



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 03/15/13

EMBARGO: Not for publication or broadcast before 1700 hours on Tuesday, March 31, 2015

MONETARY AND FINANCIAL DEVELOPMENTS FEBRUARY 2015

Price Conditions: Headline inflation, as measured by the annual percentage change in Consumer Price Index (CPI), was substantially lower at 0.1% in February (Jan: 1.0%), the lowest since November 2009, due mainly to the downward revision in fuel pump prices during the month. Prices for petrol and diesel were further revised downwards by 11 to 23 sen per litre, which translated into a price decline for the *transport* category (Feb: -11.8%; Jan: -6.0%). Inflation in the *food and non-alcoholic beverages* category remained stable at 2.7% (Jan: 2.8%) following the implementation of the festive season price-control scheme prior to the Chinese New Year. These factors have more than offset the slight increase in inflation for housing and utilities during the month, which was due mainly to higher rentals across most types of properties.

Monetary Conditions: Interbank rates were relatively stable in February. In terms of retail lending rates, the average Base Rate of commercial banks was stable at 3.90%. Retail deposit rates were broadly unchanged throughout the period. On an annual basis, broad money (M3) growth increased to 6.9% in February. The expansion in M3 was driven mainly by the extension of credit to the private sector by the banking system. The expansion, however, was partially offset by the decline in net foreign assets following net external outflows. Net financing to the private sector grew at a stable pace of 7.9% in February, amid higher growth of outstanding banking system loans and a

moderation in the growth of net issuances of private debt securities (PDS). Outstanding business loans registered a higher annual growth rate, with an expansion in loans to the *transport, storage and communication; finance, insurance and business services; and wholesale and retail trade, and restaurants and hotels* sectors. Outstanding household loans increased at a stable rate of 9.7%. Loan applications and approvals moderated relative to the previous month, reflecting the fewer working days due to several public holidays during the month.

Banking System: The banking system remained well-capitalised with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12.6%, 13.3% and 15.3%, respectively. The level of net impaired loans remained stable to account for 1.3% of net loans. Loan loss coverage ratio remained above 90%.

Exchange Rates and International Reserves: In February, the ringgit appreciated against the currencies of all of Malaysia's major trade partners. The ringgit appreciation was on account of inflows of non-resident portfolio investment due to renewed investor interest in Malaysian financial assets. The international reserves of Bank Negara Malaysia amounted to RM381.5 billion (equivalent to USD109.2 billion) as at 13 March 2015, sufficient to finance 7.8 months of retained imports and are 1.1 times the short-term external debt¹.

Bank Negara Malaysia 31 March 2015

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 entitled 'The Redefinition of External Debt' in the Quarterly Bulletin on Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2014.

Diterbitkan oleh:

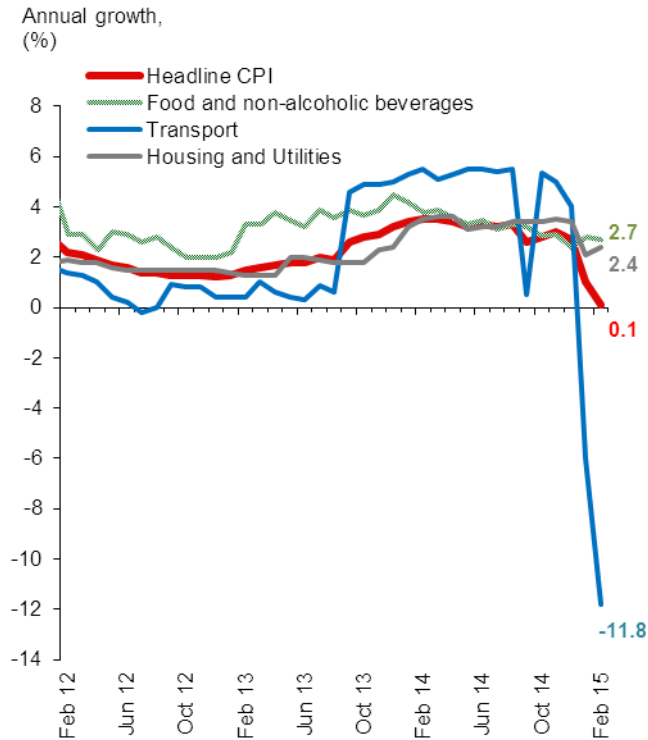
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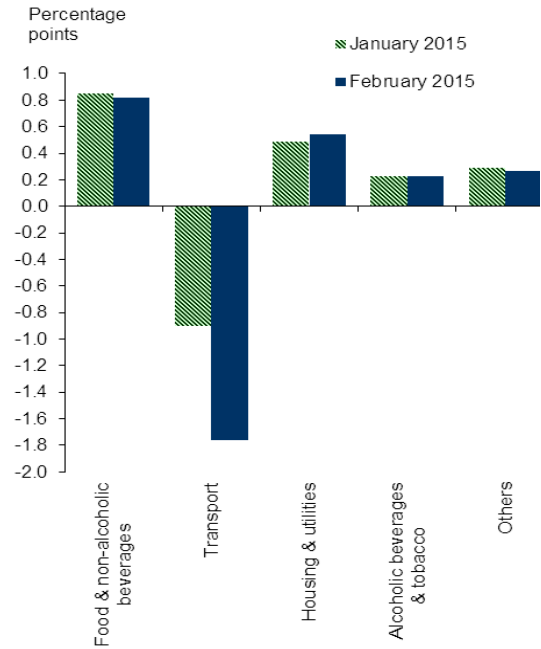
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Headline inflation continued to decline further in February amid lower fuel prices

Headline Inflation



Headline Inflation: Component Contribution



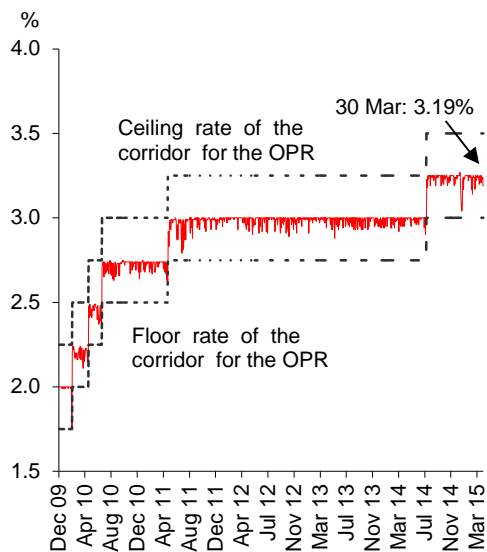
* Others include restaurants and hotels; recreation services and culture; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear and miscellaneous goods and services.

Source: Department of Statistics Malaysia

Source: Bank Negara Malaysia

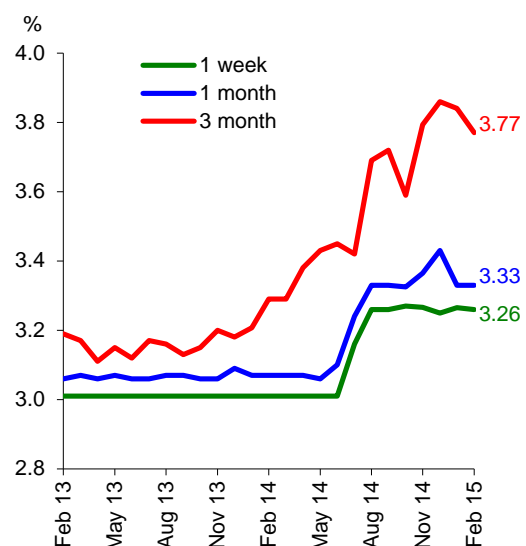
Interest rates remained broadly stable

Average Overnight Interbank Rate

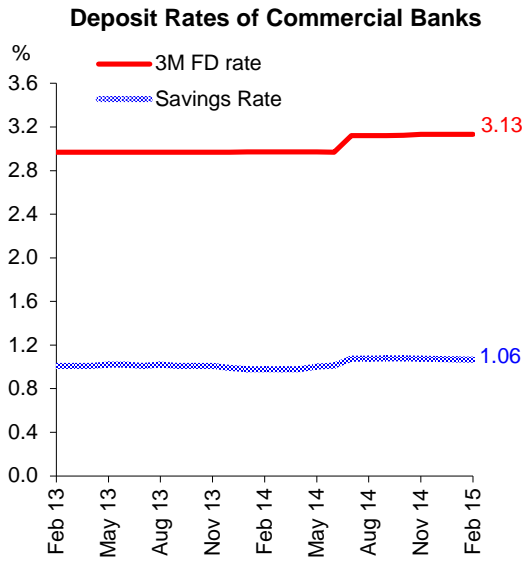


Source: Bank Negara Malaysia

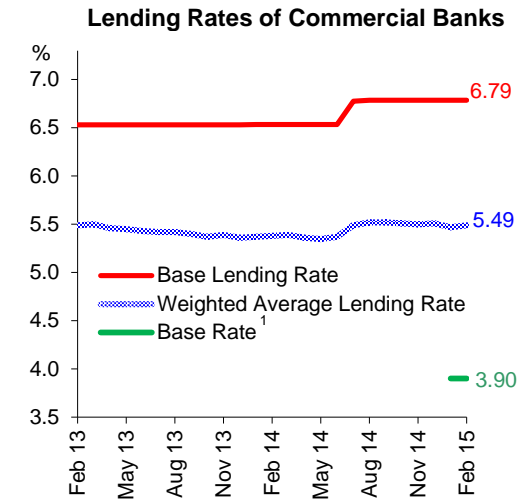
Average Interbank Rates



Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

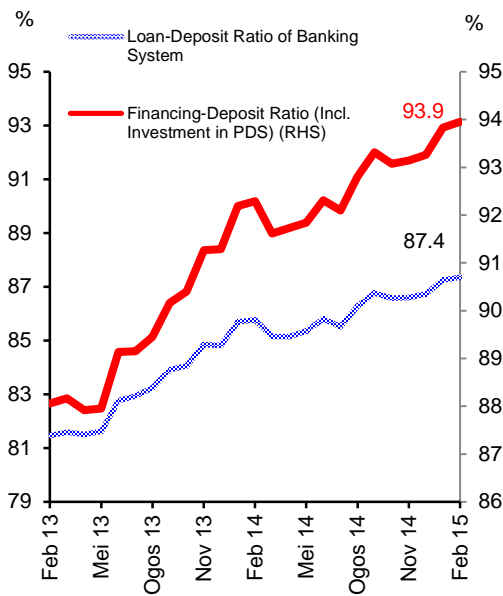


¹ On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the reference rate for new retail floating-rate loans and financing facilities

Source: Bank Negara Malaysia

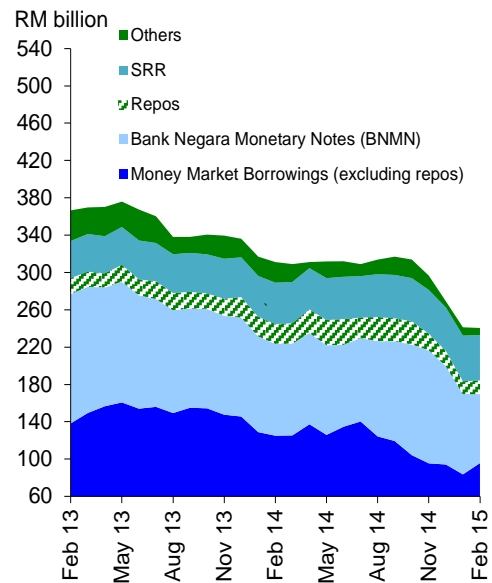
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

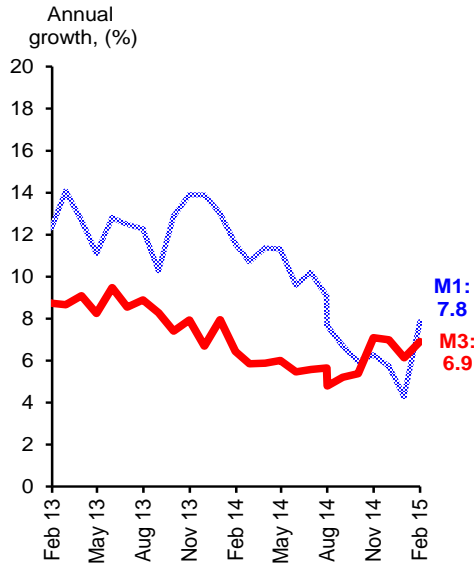


* Money Market Borrowings (excluding repos) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)

Source: Bank Negara Malaysia

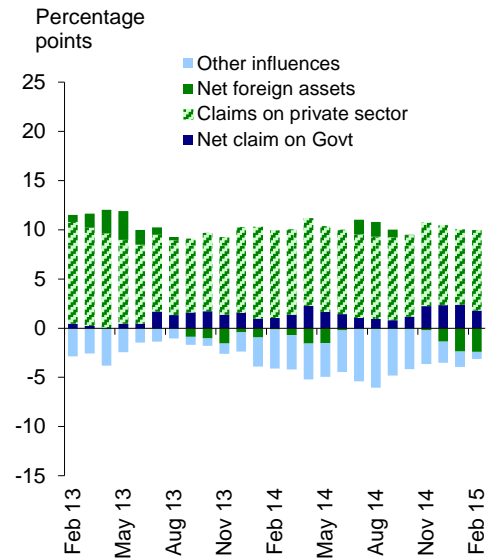
Broad money growth increased in February

M1 and M3



Source: Bank Negara Malaysia

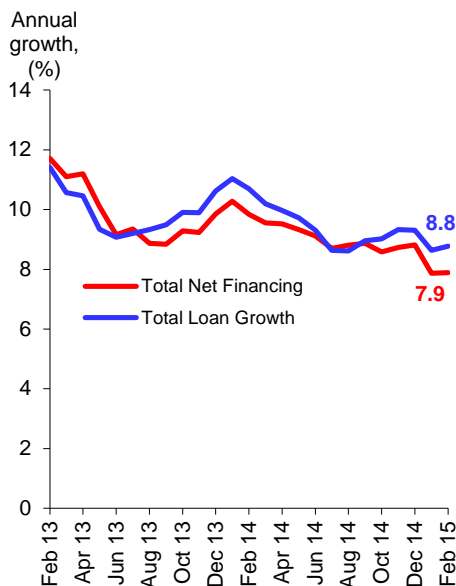
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

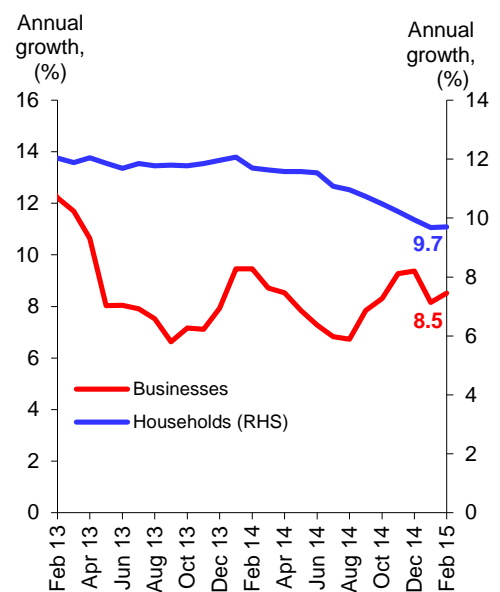
Growth in net financing stabilised in February

Net Financing and Loan Growth



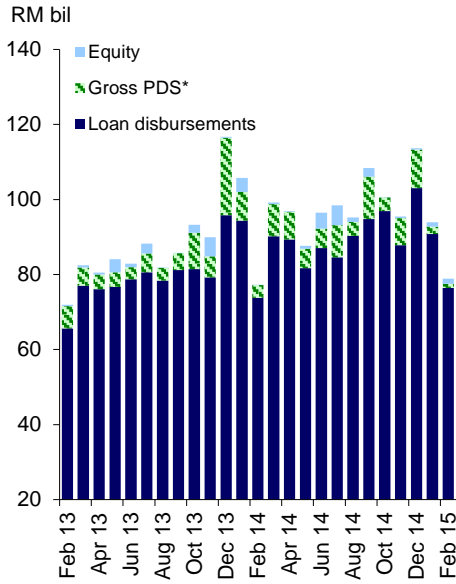
* Net financing comprises of outstanding banking system loans and private debt securities (PDS) (excludes issuances by non-residents and Cagamas)
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

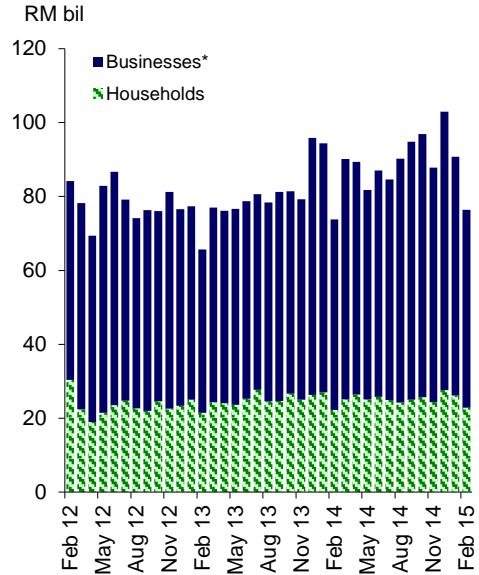
Gross Private Sector Financing



* Excludes foreign issuances

Source: Bank Negara Malaysia

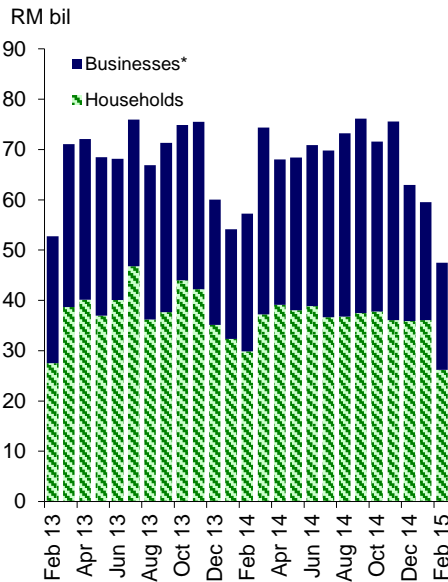
Loan Disbursements by the Banking System



* Includes domestic financial institutions, government, domestic other entities and foreign entities.

Source: Bank Negara Malaysia

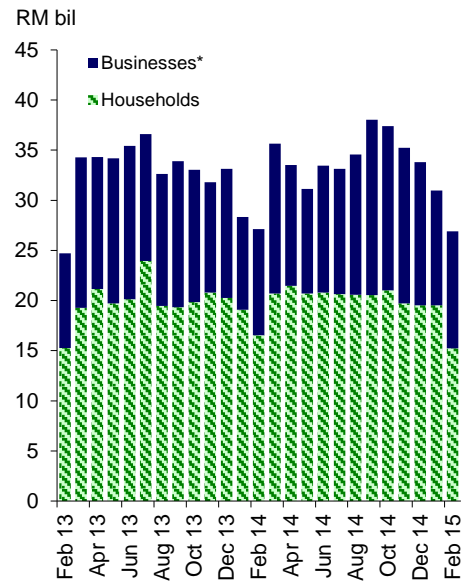
Loan Applications to the Banking System



* Includes domestic financial institutions, government, domestic other entities and foreign entities.

Source: Bank Negara Malaysia

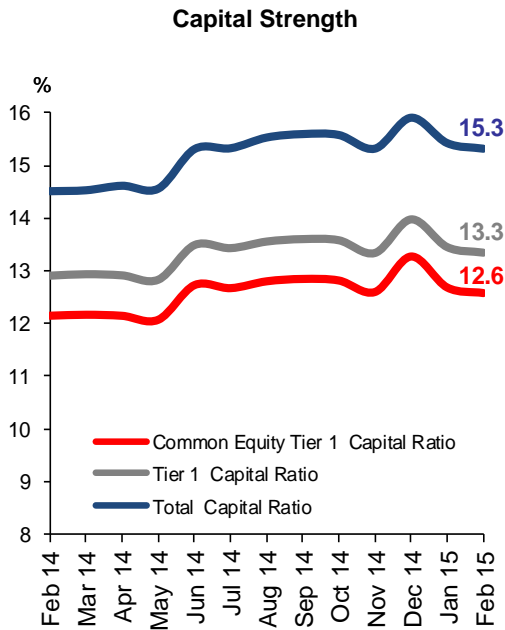
Loan Approvals by the Banking System



* Includes domestic financial institutions, government, domestic other entities and foreign entities.

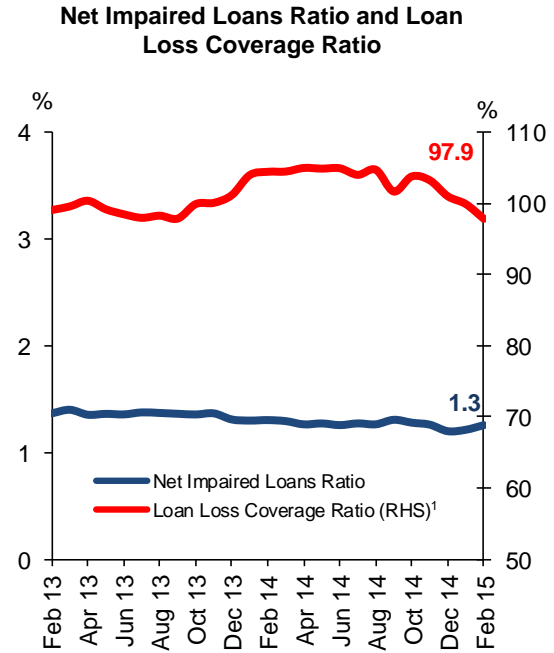
Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality



* Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework. Selected Additional Tier 1 and Tier 2 capital instruments are subject to gradual phase-out treatment.

Source: Bank Negara Malaysia



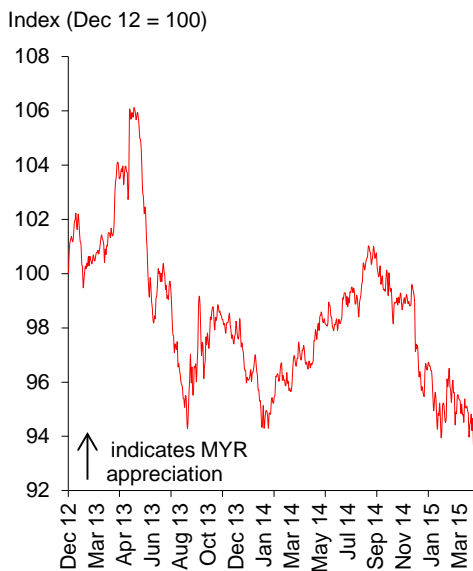
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

The ringgit appreciated against the currencies of Malaysia's major trade partners

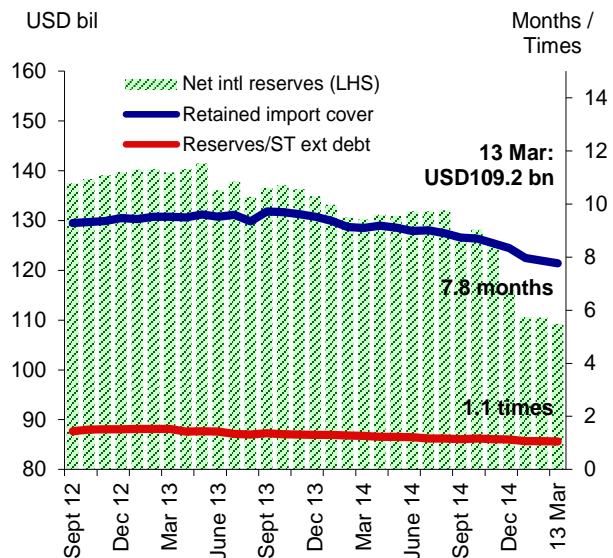
Index of Ringgit Performance against Major Trade Partners*



*Currencies in the index: USD, CNY, SGD, JPY, EUR. Each currency carries equal weight.

Source: Bank Negara

Net International Reserves



Source: Bank Negara Malaysia

Key Monetary and Financial Statistics

	Dec 14		Jan 15		Feb 15	
	O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
	(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates						
Reserve money	124.8	7.7	132.7	4.6	133.6	10.5
M1	346.4	5.7	346.3	4.3	351.4	7.8
M2	1,544.7	7.5	1,546.6	6.8	1,552.8	7.5
M3	1,553.8	7.0	1,554.3	6.1	1,560.9	6.9
Banking System						
Net financing ¹	1,780.5	8.8	1,784.8	7.9	1,789.8	7.9
Loan-deposit ratio (%) ²	86.7		87.3		87.4	
Financing-deposit ratio (%) ^{2&3}	93.3		93.8		93.9	
Loans applied (during the period)	62.9	4.8	59.5	10.0	47.5	-17.1
Loans approved (during the period)	33.8	2.0	31.0	9.3	26.9	-0.8
Loans disbursed (during the period)	103.0	7.5	91.5	-3.1	76.4	3.5
Loans repaid (during the period)	89.2	10.1	91.1	5.3	74.4	2.6
Banking System Health						
Total capital ratio (%) ⁴	15.9		15.4		15.3	
Tier 1 capital ratio (%) ⁴	14.0		13.4		13.3	
Common equity tier 1 capital ratio (%) ⁴	13.3		12.7		12.6	
Net impaired loans ratio (%)	1.2		1.2		1.3	
BNM International Reserves (end-period)						
Net Reserves in RM billion	405.3		386.5		386.0	
Net Reserves in USD billion (equivalent)	115.9		110.6		110.5	
Months of retained imports	8.3		8.0		7.9	
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)	3.25		3.25		3.25	
Interbank:	Overnight	3.23 [3.19]	3.24 [3.25]		3.24 [3.22]	
	1-week	3.30 [3.25]	3.27 [3.27]		3.24 [3.26]	
	1-month	3.38 [3.43]	3.41 [3.33]		3.29 [3.33]	
Fixed deposits of commercial banks:	1-month	3.08	3.08		3.08	
	3-month	3.13	3.13		3.13	
BLR of commercial banks		6.79	6.79		6.79	
Base Rate ⁵			3.90		3.90	
Weighted ALR of commercial banks		5.51	5.47		5.49	
Prices						
Consumer Price Index (CPI) (2010=100)	111.8	2.7	110.6	1.0	109.9	0.1

¹ Comprises banking system loans outstanding and private debt securities (PDS) 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.

³ Financing comprises loans and banking institutions' holdings of PDS.

⁴ Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework.

⁵ 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.

Source: Bank Negara Malaysia and Department of Statistics Malaysia