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Dr M: Bank Negara directive a move to prevent collapse of property sector

Ahmad A Talib; Rashid Yusof in London

BANK Negara's directive to banks to limit their lending to builders is a pre-emptive move to prevent a collapse of the property sector, Datuk Seri Dr Mahathir Mohamad said.

The Prime Minister said the move was not intended to curb growth of the property sector rather it was one that was intended to give an early warning to the financial institutions and developers against excessive investments in it.

Dr Mahathir was asked for the rationale behind Bank Negara's regulations on bank lending announced in late March. He was asked whether or not there was excessive lending by banks to property developers.

The question was raised by a fund manager at a luncheon hosted by Caspian Securities Institute at the Lincoln's Inn yesterday. Caspian Securities undertakes economic research and conducts analyses on countries or sectors of the economy.

The Prime Minister said: "We like to react early. The possibility of a collapse in the property sector is always there...we had some problems in this sector in 1985.

"After the trouble the sector had in places such as Tokyo, Bangkok and Hong Kong, we feel that we should take pre-emptive measures.

"All we're doing is to tell our people not to be over-exposed to the property sector as this could be dangerous. We don't want to see the problems affecting Tokyo, Bangkok and Hong Kong to also affect us."

He said it would take a while before the March ruling takes effect on the property sector but such early warning could do a lot of good.

Under the central bank ruling taken to prevent a bubble economy, and which took effect on April 1, banking institutions are required to observe a limit on credit facilities extended to the property sector of 20 per cent of total outstanding loans.

This means that they should not lend more than 20 per cent of their loan disbursement to the property sector. Financial analysts also regard the move as part of the overall exercise to prevent the economy from overheating.

Another fund manager wanted to know whether the national car would be affected by the reduction in tariffs following the enforcement of the proposed Asean Free Trade Area.

Dr Mahathir said this was unlikely because efforts were being made to contain production costs of the car besides other measures aimed at increasing efficiency and productivity.

In his short address at the luncheon, the Prime Minister said the Government would not take measures to slow down the country's economy. Slowing down the economy could lead to other side-effects, he said.

Instead, Dr Mahathir said, the Government would continue with the present approach and intensify efforts to improve productivity and control inflation.

Later, Dr Mahathir visited St Mary's Hospital where he was briefed on its telemedicine network which utilises videoconferencing to transmit radiological images, live surgical operations and real-time consultations.

Dr Mahathir was shown video images of a surgery to remove gallstones from a 57-year-old patient, and link-up with a consultant at Yale University in the United States.

Prof Ara Darzi of the hospital who briefed the Prime Minister, said

potential applications of telemedicine included teaching, consultation and information exchange.

Dr Mahathir also visited the interventional magnetic resonance imaging theatre, its museum and the Fleming laboratory. It was at this hospital that Alexander Fleming discovered penicillin.

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