

## **YOURSAY | OPR not the only reason for ringgit depreciation**

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**Yoursay**

YOURSAY | 'Strength (or weakness) of our ringgit is dependent on a myriad of factors.'

Unspin: As Bank Negara governor Nor Shamsiah Mohd Yunus has mentioned, the overnight policy rate (OPR) is a blunt instrument to control the equilibrium of our economy. It is not the panacea to our economic problems.

The strength (or weakness) of our ringgit is dependent on a myriad of factors - OPR is just one of them. The crucial factor for forex is "confidence".

If a herd loses faith in how the country is being governed, it will sell its ringgit in exchange for other currencies.

Case in point, recently the unity government shot itself in the foot by trying to out-Islam PAS (or divert attention from the withdrawal of the Allah appeal) by raiding the Swatch outlets.

These kinds of actions scare off investors. If business people flee our country because they think that we are going the way of Afghanistan, our Ringgit will be affected. When that happened, it was beyond the control of Bank Negara.

Undecided: "Elaborating, (Pasir Gudang MP) Hassan (Abdul Karim) said the Bank Negara governor should tell the truth to the prime minister about the 'real reason' for the ringgit's fall."

The real reason is staring at us.

The country is besieged with deep-seated problems related to race and religion which is amplified by mainly Malay-Muslim politicians eager to gain the support of the majority race.

How can investors have confidence in a country and its currency when there is racial and religious discrimination which has caused the downfall of so many countries?

It is only a matter of time. There will be civil strife if things are not controlled.

The government is doing its best to create a sense of unity and stability, but Perikatan Nasional is not helping through the divisive behaviour/rhetoric of its top leaders, despite advice from the monarchy.

The weakness in the ringgit may be down to just one word, "confidence" - in the stability of the present government, despite assurances to the contrary.

Hence the flight of the ringgit because of speculation or otherwise.

Casper c: Don't place blame or give too much credence to those at the helm at Bank Negara at that moment.

Many are guilty by association of all that is wrong due to their proximity to former Bank Negara governor Zeti Akhtar Aziz, especially Nor Shamsiah.

Like always in Malaysia, those who are most able resign their position under duress and hence, per usual, our best minds are not in service and have found greener pastures elsewhere.

Ringgit coming under pressure is not Bank Negara's problem. At best, Bank Negara can dictate policy, chart and make forecasts and eat the cake too, even if their projections don't pan out.

Salvage Malaysia: Once you up the borrowing cost, manufacturers and producers will increase their cost to pass on to consumers.

That will further exacerbate inflationary pressures. And further, our exports

dropped, meaning there's less demand for ringgit for those exporters quoting in ringgit.

So, I don't see what's the benefit of increasing this OPR.

No point telling us who is suffering that this is a long-term measure. Many small businesses are struggling to survive.

This move only benefits the banks which are making billions in profits.

Anonymous\_47029368: Not true that banks benefit because of OPR hikes.

During the low-interest times, banks loaned out a lot of money at low interest or then they bought low-interest government bonds.

These bonds and loans, if the fixed rate were marked down and could be valued much less when OPR hikes go up.

Four banks in the US collapsed after becoming insolvent because their assets were valued much less when the US Federal Reserve hiked their rates.

KK Voter: Bank Negara's governor is not a politician.

Hassan has been hitting out at his colleagues in Pakatan Harapan for the longest time, but this is ridiculous, showing utter ignorance of basic economics and the role of central banks, so much so that he is embarrassing himself.

But he is right about one thing though. People are smart, they read economic news and know what is happening in the world.

Focusapp: "The real reason" for the ringgit's fall? Why not compare on a longer-term basis to get the real picture?

A good example is the comparison of the Singapore Dollar to ringgit since the 1980s. The ringgit has declined steadily against the Singapore dollar from parity to 3.40 currently.

The real reason is corruption, cronyism, poor management of the economy, lack of meritocracy, waste, larceny, excessive politicking, lagging education, etc.

Too many reasons to list down.

So, is the present government going to take notice of the real reasons and address it? I guess not.

Fair Play: I dare say this. An agreement has been reached amongst the politicians

in the US to raise the debt limit to allow the government to keep borrowing.

This will allow the government to keep on borrowing and the result is the interest rate will keep rising. If that happens, Bank Negara has two choices.

1. Raise the OPR in tandem with other countries.

2. Let the ringgit depreciate further. Either way, the rakyat still loses.

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