



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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MONETARY AND FINANCIAL DEVELOPMENTS September 2016

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was unchanged at 1.5% in September 2016 (August: 1.5%). Inflation in the *food and non-alcoholic beverages* category was lower at 3.0% in September 2016 (August: 3.5%) due to the decline in prices across most food sub-categories following improved supply conditions. The *transport* category registered a smaller negative inflation of 5.5% (August: -6.7%), given the smaller price decline in domestic fuel prices in September 2016 compared to that of the same period in 2015.

Monetary Conditions: Interbank rates beyond the 1-month tenure were relatively stable during the month. The weighted average base rate (BR) of commercial banks remained unchanged at 3.60% while the weighted average lending rate (ALR) remained steady at 5.27% in September (August: 5.28%). Net financing to the private sector registered an annual growth of 6.5% in September (August: 6.3%). This was driven by the higher growth in net outstanding corporate bonds during the month amid stable growth of loans extended by the banking system and development financial institutions (DFIs). The outstanding business loans of the banking system recorded an annual increase of 2.0% (August: 1.9%), with a larger volume of loans extended to *real estate; agriculture; manufacturing; and finance, insurance and business services* sectors. In particular, both the annual growth in outstanding SME loans and the level of loans disbursed to SMEs continued to improve. For

households, outstanding loans by the banking system grew at a slower pace of 5.6% in September (August: 5.7%), reflecting the moderation in the annual growth of outstanding loans for the *purchase of residential property; passenger cars; and non-residential property*. The level of loan applications and loan approvals declined during the month for both businesses and households to RM68.2 billion (August: RM74.5 billion; monthly average for January - August 2016: RM67.0 billion) and RM29.6 billion (August: RM31.5 billion; monthly average for January - August 2016: RM28.0 billion), respectively. Broad money (M3) recorded an annual growth of 2.2% in September (August: 2.4%). The expansion in M3 was driven mainly by the continued extension of credit to the private sector by the banking system. The expansion, however, was partially offset by the issuance of equity by banks and the continued growth of Islamic Investment Accounts as reflected in *other influences*.

Banking System: The banking system maintained strong capitalisation. The Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio stood at 13.3%, 14.2% and 16.7% respectively. Net impaired loans accounted for 1.3% of net loans while loan loss coverage ratio stood at 89.4%. Taking into account regulatory reserves for loans and financing, banks maintain sufficient buffers for potential credit losses.

Exchange Rates and International Reserves: In September, the ringgit depreciated against the US dollar and most of the major and regional currencies. The depreciation of the ringgit against the US dollar during the month was mainly due to portfolio outflows amid adverse investor sentiments following the decline in global crude oil prices. During the month, regional financial markets and currencies were also affected by the uncertainty ahead of the US Federal Open Market Committee (FOMC) meeting in September. The international reserves of Bank Negara Malaysia amounted to RM405.6 billion (equivalent to USD97.8 billion) as at 14 October 2016. This level remains ample to facilitate international transactions and is sufficient to

finance 8.5 months of retained imports and is 1.2 times the short-term external debt¹.

Bank Negara Malaysia
31 October 2016

¹ Refers to the redefined short-term external debt, which includes short-term offshore borrowing, non-resident holdings of short-term ringgit debt securities, non-resident deposits with the banking system and other short-term debt. For more information, please refer to the box article titled 'The Redefinition of External Debt' in the Quarterly Bulletin on Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2014.

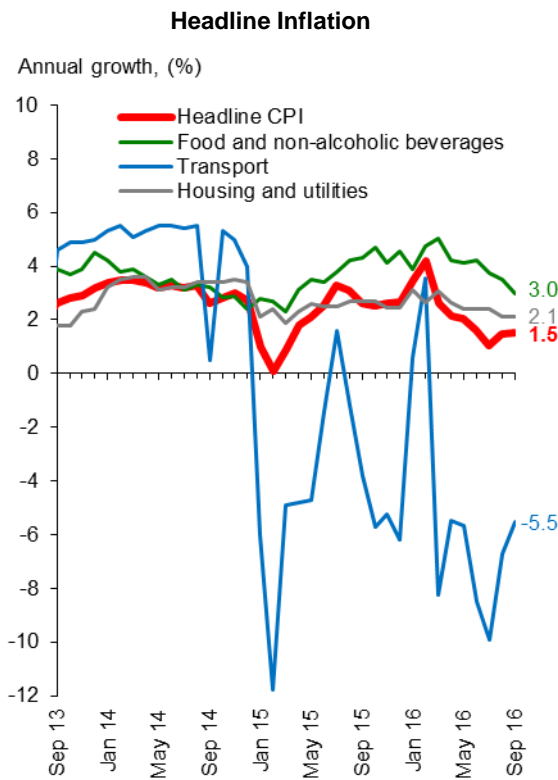
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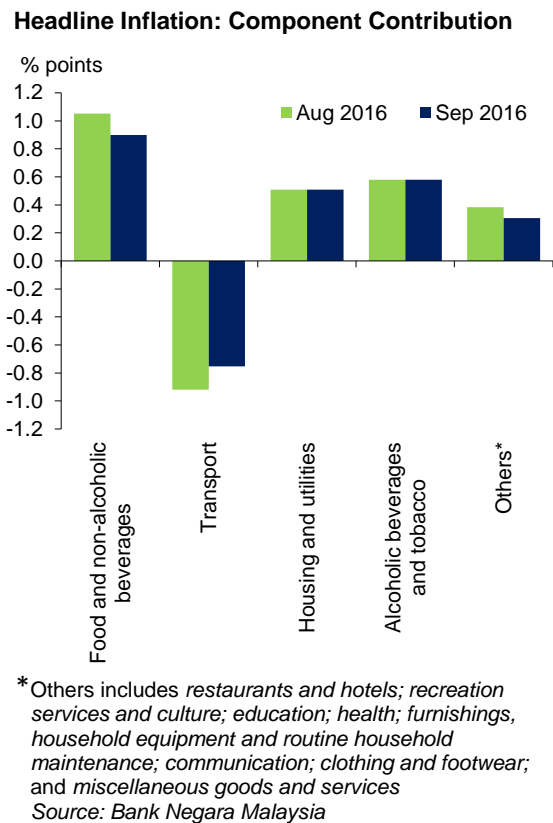
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Stable headline inflation in September

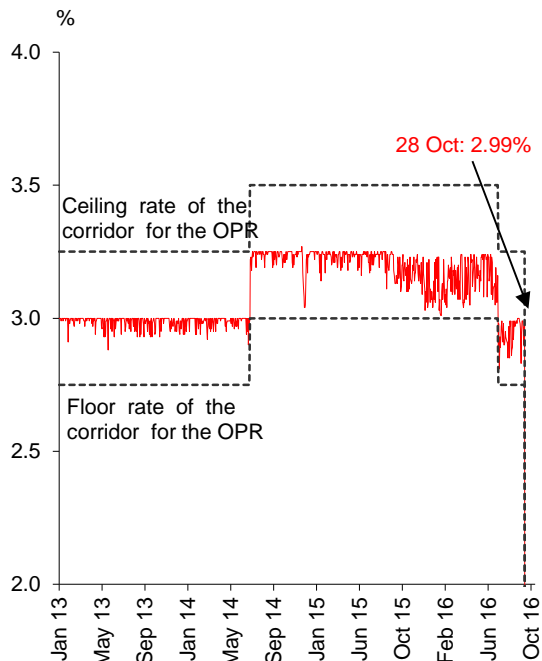


Source: Department of Statistics Malaysia



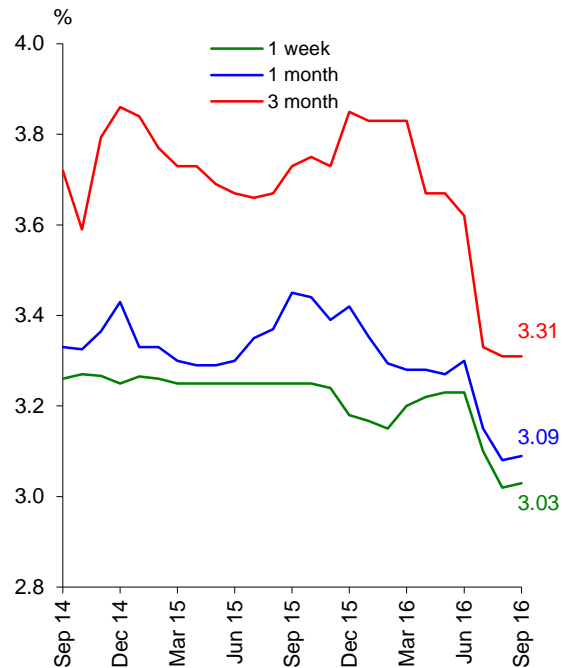
Interbank rates beyond the 1-month tenure were stable in September

Daily Weighted Average Overnight Interbank Rate



Source: Bank Negara Malaysia

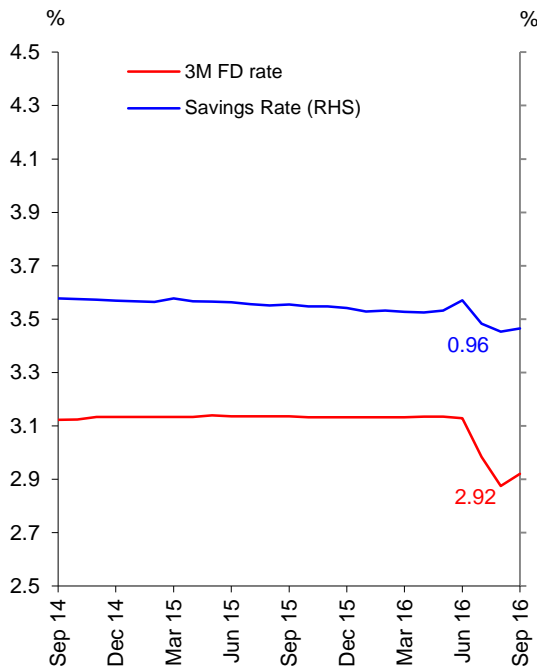
Average Interbank Rate



Note: For periods during the month where no trade took place, the last traded interbank rate is used

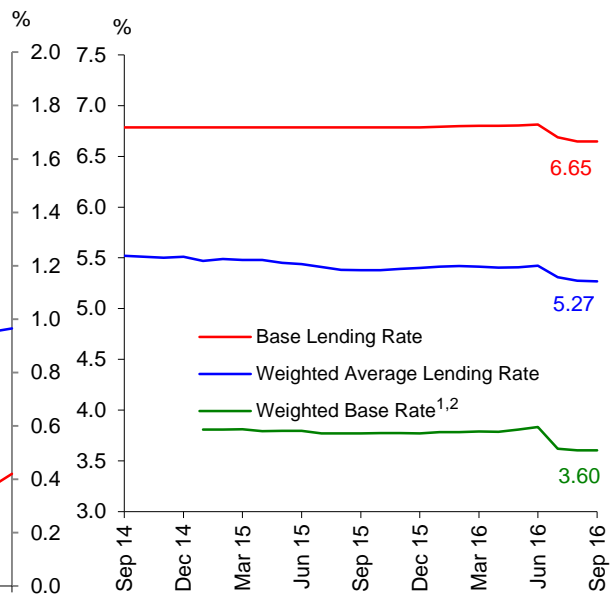
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

Lending Rates of Commercial Banks

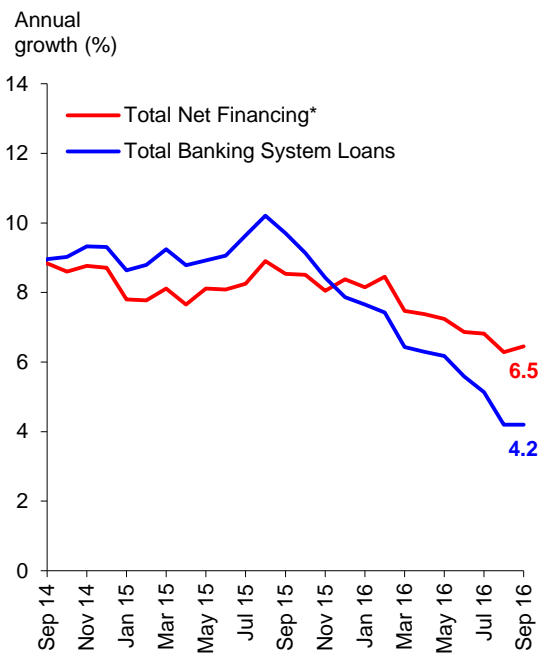


¹ On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the reference rate for new retail floating-rate loans and financing facilities
² Weights are based on individual banks' share of all outstanding floating-rate loans

Source: Bank Negara Malaysia

Higher growth of net financing in September

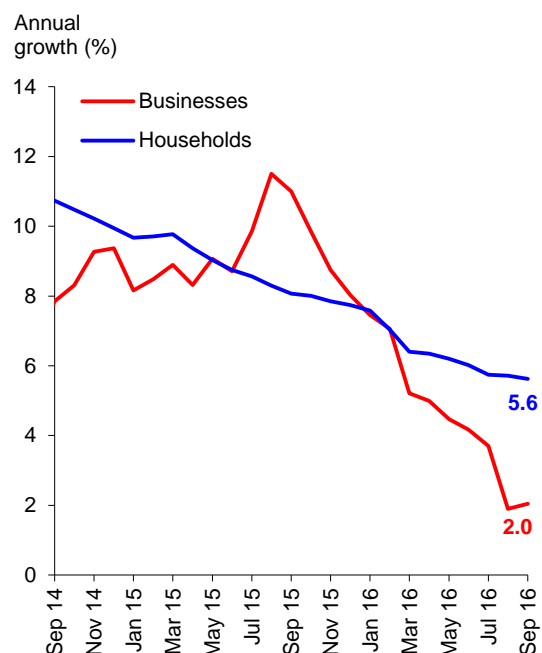
Net Financing and Outstanding Loans



* Net financing comprises banking system and DFI loans, and corporate bonds outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia

Outstanding Loans of the Banking System



Source: Bank Negara Malaysia

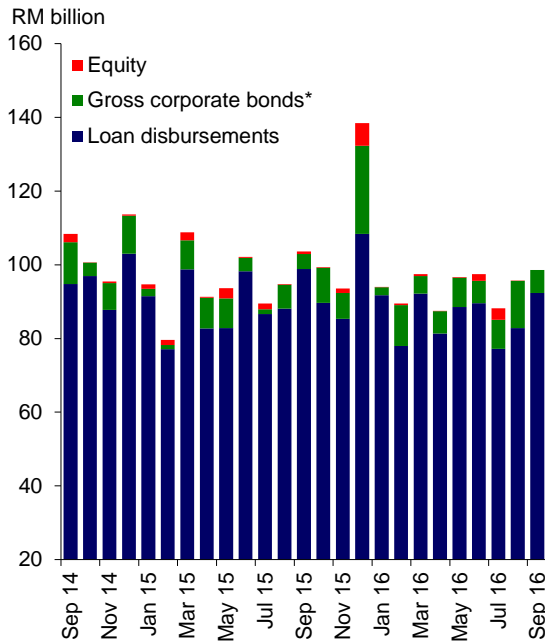
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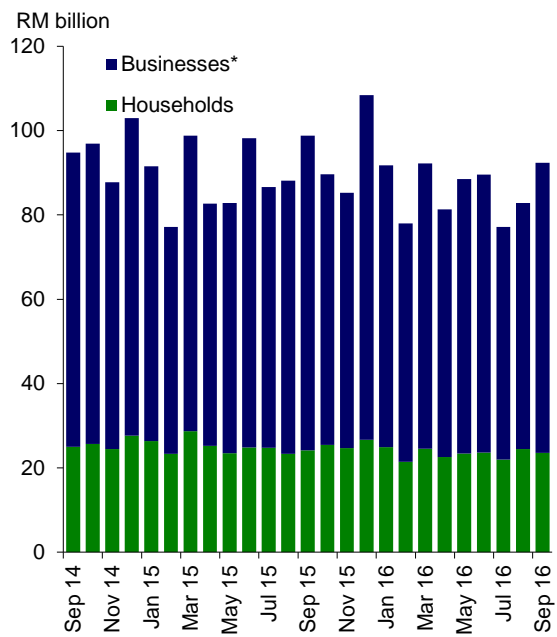
Gross Private Sector Financing



* Excluding non-residents and Cagamas issuances

Source: Bank Negara Malaysia

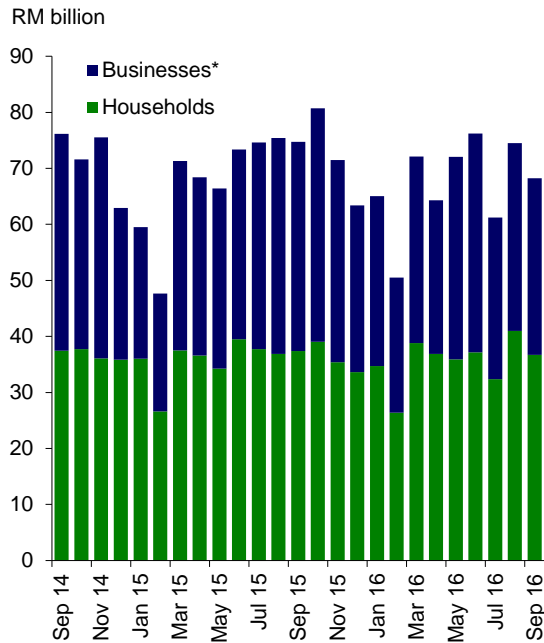
Loan Disbursements by the Banking System



* Includes domestic non-bank financial institutions, Government, domestic financial institutions, other domestic entities and foreign entities

Source: Bank Negara Malaysia

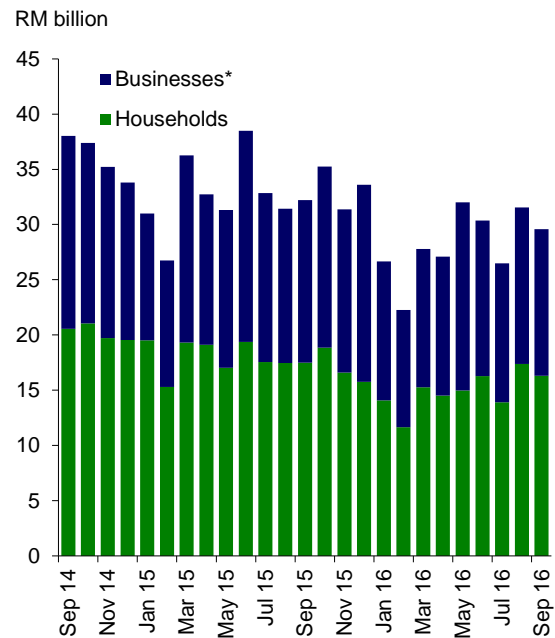
Loan Applications to the Banking System



* Includes domestic non-bank financial institutions, Government, domestic financial institutions, other domestic entities and foreign entities

Source: Bank Negara Malaysia

Loan Approvals by the Banking System



* Includes domestic non-bank financial institutions, Government, domestic financial institutions, other domestic entities and foreign entities

Source: Bank Negara Malaysia

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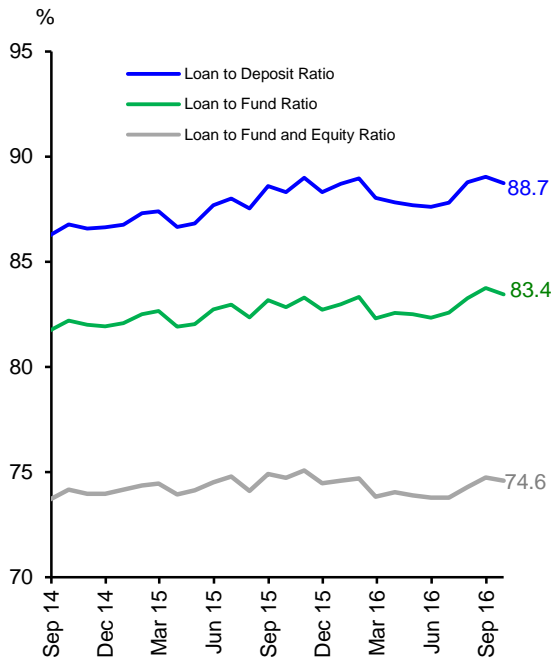
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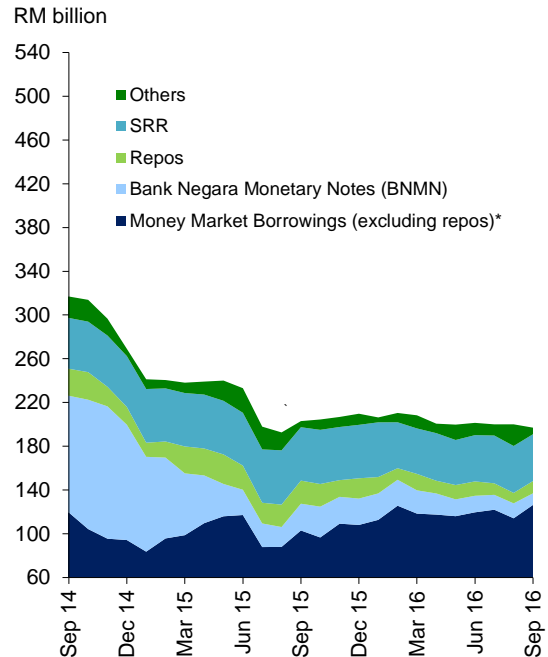
Liquidity in the banking system remained ample

Loan to Deposit, Loan to Fund and Loan to Fund and Equity Ratios



Note: From July 2015 onwards, loans exclude financing funded by Islamic Investment Accounts
Source: Bank Negara Malaysia

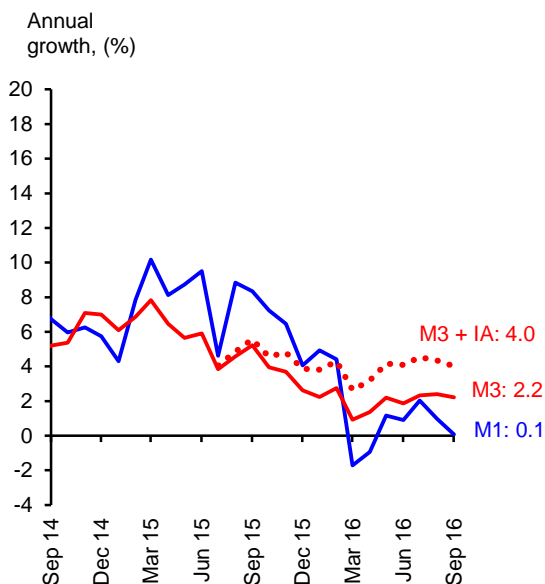
Outstanding Liquidity Placed with Bank Negara Malaysia (at end-period)



* Money Market Borrowings (excluding repos) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)
Source: Bank Negara Malaysia

Broad money growth was sustained in September

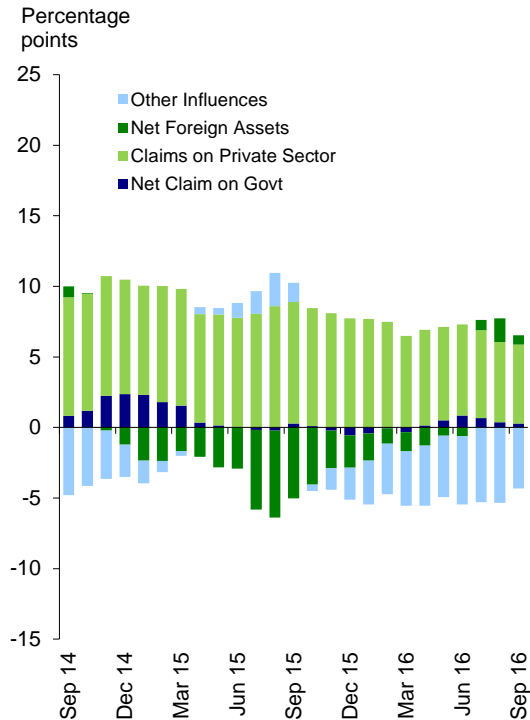
M1 and M3



Note: From July 2015 onwards, the compilation of M3 is adjusted to exclude Islamic Investment Accounts (IA) due to a data reclassification exercise. This is reflected as a negative contribution through 'other influences'. The dotted line represents M3 growth had this reclassification not taken place.

Source: Bank Negara Malaysia

Main Contributors to M3 Annual Growth



Source: Bank Negara Malaysia

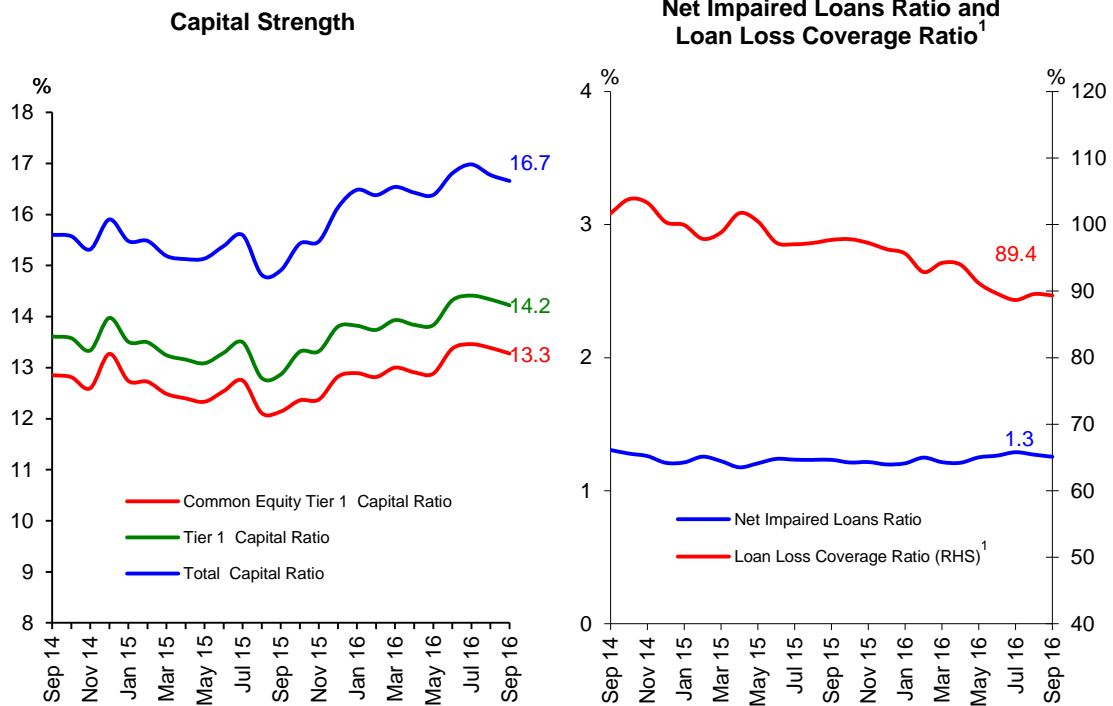
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Banking system capitalisation remained strong with stable loan quality

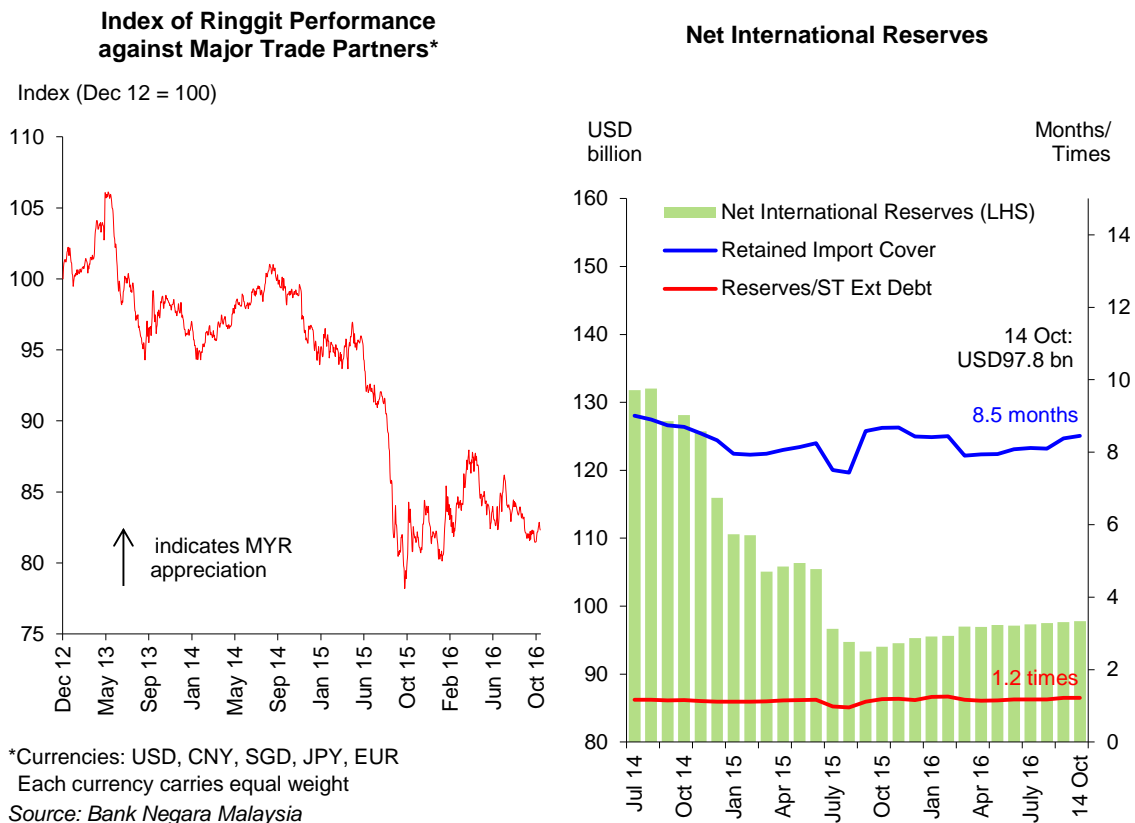


¹ Refers to ratio of individual plus collective impairment provisions to total impaired loans

Source: Bank Negara Malaysia

Source: Bank Negara Malaysia

The ringgit depreciated against the currencies of major trade partners



*Currencies: USD, CNY, SGD, JPY, EUR
Each currency carries equal weight
Source: Bank Negara Malaysia

Source: Bank Negara Malaysia

Diterbitkan

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Key Monetary and Financial Statistics

	Jul 16		Aug 16		Sep 16	
	O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
	(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates						
Reserve money	135.3	1.9	134.2	-0.4	136.0	1.8
M1	354.2	2.0	354.9	1.0	358.3	0.1
M2	1,586.6	2.0	1,591.7	2.3	1,609.7	2.2
M3	1,597.8	2.3	1,599.8	2.4	1,617.5	2.2
Banking System						
Net financing ¹	2,113.4	6.8	2,127.5	6.3	2,144.0	6.5
Loan to deposit ratio (%) ²		88.8		89.0		88.7
Loan to fund ratio (%) ^{2&3}		83.3		83.7		83.4
Loan to fund and equity ratio (%) ^{2,3&4}		74.3		74.7		74.6
Loans outstanding in RM billion	1,467.3	5.1	1,472.1	4.2	1,483.8	4.2
Loans applied (during the period)	61.2	-18.0	74.5	-1.2	68.2	-8.7
Loans approved (during the period)	26.5	-19.4	31.5	0.4	29.6	-8.2
Loans disbursed (during the period)	77.1	-11.0	82.8	-6.0	92.4	-6.5
Loans repaid (during the period)	78.4	-6.5	82.3	4.9	86.7	-6.6
Banking System Health						
Total capital ratio (%) ⁵		17.0		16.8		16.7
Tier 1 capital ratio (%) ⁵		14.4		14.3		14.2
Common equity tier 1 capital ratio (%) ⁵		13.5		13.4		13.3
Net impaired loans ratio (%)		1.3		1.3		1.3
BNM International Reserves (end-period)						
Net Reserves in RM billion		391.0		391.9		404.9
Net Reserves in USD billion (equivalent)		97.3		97.5		97.7
Months of retained imports		8.1		8.1		8.4
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)		3.00		3.00		3.00
Interbank:	Overnight	2.94 [2.99]		2.98 [2.93]		2.99 [2.97]
	1-week	3.02 [3.10]		3.03 [3.02]		3.03 [3.03]
	1-month	3.06 [3.15]		3.08 [3.08]		3.08 [3.09]
Fixed deposits of commercial banks:	1-month	2.90		2.87		2.87
	3-month	2.98		2.87		2.92
BLR of commercial banks		6.69		6.65		6.65
Weighted Base Rate ⁶		3.62		3.60		3.60
Weighted ALR of commercial banks		5.31		5.28		5.27
Prices						
Consumer Price Index (CPI) (2010=100)		115.1		115.6		115.3
		1.1		1.5		1.5

¹ Comprises banking system and development financial institutions (DFI) loans outstanding and corporate bond outstanding (excludes non-resident and Cagamas issuances)

² Deposits exclude deposits accepted from banking institutions. Loans exclude loans sold to Cagamas and loans extended to banking institutions. Beginning July 2015, loans exclude financing funded by Islamic Investment accounts

³ Funds comprise deposits and all debt instruments (including subordinated debt, debt certificates/ sukuk issued, commercial paper and structured notes)

⁴ Equity comprises ordinary and preferred shares, share premium and retained earnings

⁵ Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework

⁶ On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the main reference rate for new retail floating-rate loans and financing facilities. Weights are based on individuals banks' share of all outstanding floating-rate loans

Source: Bank Negara Malaysia