

KERATAN AKHBAR

TARIKH : 7 JULAI 2023
AKHBAR : NEW STRAITS TIMES
MUKA SURAT : 18

Support for Bank Negara's OPR decision

'CAUTIOUS' MOVE

SUPPORT FOR BANK NEGARA'S OPR DECISION

It will benefit individuals and businesses grappling with high living cost, weak ringgit

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BANK Negara Malaysia's decision to maintain the Overnight Policy Rate (OPR) at three per cent is a big relief to individuals and businesses that are grappling with rising living costs and the weak ringgit, said economists.

It also provided a conducive environment for businesses to not only survive but thrive in the current challenging environment.

However, they said by leaving room for a potential increase later, the central bank acknowledged the importance of keeping a close watch on core inflation, which could be influenced by

policy shifts related to subsidies and price control measures.

Universiti Kuala Lumpur Business School economic analyst Assoc Prof Aimi Zulhazmi Abdul Rashid said Malaysians were already burdened by the rising cost of living even though core inflation remained under control.

The overall inflation rate had eased to 2.8 per cent in May.

Bank Muamalat Malaysia Bhd chief economist and social finance head Dr Mohd Afzanizam Abdul Rashid said Bank Negara was extremely cautious on how it would steer the monetary policy.

He said the persistent decline in Malaysia's Purchasing Managers' Index indicated that businesses had become wary of their revenue outlook.

"This could prompt them to



Bank Negara Malaysia's decision to keep the Overnight Policy Rate at three per cent will enable businesses to not only survive but thrive in the current challenging economic environment, say analysts.

relook at their business strategy, including hiring plans and capital expenditure.

"In a way, the outlook for the labour market and price pressures are expected to be subdued going forward. I think Bank Negara may want to keep the OPR steady at three per cent for the rest of the year," he added.

Universiti Putra Malaysia School of Business and Economics senior lecturer Mohamad Khair Afham Muhammad Senan said had there been another OPR

hike, consumers might curtail their spending and this could result in businesses reducing their investment in turn.

Bank Islam Malaysia Bhd chief economist Firdaos Rosli said any further OPR hikes must be gradual and data-driven.

"The rate pause is in line with Bank Islam's expectations. We agree with (Bank Negara's) statement on the upside and downside risks to Malaysia's growth in the near term, although the overall balance of risks has not

changed much since the beginning of the year," he added.

Independent analyst Julian Suresh Sundaram said Bank Negara seemed to be aware that it would not be able to alter the ringgit's trajectory against the US dollar for now, much like other regional currencies such as yuan and yen.

"Maintaining a slightly accommodative monetary stance will support equity market gains when the US dollar weakens in the future," he added.