



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## SIARAN AKHBAR

---

Ref. No.: 02/12/12

**EMBARGO: Not for publication or  
broadcast before 1800 hours on  
Wednesday, 29 February 2012**

### **MONETARY AND FINANCIAL DEVELOPMENTS** **January 2012**

**Price Conditions:** Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), moderated to 2.7% in January, reflecting lower inflation in the *food and non-alcoholic beverages* and *transport* categories. Food prices rose at a slower rate during the month, as the Government implemented price controls on selected food products during the festive season. This resulted in a decrease in *vegetables* prices and a slower increase in *meat* prices, which offset the higher inflation in the *fish and seafood* sub-category. Inflation in the *fish and seafood* sub-category was higher due to supply shortages following the monsoon season. The *transport* category recorded lower inflation as the impact from the adjustment to the price of RON97 petrol in January 2011 wore off.

**Monetary Conditions:** Interbank rates were stable in January. In terms of retail rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.53% as at end of the month. Retail deposit rates were relatively stable. Broad money increased at a higher annual rate of 14.7% in January. The increase was mainly attributed to higher foreign capital inflows and credit extended by banks to the private sector. These factors, however, were partially mitigated by the Government fund raising activity. Net financing to the private sector expanded by RM19.7 billion in January, driven by higher private debt security (PDS) issuances. PDS issuances rose due to a large issuance for mergers and acquisitions activity. While business loans outstanding moderated slightly due to large repayments during the month, loans disbursed to businesses remained high. Loans to households increased, driven mainly by loans for the *purchase of residential and non-residential properties* and *securities*. Loan demand, particularly from the business sector, was sustained during the month.

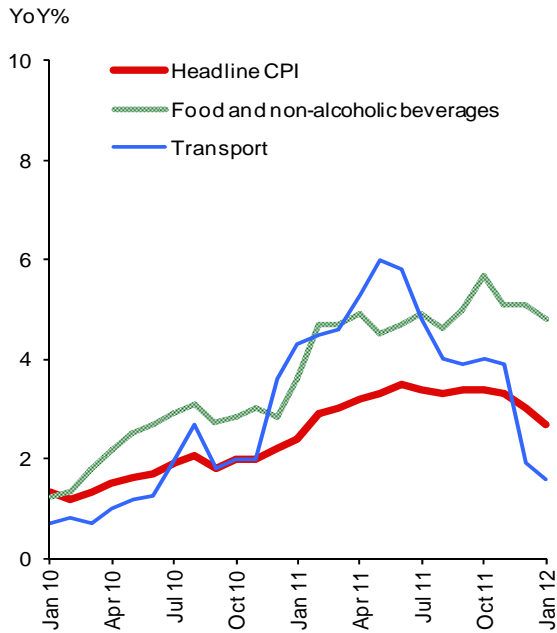
**Banking System:** The banking system remained well-capitalised with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.7% and 12.9% respectively. The decline in capital ratios was attributed to distribution of retained earnings and continued expansion in assets. The level of net impaired loans remained stable to account for 1.9% of net loans. Loan loss coverage ratio stood at 96.6%.

**Exchange Rates and International Reserves:** In January, the ringgit broadly appreciated against the currencies of Malaysia's major trading partners. The strengthening of the ringgit was in line with most regional currencies as positive investor sentiments following better than expected economic data from the regional economies resulted in increased interest for financial assets in the region. In February, the ringgit continued to strengthen against the currencies of Malaysia's key trading partners. The international reserves of Bank Negara Malaysia stood at RM425.7 billion (equivalent to USD134.4 billion) as at 15 February 2012, sufficient to finance 9.3 months of retained imports and is 4.1 times the short-term external debt.

**Bank Negara Malaysia  
29 February 2012**

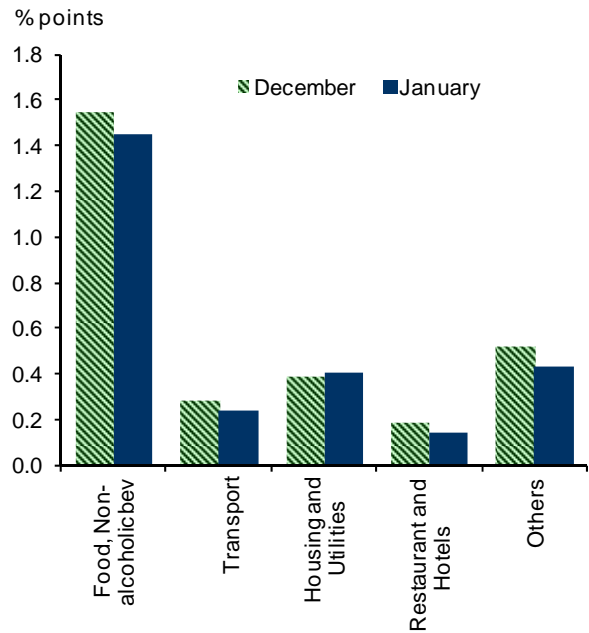
## Inflation moderated in January

### Headline Inflation



Source: Department of Statistics Malaysia

### Headline Inflation: Component Contribution

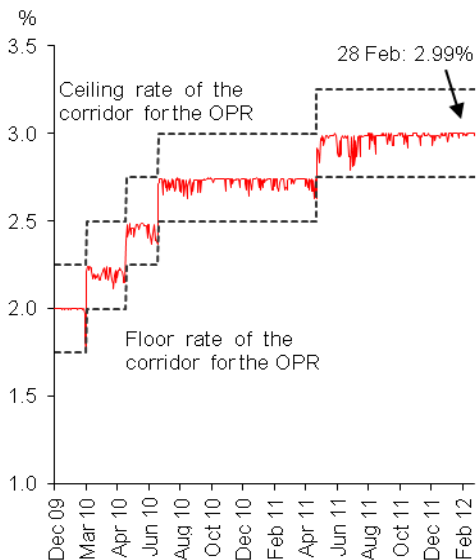


\*Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Bank Negara Malaysia

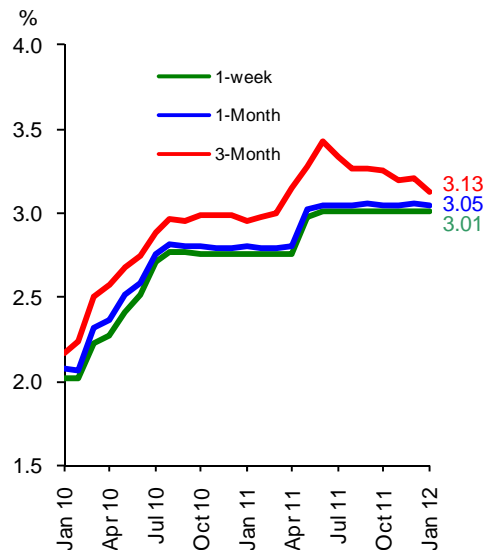
## Interest rates remained broadly stable

### Average Overnight Interbank Rate



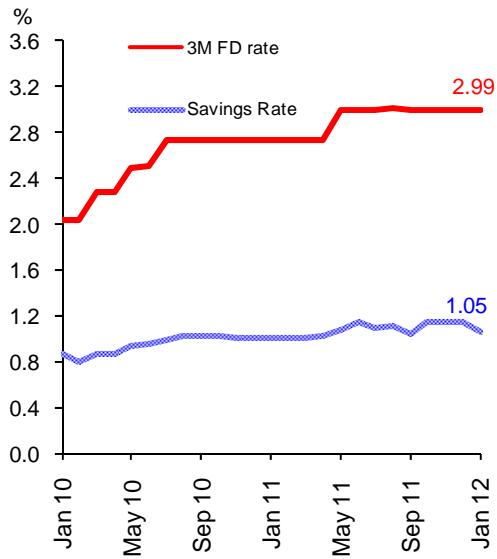
Source: Bank Negara Malaysia

### Average Interbank Rates



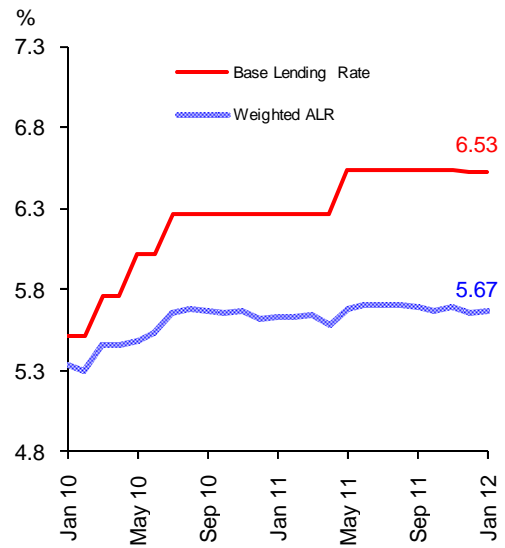
Source: Bank Negara Malaysia

**Deposit Rates of Commercial Banks**



Source: Bank Negara Malaysia

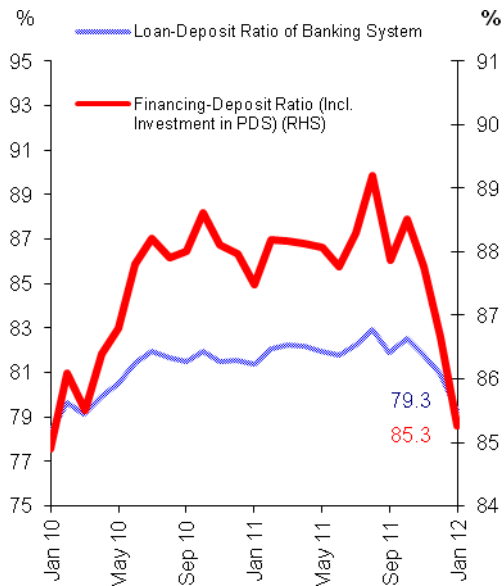
**Lending Rates of Commercial Banks**



Source: Bank Negara Malaysia

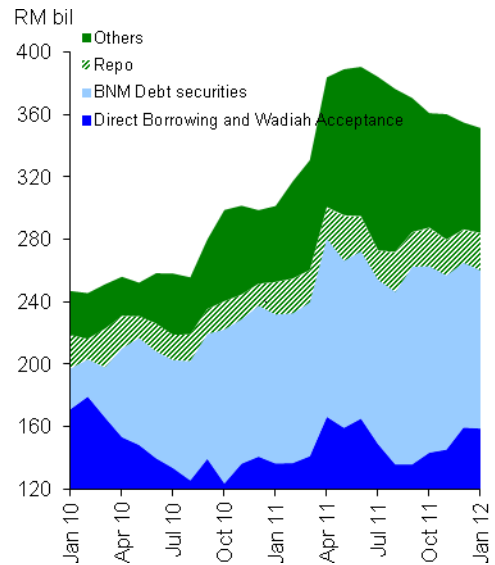
**Liquidity in the banking system remained ample**

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



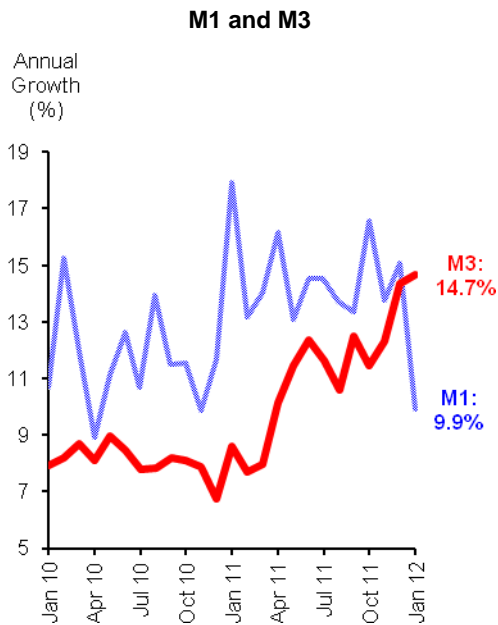
Source: Bank Negara Malaysia

**Outstanding Liquidity Placed With Bank Negara Malaysia**

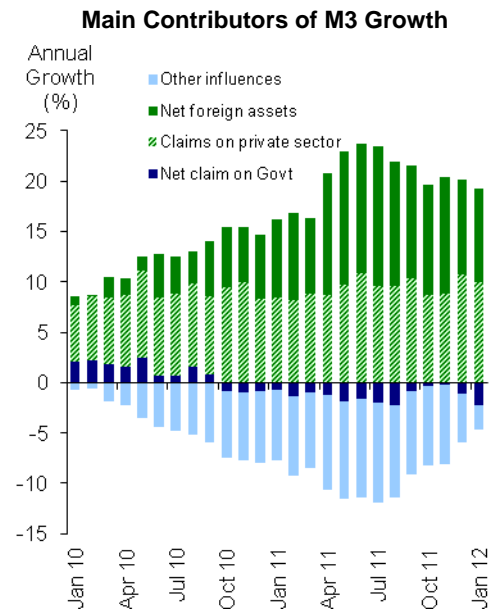


Source: Bank Negara Malaysia

## Broad money growth increased

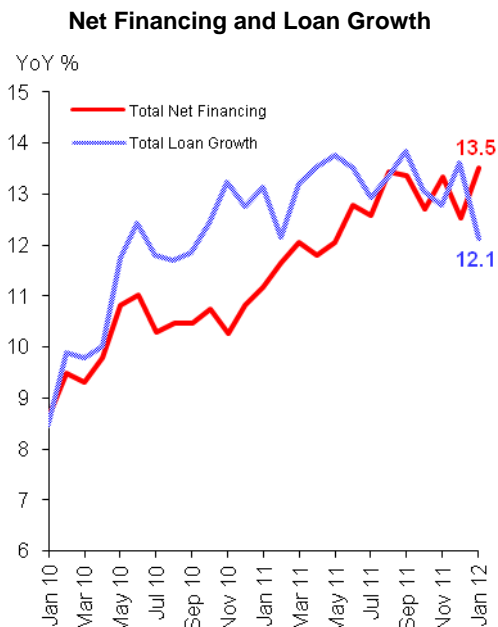


Source: Bank Negara Malaysia



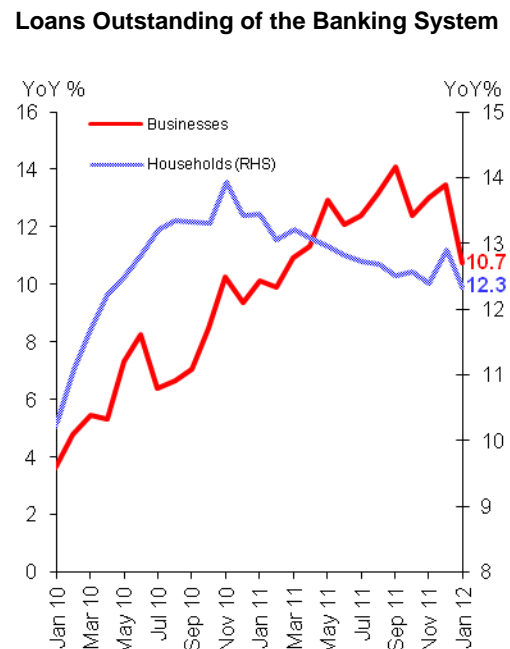
Source: Bank Negara Malaysia

## Financing activity remained strong in January, driven by higher PDS issuances



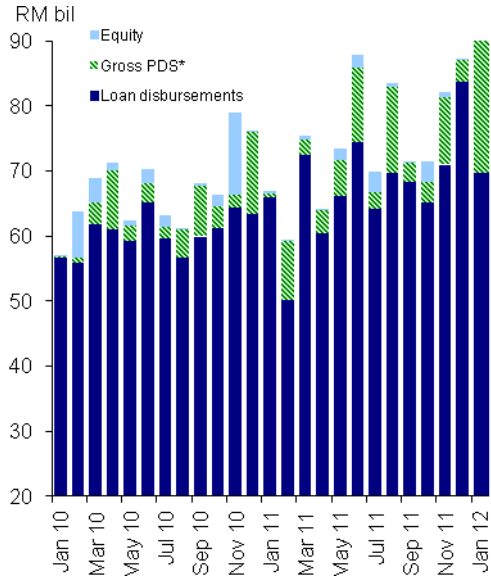
\* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

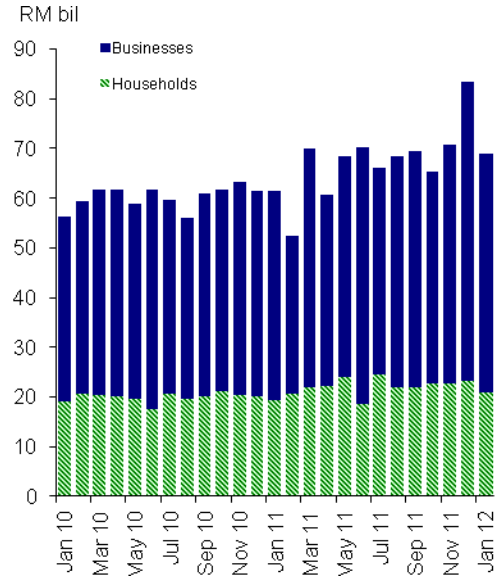
### Gross Private Sector Financing



\* Excludes foreign issuances

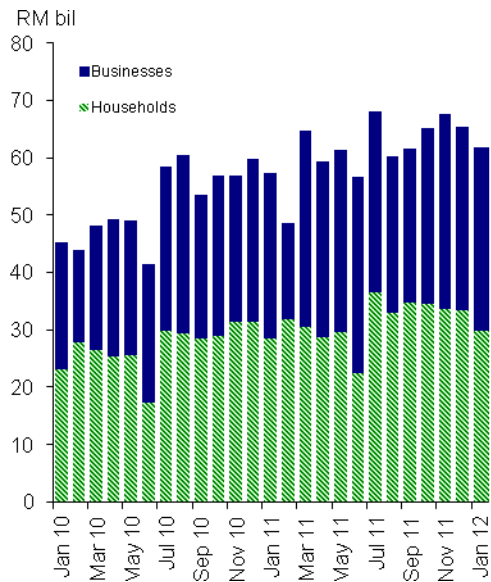
Source: Bank Negara Malaysia

### Loan Disbursements by the Banking System



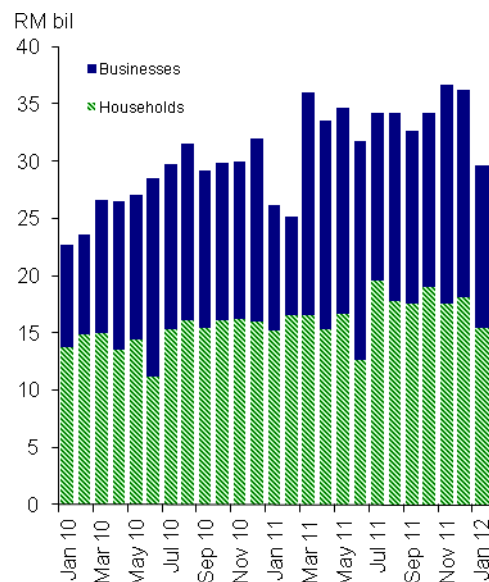
Source: Bank Negara Malaysia

### Loan Applications with the Banking System



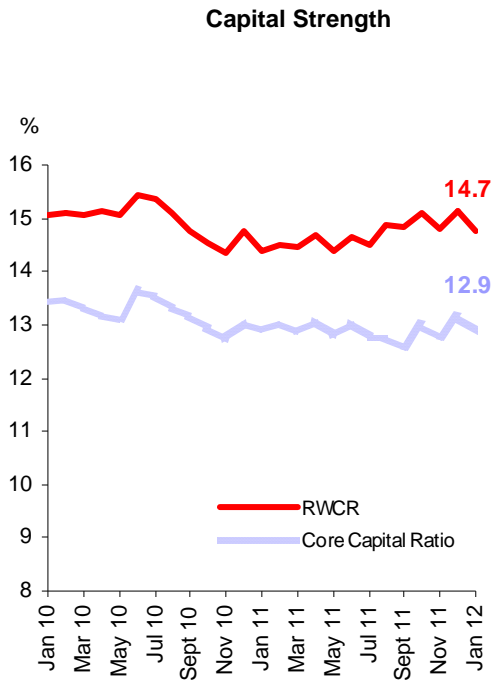
Source: Bank Negara Malaysia

### Loan Approvals by the Banking System



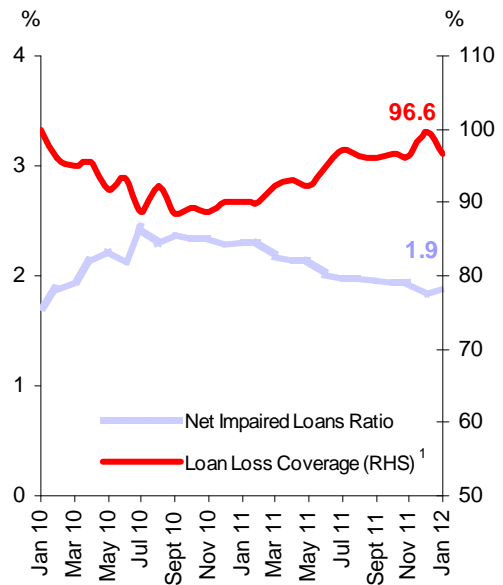
Source: Bank Negara Malaysia

## Banking system capitalisation remained strong with stable loan quality



Source: Bank Negara Malaysia

### Net Impaired Loans Ratio and Loan Loss Coverage



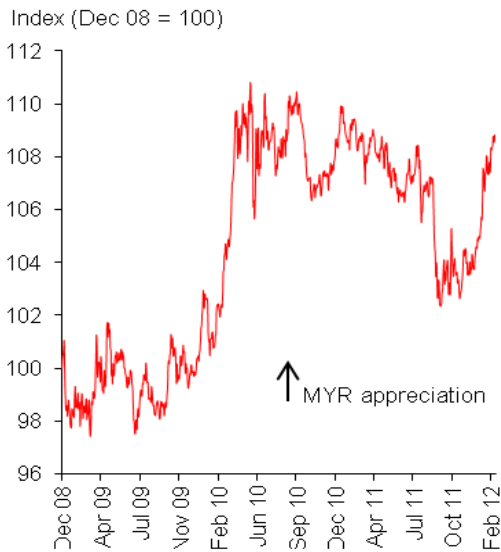
Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

<sup>1</sup> Refers to ratio of individual plus collective impairment provisions to total impaired loans.

Source: Bank Negara Malaysia

## Ringgit appreciated against currencies of major trading partners

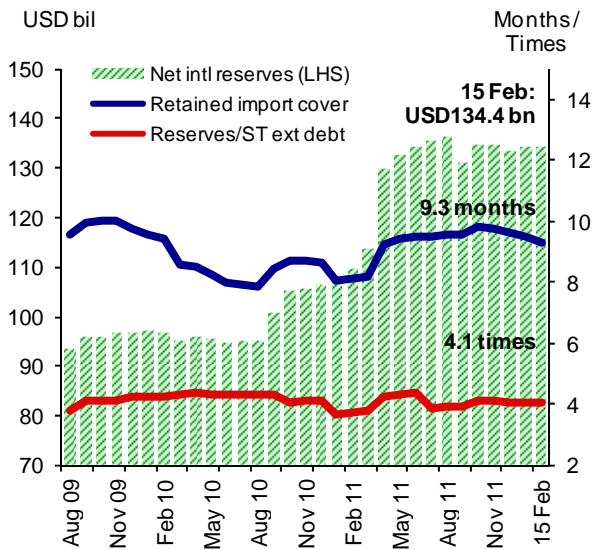
### Index of Ringgit Performance against Major Trade Partners\*



\*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

<b>Key Monetary and Financial Statistics</b>							
		<b>Nov 11</b>		<b>Dec 11</b>		<b>Jan 12</b>	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
<b>Monetary Aggregates</b>							
Reserve money		88.1	52.9	96.3	57.3	101.6	49.0
M1		250.2	13.8	258.2	15.1	263.8	9.9
M2		1,185.0	12.7	1,214.4	14.5	1,241.0	14.7
M3		1,211.8	12.3	1,241.9	14.3	1,271.6	14.7
<b>Banking System</b>							
Net financing <sup>1</sup>		1,315.2	13.3	1,324.7	12.5	1,344.4	13.5
Loan-deposit ratio (%) <sup>2</sup>		81.8		80.9		79.3	
Financing-deposit ratio (%) <sup>2&amp;3</sup>		87.8		86.7		85.3	
Loans applied (during the period)		65.2	16.2	63.5	10.7	56.8	-2.7
Loans approved (during the period)		36.0	19.2	34.7	11.3	26.7	-2.9
Loans disbursed (during the period)		71.0	10.2	83.7	32.0	69.7	5.6
Loans repaid (during the period)		63.3	10.4	70.2	22.9	74.2	26.8
<b>Banking System Health</b>							
Risk-weighted Capital Ratio (RWCR) (%)		14.8		14.9		14.7	
Net Impaired Loans Ratio (%)		1.9		1.8		1.9	
<b>BNM International Reserves (end-period)</b>							
Net Reserves in RM billion		429.1		423.4		424.7	
Net Reserves in USD billion (equivalent)		134.8		133.6		134.1	
Months of retained imports		9.8		9.6		9.5	
<b>Interest Rates at end-period [average for the month]</b>							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	3.00 [2.99]		2.99 [2.99]		3.00 [2.99]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.05 [3.05]		3.05 [3.06]		3.11 [3.05]	
Fixed deposits of commercial banks:	1-month	2.95		2.95		2.93	
	3-month	2.99		2.99		2.99	
BLR of commercial banks		6.54		6.53		6.53	
ALR of commercial banks		5.06		5.05		5.10	
<b>Prices</b>							
Consumer Price Index (CPI) (2010=100)		104.1		104.2		104.5	
		3.3		3.0		2.7	
<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