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PACKAGE-AMBM

AMBM SAYS CUT IN INTERVENTION RATE WILL SUPPORT ECONOMIC GROWTH

KUALA LUMPUR, May 21 (Bernama) -- Although the move to reduce intervention rate by 50 basis points to 4.5 percent will reduce costs for businesses and result in lower margin for the banking institutions, local merchant bankers are confident that the move will support and sustain the growth of various sectors of the economy.

Chairman of the Association of Merchant Banks in Malaysia, Tan Sri Azman Hashim, said in a statement today that they were positive that in the longer term, financial institutions would subsequently benefit from the stronger expansion of economic activities.

Following the rate cut, the ceiling base lending rate (BLR) for the commercial banks and the finance companies would decline respectively to six percent and 6.94 percent from 6.42 percent and 7.46 percent.

Malaysia last cut the intervention rate by 0.5 percent point to five percent in 2001.

Responding to the special economic package announced by Prime Minister Datuk Seri Dr Mahathir Mohamad here today, Azman said the association was also confident that the reduction in the employees contribution to the Employees Provident Fund from 11 percent to nine percent would help trigger consumer spending which would in turn support domestic economic growth.

He also said that the involvement of financial institutions including Bank Negara Malaysia, Bank Pertanian Malaysia, Bank Simpanan Malaysia and Bank Pembangunan Infrastruktur dan Industri in the implementation of the economic package measures would greatly help in the government's budgetary constraints while ensuring success of the package.

Malaysia has been experiencing a deficit budget for the last six years.

-- BERNAMA

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