

'OPR adjustments are reasonable'

Anwar: Gradual change by BNM is sound, not meant to benefit any party

By **RAHIMY RAHIM**
rahimyr@thestar.com.my

KUALA LUMPUR: The decision by Bank Negara Malaysia (BNM) to gradually adjust the overnight policy rate (OPR) is aimed at ensuring that it will remain at a reasonable level and is according to macroeconomic conditions, says Datuk Seri Anwar Ibrahim.

The Prime Minister stressed that the move was not meant to benefit any party and was not part of the Monetary Policy Committee's deliberations.

He added that although banks might benefit from loan repayments when the OPR increases, they would also have to pay higher interest rates, which increase their funding costs.

"To ensure that the country's economy continues to grow at a sustainable rate and to control inflation, Bank Negara acted early in adjusting the OPR in stages starting in May 2022.

"The move is important to ensure that the OPR is at a reasonable level and according to macroeconomic conditions.

"If the OPR continues to be at a level that is too low for too long while the economy is strengthening, it would lead to extremely high spending and borrowing," said Anwar, who is also Finance Minister, in a parliamentary reply to Lim Guan Eng (PH-Bagan).

Lim had asked the Finance Ministry to explain the rationale behind Bank Negara's increase of the OPR by 0.25% which, he said,

would only benefit the banking sector.

Anwar noted that when the country's economy faced some challenges due to Covid-19, the OPR was reduced from 3% to 1.75% in 2020, the lowest in the country's history.

He said that economic activity then gradually improved and returned to normal as the country entered the transition to the endemic phase in 2022, all the while the economy continued to strengthen.

"The economic growth rate in 2022 also exceeded pre-pandemic levels.

"In fact, the level of growth of the gross domestic product (GDP) for the first quarter at 5.6% exceeded the GDP average from

2011 to 2019.

"In addition, the improving labour market also aided household spending activities, which remain resilient," said the Prime Minister.

Anwar added that the macroeconomic policy had to be reviewed so that the country did not experience pressure in terms of unsustainable economic growth and extreme price pressure, especially in the future due to inappropriate policies.

He said this was mainly due to the existence of price pressure driven by strong demand in line with economic activity recovery.

Anwar also noted that in the first quarter this year, inflation had dropped to 3.6%, compared with 3.9% in the fourth quarter

last year, due to lower prices of RON97 fuel.

However, he said inflation was still high as domestic demand remained strong in a more robust economic situation.

A healthy economy and a more stable pricing condition, he added, would have a positive spillover effect for all parties.

"At the current OPR of 3%, as announced by the Monetary Policy Committee on May 3, the monetary policy is still accommodative and supportive of the country's economic growth.

"Moving forward, the committee will continue to ensure that the monetary policy stance remains consistent with inflation and domestic growth prospects," he said.