



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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Friday, 30 March 2012**

MONETARY AND FINANCIAL DEVELOPMENTS **February 2012**

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI) moderated to 2.2% in February, reflecting lower inflation in the *food and non-alcoholic beverages, restaurants and hotels* and *transport* categories. Inflation in the *food and non-alcoholic beverages* category recorded a slower increase of 2.9% during the month following the decline in prices of meat and vegetables. The decline in prices was in part due to efforts by the Government to enhance the distribution and retailing of essential food items at lower prices, leading to lower market prices for these products. Moderation was also observed in other food-related sub-categories such as *food away from home* and *expenditures in restaurants and cafes*. The *transport* category recorded lower inflation as the impact of the February 2011 upward adjustment to the price of RON97 petrol wore off.

Monetary Conditions: Interbank rates were stable in February. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.53%. Retail deposit rates were also stable during the month. On an annual basis, broad money (M3) expanded at a higher rate of 15.9% in February. The increase during the month was due to higher credit extended by banks to the private sector and foreign capital inflows. Net financing to the private sector grew at a sustained pace. Outstanding banking system loans to businesses increased at a steady pace mainly supported by lending to the *construction, manufacturing* and *real estate* sectors. While loans extended to households grew at a more moderate pace during the month, it continued to remain high, driven mainly by loans for the *purchase of residential and non-residential properties* and credit for *personal use*. Loan demand during the month remained high.

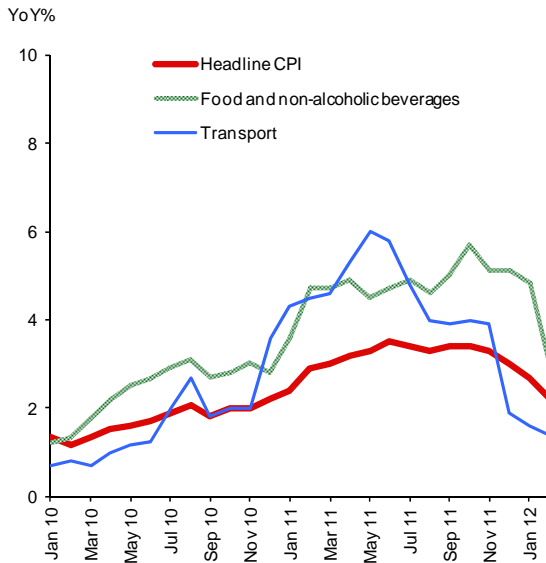
Banking System: The banking system remained well-capitalised with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.8% and 13% respectively. The level of net impaired loans remained stable accounting for 1.9% of net loans. Loan loss coverage remained high at 97.5%.

Exchange Rates and International Reserves: In February, the ringgit appreciated against the currencies of most of Malaysia's major trading partners, with the exception of the euro. The strengthening of the ringgit was broadly in line with other regional currencies, as better economic data in Asia and the US, combined with progress in resolving the European sovereign debt crisis, led to increased investor optimism and higher portfolio flows into the region. In March, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners. The international reserves of Bank Negara Malaysia stood at RM427 billion (equivalent to USD134.8 billion) as at 15 March 2012, sufficient to finance 9.7 months of retained imports and were 4.1 times the short-term external debt of the country.

**Bank Negara Malaysia
30 March 2012**

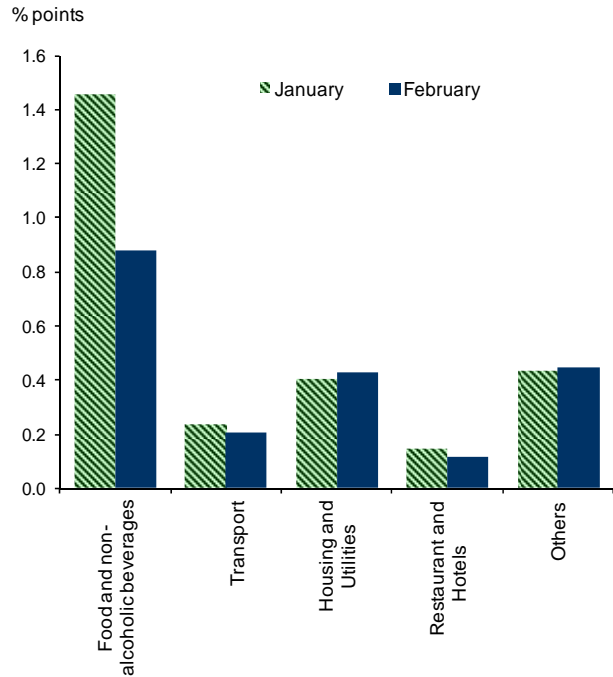
Inflation continued to moderate in February

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

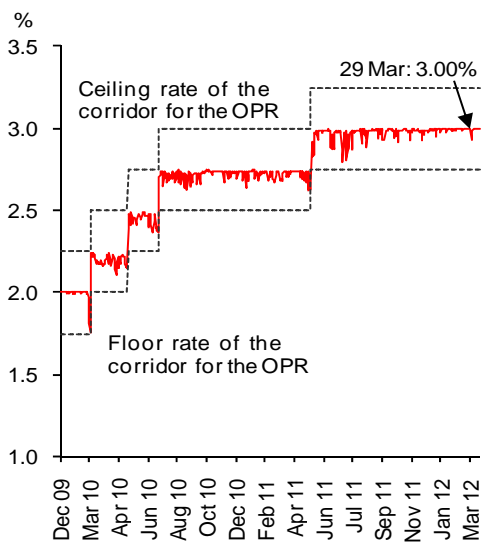


* Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Bank Negara Malaysia

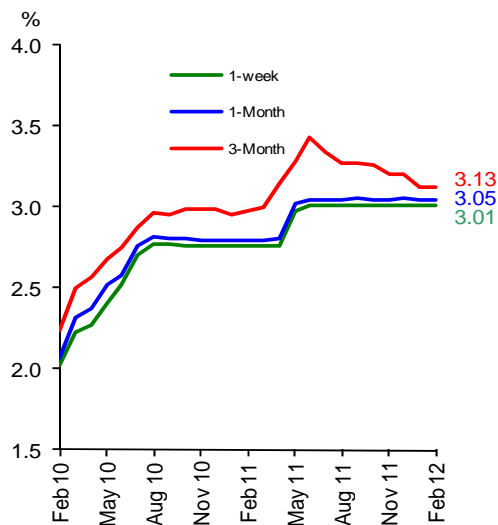
Interest rates remained stable

Average Overnight Interbank Rate



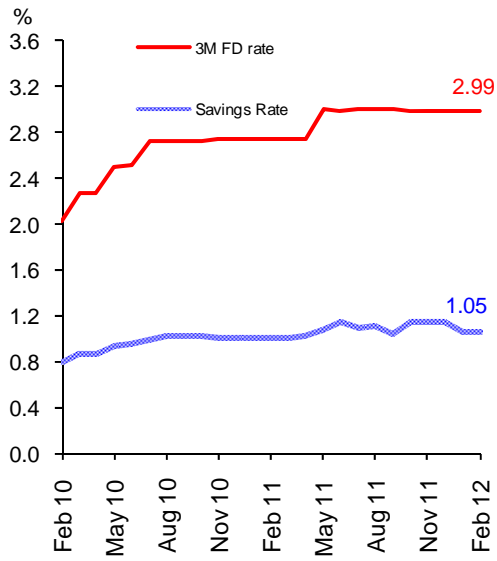
Source: Bank Negara Malaysia

Average Interbank Rates



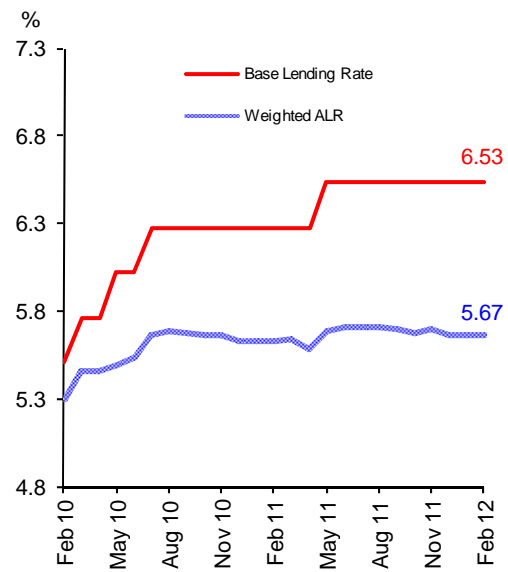
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

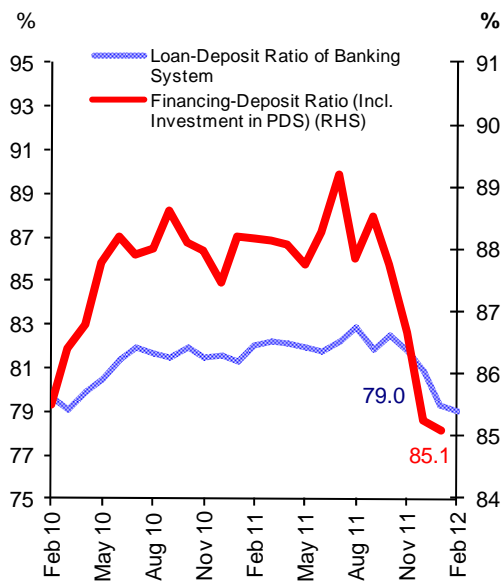
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia
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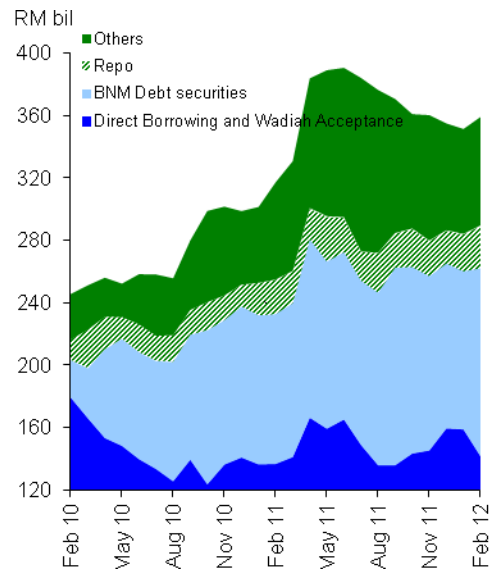
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



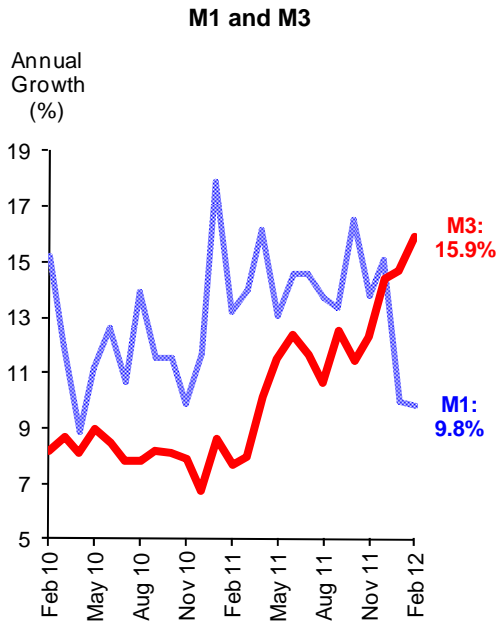
Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

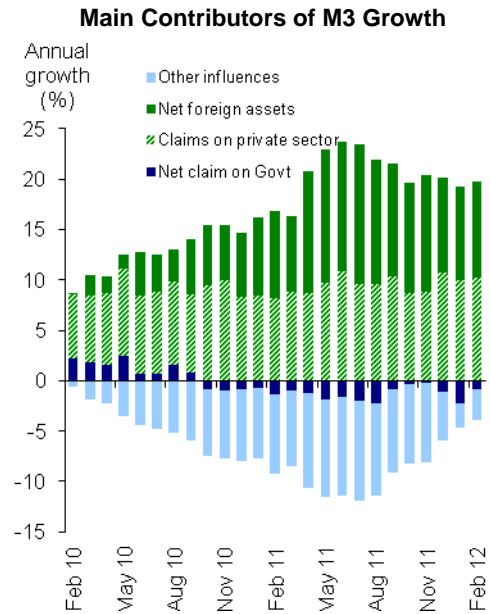


Source: Bank Negara Malaysia

Broad money continued to expand

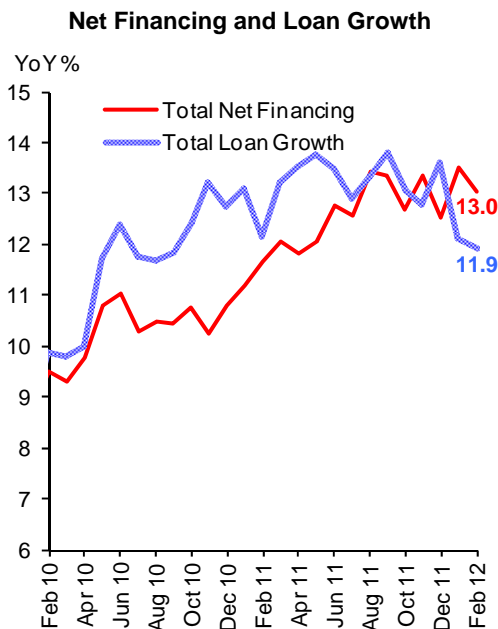


Source: Bank Negara Malaysia



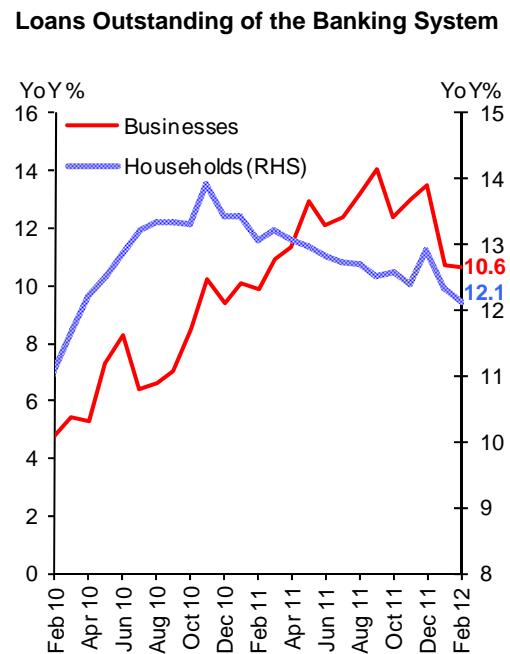
Source: Bank Negara Malaysia

Financing grew at a more moderate pace in February



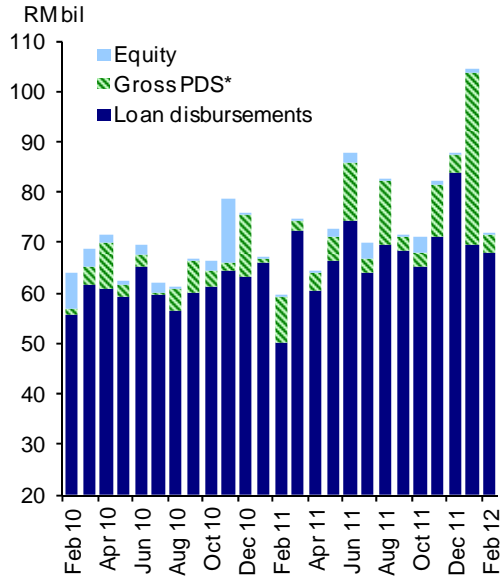
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



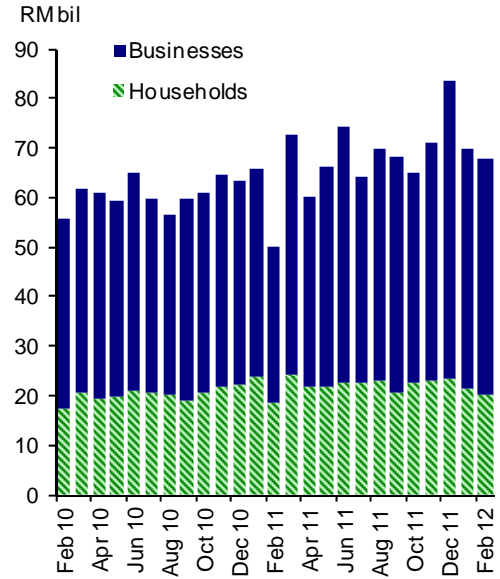
Source: Bank Negara Malaysia

Gross Private Sector Financing



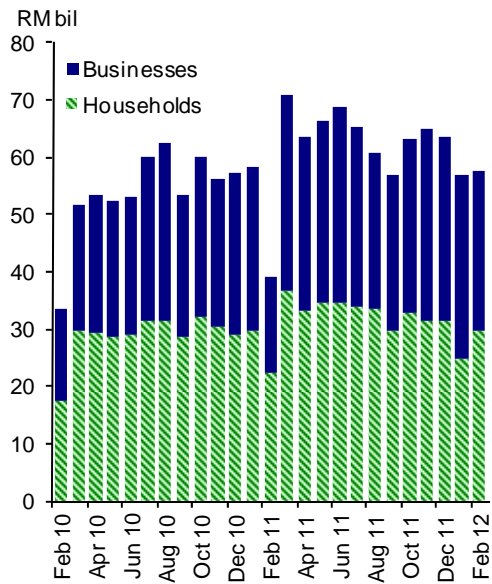
* Excludes foreign issuances
 Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



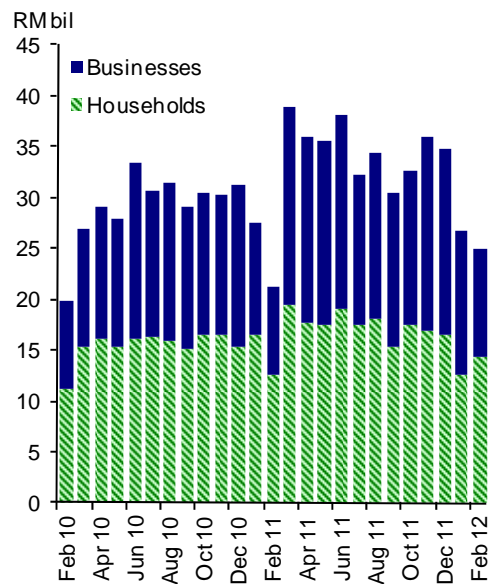
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

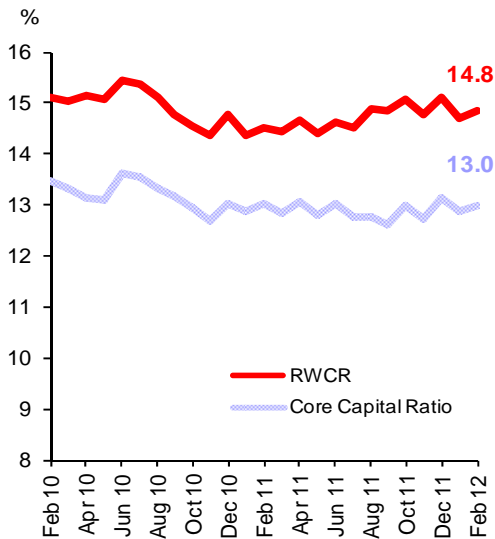
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

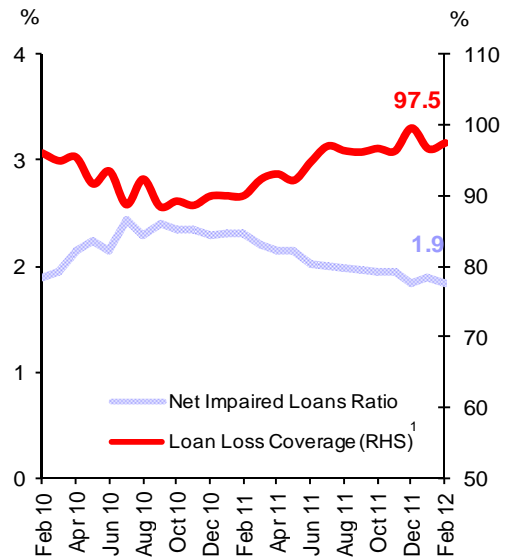
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage



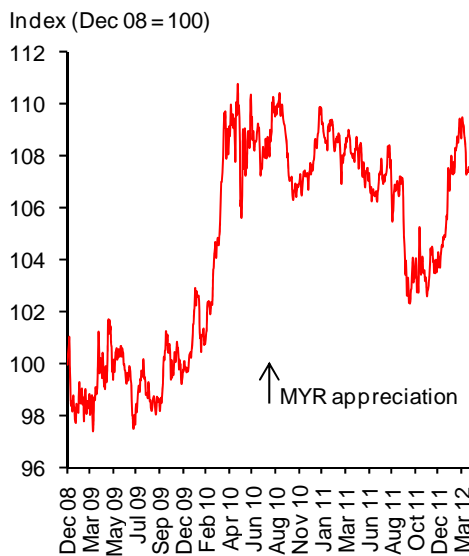
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

Ringgit appreciated against the currencies of most of Malaysia's major trading partners

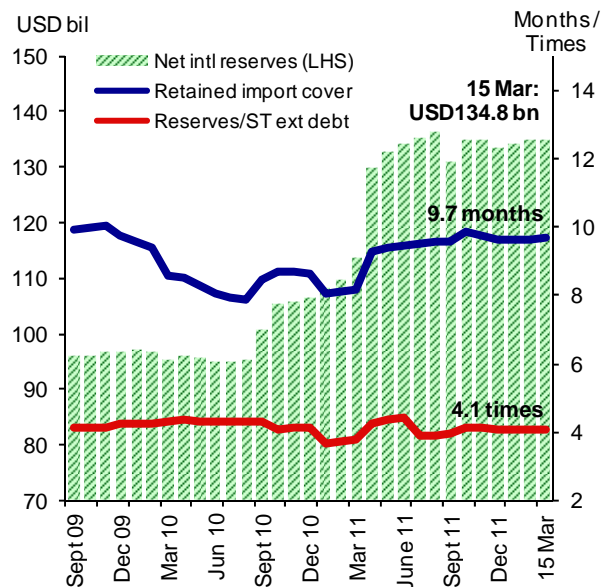
Index of Ringgit Performance against Major Trade Partners*



* 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							
		Dec 11		Jan 12		Feb 12	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		96.3	57.3	101.6	49.0	98.0	55.3
M1		258.2	15.1	263.8	9.9	256.7	9.8
M2		1,214.4	14.5	1,241.0	14.7	1,246.6	16.0
M3		1,241.9	14.3	1,271.6	14.7	1,275.2	15.9
Banking System							
Net financing ¹		1,324.7	12.5	1,344.4	13.5	1,354.0	13.0
Loan-deposit ratio (%) ²		80.9		79.3		79.0	
Financing-deposit ratio (%) ^{2&3}		86.7		85.3		85.1	
Loans applied (during the period)		63.5	10.7	56.8	-2.7	57.6	47.3
Loans approved (during the period)		34.7	11.3	26.7	-2.9	25.0	17.7
Loans disbursed (during the period)		83.7	32.0	69.7	5.6	68.0	35.5
Loans repaid (during the period)		70.2	22.9	74.2	26.8	65.8	38.3
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		15.1		14.9		14.8	
Net Impaired Loans Ratio (%)		1.8		1.9		1.9	
BNM International Reserves (end-period)							
Net Reserves in RM billion		423.3		424.7		426.7	
Net Reserves in USD billion (equivalent)		133.6		134.1		134.7	
Months of retained imports		9.6		9.6		9.6	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.99 [2.99]		3.00 [2.99]		3.00 [3.00]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.05 [3.06]		3.11 [3.05]		3.05 [3.05]	
Fixed deposits of commercial banks:	1-month	2.95		2.93		2.94	
	3-month	2.99		2.99		2.99	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.66		5.67		5.67	
Prices							
Consumer Price Index (CPI) (2010=100)		104.2		104.5		104.5	
		3.0		2.7		2.2	
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