



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## SIARAN AKHBAR

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Ref. No.: 10/11/05

**EMBARGO: Not for publication or broadcast before 1700 hours on Monday, 31 October 2011**

### **MONETARY AND FINANCIAL DEVELOPMENTS September 2011**

**Price Conditions:** Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 3.4% in September. Higher inflation during the month was due mainly to the *food and non-alcoholic beverages* category. The prices of *vegetables* and *fish and seafood* increased following the expiration of the temporary festive season price control scheme. Inflation in the *transport* category was lower during the month, in the absence of further adjustments to the prices of RON95 petrol and diesel in 2011. The increase in inflation was partly offset by declining prices in the *clothing and footwear* and *communication* categories.

**Monetary Conditions:** Interbank rates were stable in September. 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. The annual growth in broad money (M3) increased to 12.5% in September and was supported by higher credit extended to the private sector. Net financing to the private sector increased by RM10.8 billion in September driven mainly by an increase in outstanding loans, as net private debt securities (PDS) issuances moderated during the month. The banking system loans outstanding expanded by 13.8% during the month, with higher loans extended to businesses in the *real estate; transport, storage and communication; finance, insurance and business services* and, *wholesale and retail, restaurants and hotels* sectors. Loans to households also continued to rise steadily, driven mainly by loans for the *purchase of residential and non-residential properties* and *personal use*. Loan demand by businesses and households moderated during the month.

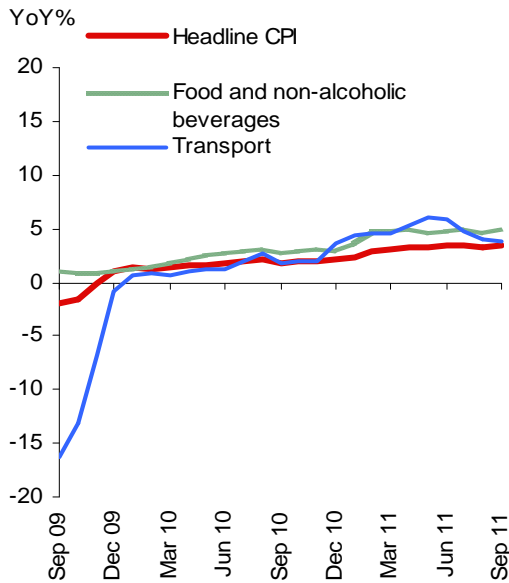
**Banking System:** The banking system remained well-capitalised with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.6% and 12.5% respectively. The level of net impaired loans remained stable at 2% of net loans, while the loan loss coverage ratio was sustained at 95.9%.

**Exchange Rates and International Reserves:** In September, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners. While the ringgit depreciated against the US dollar, Japanese yen and Chinese renminbi, it appreciated against the Singapore dollar and remained unchanged against the euro. The ringgit's depreciation against the US dollar was broadly in line with the regional trend, as mounting concerns over the European sovereign debt crisis and the sustainability of global economic recovery led to higher risk aversion and prompted some investors to unwind holdings of emerging market assets. In October, the ringgit posted a stronger performance against the US dollar as optimism over possible progress towards resolving the European debt problems gradually revived demand for emerging market assets. Against other currencies, the ringgit appreciated against the Japanese yen and Chinese renmimbi, but depreciated against the euro and Singapore dollar. The international reserves of Bank Negara Malaysia stood at RM427.9 billion (equivalent to USD134.4 billion) as at 14 October 2011, sufficient to finance 10 months of retained imports and is 4.6 times the short-term external debt.

**Bank Negara Malaysia**  
**31 October 2011**

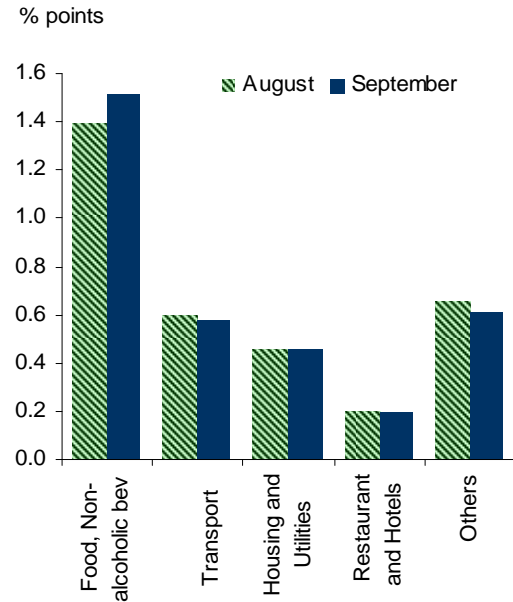
## Inflation increased in September

### Headline Inflation



Source: Department of Statistics Malaysia

### Headline Inflation: Component Contribution

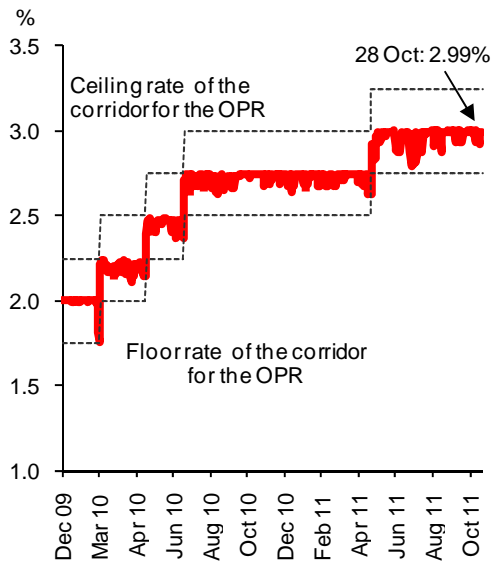


\*Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Bank Negara Malaysia

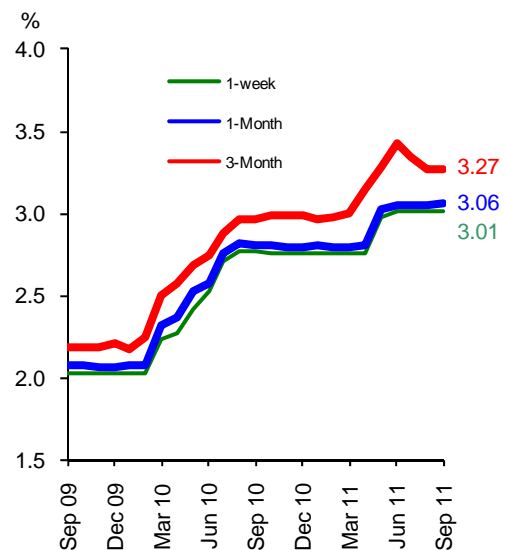
## Interest rates remained stable

### Average Overnight Interbank Rate



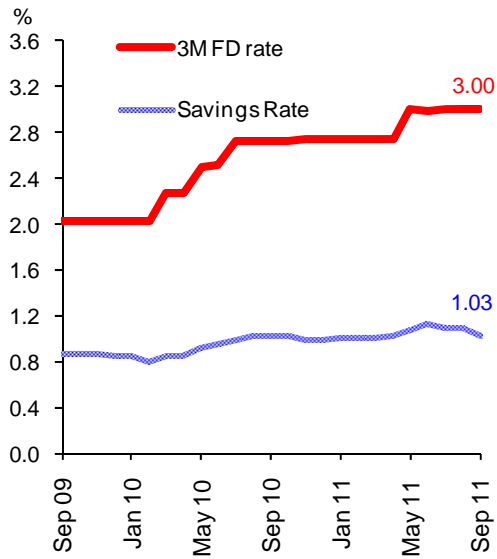
Source: Bank Negara Malaysia

### Average Interbank Rates

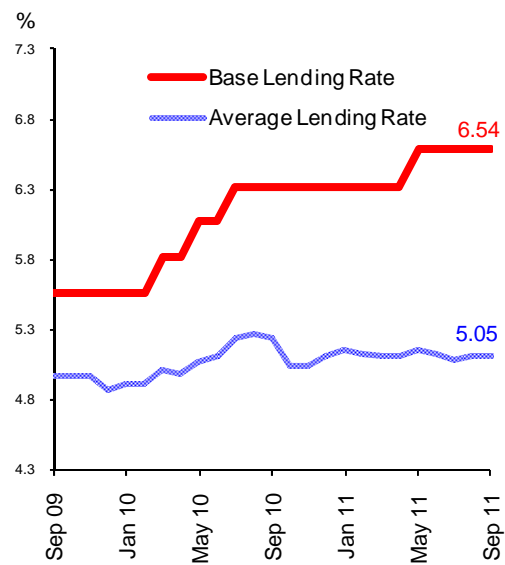


Source: Bank Negara Malaysia

**Deposit Rates of Commercial Banks**



**Lending Rates of Commercial Banks**

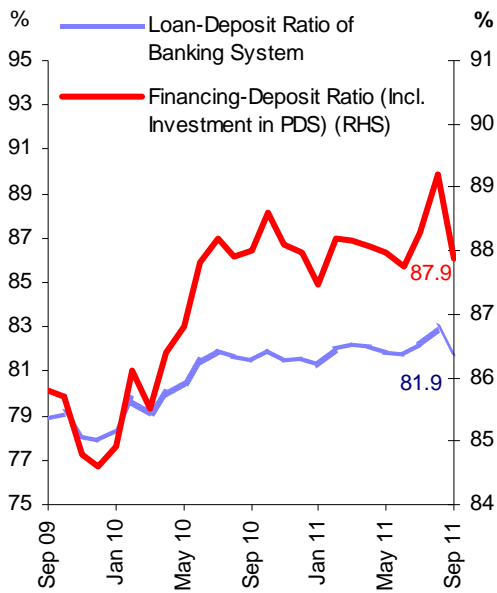


Source: Bank Negara Malaysia

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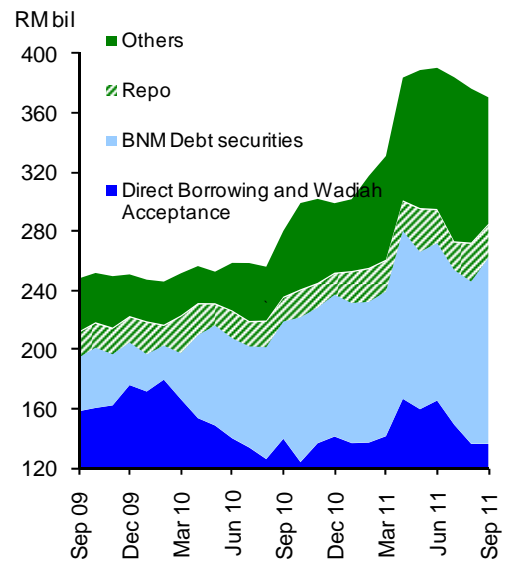
**Liquidity in the banking system remained ample**

**Loan-Deposit Ratio and Financing-Deposit Ratio**



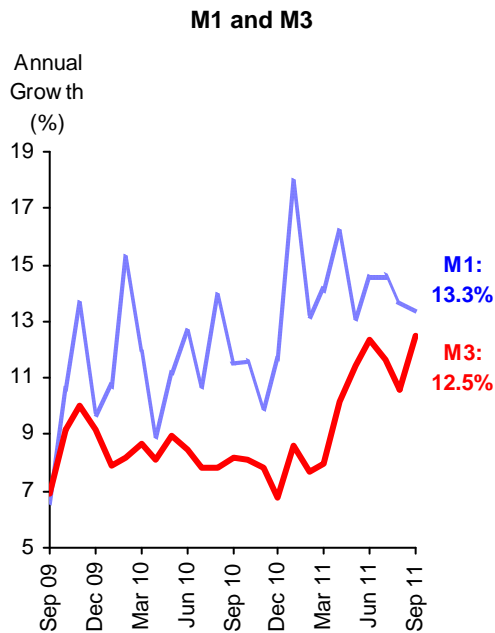
Source: Bank Negara Malaysia

**Outstanding Liquidity Placed With Bank Negara Malaysia**

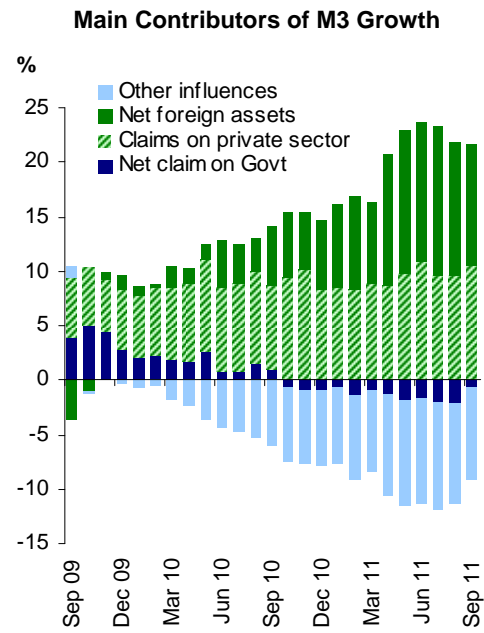


Source: Bank Negara Malaysia

## Broad money growth increased

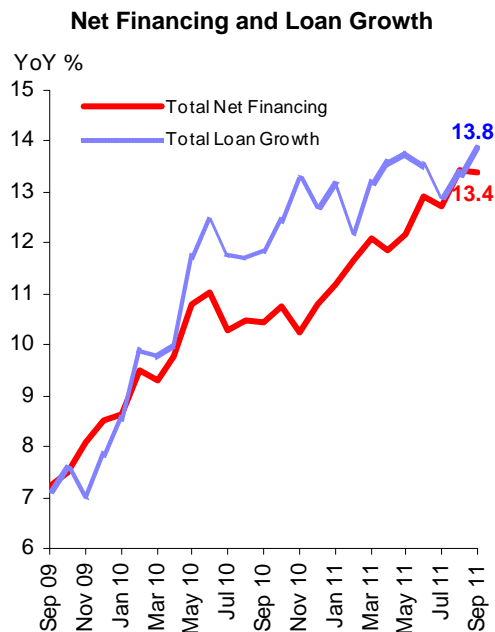


Source: Bank Negara Malaysia



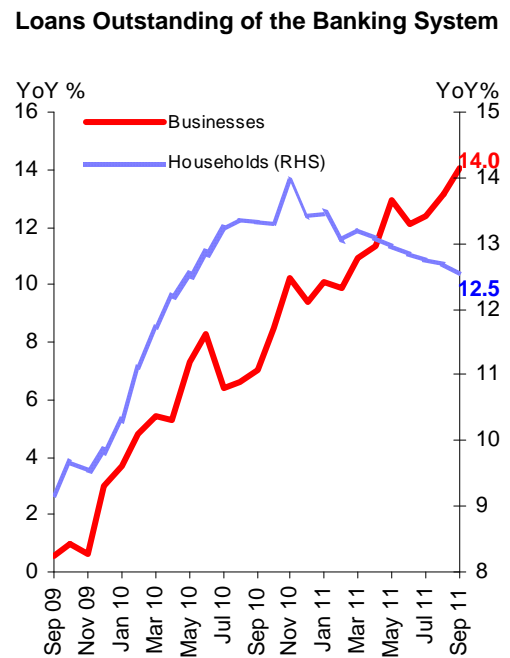
Source: Bank Negara Malaysia

## Financing activity remained strong in September



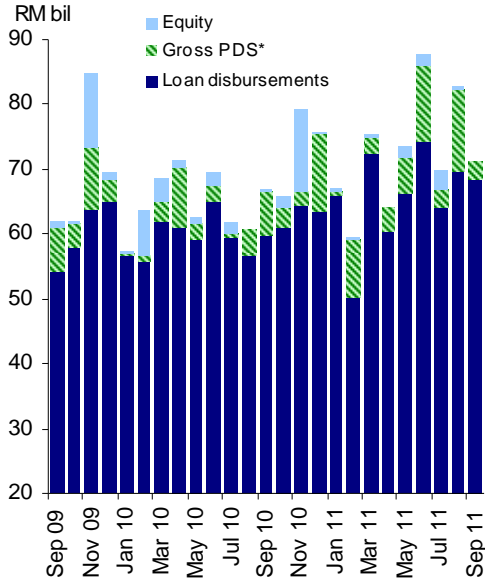
\* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

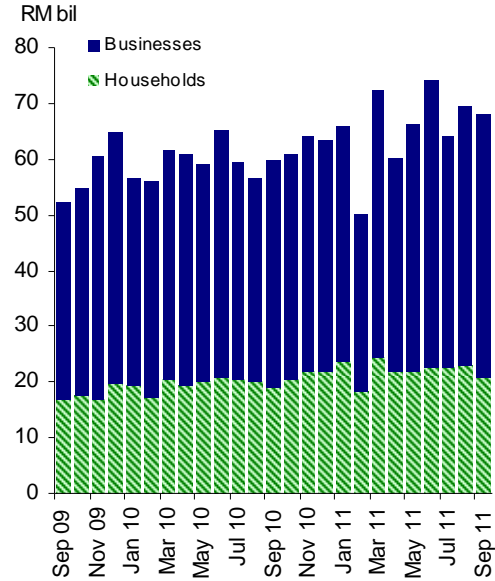
### Gross Private Sector Financing



\* Excludes foreign issuances

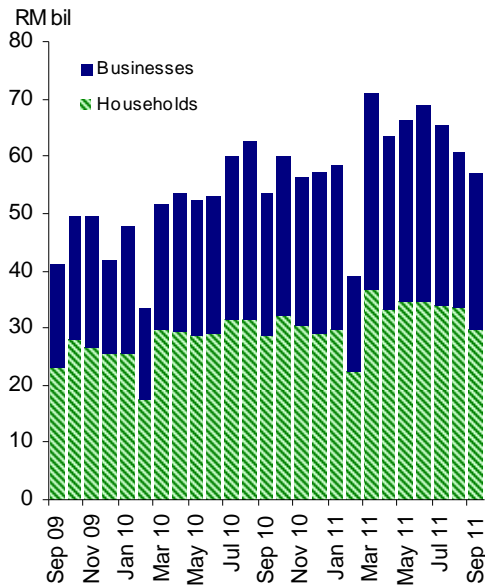
Source: Bank Negara Malaysia

### Loan Disbursements by the Banking System



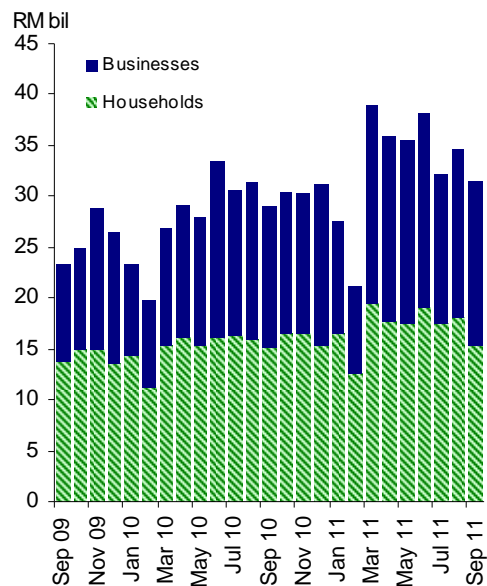
Source: Bank Negara Malaysia

### Loan Applications with the Banking System



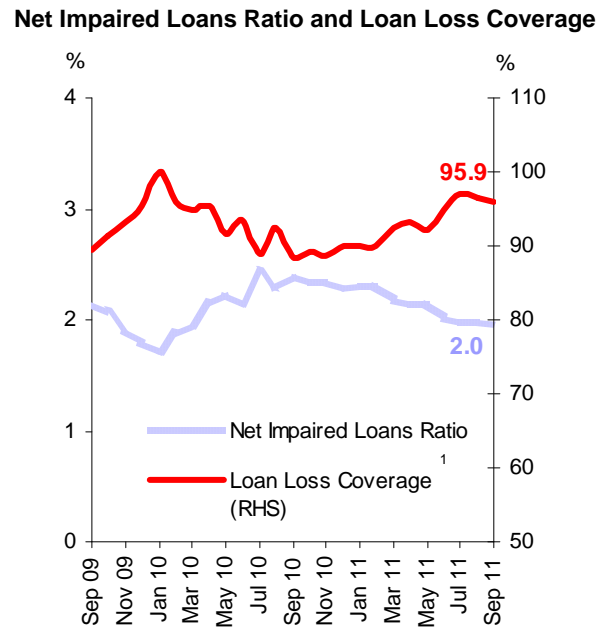
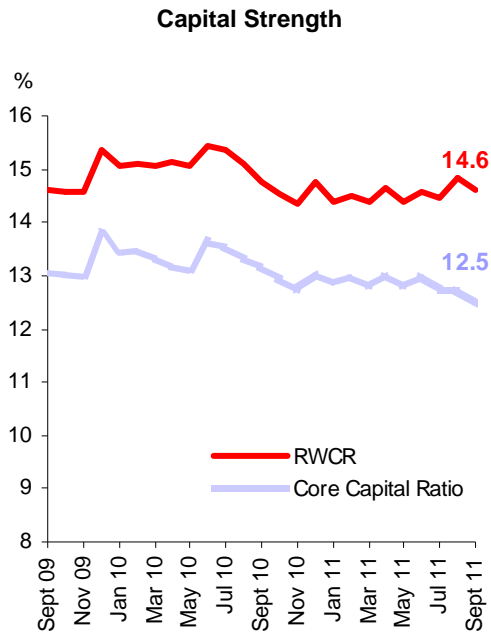
Source: Bank Negara Malaysia

### Loan Approvals by the Banking System



Source: Bank Negara Malaysia

## Banking system capitalisation remained strong with stable loan quality



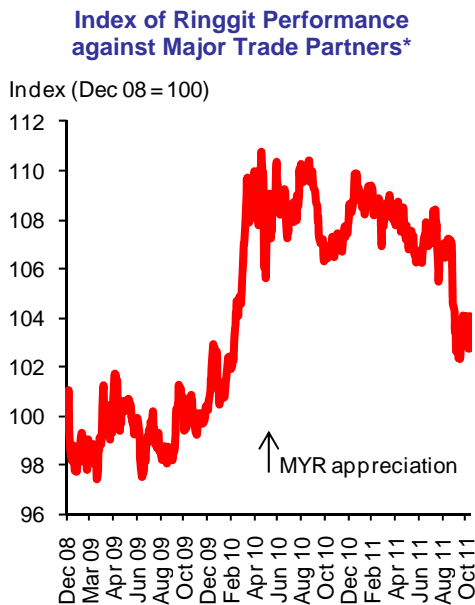
\* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

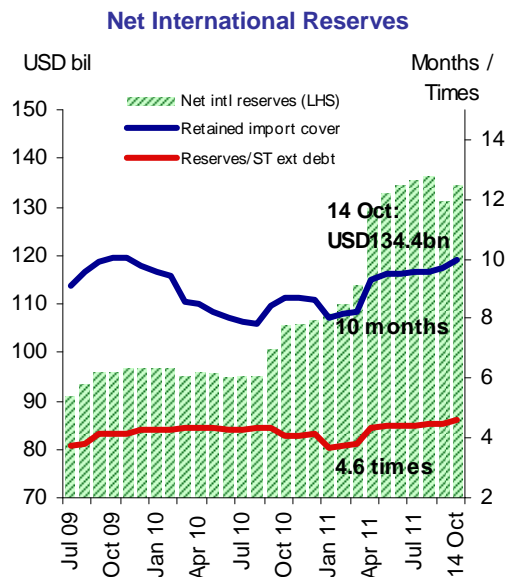
Source: Bank Negara Malaysia

## Mixed performance of the ringgit against major trading partners



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

Source: Bank Negara Malaysia



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Key Monetary and Financial Statistics							
		Jul 11		Aug 11		Sep 11	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
<b>Monetary Aggregates</b>							
Reserve money		87.9	56.8	95.3	58.1	88.1	53.0
M1		235.5	14.5	243.9	13.7	241.9	13.3
M2		1,127.9	11.6	1,133.6	10.8	1,163.1	13.0
M3		1,156.4	11.6	1,160.5	10.6	1,187.8	12.5
<b>Banking System</b>							
Net financing <sup>1</sup>		1,263.8	12.6	1,282.1	13.4	1,292.9	13.4
Loan-deposit ratio (%) <sup>2</sup>		82.2		82.9		81.9	
Financing-deposit ratio (%) <sup>2&amp;3</sup>		88.3		89.2		87.9	
Loans applied (during the period)		65.3	8.5	60.8	-2.9	56.8	6.1
Loans approved (during the period)		32.3	5.1	34.6	10.0	31.4	8.0
Loans disbursed (during the period)		64.0	7.5	69.7	23.0	68.3	14.1
Loans repaid (during the period)		63.6	11.8	61.9	17.3	62.6	12.9
<b>Banking System Health</b>							
Risk-weighted Capital Ratio (RWCR) (%)		14.5		14.8		14.6	
Net Impaired Loans Ratio (%)		2.0		2.0		2.0	
<b>BNM International Reserves (end-period)</b>							
Net Reserves in RM billion		409.5		412.1		417.1	
Net Reserves in USD billion (equivalent)		135.4		136.3		131.0	
Months of retained imports		9.6		9.6		9.7	
<b>Interest Rates at end-period [average for the month]</b>							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.98 [2.93]		2.99 [2.97]		2.99 [2.98]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.02 [3.01]	
	1-month	3.05 [3.05]		3.05 [3.05]		3.09 [3.06]	
Fixed deposits of commercial banks:	1-month	2.95		2.96		2.95	
	3-month	3.00		3.01		3.00	
BLR of commercial banks		6.54		6.54		6.54	
ALR of commercial banks		5.03		5.05		5.05	
<b>Prices</b>							
Consumer Price Index (CPI) (2010=100)		103.4	3.4	103.6	3.3	103.8	3.4
<sup>1</sup> Comprises of banking system loans outstanding and private debt securities (PDS) outstanding (excludes non-resident and Cagamas)							
<sup>2</sup> Excludes transactions by financial institutions.							
<sup>3</sup> 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