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Home > Knitters up in arms over Bank Negara’s new forex policy

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KUALA LUMPUR: The Malaysian Knitting Manufacturers Association (MKMA) on Tuesday expressed what it termed as its “total disappointment” and “strong objection” to Bank Negara Malaysia’s new foreign exchange (forex) measures that kicked in on Monday. It said in a statement that the central bank’s move has “disturbed the good deed” of all 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 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.

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, said MKMA, as it was done without prior consultation with the private sector. “MKMA objects to such an unfriendly rule and urges Bank Negara to withdraw the implementation until [a] full consultation with the private sector is carried out,” Tang said, joining manufacturers and exporters from other industries who have also criticised the central bank’s latest policy.

The new instruction would also caused knitters to incur additional costs as they would have to convert 75% of the proceeds immediately into ringgit, and convert them back to foreign currency for their overseas suppliers of raw materials and production plants, Tang 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% to meet their local manufacturing overheads.

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

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