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Mahathir-Bank

TIER-ONE BANKS MAY EXCEED 15 PER CENT LOAN GROWTH, SAYS PM

KUALA LUMPUR, March 24 (Bernama) -- Tier-one banks may be able to exceed the 15 per cent ceiling for loans growth for 1998, Prime Minister Datuk Seri Dr Mahathir Mohamad told the Dewan Rakyat 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 per cent growth ceiling for the industry has not been exceeded, he said during question time.

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

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 to obtain, from foreign banks in Malaysia, in excess of 40 per cent 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, Dr Mahathir said.

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 House other NEAC's proposals under consideration by the cabinet, including revising 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 getting approval from Asean countries to use each other's currencies for intra-Asean trade in order to reduce dependency on the US 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 come out with more fresh water fish which could be exported.

These include planting of crops for livestock feeds, said Dr Mahathir, who also directed state governments to ensure 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, he also said that the cabinet will consider views from the NEAC's committee and executive council 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 satisfaction at the relevant parties' efforts and contributions.

He said within a short period, the NEAC committee had met with 200 groups and discuss the economic problems and measures to overcome them.

Dr Mahathir is chairman of the NEAC which constituted 24 members, including nine ministers, six private sector representatives, two 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 paid salaries, allowances or given special benefits for their contributions," he added. -- BERNAMA

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