

Vietnam C.Bank May Cute Bank Reserve Requirements

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HANOI - Vietnam may lower banks' reserve requirements so they can cut lending rates to support economic growth, a state-run newspaper reported on Friday.

'The global market has been shrinking seriously due to the U.S. financial crisis so steering domestic markets is needed, considering its key role in maintaining economic growth in the next one or two years,' Le Xuan Nghia, a State Bank of Vietnam's manager, was quoted by the Lao Dong (Labour) newspaper as saying.

'In the short term the compulsory reserves could be reduced gradually, enabling banks to cut their lending rates,' said Nghia, director of the central bank's Banking Development Strategy Department.

Commercial banks are required to keep at the central bank 11 percent of their dong and dollar deposits for up to 12 months as from Feb. 1, from 10 percent previously, while the reserve ratio for deposits longer than 12 months is 5 percent now.

The central bank should not reduce its 14-percent base rate now while it could use other instruments such as the compulsory reserves or open market transactions to help banks cut their lending rates, Nghia added.

The base rate has been in place since June 11 and banks can lend at up to 21 percent per year.

Source: Reuters