

29/04/1997

More than RM60b available for shares, property

THE latest figures obtained by Bank Negara showed that a substantial number of financial institutions still have ample room to lend for property and share purchases, despite adhering to its latest lending guidelines to these sectors.

Its deputy governor, Fong Weng Phak, said yesterday the latest feedback showed that 26 commercial banks out of 37 in the country had still not exceeded their lending limits to the two sectors.

"They include some of the very large commercial banks," he said.

In addition, Fong said 31 finance companies out of a total 40 had not reached the ceiling on property lending and all of them could still lend for share purchases.

In the case of merchant banks, he said two out of 12 merchant banks could still lend for property purchases and six could still lend for share purchases.

All in all, Fong said there were about RM60 billion to RM70 billion available in the banking system to finance property and share purchases.

He advised financial institutions to use their discretion when lending to the property and share sectors while adhering to the latest lending guidelines.

He said when Bank Negara announced the monetary measures on March 28, it wanted to see a firm policy of restraint on further lending to property and share purchase sector, especially for speculative purposes.

"What we wanted was to re-allocate more of the financial resources to promote manufacturing and other (productive) activities and away from over-concentration on property and shares.

"That was the intention," he said in response to queries from Bernama.

He said there was no intention by the central bank to ask financial institutions to cut back on existing loans.

"Financial institutions must respect the spirit of the guidelines which we wanted them to emphasise - that is, to be more discerning and lend to genuine purchasers and investors.

"We don't want lending for speculative activity that would fuel asset inflation. Although they (financial institutions) can still lend, they have to observe the spirit.

"I think they know the spirit, that is, not to create asset inflation and not to fuel further speculative activity."

Prime minister Datuk Seri Dr Mahathir Mohamad recently cautioned that there should not be too much speculation in the stock market.

(END)