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## More measures required to cut savings-investment gap

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ECONOMISTS say the new RM200,000 ceiling for investing in Amanah Saham Nasional (ASN) and Amanah Saham Bumiputera (ASB) will encourage people to save more, but more measures are needed to reduce the nation's savings-investment gap.

They have proposed heavier taxes on luxury imported items to help reduce the current account deficit and at the same time re-introduce some "old-fashioned means" to encourage people to save.

"The idea behind the move (to double ASN/ASB investment ceiling) is to lower the current account deficit. With the increase in savings, it will logically narrow the savings-investment gap which in turn means a smaller current account deficit," senior economist at TA Securities, Mr Anthony Dass, said.

But there are other measures that can be taken to encourage more people to save. "Another way of inducing savings is to do it the old fashion way, that is to educate the people about the importance of saving.

"If there is sufficient statistics to show the amount we spend on luxury and not-immediately necessary items, then it may just hit people," Dass said when contacted by Business Times.

He suggested that the Government increase tax on luxury items. This will not only cause people to import less, but more and more domestic products will be manufactured and used.

According to the Bank Negara's quarterly bulletin for the first quarter of 1997, imports of consumption goods registered a stronger growth of 5.3 per cent in the first quarter (2.2 per cent in the preceeding quarter) on account of the strong double-digit growth in imports of consumer durables.

There was also marginal increases in imports of other consumption goods (3.5 per cent) and beverages and tobacco (1.3 per cent).

Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim on Sunday announced the doubling of the ASN and ASB investment limit from the original RM100,000 ceiling.

Prime Minister Datuk Seri Dr Mahathir Mohamad said the move could inject an additional RM5 billion into ASN/ASB, assuming that only 50,000 unitholders increase their investments to the new limit. There are over 5 million ASN/ASB unitholders.

Dass said the National Savings Campaign launched last year has not been fully tapped. "Therefore, more emphasis must be given to saving," he said.

He said another measure that can be taken is to increase the Employees Provident Fund (EPF) contribution. "However, the EPF is forced savings and I do not think it will be such a great idea to do something like that," he added.

Group economist and executive director of Arab Malaysian Securities Mustapha Mohd Nor said since ASN and ASB are such a huge mobiliser of funds, the increased ceiling is indeed a good move.

"Basically, people are more affluent now and have more money to save as well. Previously, they could not save more than RM100,000 in ASN and ASB, which are very popular among the Bumiputeras.

"With this move, at least we are sure that they can save more," he said.

According to the Bank Negara's quarterly bulletin for the first quarter of 1997, total deposits mobilised by the commercial banks rose further, although at a moderate pace, by RM11.6 billion or 4.8 per cent to RM255.6 billion at the end of March.

It was RM21.1 billion (9.5 per cent) in the previous quarter.

Chief economist for MBf Northern Securities Dr Muthi Samudram said the ceiling was raised to RM200,000 because it would mean that at least a part of the Malaysian community would be saving.

"What is important is that we need to tailor our spending. We need to find out the areas in which we can cut down on spending," he said.

He also said the launch of RM3 billion worth of bonds by Khazanah Holdings Bhd tomorrow will promote savings.

"Since RM1 billion government bonds will be maturing next year, the Khazanah bonds will be in demand. However, it will largely depend on the interest rates," he added.

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