

Govt looking for ways to cut interest rates

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KUALA LUMPUR: Prime Minister Datuk Seri Dr Mahathir Mohamad said the Government would look into other ways of reducing interest rates without touching the Base Lending Rate (BLR).

"We hope that by adopting certain measures, the interest rates can be reduced in the near future," he said after opening the 1,050-bed Universiti Kebangsaan Malaysia Hospital yesterday.

He said the Government could reduce the BLR but this could result in some problems.

"Our problem now is that whenever we try to reduce the BLR some foreign countries raise their interest rates, forcing an outflow of currency.

"Secondly, the currency traders might decide that the lower rate is bad and they might lower the value of our currency again.

"We may find some other ways. We have already reduced the interest spread, and banks may reduce their margins."

He stressed such a move would not kill the banks.

"If the volume of loans is big enough, they can still make enough money."

Dr Mahathir said the Government would borrow internally using local funds as well as overseas

for the RM16bil to recapitalise the banks.

He said Malaysia had a lot of domestic savings, for example the EPF with RM1.2bil in monthly contributions.

Asked whether the money would be raised through bond issues, he said the bonds would be sold locally as well as overseas.

On Monday, Deputy Prime Minister Datuk Seri Anwar Ibrahim said RM16bil was required for the banking system for 1998 and 1999 to maintain the risk-weighted capital ratio at 9%.

He said the computation was made "based on the past and the present and given the worst case scenario."

Dr Mahathir also expressed hope that the Japanese government and its new leadership would pay attention to the problems in South-East Asia.

Commenting on resignation of Prime Minister Ryutaro Hashimoto, he said:

"We were shocked that he lost badly. However, we hope the new leadership and government would help the region."

Hashimoto resigned on Monday as Japan's Prime Minister and president of the ruling Liberal Democratic Party following his party's humiliating defeat in the Senate election.