

15/05/1998

`Higher rates unlikely'

Elena Shamsuddin

INTEREST rates are expected to remain at the current level and not go any higher, said managing director of Malayan Banking Bhd (Maybank) Amirsham A. Aziz.

Looking at inflation rate, which currently stands at about 7 to 8 per cent, Amirsham said one would not expect interest rate to go below the inflation rate.

"You have to encourage savings and this can only be done if you have real interest rates," Amirsham said after a signing ceremony between Maybank and Pelaburan Johor Bhd yesterday.

A higher interest rate would also kill good businesses, he added.

Amirsham said looking at the way the economy is moving, there are a lot of issues involved in assessing interest rates, such as managing inflation as well as managing expansion and growth which need to be looked at by monetary authorities.

The current three-month interest rate level is about 11 per cent. The International Monetary Fund has urged Malaysia to keep its interest rates high, which was disagreed by Prime Minister Datuk Seri Dr Mahathir Mohamad.

If a country's interest rates are high, they draw in foreign capital but discourage local borrowing, which economists said are two ways of stabilising the overheated and drained economies.

Lowering rates and easing money supply help an economy grow by encouraging borrowing for development and trade, economists said.

Meanwhile, on the ringgit, Amirsham said despite strong fundamentals, it is very much sentiment-driven.

Commenting on the huge outflow of money from Malaysia which became an issue recently, Amirsham said bringing back the money to Malaysia is not a simple task.

The outflow of money, he said, is due to Malaysians investing overseas for long-term purposes.

Yesterday, Maybank signed an agreement with Pelaburan Johor to appoint the former as the agent for Pelaburan Johor's trust funds, namely Amanah Saham Johor, Dana Johor and Amanah Saham Angkasa.

Meanwhile, Perbadanan Johor chairman Datuk Muhammad Ali Hashim said the group will divest its assets overseas, which "meet the right criteria", if the right price is offered.

He added that one of the assets that may be disposed of will be the hotels overseas. He said Perbadanan Johor has hotels in Australia, UK and New Zealand, but added that there have not been any negotiation with any party.

In an interview with Business Times recently, Muhammad Ali said it is reviewing its overseas investments and may dispose of its properties in the UK, Australia and New Zealand to take advantage of the exchange rates and to reduce borrowings.

Only investments in oil palm plantations in Indonesia and Papua New Guine are expected to remain intact.

(END)