawing the excess support, revising the overnight policy rate from its historically low 1.7%.

"What is important is by acting pre-emptively, we will be in a position to undertake the adjustment to the monetary policy setting in Malaysia gradually and this is also to restore and support sustainable growth over the medium and longer term," she said, adding that the timing, pace and extent of interest rate increases would be guided by assessments — Bernama