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Economy gaining strength, rates coming down: Dr M

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DATUK Seri Dr Mahathir Mohamad says the economy is gaining strength. Interest rates are coming down while the credit situation has improved.

There is even an inflow of funds from Singapore now, unlike previously when some Malaysians had shifted their funds to foreign banks, the Prime Minister told reporters in Kuala Lumpur yesterday.

Dr Mahathir was asked on the state of the economy now more than 10 months after the financial problems hit the region last July.

He said the Government is making credit available to ensure continued growth in the economy.

"When the Government made credit available for the motor vehicle sector, car sales went up immediately ... sales of Proton cars, for example, went up by 62 per cent compared with last month.

"The reason is simple. With credit available, people will buy cars. Today, if there is no credit in the banking system, the economy will slow down," he added.

Asked whether the move to ease credit in the motor vehicle industry will relieve pressure on interest rates, Dr Mahathir said: "Yes, I think so ... interest rates are coming down."

He said while the current interest rates of between 11 and 12 per cent are considered not too high, the cost of money is high because local banks have to borrow from foreign banks.

"The cost of money has gone up because some Malaysians have shifted their money to foreign banks.

"Due to this, the local banks have to borrow from foreign banks at a high cost.

"That is why the Government has appealed to Malaysians not to put their money in foreign banks because this would increase the cost of money which will eventually affect the country's economy," he added.

When asked whether the prolonged water crisis and peat fires would affect the Government's efforts to revive the economy, he said: "The problems of the economy are not related to any natural phenomenon, but more on how we manage it."

He earlier delivered a keynote address at the opening of a three-day seminar on "Virtual Reality", in which he attributed the currency problems facing the region to the negative use of virtual reality in the activities of currency speculation and trading.

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