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Home > Knitters' association expresses disappointment with Bank Negara's forex policy

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KUALA LUMPUR (Dec 7): The Malaysian Knitting Manufacturers Association (MKMA) today said that Bank Negara Malaysia's measures on foreign exchange (forex) effective Dec 5 has "disturbed the good deed" of manufacturers with overseas operations.

Its president Tang Chong Chin said Bank Negara's failure to resolve the issue could result in manufacturers opting to instruct their customers to pay directly to their plants overseas instead of their Malaysian companies.

"Currently most of the manufacturers or exporters in Malaysia are directing all their sales proceeds to their Malaysian companies even though they have invested in overseas factories.

"It is common that they treat their overseas factories solely as production plants and pay workmanship charges to their overseas factories. In general, the charges requirement is about 25% to 30% of the sales proceeds depending on the sector or industry," Tang said.

In a statement today, MKMA expressed its "total disappointment" and "strong objection" against Bank Negara's instructions on forex policy that took effect on Monday.

"The requirement to compel the exporter to immediately convert 75% of the sales proceeds into ringgit and reserve 25% in foreign currency came as a shock [and it was] unexpected and without consultation and discussion with the private sector.

"MKMA objects to such an unfriendly rule and urges Bank Negara to withdraw the implementation until full consultation with the private sector is carried out," Tang said, adding to the band of manufacturers and exporters from other industries who also criticised the central bank's latest policy.

Last Friday, Bank Negara announced several measures intended to enhance the liquidity of the foreign exchange (forex) market, which included the export proceeds conversion and a special deposit rate of 3.25% per annum on converted export proceeds until Dec 31, 2017.

Tang said manufacturers or exporters are finding it difficult to pay for purchases of raw materials as most of them are imported as input to production, and that imported raw materials often constitute up to 60% of the sales proceeds.

“The new instruction would incur double, additional costs or losses as we are forced to convert 75% of the proceeds immediately into ringgit, and would need to convert back to foreign currency for the overseas raw materials suppliers and production plants. Why should we incur such unnecessary costs?” he added.

He said generally, manufacturers would keep 75% to 80% of their sales proceeds in foreign currencies and would only convert about 20% to 25% in order to meet their local manufacturing overheads.

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