



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 07/12/09

EMBARGO: Not for publication or broadcast before 1700 hours on Tuesday, 31 July 2012

MONETARY AND FINANCIAL DEVELOPMENTS **June 2012**

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI) moderated to 1.6% in June, due to lower inflation in the *transport* and *food and non-alcoholic beverages* categories. Inflation in the *transport* category declined as the price of RON97 petrol was revised downward in June 2012. The *food and non-alcoholic beverages* category also registered a lower inflation rate of 2.9% during the month following smaller increase in prices in the *food away from home* sub-category.

Monetary Conditions: Interbank rates were stable in June. 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. The annual growth in broad money (M3) moderated to 12.8% in June. On a monthly basis, M3 increased, reflecting mainly higher credit extended to the private sector. The expansion in M3, however, was partially mitigated by net foreign outflows and Government fundraising activities during the month. Net financing to the private sector expanded by RM26.5 billion in June, due to higher net issuances of private debt securities (PDS) and an increase in outstanding banking system loans. There was continued expansion in banking system loans to businesses, mainly to the *finance, insurance and business services; manufacturing; agriculture* and *wholesale and retail, restaurants and hotels* sectors. Loans to households also expanded during the month, driven mainly by loans for the *purchase of securities, residential property and passenger cars*. Loan demand remained high with sustained loan applications from both businesses and households.

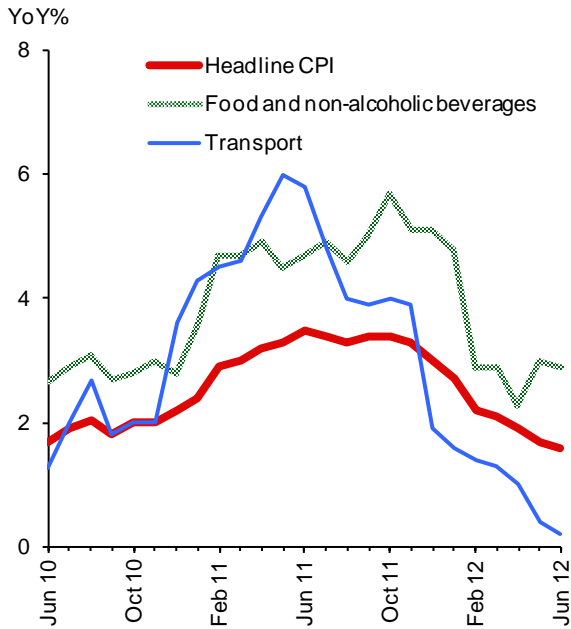
Banking System: The banking system remained well-capitalised with risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.7% and 12.9% respectively. The level of net impaired loans improved, amounting to 1.5% of net loans due to recovery and write-off exercise by some banks as part of the balance sheet strengthening exercise. Loan loss coverage remained high at 98.9%.

Exchange Rates and International Reserves: In June, the ringgit depreciated against most of the currencies of Malaysia's major trading partners. The ringgit ended the month slightly weaker against the US dollar as international investors' unwound holdings of emerging market assets following concerns over the outlook for global economic growth and renewed uncertainties over the European sovereign debt crisis. The ringgit also depreciated against the euro, Singapore dollar and Chinese renminbi, while recording a modest appreciation against the Japanese yen. In July, the ringgit along with most other currencies appreciated against the US dollar as expectations for monetary easing in the advanced economies renewed investor interest for emerging market assets. The international reserves of Bank Negara Malaysia stood at RM429.4 billion (equivalent to USD134.4 billion) as at 13 July 2012, sufficient to finance 9.4 months of retained imports and are 4.3 times the short-term external debt.

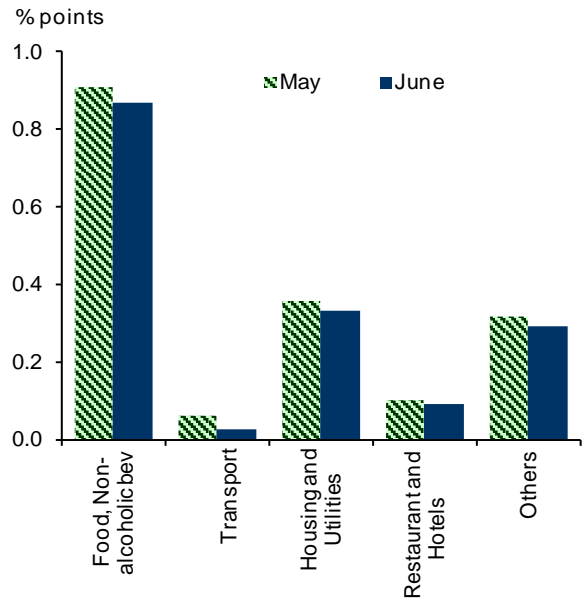
**Bank Negara Malaysia
31 July 2012**

Headline inflation continued to moderate in June

Headline Inflation



Headline Inflation: Component Contribution



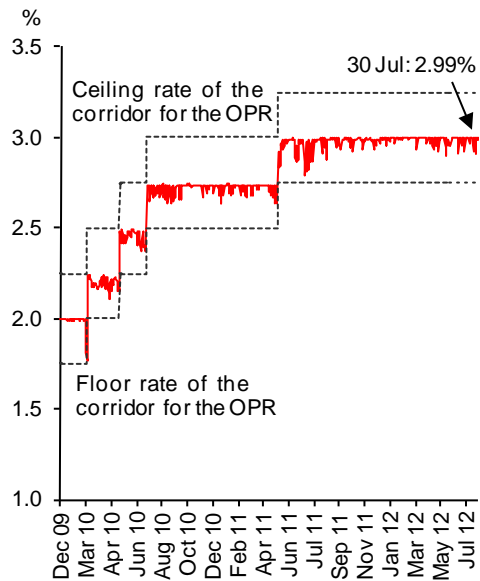
* Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Department of Statistics Malaysia

Source: Bank Negara Malaysia

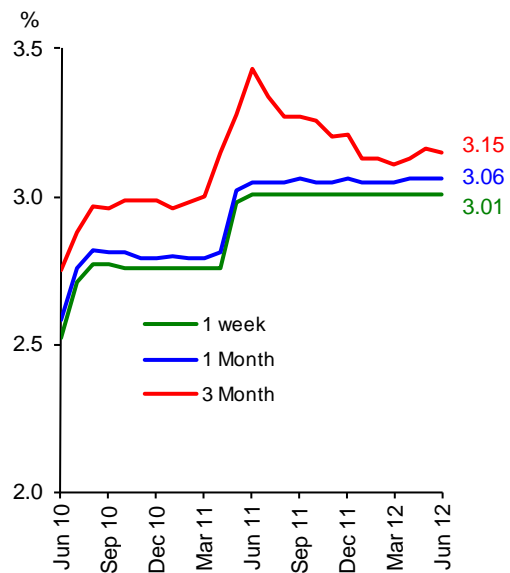
Interest rates remained stable

Average Overnight Interbank Rate



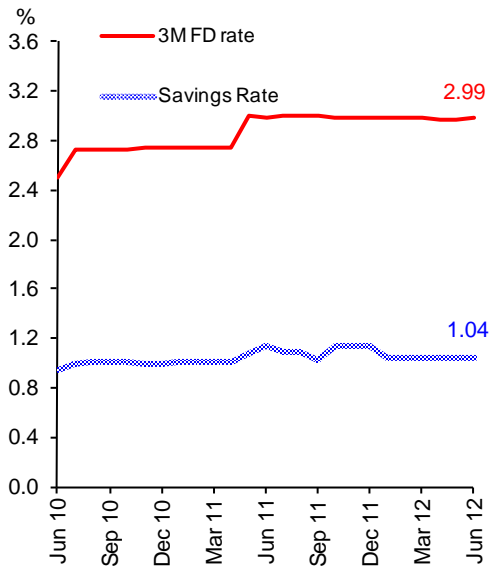
Source: Bank Negara Malaysia

Average Interbank Rates



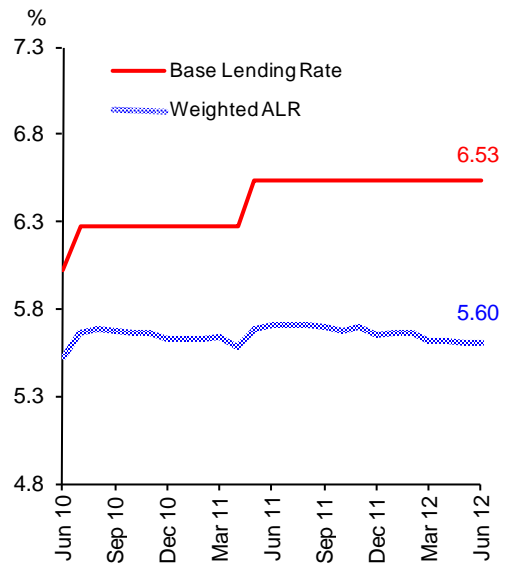
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

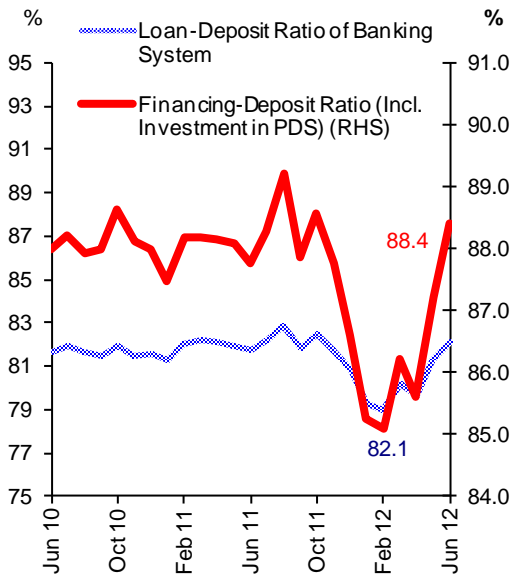
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

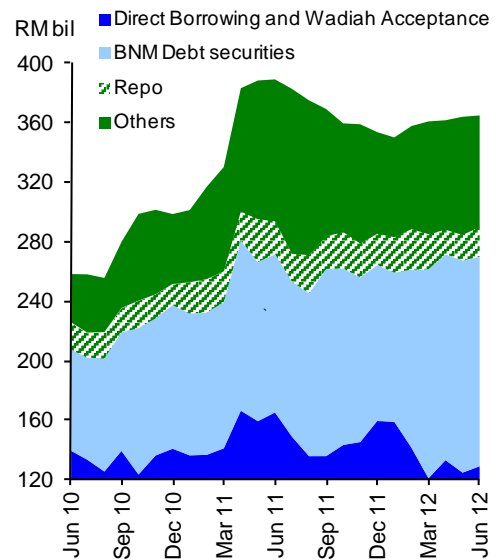
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



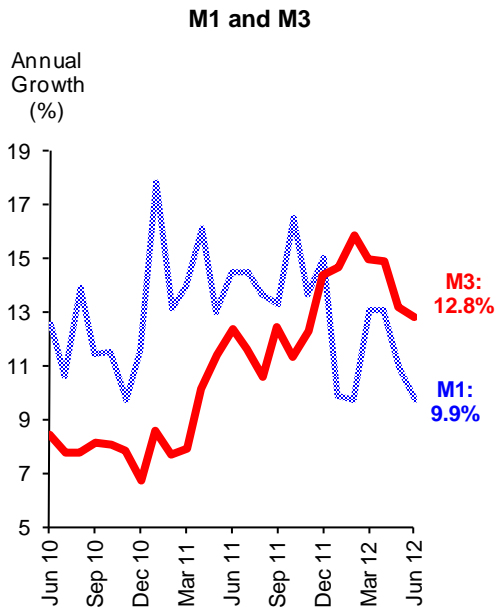
Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

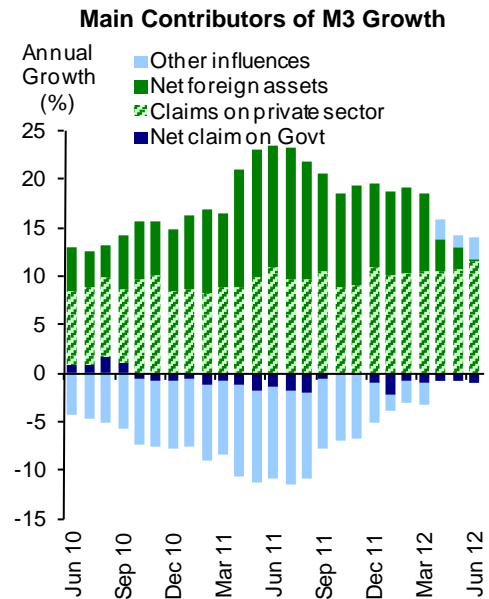


Source: Bank Negara Malaysia

Broad money growth moderated

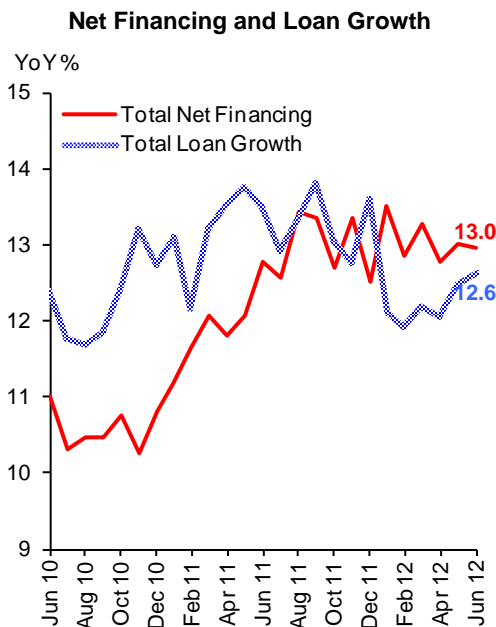


Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

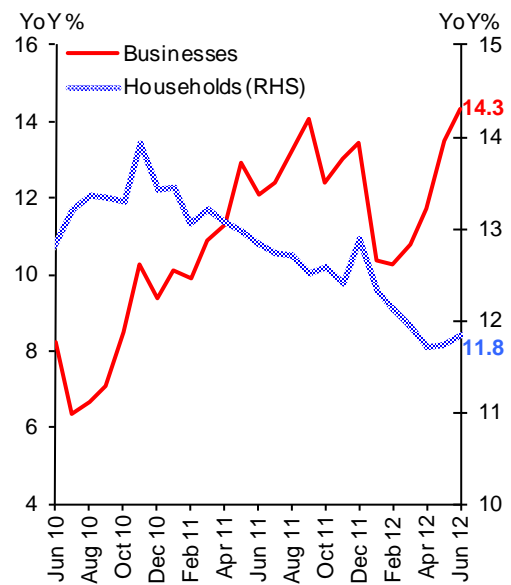
Financing activity was sustained in June



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

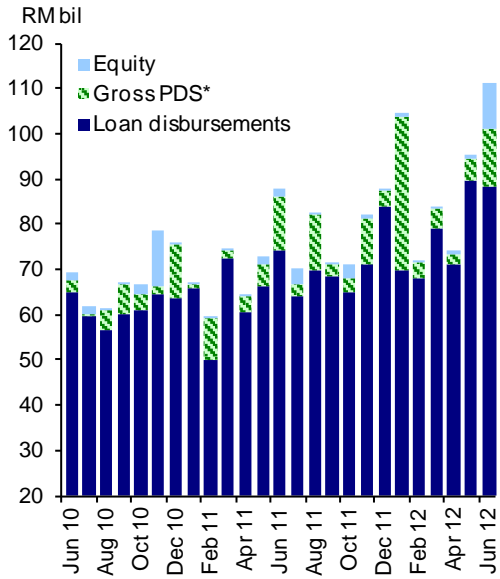
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



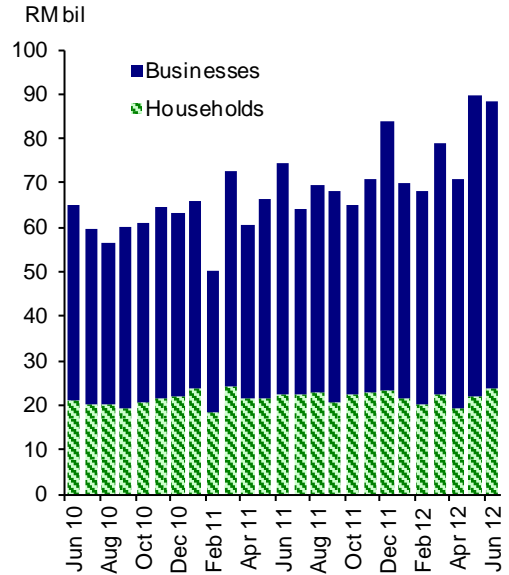
Source: Bank Negara Malaysia

Gross Private Sector Financing



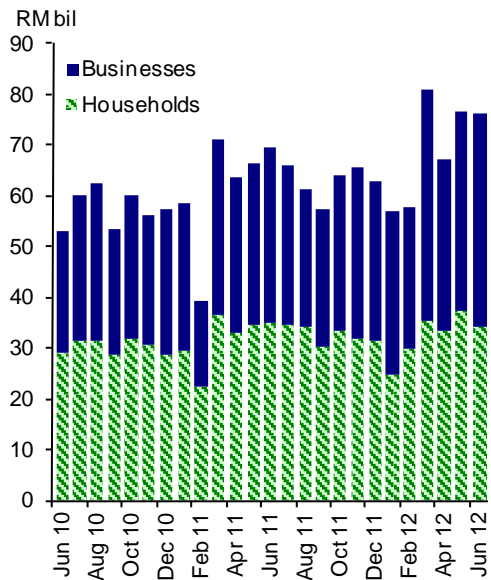
* Excludes foreign issuances
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



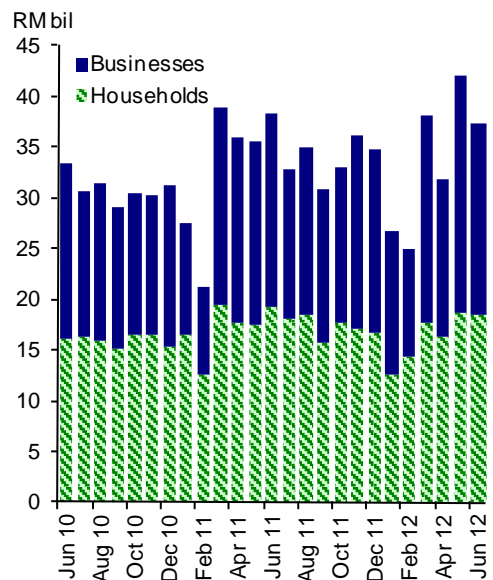
Source: Bank Negara Malaysia

Loan Applications with the Banking System



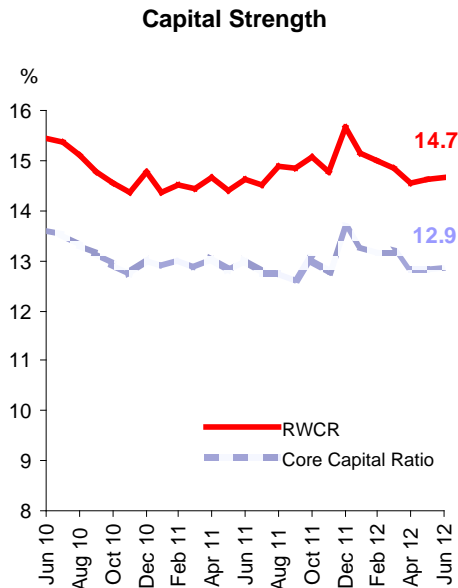
Source: Bank Negara Malaysia

Loan Approvals by the Banking System



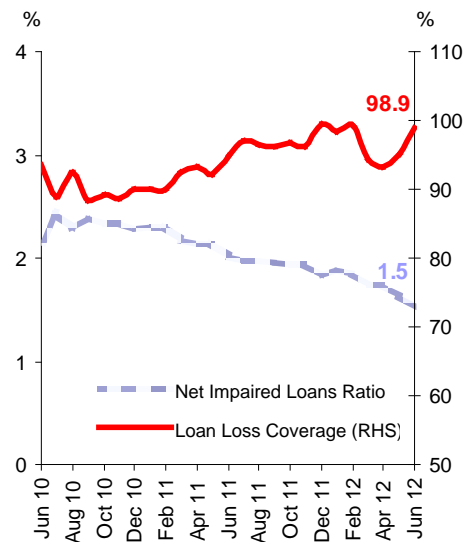
Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage



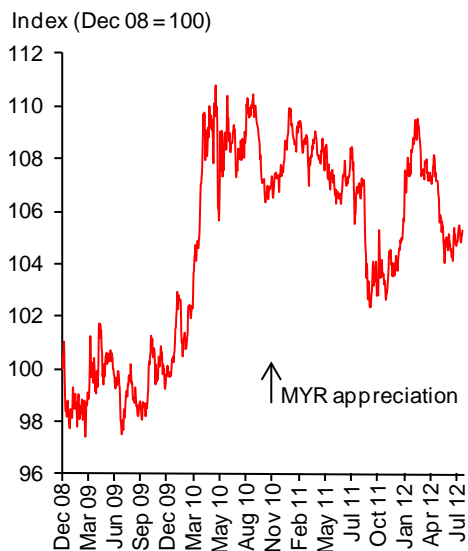
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

Ringgit depreciated against the currencies of Malaysia's major trading partners

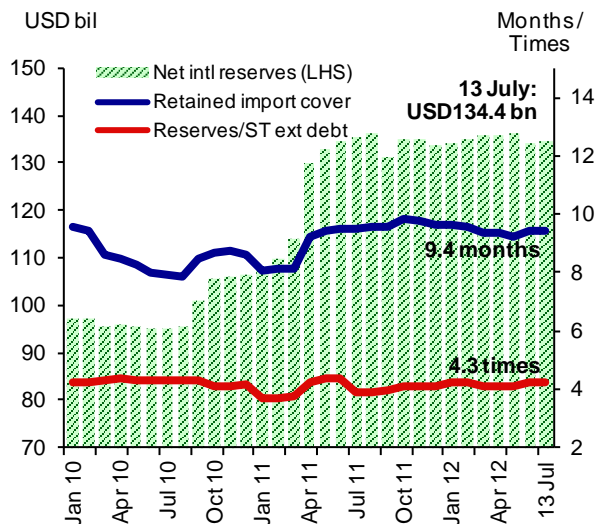
Index of Ringgit Performance against Major Trade Partners*



* 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							
		Apr 12		May 12		Jun 12	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		99.5	41.1	99.3	28.6	100.8	32.1
M1		261.4	13.2	259.8	11.0	263.1	9.9
M2		1,270.9	15.2	1,271.2	13.8	1,285.9	13.6
M3		1,298.1	15.0	1,296.6	13.2	1,307.8	12.8
Banking System							
Net financing ¹		1,376.6	12.8	1,398.3	13.0	1,424.8	13.0
Loan-deposit ratio (%) ²		79.6		81.3		82.1	
Financing-deposit ratio (%) ^{2&3}		85.6		87.2		88.4	
Loans applied (during the period)		67.4	5.8	76.6	15.1	76.2	9.7
Loans approved (during the period)		31.9	-11.4	42.1	18.2	37.3	-3.0
Loans disbursed (during the period)		70.9	17.6	89.7	35.4	88.4	18.9
Loans repaid (during the period)		67.9	21.1	68.6	26.8	75.5	18.6
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		14.6		14.6		14.7	
Net Impaired Loans Ratio (%)		1.7		1.6		1.5	
BNM International Reserves (end-period)							
Net Reserves in RM billion		416.8		417.0		428.8	
Net Reserves in USD billion (equivalent)		135.9		135.9		134.2	
Months of retained imports		9.3		9.2		9.4	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.98 [2.98]		2.99 [2.98]		2.99 [2.99]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.06 [3.06]		3.07 [3.06]		3.06 [3.06]	
Fixed deposits of commercial banks:	1-month	2.92		2.91		2.90	
	3-month	2.97		2.97		2.99	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.62		5.60		5.60	
Prices							
Consumer Price Index (CPI) (2010=100)		104.5	1.9	104.7	1.7	104.8	1.6
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