

Banks likely to stick to 3.25pc interest rate, says analyst

KUALA LUMPUR: Most banks will likely stick to the interest rate of 3.25 per cent despite Bank Negara Malaysia revising downward the key benchmark overnight policy rate (OPR) by 25 basis points to 3.0 per cent, said an analyst.

This is mainly due to banks not having the confidence of getting higher borrowing volume as economic conditions stay moderate.

The central bank yesterday set ceiling and floor rates of the corridor for the OPR correspondingly to 3.25 per cent and 2.75 per cent respectively.

"Most likely they will just stick to the ceiling rate of 3.25 per cent," Putra Business School business development manager Associate Professor Dr Ahmed Razman Abdul Latiff told the *New Straits Times*.

He said the lower rate was supposed to spur the economy but if the economy was not flexible enough to expand, then banks would not have confidence in offering a lower interest rate.

"There will simply not be enough businesses that are willing to take on extra borrowings."

Last Monday, the NST reported that some banks had increased

their base interest rate despite Bank Negara having kept the benchmark OPR at 3.25 per cent for more than a year.

They did this without informing their clients in advance, al-

though banks are not required to publicly announce any rate hike.

The revision upwards had made borrowing cost more expensive, as it leads to higher base

lending rate imposed on existing and new loans to the masses.

It was learnt that at least one bank had increased its base rate, to 4.13 per cent from 4.03 per cent recently.



Despite Bank Negara Malaysia revising downward the key benchmark overnight policy rate, banks are not confident of getting higher borrowing volume as economic conditions stay moderate. FILE PIC