

'OPR CUT PROVIDES RELIEF TO ECONOMY'

It's a pre-emptive move by BNM to ensure sustainable economic growth, say experts

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BANK Negara Malaysia's overnight policy rate (OPR) cut is a necessary move to provide a relief to the economy despite coming in sooner than expected, economists said.

This is especially true in the face of global uncertainties brought about mainly by the trade tension between the two largest economies in the world, they added.

Bank Islam Malaysia Bhd chief

economist Dr Mohd Afzanizam Abdul Rashid said the OPR reduction was a pre-emptive measure to ensure the country's economic growth continued to be sustainable.

"I think we need to view the objective of such a policy response, that is to provide support to the economy by making monetary conditions very accommodative," he said when contacted by the *New Straits Times*.

Afzanizam said this essentially would reduce the cost of funds that could help stimulate investment activities.

This will be backed by the revival of mega projects, such as the East Coast Rail Link and Bandar Malaysia, that would result in higher demand for corporate financing, he added.

Lower OPR would also mean slightly lower monthly commitment for existing mortgages or any financing contracts that had variable rate features, he said.

"Many would ask whether the latest move would impact the



Dr Mohd Afzanizam Abdul Rashid

ringgit negatively.

"The OPR cut is part of a very medium-term kind of growth story and that should help the ringgit to appreciate over time," he added.

Putra Business School business development manager Associate Professor Dr Ahmed Razman Abdul Latiff said analysts had expected the cut to happen in July. But recent developments, especially the United States-China



Associate Professor Dr Ahmed Razman Abdul Latiff

tariff war, had lowered confidence in the market and could slow down the growth.

"Hence, the reduction in rate is supposed to provide the stimulus by encouraging borrowings and not savings," he said.

Socio-Economic Research Centre executive director Lee Heng Guie said the central bank's OPR cut would provide some relief to the economy.

"The reduction does not signal



Lee Heng Guie

that things are getting bad but rather to provide some relief, in light of uncertainties in the external market.

"The cut would preserve the country's economic stability that gives some relief to the market and investors," he said.

Lee said there would not be another series of rate cuts as the government still had the spending power to ensure the economy was growing.