

KERATAN AKHBAR

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KUALA LUMPUR: Bank Negara can afford to be more gradual in increasing the overnight policy rate (OPR) after raising the interest rate by 25 basis points to 3% following its Monetary Policy Committee meeting in May, said an economist.

UOB Group's senior economist, Julia Goh, said that at 3%, the OPR was at a neutral level, which is not too restrictive and sufficient to handle inflationary risk.

"When you are very near the peak of the rate hike, we think that perhaps there is room for them to pause to take in the current trends to see the impact of the previous rate hikes on the economy

before they decide what would be the next course of action," she told reporters at the sideline of UOB Asset Management Forum yesterday.

Looking at recent economic data, Goh noted that manufacturing exports have been weaker while the economic recovery of China, Malaysia's major trading partner, had not been as strong, and that would have a spillover effect on Malaysia's economy and recovery.

"So taking all that into consideration, and at Malaysia's headline inflation, which is also showing a moderating trend, we also feel that private consumption has been

moderating and normalising," she opined.

Meanwhile, Malaysian Inclusive Development and Advancement Universiti Kebangsaan Malaysia's director Professor Tan Sri Dr Noor Azlan Ghazali, viewed that Malaysia is now facing challenges not only from the external front but also domestically.

He shared that the rule of thumb in monetary policy is to lean against the wind, and raising the OPR is aimed at slowing things down.

Hence increasing the interest rate further would have implications for the domestic economy. — Bernama