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TIER-ONE BANKS MAY EXCEED 15 PCT LOAN GROWTH THIS YEAR, SAYS PM

KUALA LUMPUR, March 24 (Bernama) -- Tier-one banks may be able to exceed the 15 percent ceiling for loans growth for 1998, Prime Minister Datuk Seri Dr Mahathir Mohamad, said here today.

The proposal for the relaxation, however, would only be given to Tier-one banks which can afford it and on the condition that the 15 percent growth ceiling for the industry has not been exceeded, he said during a question and answer session in the Dewan Rakyat.

The government, in efforts to curb credit growth, projected that credit growth, which expanded by 30 percent in 1996, would be scaled down to 25 percent by end 1997 and subsequently to 15 percent by end-1998.

He said the proposals were among several mooted by the National Economic Action Council (NEAC), set up as an advisory board to the Cabinet, on ways to overcome the current economic difficulties.

Among other measures was for Bank Negara to increase local deposits to boost liquidity and lessen the squeeze on credit as well as reduce interest and lending rates.

To this end, Bank Negara would study the possibility of guaranteeing inter-bank borrowings, and reduce the Statutory Reserve Requirement by one or two percent.

Bank Negara would also recommend that it review the possibility of relaxing the 40/60 ruling on financing, which will allow foreign companies in Malaysia obtain, from foreign banks in Malaysia, in excess of 40 percent financing to set up or expand their businesses.

The establishment of the bond market will also be speeded up in order to be used as a mechanism to raise funding for vital projects as well as expansion of companies' operation and these would reduce dependence on funding through the capital market, said the Prime Minister.

It was also proposed that the central bank explain clearly to the banks and the public regarding loans priority for productive sector.

Dr Mahathir also told the dewan about other NEAC's proposal which were being considered by the cabinet, including to revise prices of local products at a reasonable rate which would not result in producers incurring losses and at the same time will not burden consumers.

Other proposals include to get approval from Asean countries to use each other's currencies for intra-Asean trade in order to reduce dependency on the U.S dollar and accordingly, to provide a payment mechanism in terms of "multilateral/bilateral payments arrangement."

Meanwhile, state governments were urged to take the lead in planting more vegetables and fruits in order to reduce imports on such products and to come out with more fresh water fish which could be exported.

These include planting of crops for livestock feeds, Dr Mahathir said, adding that the state governments should ensure that there would be enough land for such efforts.

He said the cabinet had either accepted the proposals in toto or partly.

"To-date, measures have already been taken by the relevant parties to implement it," he said.

Meanwhile, the Prime Minister also said that the cabinet will consider views from the NEAC's committee and exco on strategies to strengthen the country's macro economy for this year.

"NEAC and other bodies under it have just started functioning for about

two months. As such, it is difficult for us to say whether or not it has succeeded in carrying out its task, especially so since the economic problems which needed to be overcome are challenging and difficult," he said.

However, he expressed his satisfaction on the relevant parties' efforts and contributions.

He said within a short period, the NEAC committee had managed to meet up with 200 groups and discuss the economic problems and measures to overcome it.

Dr Mahathir is chairman of NEAC which constituted 24 members, including nine ministers, six private sector representatives, two workers' union representatives and one consumer representative. Tun Daim Zainuddin is NEAC executive director.

"NEAC's members, its exco and working committee and its executive director are not given salaries, allowances or special benefits for their contributions," he explained. -- BERNAMA

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