

FINANCING CONCERN

Not constructive to have low rates, says Zeti

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KUALA LUMPUR: Interest rates will remain unchanged for now as Bank Negara has “front-loaded” its interest rate cuts and is now more concerned about access to financing, said central bank governor Tan Sri Dr Zeti Akhtar Aziz.

“We have front-loaded monetary measures because there is a lag time when it will take effect,” Zeti said at the Bank Negara High Level Conference 2009.

“However, our assessment is that it is not constructive to have (overly) low rates. The issue is the access to financing. That is why we focus on resolution and restructuring of debts.”

Last month, the central bank cut the overnight policy rate (OPR) by a record 75 basis points (bps) to 2.5% and the statutory reserve requirement (SRR) to 2% from 3.5% effective Feb 1.

Zeti also said banks in Malaysia had the capacity to absorb a rise in non-performing loans (NPLs) as the current NPL ratio of 2.2% was the lowest in 10 years.

“However, we have encouraged them (the banks) to be pre-emptive in dealing with any borrowers in a difficult situation well before the loans become NPLs,” she added.

In her speech, Zeti called for greater cooperation among central banks.

“Cooperation is not just about promoting monetary and financial stability but also unlocking the potential of the region to achieve greater mutually self-reinforcing growth,” she said, adding that the global financial and economic crisis had shown the need for a global and coordinated response.