

Different financial solution needed from Bank Negara instead of OPR hike, says analyst



Bank Negara Malaysia's logo is seen at its headquarters in Kuala Lumpur March 12, 2019. — Picture by Yusof mat Isa

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By Zarrah Morden

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KUALA LUMPUR, Sept 2 — Bank Negara Malaysia (BNM) needs a different financial solution instead of raising the overnight policy rate (OPR) because of worries it may burden Malaysians along with inflation and the rising cost of living, an economic analyst said.

For the good of Malaysians and the financial system, the country requires a different financial solution and outside-the-box economic answers, UniKL Business School Economic Analyst associate professor Aimi Zulhazmi Abdul Rashid told *Utusan Malaysia*.

"BNM needs to come up with a more effective solution instead of raising the OPR rate suddenly, especially when it is about to reach 3 per cent like in 2019.

"The interest adjustment will definitely burden the people, not to mention the cost of living that has increased cumulatively from 2019 until now," she was quoted as saying.

She reportedly added that while the situation was outside of the government's control, the OPR hike would like see an increase in cases of non-performing loans in combination with the rising inflation rate.

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She reportedly went on to explain that the drop in value for the ringgit contributed to the rising price of imported food, providing an example that if the total of imported food was RM55 billion, then it has in the past year risen to RM63 billion.

A slight increase in inflation will disrupt efforts to rejuvenate the economy as it would hamper economic activities and increase the burden on Malaysians and their cost of living, she reportedly said.

"In theory, raising the OPR is meant to reduce inflation, but it must be handled carefully because we don't want it to burden individual borrowers and businesses," she was quoted as saying.

On July 6, BNM increased the OPR by 25 basis points to 2.25 per cent during its fourth Monetary Policy Committee (MPC) meeting.

The day after that, analysts expressed the belief that rate hikes would continue for the remainder of the year and BNM would continue its policy tightening further in upcoming MPC meetings.