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'OPR has minimal impact on ringgit'

CURRENCY FLUCTUATIONS

'OPR HAS MINIMAL IMPACT ON RINGGIT'

Local note's strength or weakness dependent on many factors, say analysts

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KEEPING the status quo with regard to Malaysia's key policy rate is not expected to adversely affect the ringgit.

Bank Negara Malaysia is widely expected to maintain its Overnight Policy Rate (OPR) at three per cent this week.

The strength or weakness of the ringgit is dependent on a myriad of factors, not mainly on the OPR, said economists.

Malaysia University of Science and Technology economist Dr Geoffrey Williams said as the OPR remains steady, he anticipates minimal impact on the value of the ringgit.

He said the stability is attributed to the fact that market expectations have already factored in the OPR's status quo, adding that the ringgit's fluctuations are in-

fluenced by familiar factors.

"The ongoing fluctuations of the ringgit are primarily driven by external elements, including the geopolitical landscape, the appeal of the US dollar as a safe haven and economic policies in other nations.

"These factors are largely beyond Malaysia's control," he told the *New Straits Times*.

Bank Muamalat Malaysia Bhd chief economist and social finance head Dr Mohd Afzanizam Abdul Rashid said the OPR decision has always been associated with domestic economic conditions.

Notably, he said Malaysia's current account continues to maintain a surplus, largely bolstered by international trade.

"Moreover, the banking system boasts strong fundamentals, characterised by ample capitalisation, high liquidity and robust risk management practices.

"This would mean the intermediation of funds by the banks is



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business as usual. Therefore, we believe the decision on the OPR will be based on supporting the domestic economy," he said.

Center for Market Education chief executive officer Carmelo Ferlito believes that there is no reason for an increase or decrease of the OPR this time.

Any of the actions would most probably be ineffective, he said.

"(The ringgit's) performance is mostly linked to the international economy, domestic scenario and policy orientation.

"I do not think that keeping the OPR unchanged will stimulate the economy. There is an over-

estimation, in my opinion, of the role of the OPR on the economy and often the distortive effects that artificial manipulation of the OPR can have on the economy," Ferlito said.

So far this year, the ringgit was down 6.07 per cent against the US dollar.