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Mahathir - interest

MALAYSIA WORKING OUT WAYS TO REDUCE INTEREST RATES, SAYS PM

KUALA LUMPUR, May 30 (Bernama) -- Malaysia is working out ways to lower interest rates, said Prime Minister Datuk Seri Dr Mahathir Mohamad who described the current effective interest rate of between 15 and 16 per cent as very high.

He said the actual lending rate is dependent on the cost of money, the margins banks impose on borrowers and inter-bank borrowings.

Dr Mahathir said: "We are under pressure because as you know, the so-called market forces want us to increase interest rates.

"So companies will go bankrupt.... they say companies should be bankrupt."

The prime minister was approached by reporters on the matter after opening the 45th general assembly of the Malaysian Chinese Association (MCA) here.

Feedback from the business community relayed to the National Economic Action Council (NEAC) indicated that current interest rate at 16 per cent had a crippling effect on their business because of very costly servicing of loans.

Dr Mahathir said the government however had a different view that if a company were to go bankrupt, the government too would go likewise.

On banks being over-cautious in disbursing loans, he said the government wanted credit growth to be increased but banks lacked the confidence in the future performance of companies.

"We have to nudge the banks (to give out more loans) ," he said.

On the soon-to-be established Asset Management Company (AMC), Dr Mahathir said it would not take over all the non-performing loans (NPLs) of the country's banks.

"Where banks can manage their NPLs, we will not touch them but where NPLs grow so much so that banks may be hampered from giving out loans, we will take over the NPLs so that banks can lend again," he said.

Asked whether the AMC would be responsible for the merger of smaller companies, he said that would depend on how the AMC managed its operations.

On the benefits Malaysia could gain from Japan's indication to trade with Malaysia in the yen, the prime minister said in the past, when the yen depreciated, Malaysia could not gain from it because contracts were denominated in the US dollar.

In the past, 70 per cent of Malaysia's external trade was conducted in the US dollar despite trade with the United States only accounting for 18 per cent of the country's total trade.

Asked for his views on the Gross Domestic Product (GDP) growth for the first quarter of the year, Dr Mahathir said: " I do not think it is going to be good.

"By looking at things, as they are now, you have to accept the fact that the economy is facing a lot of problems."

-- BERNAMA

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