

22 MAY 1997

Mahathir-Bank Negara

CENTRAL BANK OUT TO PREVENT PROPERTY MARKET COLLAPSE, SAYS PM

By: Azman Ujang

LONDON, May 22 (Bernama) -- For the first time, Prime Minister Datuk Seri Dr Mahathir Mohamad has reacted to the backlash caused by the recent move by Bank Negara to curb lending to the property sector, saying that the central bank is out to prevent a collapse of Malaysia's property market.

Dr Mahathir, who is in the British capital to woo investors to Malaysia's Multimedia Super Corridor (MSC), said although there was no immediate danger of such a collapse, it might happen if the central bank did not act now to prevent this possibility.

"By reacting earlier, we hope to stave off the possibility of collapse in the property sector," said the Prime Minister in an apparent defence of what has been described as the most controversial -- and unpopular -- move ever made by Bank Negara to regulate the economy in decades.

The Prime Minister chose a luncheon meeting with British fund managers to make his first comment on the issue which has dragged on since March 31 when Bank Negara governor Datuk Ahmad Mohd Don announced the new lending guidelines.

The guidelines, which are binding, restricts banks from lending more than 20 per cent of their total loans to the property sector, one of the key propellers of the Malaysian economy. Bank Negara also imposed a similar restriction on bank lendings for share purchases.

The lending curbs brought backlash the very next day, plunging share prices on the Kuala Lumpur Stock Exchange (KLSE) and which have not recovered since.

Responding to a question, Dr Mahathir told the luncheon hosted by Caspian Securities Ltd that the Malaysian property market almost collapsed in 1985.

"We managed to overcome the problem but it cost us a bit of money," he recalled.

He pointed out that the Bank Negara move was made as a warning to banks not over-expose their loans to the property sector in view of the crash in the property market in Tokyo, Hong Kong and Bangkok.

"This is a warning to our people not to put everything in the property sector. Actually, loans by the big banks to the property sector are quite small or less than 20 per cent.

"But smaller banks loan out a bit more, exceeding 20 per cent," said Dr Mahathir.

The Prime Minister explained that the lending curbs had not in any way deprived the property sector to the extent that a lot of people lost their money like what has happened in Tokyo, Hong Kong and now Bangkok.

But he admitted that losses were affecting the KLSE.

According to stock market analysts in Kuala Lumpur, share prices on the KLSE lost at least RM100 billion in value since the Bank Negara announcement.

Dr Mahathir allayed fears that the Malaysian property market was in a position of danger.

"But if we do not take early action, it may be too late for us to do anything. That is why the central bank has to come out with this advice," he said.

The Prime Minister said if people lost confidence in the property market, prices would go down and this would force banks to start recalling their loans.

"If this happens, people may lose money. So we are warning them. At the moment we are not yet facing the kind of danger that Tokyo, Hong Kong and Bangkok are having," he said.

Dr Mahathir also spoke of the success of privatisation of some 300 government enterprises in Malaysia.

Giving some tips, he said it was important for governments to ensure that employees of the bodies to be privatised would not lose their jobs.

On the MSC, he said the question of Malaysia facing shortage of knowledge workers to fill up jobs to be made available by the various industries coming up in the multimedia hub did not arise.

"This is because companies investing in the MSC are free to bring in workers from abroad hassle-free without facing the usual problem with the Immigration authorities," he said. -- BERNAMA

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