



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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Thursday, 30 August 2012**

MONETARY AND FINANCIAL DEVELOPMENTS **July 2012**

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI) moderated to 1.4% in July. Inflation in the *food and non-alcoholic beverages* category registered a lower inflation rate of 2.6% due to the decline in meat prices during the month. Prices in the *transport* category declined by 0.2% as the price for RON97 petrol was adjusted downward to RM2.60 per litre in July 2012 (July 2011: RM2.80 per litre).

Monetary Conditions: Interbank rates were stable in July. 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) increased at a higher annual rate of 13.5% in July. On a monthly basis, M3 increased on account of net portfolio inflows and sustained financing activity. Net financing to the private sector grew 13.2% in July due to higher growth in outstanding banking system loans. Business loans outstanding expanded by 14.6% during the month with loans extended mainly to businesses in the *transport, storage and communication; agriculture; manufacturing* and *construction* sectors. Loans to households were driven mainly by loans for the *purchase of residential and non-residential properties, passenger cars* and *securities*. Loan demand remained robust with sustained loan applications, especially from households.

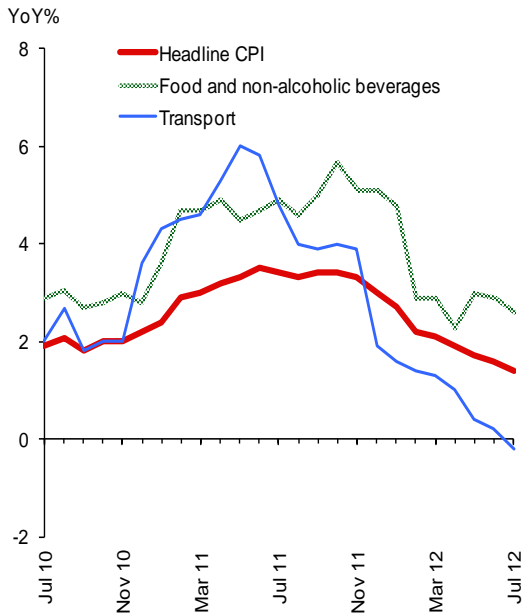
Banking System: The banking system remained well-capitalised with risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.4% and 12.7% respectively. The decline in capital base was due to the redemption of subordinated debt capital by a bank. The level of net impaired loans remained stable at 1.5% of net loans, while the loan loss coverage remained high at 100.9%.

Exchange Rates and International Reserves: In July, the ringgit appreciated against the currencies of most of Malaysia's major trading partners. The ringgit appreciated against the US dollar as expectations of monetary easing in the US and China, and expectations of progress in resolving the European sovereign debt crisis renewed investor interest for emerging market assets. The ringgit also appreciated against the euro and Chinese renminbi, but depreciated against the Singapore dollar. The ringgit remained unchanged against the Japanese yen. In August, the ringgit continued to appreciate against the US dollar, following better-than-expected economic data releases in Malaysia. The international reserves of Bank Negara Malaysia stood at RM430.5 billion (equivalent to USD134.7 billion) as at 15 August 2012, sufficient to finance 9.5 months of retained imports and is 3.9 times the short-term external debt.

**Bank Negara Malaysia
30 August 2012**

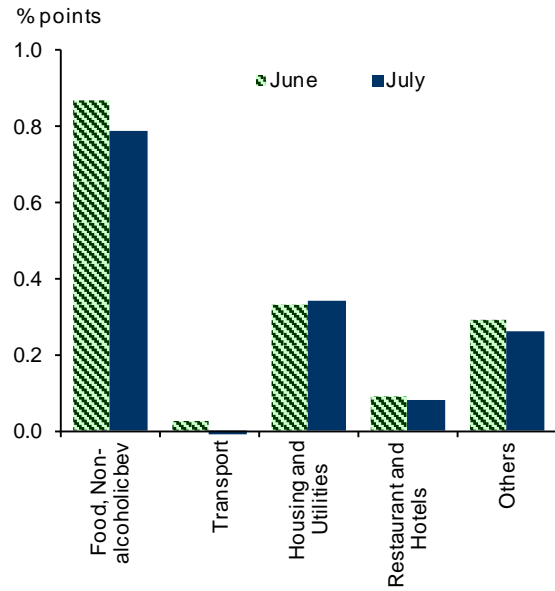
Headline inflation continued to moderate in July

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

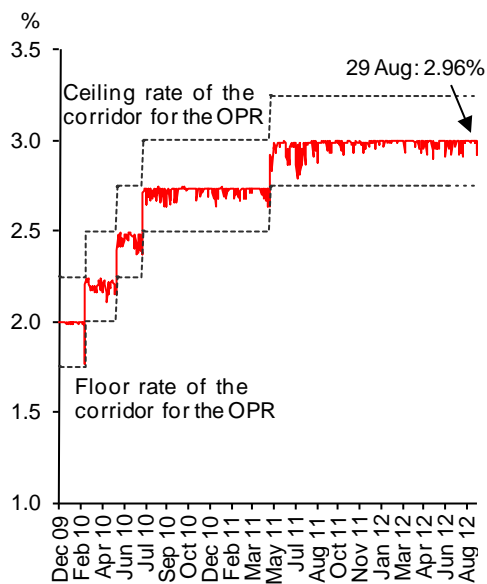


* Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Bank Negara Malaysia

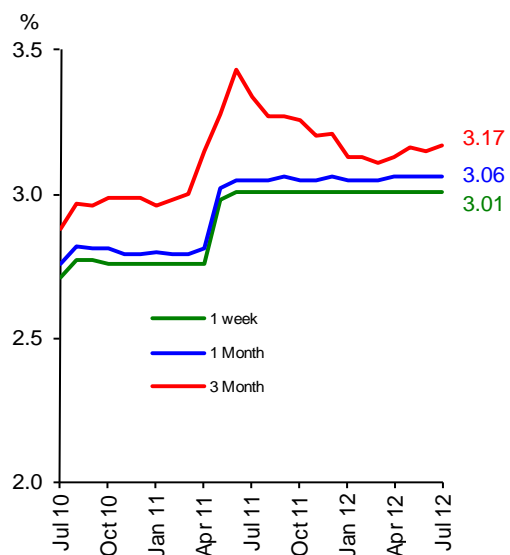
Interest rates remained stable

Average Overnight Interbank Rate



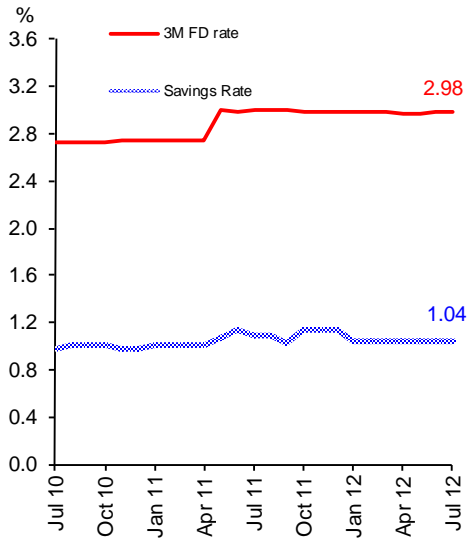
Source: Bank Negara Malaysia

Average Interbank Rates



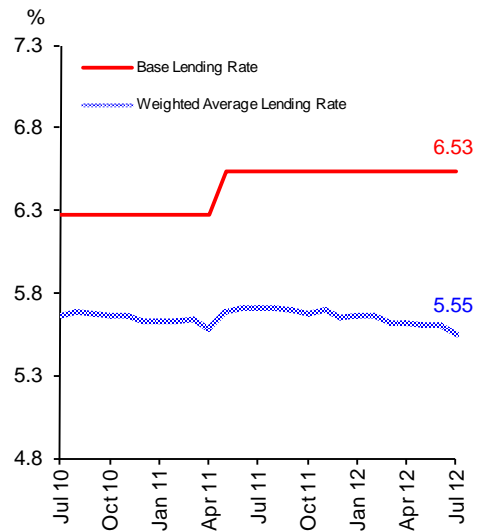
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

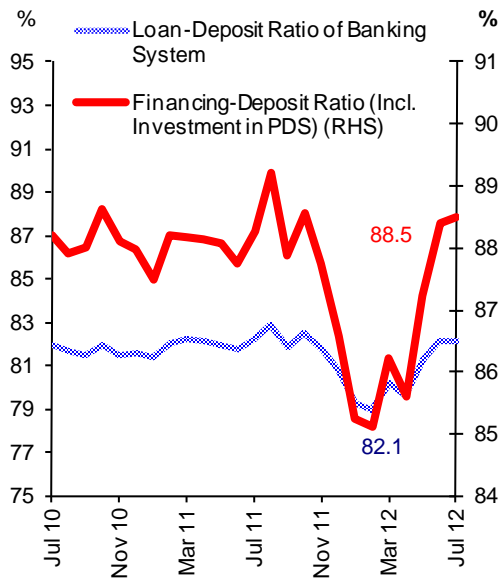
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

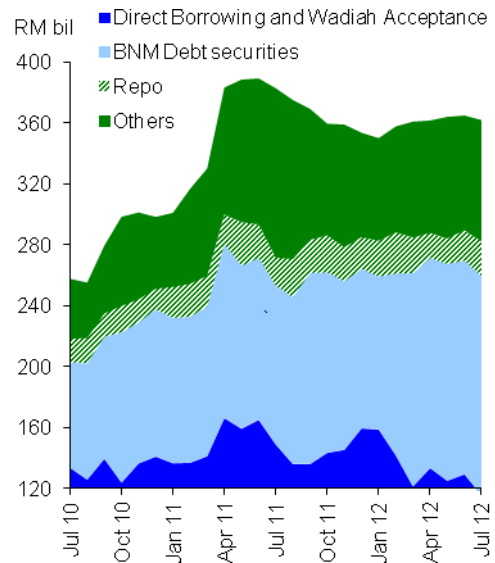
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



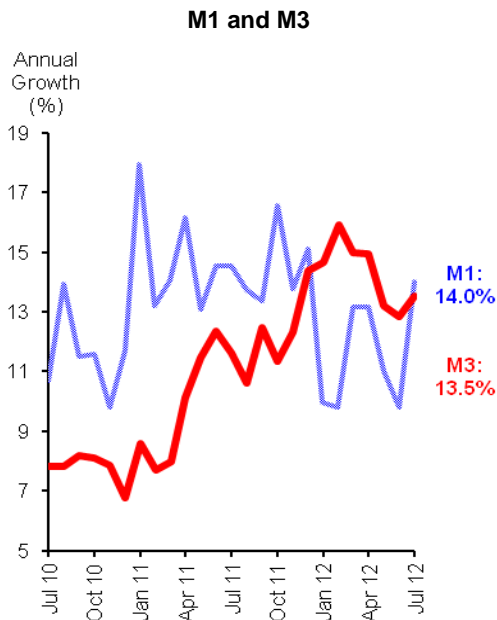
Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

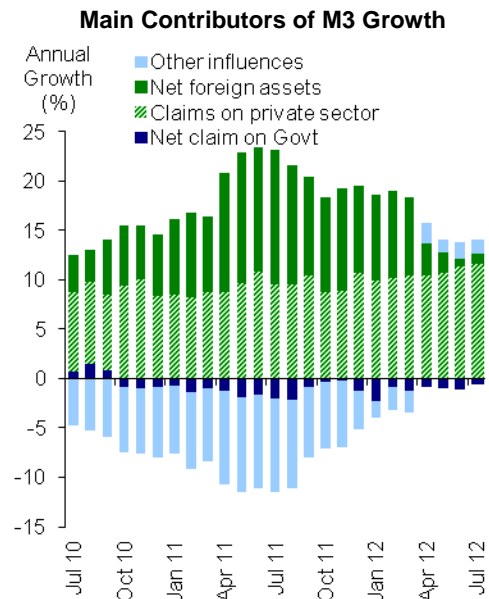


Source: Bank Negara Malaysia

Broad money grew at a faster pace

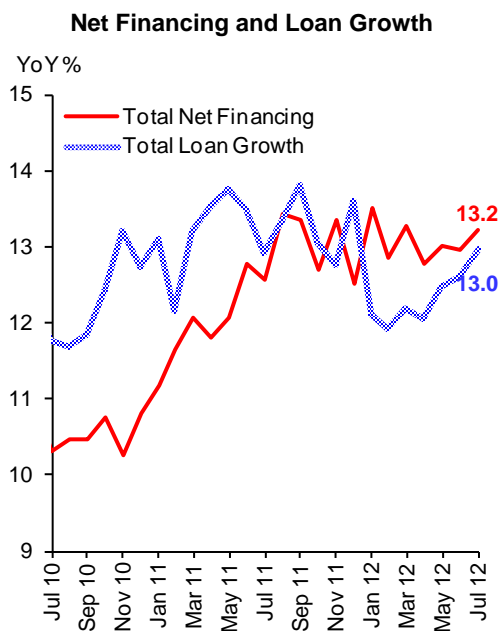


Source: Bank Negara Malaysia



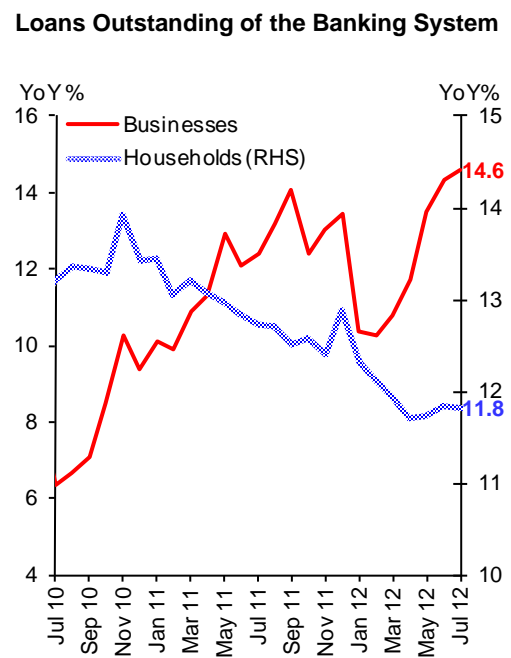
Source: Bank Negara Malaysia

Financing activity remained strong in July



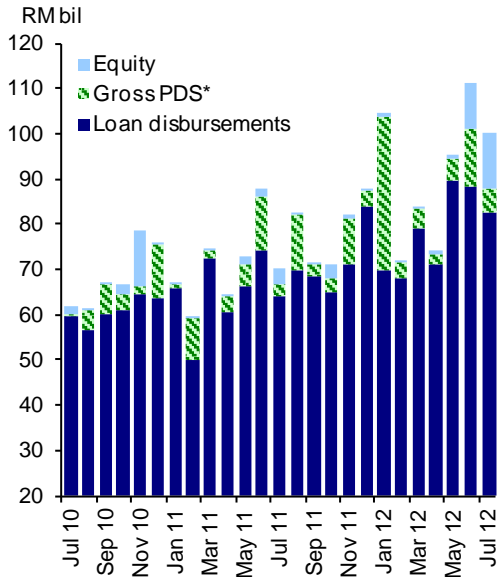
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

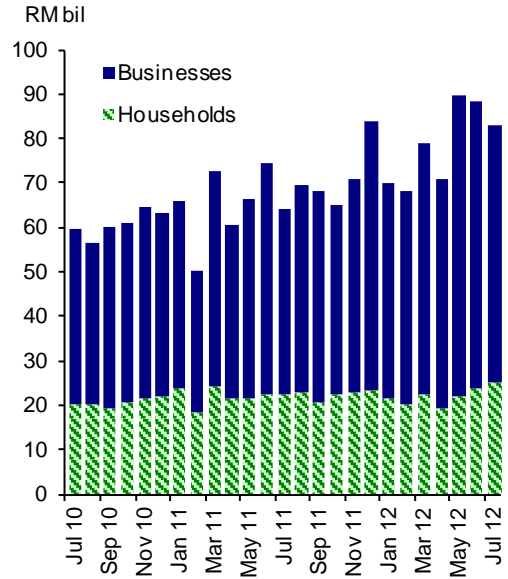
Gross Private Sector Financing



* Excludes foreign issuances

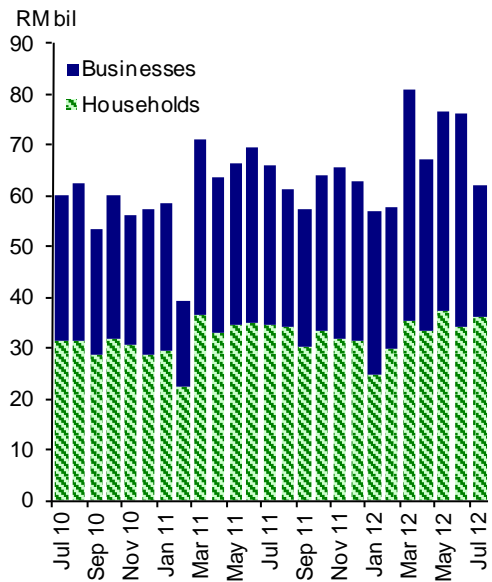
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



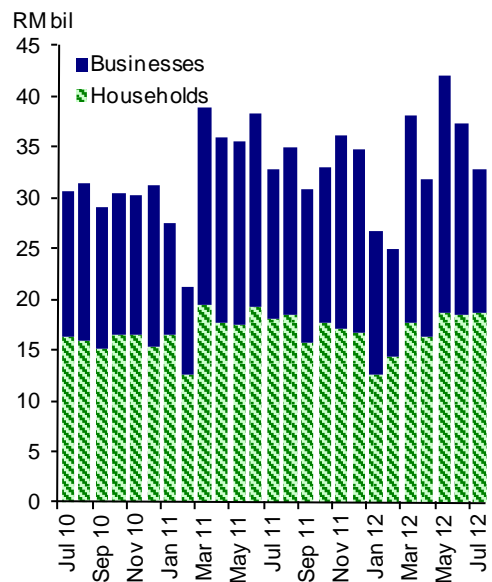
Source: Bank Negara Malaysia

Loan Applications with the Banking System



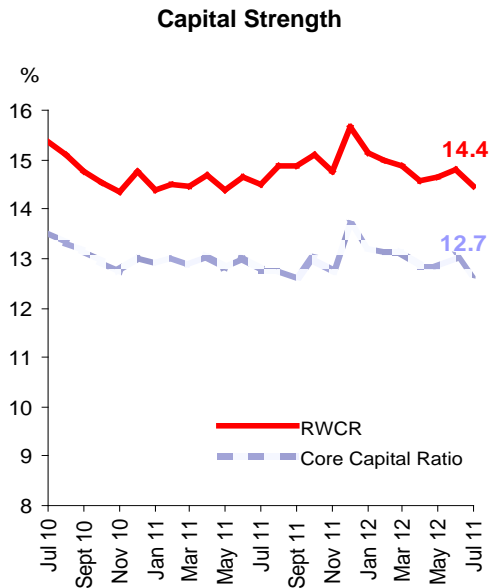
Source: Bank Negara Malaysia

Loan Approvals by the Banking System



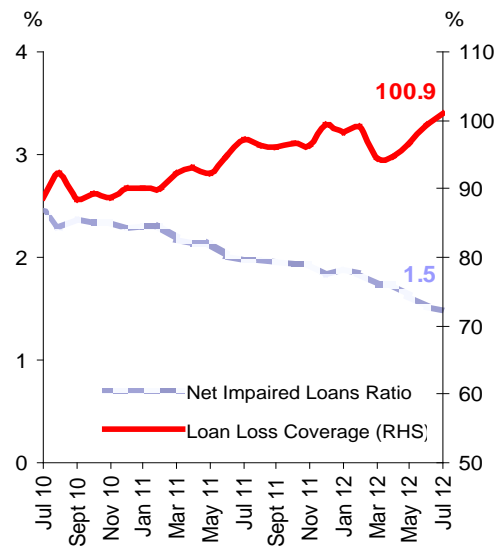
Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage



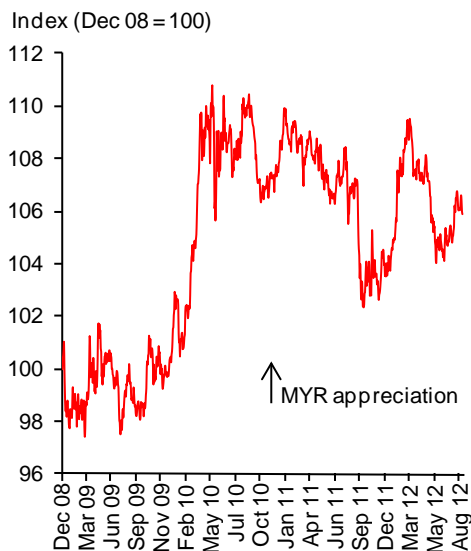
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

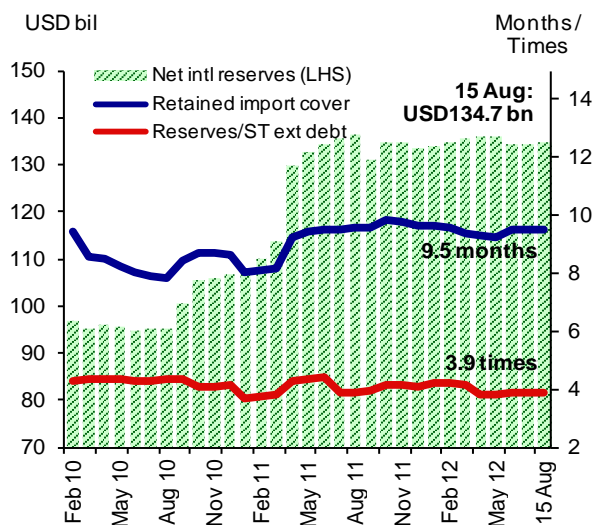
Index of Ringgit Performance against Major Trade Partners*



* 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 | | | | | | | |
|--|-----------|---------------|-------------|---------------|-------------|---------------|-------------|
| | | May 12 | | Jun 12 | | Jul 12 | |
| | | O/stg | Ann. growth | O/stg | Ann. growth | O/stg | Ann. growth |
| | | (RM bil) | (%) | (RM bil) | (%) | (RM bil) | (%) |
| Monetary Aggregates | | | | | | | |
| Reserve money | | 99.3 | 28.6 | 100.8 | 32.1 | 101.5 | 15.5 |
| M1 | | 259.8 | 11.0 | 263.1 | 9.9 | 268.5 | 14.0 |
| M2 | | 1,271.3 | 13.8 | 1,285.9 | 13.6 | 1,290.0 | 14.4 |
| M3 | | 1,296.7 | 13.2 | 1,307.8 | 12.8 | 1,312.8 | 13.5 |
| Banking System | | | | | | | |
| Net financing ¹ | | 1,398.3 | 13.0 | 1,424.8 | 13.0 | 1,431.0 | 13.2 |
| Loan-deposit ratio (%) ² | | 81.3 | | 82.1 | | 82.1 | |
| Financing-deposit ratio (%) ^{2&3} | | 87.2 | | 88.4 | | 88.5 | |
| Loans applied (during the period) | | 76.6 | 15.1 | 76.2 | 9.7 | 62.1 | -6.0 |
| Loans approved (during the period) | | 42.1 | 18.2 | 37.3 | -3.0 | 32.7 | -0.2 |
| Loans disbursed (during the period) | | 89.7 | 35.4 | 88.4 | 18.9 | 82.8 | 29.2 |
| Loans repaid (during the period) | | 68.6 | 26.8 | 75.5 | 18.6 | 78.1 | 22.7 |
| Banking System Health | | | | | | | |
| Risk-weighted Capital Ratio (RWCR) (%) | | 14.6 | | 14.8 | | 14.4 | |
| Net Impaired Loans Ratio (%) | | 1.6 | | 1.5 | | 1.5 | |
| BNM International Reserves (end-period) | | | | | | | |
| Net Reserves in RM billion | | 417.0 | | 428.8 | | 429.5 | |
| Net Reserves in USD billion (equivalent) | | 135.9 | | 134.2 | | 134.4 | |
| Months of retained imports | | 9.2 | | 9.5 | | 9.5 | |
| Interest Rates at end-period [average for the month] | | | | | | | |
| Overnight Policy Rate (OPR) | | 3.00 | | 3.00 | | 3.00 | |
| Interbank: | Overnight | 2.99 [2.98] | | 2.99 [2.99] | | 3.00 [2.99] | |
| | 1-week | 3.01 [3.01] | | 3.01 [3.01] | | 3.01 [3.01] | |
| | 1-month | 3.07 [3.06] | | 3.06 [3.06] | | 3.06 [3.06] | |
| Fixed deposits of commercial banks: | 1-month | 2.91 | | 2.90 | | 2.91 | |
| | 3-month | 2.97 | | 2.99 | | 2.98 | |
| BLR of commercial banks | | 6.53 | | 6.53 | | 6.53 | |
| Weighted ALR of commercial banks | | 5.60 | | 5.60 | | 5.55 | |
| Prices | | | | | | | |
| Consumer Price Index (CPI) (2010=100) | | 104.7 | 1.7 | 104.8 | 1.6 | 104.8 | 1.4 |
| 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