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Interest rates unlikely to drop further, says PM

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INTEREST rates are unlikely to drop further as this would discourage people from saving, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

The Prime Minister said there had to be a balance between commercial interests and the need for adequate incentives to save.

"I think they (interest rates) have gone down substantially already.

"If it goes down too far, people will not save, they will not put their money into fixed deposits because the returns are too low," he said after launching a commemorative millennium gold coin produced by Mariwasa Kraftangan Sdn Bhd for Bank Negara Malaysia.

Interest rates had risen drastically soon after the economic crisis hit in mid-1997, forcing the Government to intervene to reduce borrowing costs.

The rates have since dropped significantly, providing cheap cost of funds for businessmen.

Asked if the Government was contemplating further measures to help businesses, he said there was not very much more it could do.

"We have done everything that we could including lowering interest rates, making credit available and taking initiatives like the property ownership campaign.

"For the tourism industry, we have allocated RM150 million for promotion. They have also benefitted from the Formula One event. These are some of the things the Government has done," he said.

Asked about corporate restructuring that had been criticised as too slow, he said it was a delicate process that required extensive re-examination of the companies, and perhaps even mergers.

"All these things take time. If we hurry too much, we may achieve mergers but the companies may fail," he said.

The bank merger exercise, he said, was progressing well although nothing had been finalised yet. The banks are negotiating with each other and Bank Negara was waiting for their proposals, the deadline for which is the end of January.

The banks were initially to merge into six groups by next April but the exercise has since been relaxed to allow them to choose their own partners and anchors.

On the country's economic growth, Dr Mahathir said the Gross Domestic Product was projected to grow by 4.3 per cent this year.

"Next year will be about five per cent or more," he added.

He said he had not seen the fourth quarter figures but noted that exports had increased, the price of oil was good and all sectors were doing well.

The Prime Minister said the Government had always been conservative in its predictions, pointing out that this year's projected growth was only one per cent.

"But we found that we could grow faster, at 4.3 per cent," he said when asked if it was possible for the country to reach pre-crisis growth rates soon.