



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## SIARAN AKHBAR

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Thursday, 31 May 2012**

### **MONETARY AND FINANCIAL DEVELOPMENTS April 2012**

**Price Conditions:** Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI) moderated to 1.9% in April, due to lower inflation in the *food and non-alcoholic beverages, recreation services and culture* and *transport* categories. Inflation in the *food and non-alcoholic beverages* category was lower at 2.3% in April due to a decline in the prices of vegetables and meat following improved supply of food items. The *recreation services and culture* and *transport* categories registered lower inflation rates as the impact from the increase in satellite television service charges and the larger price adjustment on RON97 petrol in April 2011 tapered off.

**Monetary Conditions:** Interbank rates were stable in April. In terms of retail lending 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 also relatively stable during the period. Private sector liquidity, as measured by broad money (M3), grew at a stable annual growth rate of 15.0%. The expansion of M3 arising from continued credit extension by the banking system to the private sector was partially mitigated by net foreign outflows during the month. Net financing to the private sector grew at a slower pace in April due to lower net private debt security (PDS) issuances and stable rate of increase in outstanding banking system loans. Business loans outstanding increased by 11.7% during the month with a higher amount of loans extended to businesses in the *real estate, finance insurance and business services; manufacturing* and *wholesale and retail, restaurants and hotels* 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 *purchase of residential and non-residential properties* and *passenger cars*. Loan demand from both businesses and households was sustained during the month.

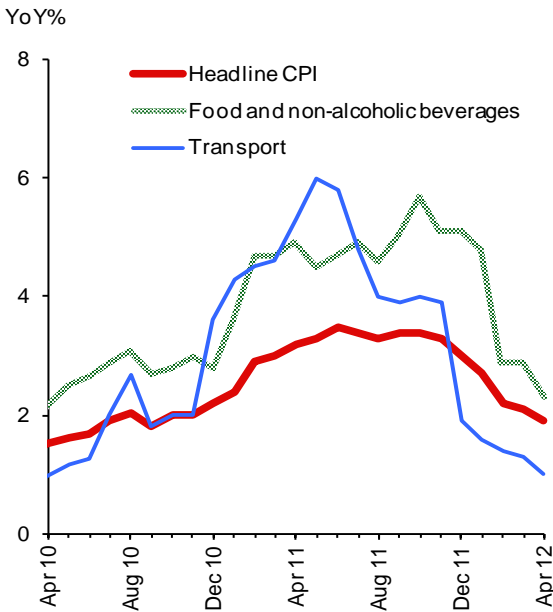
**Banking System:** The banking system remained well-capitalised with risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.5% and 12.9% respectively. The decline in capital base was due to a scheduled redemption of subordinated debt capital by a bank. The level of net impaired loans remained stable at 1.8% of net loans, while the loan loss coverage remained above 90%.

**Exchange Rates and International Reserves:** In April, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners. The ringgit appreciated against the US dollar, Chinese renminbi and the euro, but depreciated against the Singapore dollar and the Japanese yen. The ringgit and most other regional currencies appreciated against the US dollar as investor demand for the region's financial assets increased. The ringgit was also supported by the release of strong February export growth data for Malaysia. In May, the ringgit along with other currencies depreciated as ongoing uncertainties over the European sovereign debt crisis prompted the unwinding of holdings of assets from several emerging markets. The international reserves of Bank Negara Malaysia stood at RM417.5 billion (equivalent to USD136.1 billion) as at 15 May 2012, sufficient to finance 9.3 months of retained imports and is 4.1 times the short-term external debt.

**Bank Negara Malaysia**  
**31 May 2012**

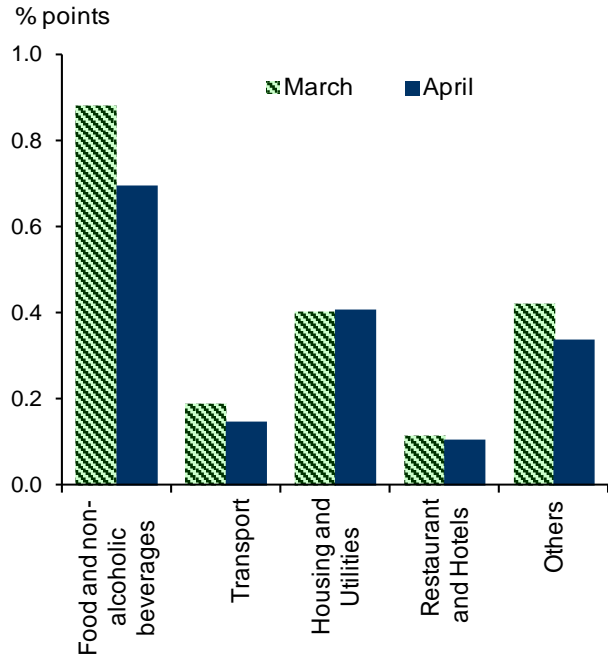
## Headline inflation continued to moderate in April

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

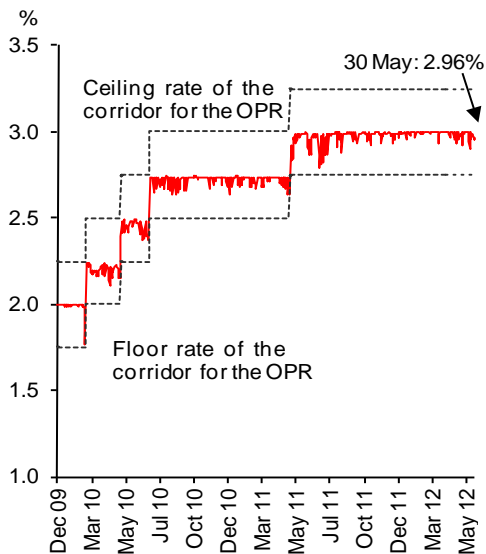


\* Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Bank Negara Malaysia

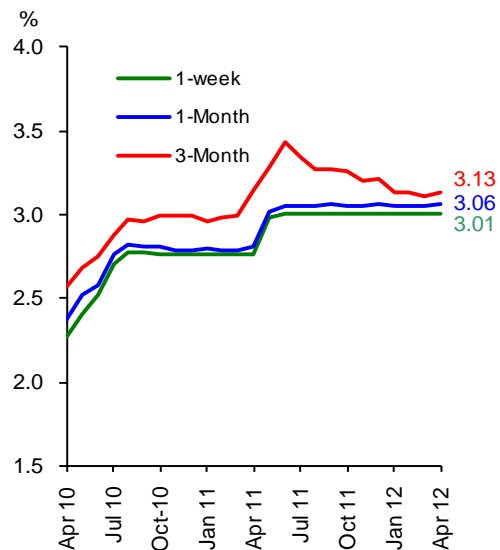
## Interest rates remained stable

Average Overnight Interbank Rate



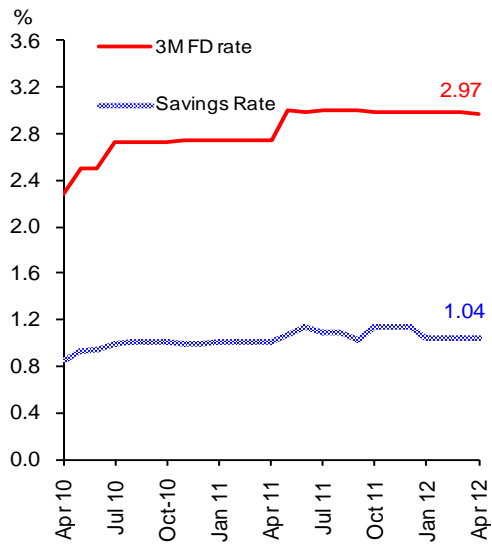
Source: Bank Negara Malaysia

Average Interbank Rates



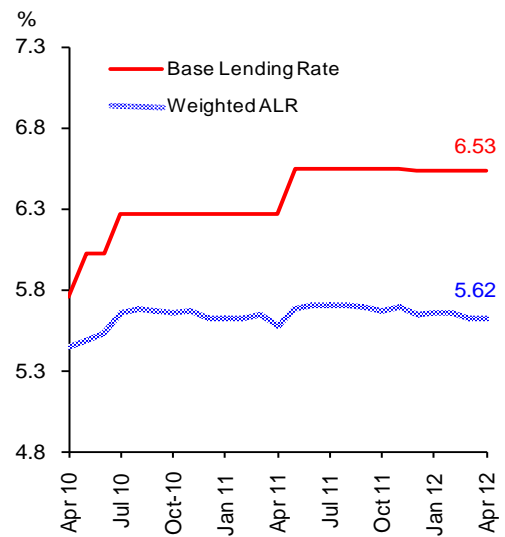
Source: Bank Negara Malaysia

**Deposit Rates of Commercial Banks**



Source: Bank Negara Malaysia

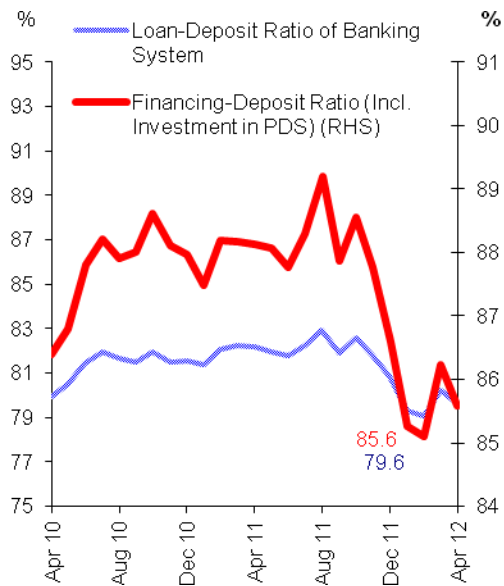
**Lending Rates of Commercial Banks**



Source: Bank Negara Malaysia

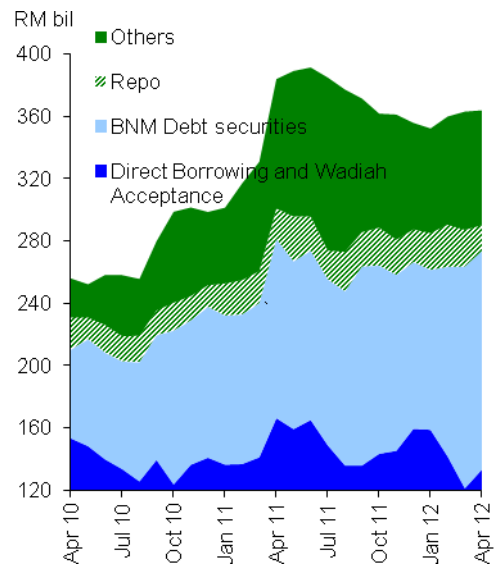
**Liquidity in the banking system remains ample**

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



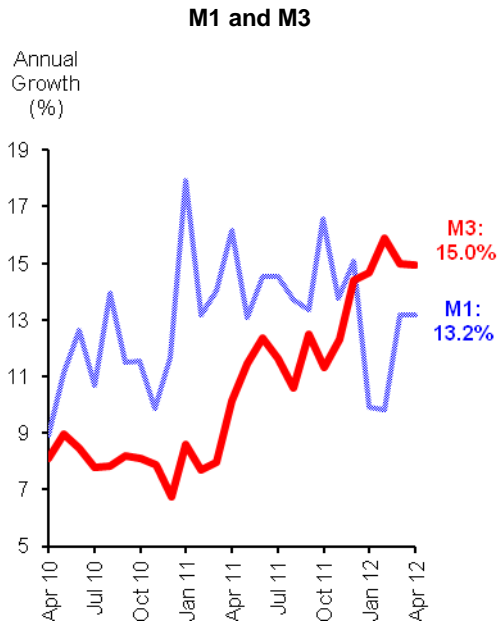
Source: Bank Negara Malaysia

**Outstanding Liquidity Placed With Bank Negara Malaysia**

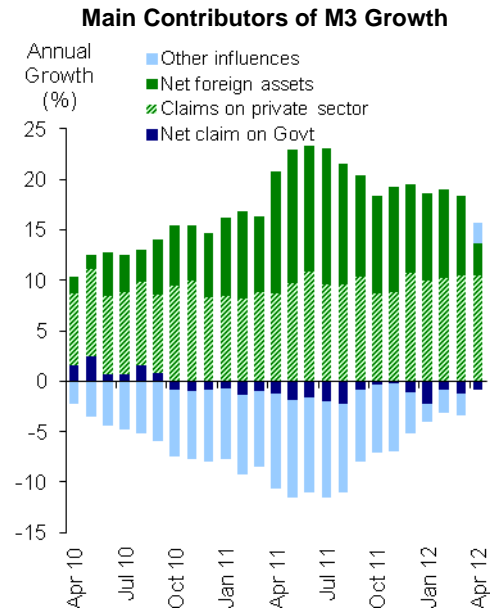


Source: Bank Negara Malaysia

## Broad money continues to expand

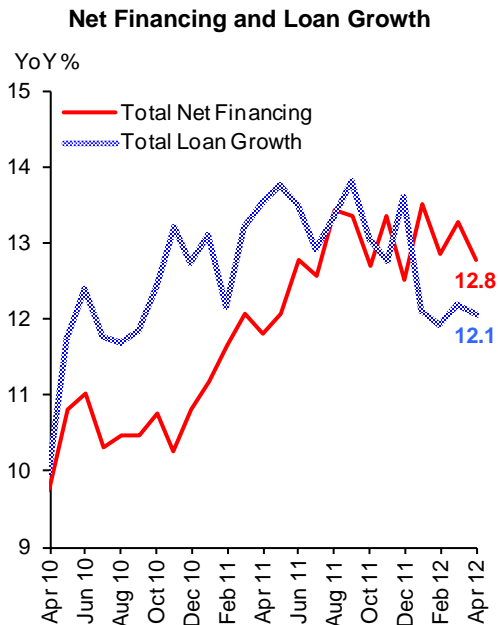


Source: Bank Negara Malaysia



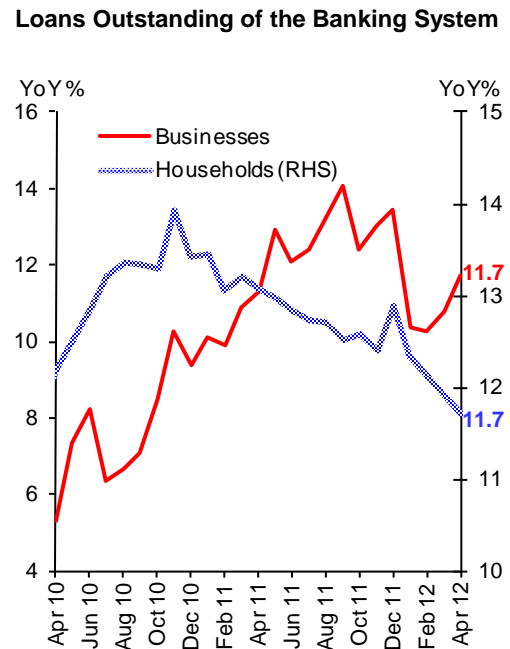
Source: Bank Negara Malaysia

## Financing grew at a more moderate pace in April



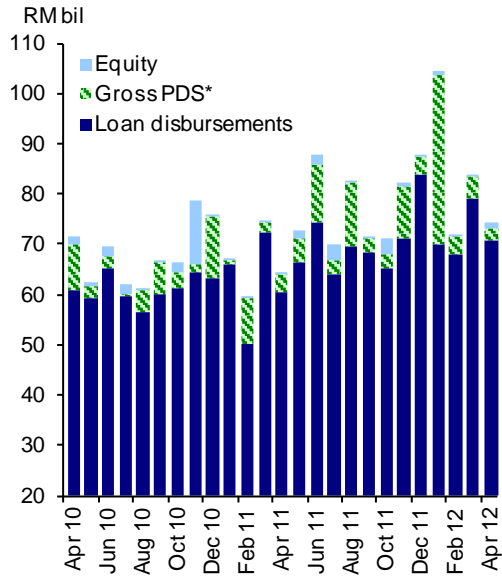
\* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



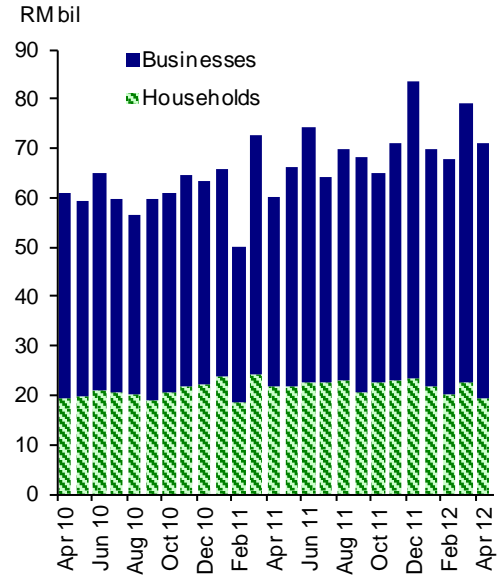
Source: Bank Negara Malaysia

### Gross Private Sector Financing



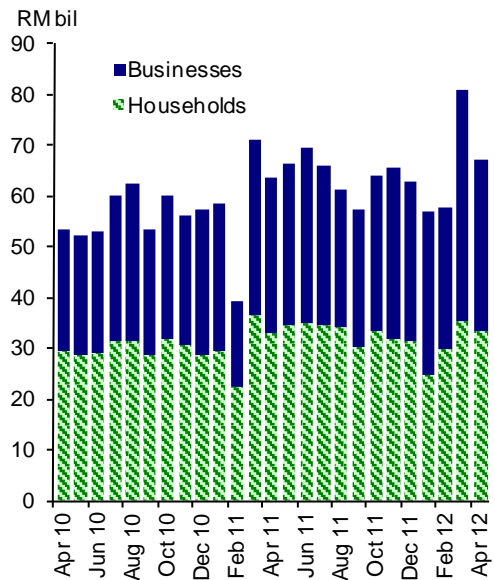
\* Excludes foreign issuances  
Source: Bank Negara Malaysia

### Loan Disbursements by the Banking System



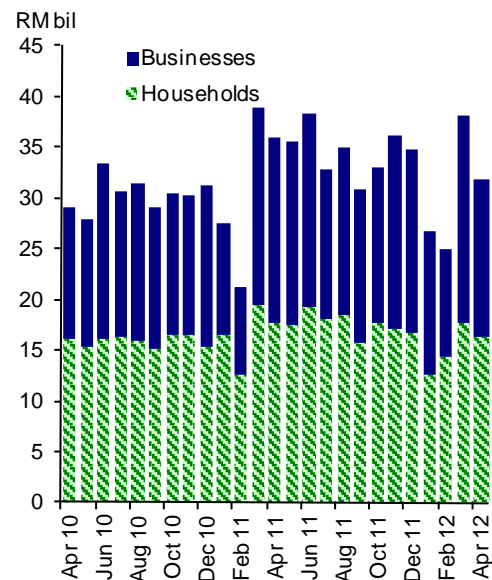
Source: Bank Negara Malaysia

### Loan Applications with the Banking System



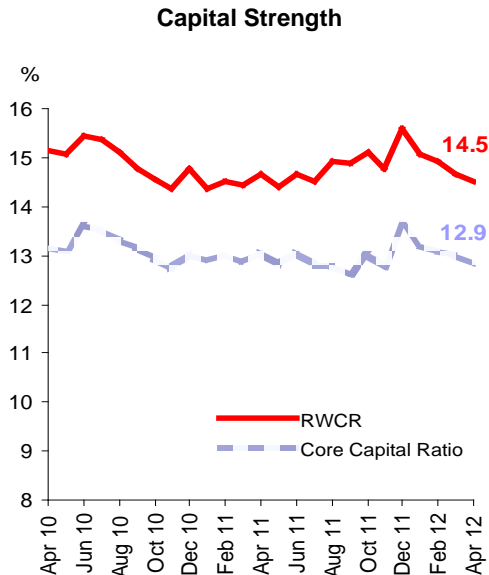
Source: Bank Negara Malaysia

### Loan Approvals by the Banking System



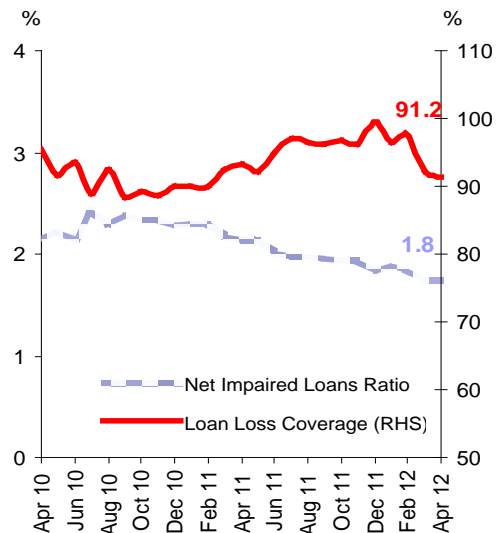
Source: Bank Negara Malaysia

## Banking system capitalisation remained strong with stable loan quality



Source: Bank Negara Malaysia

### Net Impaired Loans Ratio and Loan Loss Coverage



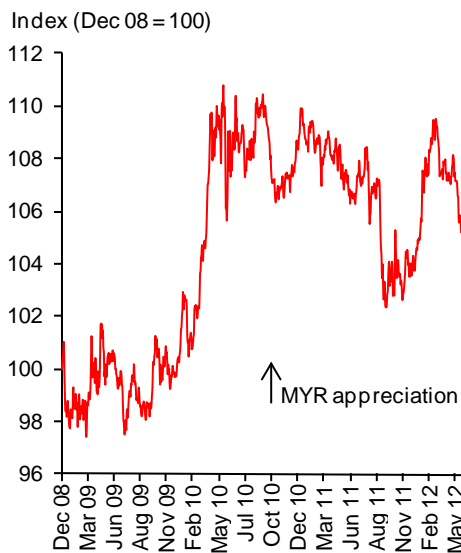
\* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

## Mixed performance of the ringgit against major trading partners

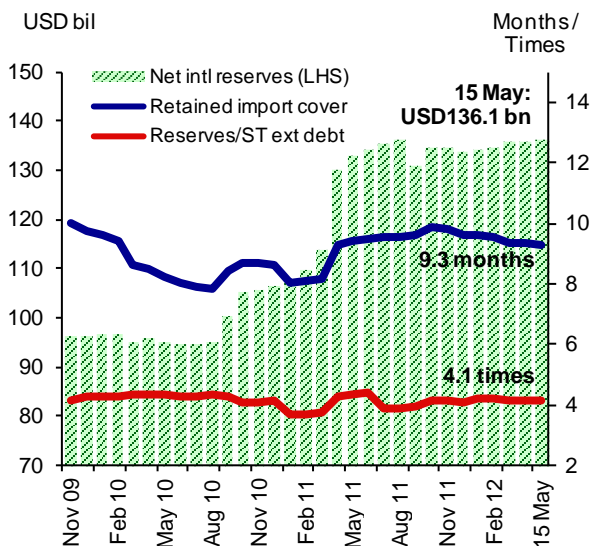
### Index of Ringgit Performance against Major Trade Partners\*



\* 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							
		Feb 12		Mar 12		Apr 12	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
<b>Monetary Aggregates</b>							
Reserve money		98.0	55.3	97.6	57.6	99.5	41.1
M1		256.7	9.8	259.5	13.2	261.4	13.2
M2		1,246.6	16.0	1,254.6	15.2	1,270.9	15.2
M3		1,275.2	15.9	1,281.2	15.0	1,298.2	15.0
<b>Banking System</b>							
Net financing <sup>1</sup>		1,351.8	12.8	1,370.5	13.3	1,376.6	12.8
Loan-deposit ratio (%) <sup>2</sup>		79.0		80.2		79.6	
Financing-deposit ratio (%) <sup>2&amp;3</sup>		85.1		86.2		85.6	
Loans applied (during the period)		57.6	47.3	81.0	14.1	67.4	5.8
Loans approved (during the period)		25.0	17.6	38.1	-2.2	31.9	-11.4
Loans disbursed (during the period)		68.0	35.5	79.0	8.9	70.9	17.6
Loans repaid (during the period)		65.8	38.3	65.4	5.4	67.9	21.1
<b>Banking System Health</b>							
Risk-weighted Capital Ratio (RWCR) (%)		14.9		14.7		14.5	
Net Impaired Loans Ratio (%)		1.9		1.7		1.8	
<b>BNM International Reserves (end-period)</b>							
Net Reserves in RM billion		426.7		416.1		416.8	
Net Reserves in USD billion (equivalent)		134.7		135.7		135.9	
Months of retained imports		9.6		9.3		9.3	
<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 [3.00]		3.00 [3.00]		2.98 [3.00]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.05 [3.05]		3.06 [3.05]		3.06 [3.06]	
Fixed deposits of commercial banks:	1-month	2.94		2.93		2.92	
	3-month	2.99		2.98		2.97	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.66		5.62		5.62	
<b>Prices</b>							
Consumer Price Index (CPI) (2010=100)		104.5	2.2	104.5	2.1	104.5	1.9
<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