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CONFIDENCE IN ECONOMY

BANK NEGARA MAINTAINS OPR AT 2.75PC

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BANK Negara Malaysia's decision to maintain the Overnight Policy Rate (OPR) at 2.75 per cent demonstrates its confidence in the economy, said economists.

They said the OPR was likely to remain at the current level for a while longer, with the central bank raising the key rate by 25 basis points (bps) only later in the year to rein in inflation.

Bank Negara's move also came ahead of a likely 50bps interest rate hike by the United States Federal Reserve following chair Jerome Powell's hawkish com-

ments on Tuesday.

Malaysia University of Science and Technology economics professor Dr Geoffrey Williams said inflation was expected to fall in the coming months, supported by lower global oil price.

"The government budget is clear now and will support growth. Based on Bank Negara's mandate, there is no case to change the key interest rate now. There will also be no rate cuts in the next meeting. The OPR will be stable for the rest of the year," he said.

Bank Muamalat Malaysia Bhd head of economics and market analyst Mohd Afzanizam Abdul Rashid said the OPR decision was within most economists' expectations.



Bank Negara Malaysia says with the Overnight Policy Rate staying at 2.75 per cent, the monetary policy remains accommodative and supportive of economic growth.
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"We can expect the OPR to remain steady in the near term. Typically, the OPR will linger at around three to 3.25 per cent. So, we can expect another 25bps hike later this year," he said.

Universiti Putra Malaysia School of Business and Economics Assoc Prof Dr Mohammad Khair Afham Mohd Senan said OPR cuts were unlikely in the near future.

"Lowering the interest rate will push inflation higher. (But) Bank Negara's decision to maintain the interest rate is appropriate for the time being, given the economic conditions," he added.

Putra Business School econom-

ic analyst Assoc Prof Dr Ahmed Razman Abdul Latiff expects the OPR to be unchanged in the near term and rise to a maximum of three per cent this year.

"The OPR decision is most likely due to expectations Malaysia will post a 4.5 per cent gross domestic product growth this year and the annual inflation rate hovering at 2.8 to 3.8 per cent."

Bank Negara said yesterday at the current OPR level, the monetary policy remained accommodative and supportive of economic growth.

There have been positive developments, including the re-opening of China's economy and

better-than-expected growth outturns in major economies, supported by resilient domestic demand.

Nevertheless, the central bank said the global economy continued to be weighed down by elevated cost pressures and rising interest rates.

"Headline inflation moderated slightly from the high levels in recent months but core inflation has remained above historical averages. Some central banks are expected to continue raising interest rates to manage inflationary pressures and this will pose headwinds for global growth outlook," it added.