



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 12/11/10

**EMBARGO: Not for publication or
broadcast before 1700 hours on
Friday, 30 December 2011**

MONETARY AND FINANCIAL DEVELOPMENTS November 2011

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), moderated to 3.3% in November, reflecting mainly lower inflation in the *food and non-alcoholic beverages* category. Food prices increased at a slower rate as higher inflation in the *food away from home* and *rice, bread and other cereals* sub-categories was mitigated by lower inflation in the *meat* and *vegetables* sub-categories. Prices in the *rice, bread and other cereals* sub-category rose due mainly to the increase in prices of imported rice. The deflation in the *communication* category also contributed to the decline in headline inflation.

Monetary Conditions: Interbank rates were stable in November. In terms of retail rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.54% as at end of the month. Retail deposit rates were also stable. Broad money (M3) expanded at a higher annual rate of 12.4% in November. On a month-on-month basis, the increase in M3 was supported by higher credit extended to the private sector by the banking system. Net financing to the private sector expanded by RM16.8 billion in November, due to an increase in outstanding banking system loans and higher net issuances of private debt securities (PDS). There was a continued expansion in banking system loans to businesses, mainly to the *education, health and others; construction* and *real estate* sectors. Household loans outstanding expanded steadily, driven mainly by loans for the *purchase of residential properties*. Loan demand increased with higher loan applications, particularly from the business sector.

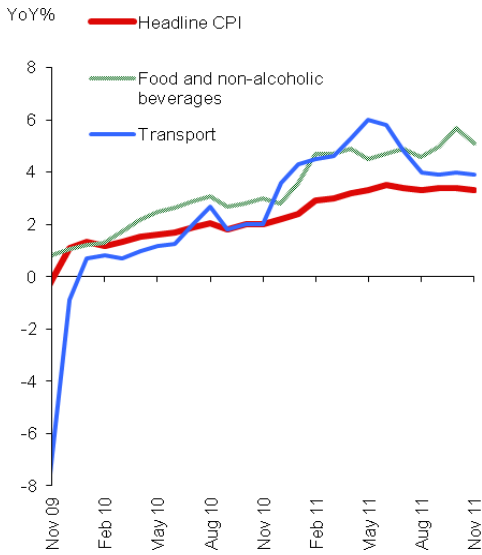
Banking System: The banking system continued to be well-capitalised with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) sustained at strong levels of 14.8% and 12.7% respectively. The level of net impaired loans remained stable at 2% of net loans, while the loan loss coverage ratio remained high at 96.3%.

Exchange Rates and International Reserves: In November, the ringgit exhibited a mixed performance against the currencies of Malaysia's main trading partners. The ringgit appreciated against the euro and Singapore dollar, but depreciated against the US dollar, Japanese yen and Chinese renminbi. The ringgit's depreciation against the US dollar was broadly in line with the regional trend, as uncertainty surrounding the European sovereign debt crisis prompted investors to unwind holdings of emerging market assets. In December, the global financial markets continued to remain volatile and this development affected the performance of regional currencies including the ringgit. In the first week of December, the ringgit and most regional currencies appreciated against major currencies due to renewed investor interest following the announcements of coordinated central bank measures on 30 November 2011 to enhance liquidity support to the global financial system. This appreciating trend, however, was subsequently reversed amid lingering uncertainty over the European sovereign debt situation. The international reserves of Bank Negara Malaysia stood at RM429.8 billion (equivalent to USD135 billion) as at 15 December 2011, sufficient to finance 9.8 months of retained imports and is 4.1 times the short-term external debt.

**Bank Negara Malaysia
30 December 2011**

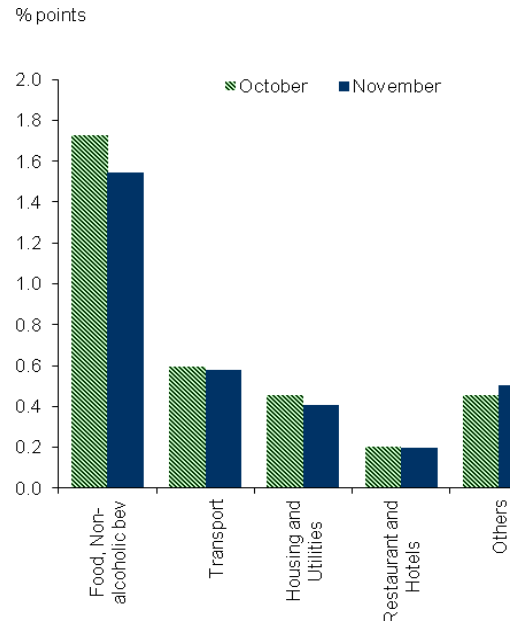
Inflation moderated in November

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

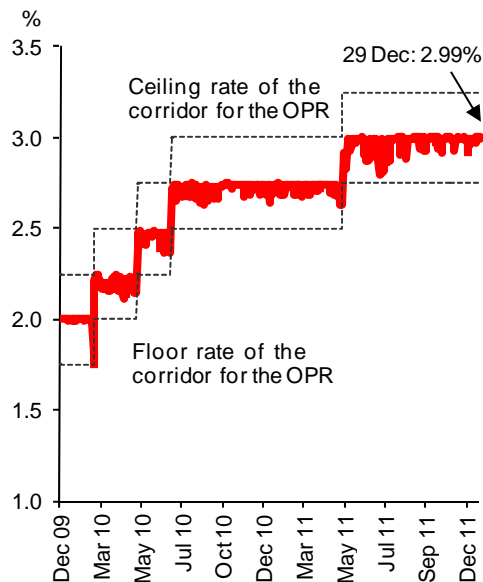


*Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Bank Negara Malaysia

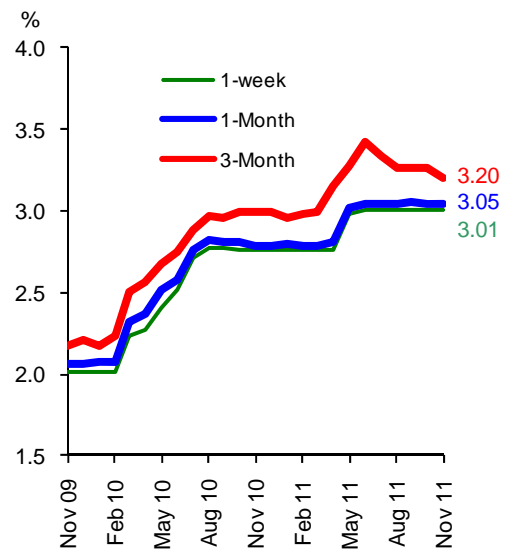
Interest rates remained stable

Average Overnight Interbank Rate



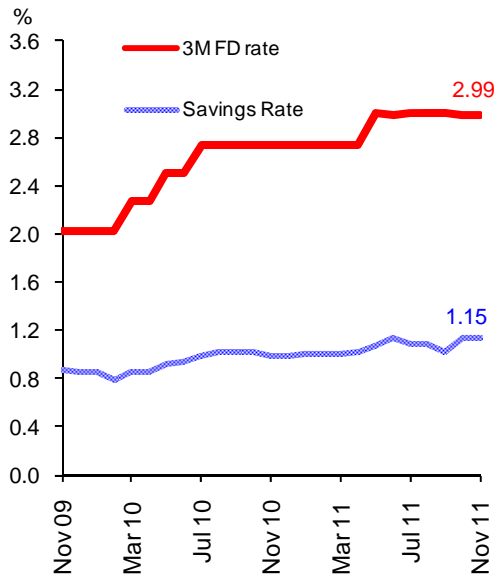
Source: Bank Negara Malaysia

Average Interbank Rates



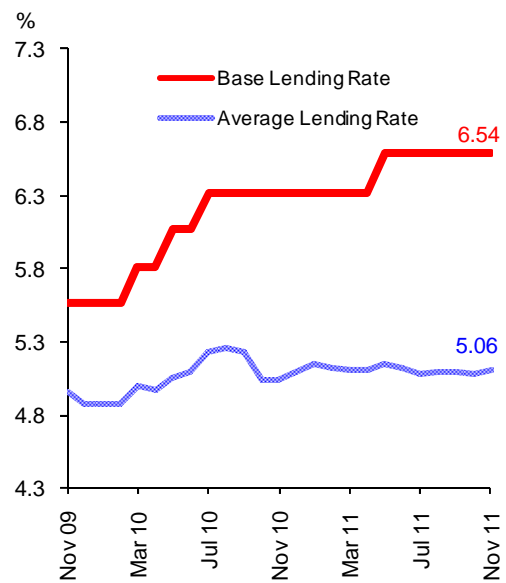
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

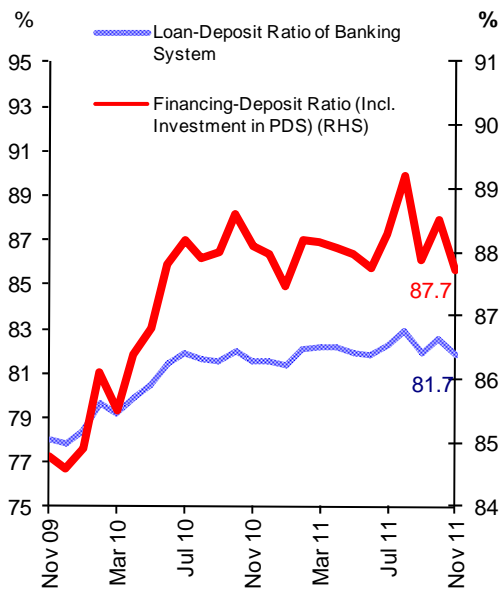
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

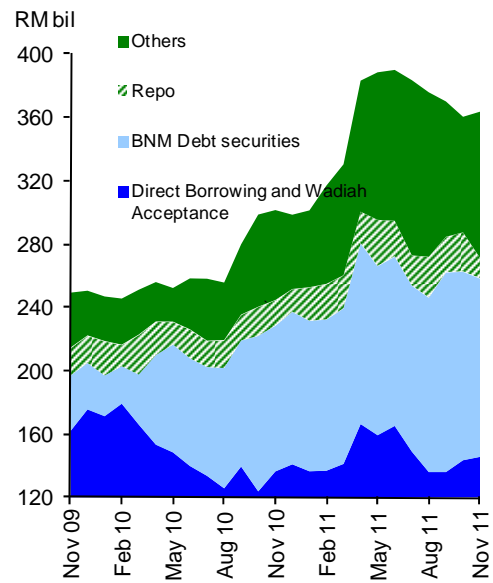
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



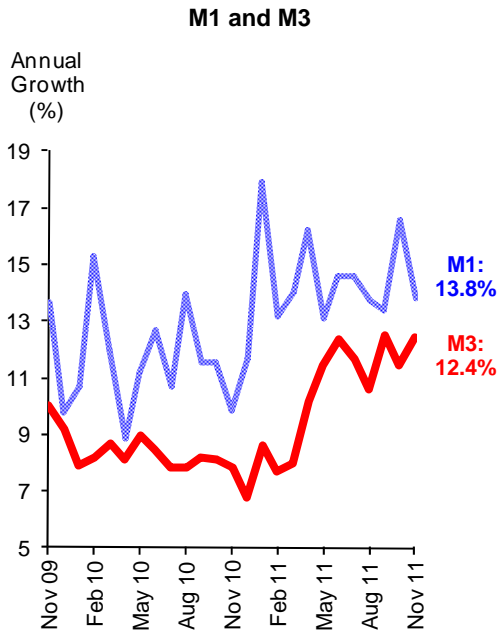
Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

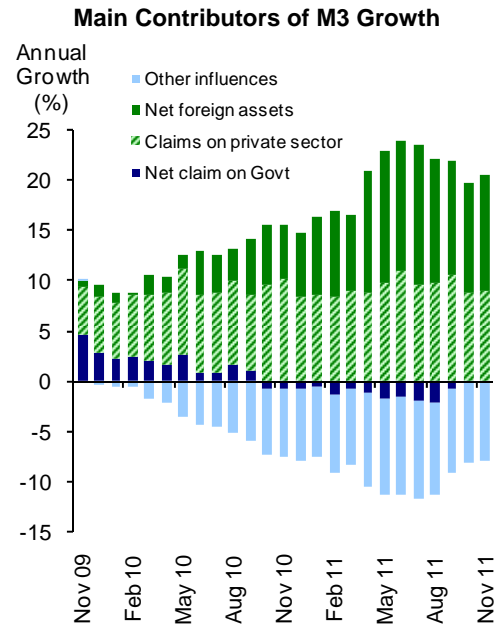


Source: Bank Negara Malaysia

Broad money growth increased

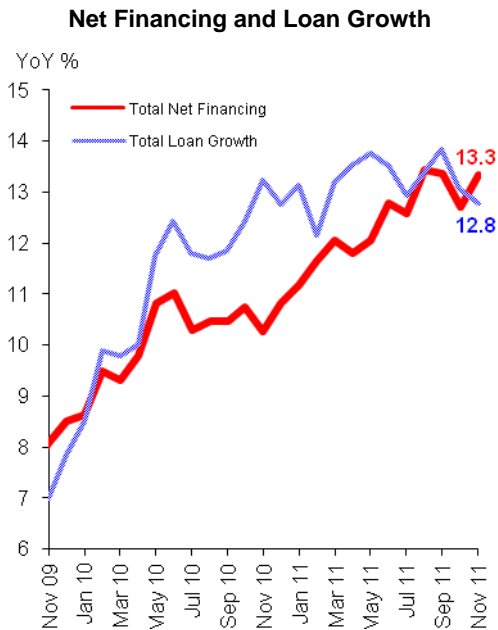


Source: Bank Negara Malaysia



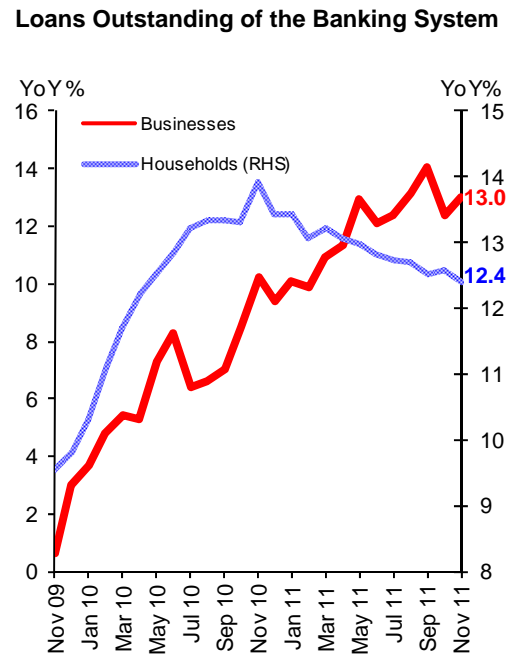
Source: Bank Negara Malaysia

Financing activity was strong in November



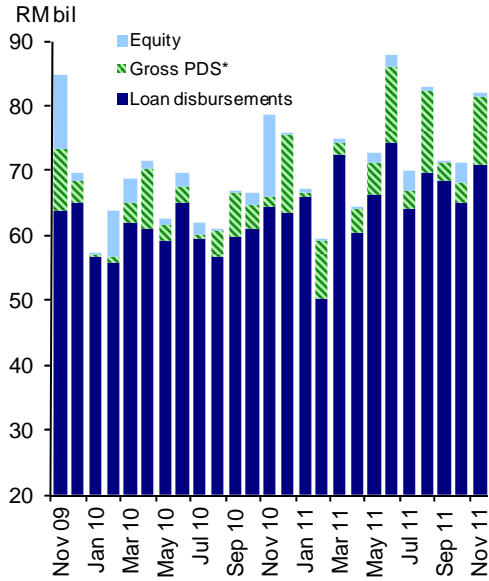
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

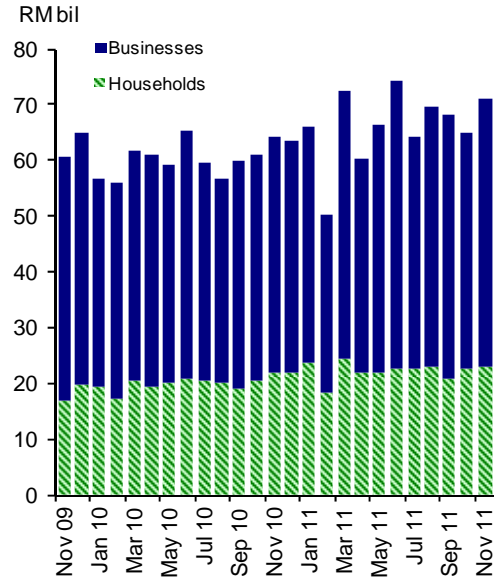
Gross Private Sector Financing



* Excludes foreign issuances

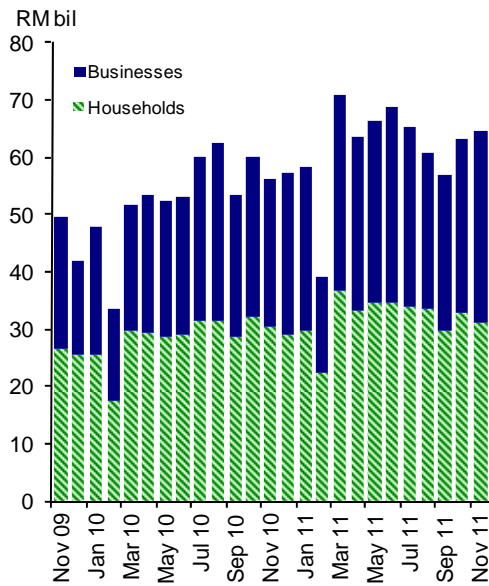
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



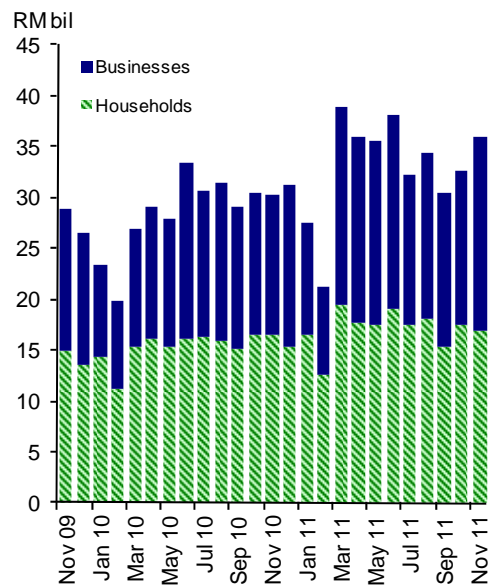
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

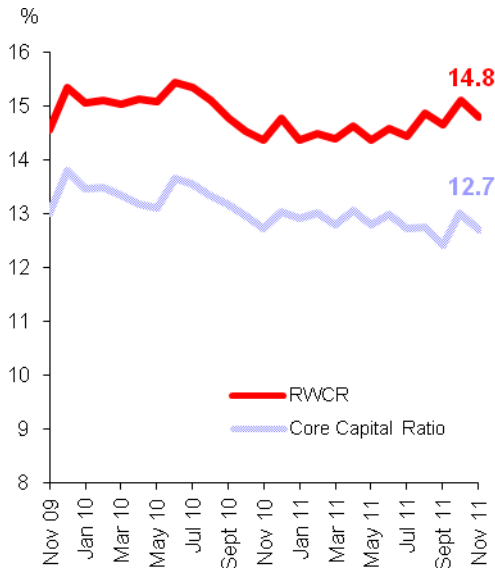
Loan Approvals by the Banking System



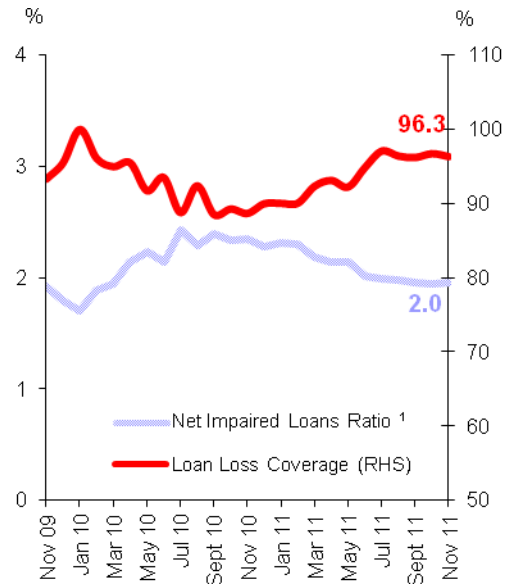
Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality

Capital Strength



Net Impaired Loans Ratio and Loan Loss Coverage



* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

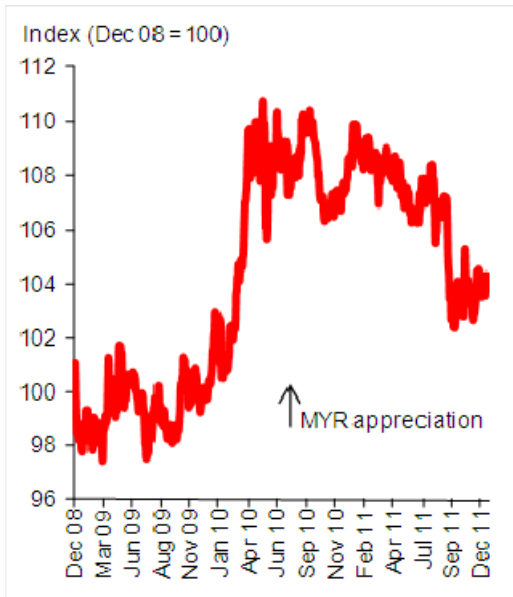
¹ Refers to ratio of general provisions/collective impairment provisions to total net loans.

Source: Bank Negara Malaysia

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Mixed performance of the ringgit against major trading partners

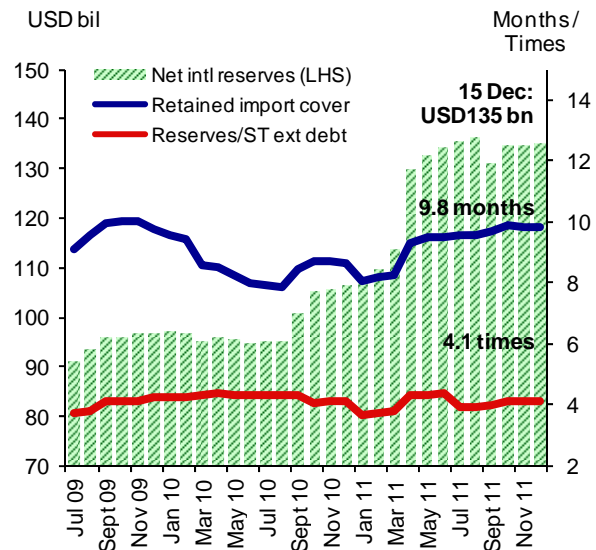
Index of Ringgit Performance against Major Trade Partners*



* Currencies in the index: USD, CNY, SGD, JPY, EUR
Each currency carries equal weight

Source: Bank Negara Malaysia

Net International Reserves



Source: Bank Negara Malaysia

Key Monetary and Financial Statistics							
		Sep '11		Oct '11		Nov '11	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		88.1	53.0	88.6	51.6	88.1	52.9
M1		241.9	13.3	248.3	16.6	250.2	13.8
M2		1,163.1	13.0	1,158.5	11.8	1,186.2	12.8
M3		1,187.8	12.5	1,184.6	11.4	1,213.0	12.4
Banking System							
Net financing ¹		1,292.6	13.4	1,298.4	12.7	1,315.2	13.3
Loan-deposit ratio (%) ²		81.9		82.5		81.7	
Financing-deposit ratio (%) ^{2&3}		87.9		88.5		87.7	
Loans applied (during the period)		56.8	6.1	63.4	5.6	64.8	15.5
Loans approved (during the period)		30.5	5.2	32.6	7.3	35.9	18.9
Loans disbursed (during the period)		68.3	14.1	65.0	6.5	71.0	10.2
Loans repaid (during the period)		62.6	12.9	62.0	16.2	63.3	10.4
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		14.7		15.1		14.8	
Net Impaired Loans Ratio (%)		2.0		1.9		2.0	
BNM International Reserves (end-period)							
Net Reserves in RM billion		417.1		429.1		429.1	
Net Reserves in USD billion (equivalent)		131.0		134.8		134.8	
Months of retained imports		9.7		9.9		9.8	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.99 [2.98]		2.99 [2.98]		3.00 [2.99]	
	1-week	3.02 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.09 [3.06]		3.06 [3.05]		3.05 [3.05]	
Fixed deposits of commercial banks:	1-month	2.95		2.95		2.95	
	3-month	3.00		2.99		2.99	
BLR of commercial banks		6.54		6.54		6.54	
ALR of commercial banks		5.05		5.03		5.06	
Prices							
Consumer Price Index (CPI) (2010=100)		103.8	3.4	104.0	3.4	104.1	3.3
¹ Comprises of banking system loans outstanding and private debt securities (PDS) outstanding (excludes non-resident and Cagamas)							
² Excludes transactions by financial institutions.							
³ Refers to the ratio of loans and holdings of PDS by the banking system to deposits of the banking system.							

Source: Bank Negara Malaysia and Department of Statistics Malaysia