

We'll avert recession, says Maybank chief

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THE head of Malaysia's largest bank believes the country will avert a recession even though the global economic outlook has deteriorated dramatically following the terrorist attacks on the US.

"We should avoid a recession. We have a broad-based economy and our domestic economy is strong," said **Malayan Banking Bhd** (Maybank) managing director **Datuk Amirsham A. Aziz**.

Speaking to the media after the bank's AGM in Kuala Lumpur yesterday, **Amirsham** said the **RM4.3bil** fiscal stimulus unveiled by Prime Minister **Datuk Seri Dr Mahathir Mohamad** would prevent the economy from declining into a contraction.

"I hope Budget 2002 will be a positive budget for consumers, who will prop up the economy. We need to drive the consumer and I hope to see a tax cut which will put more money in the pockets of the consumers," he added.

"Apart from the cut in the base lending rate (BLR), we are eagerly waiting for the budget, for other packages so that the economy will hold on a positive note."

For **Maybank**, **Amirsham** said that trying to accurately forecast its financial

performance for the current financial year had been made difficult after the attacks on America, but he did not see **Maybank** posting losses next year.

He said profit margins would be squeezed after a reduction in the BLR but the cut in its rates would soften the fallout from the US downturn.

The reduction in the BLR would have an immediate impact on **Maybank** as there was a mismatch between the lending and deposit rates, he said.

Maybank's lending rate had been reduced from 6.70% to 6.40% but fixed deposit rates would not be adjusted as quickly as deposits had varying maturity dates. About 50% of **Maybank's** loan portfolio would be affected by the cut in interest rates.

Maybank has reduced average lend-

ing rates by 30 basis points and deposit rates by an average of 25 basis points.

"Liquidity has always been in the system. The cost of doing business will be cheaper with the rate cut and it will soften the impact on companies and borrowers," he said.

Amirsham said the prospect of further rate cuts would depend on how the economy responds to the latest reduction in lending rates.

"Necessary action will be taken if there is a need," he said.

Amirsham said **Maybank** anticipated a lower loans growth from the original 6% forecast for its current financial year ending June 2002 after the attack on the US, but it remained to be seen how people respond to the current economic climate.

He said it was too early to assess the impact of slower growth and the corresponding effect on bad loans but said banks had been prudent and had conservative provisioning policies.

Amirsham said the group would press ahead with ongoing plans to cut costs and improve productivity, but there was no plan to lay off any of its staff.

Maybank reported a pre-tax profit of **RM1.51bil** for its financial year ended June 30, and a net profit of **RM839.6mil**, or 35.8 sen per share.