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OPR cut driven by global economic conditions – Tengku Zafrul

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KUALA LUMPUR, July 7 – Malaysia's move to cut the overnight policy rate (OPR) today to a record low of 1.75 per cent from 2.00 per cent previously is driven by global economic conditions, which are still in the early stages of recovery from COVID-19.

Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz said based on forecasts by various agencies such as the World Bank and the International Monetary Fund, over 150 out of 195 countries globally were expected to record economic contraction in 2020.

“The decision to reduce the OPR is aimed at accelerating the rate of recovery and further stimulate the country’s economy.

“The government believes that this move, combined with proactive measures deployed since March 2020 under the PRIHATIN and PRIHATIN SME+ economic stimulus packages and, more recently the National Economic Recovery Plan (PENJANA), will be able to regenerate the economy by creating jobs, restoring consumer and investor confidence, as well as containing the likelihood of a sharp economic contraction,” he said in a statement today.

Tengku Zafrul also stressed that Malaysia’s economic recovery was also subject to the collective effort of all parties including corporates, small and medium enterprises, businesses and consumers, particularly in ensuring that the people’s lives and livelihoods were protected and the economy was strengthened.

To-date, the stimulus packages totalling RM295 billion have benefited around 800,000 businesses and saved an estimated 2.6 million jobs.

He said that the coming three to six months were crucial to the successful implementation of PENJANA initiatives which were expected to show results by the third or fourth quarter of 2020.

Looking back, Tengku Zafrul said Malaysia had demonstrated its resilience in managing various challenges, including the Asian Financial Crisis and the Global Financial Crisis due to its sound economic fundamentals and robust institutional framework, as well as deep and well-regulated financial and capital markets.

“The government will continue to ensure that the nation’s financial and investment ecosystems are well prepared to face short- and medium-term eventualities in order to secure Malaysia’s economic resilience and sustainability,” he said.

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On its latest rate cut, BNM said the impact of COVID-19 on the global economy was severe and the cut would provide additional policy stimulus to accelerate the pace of economic recovery.

The ceiling and floor rates of the corridor of the OPR were correspondingly reduced to 2.00 per cent and 1.50 per cent, respectively.

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