



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## SIARAN AKHBAR

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### **MONETARY AND FINANCIAL DEVELOPMENTS** **January 2015**

**Price Conditions:** Headline inflation, as measured by the annual percentage change in Consumer Price Index (CPI), was substantially lower at 1.0% in January 2015 (December 2014: 2.7%) due mainly to the downward adjustments in prices of petrol (RON97 and RON95) and diesel by 35 sen and 30 sen, respectively. The *transport* category recorded a price decline of 6.0% (December 2014: +4.0%). Inflation in the *housing, water, electricity, gas and other fuels* category was also lower at 2.1% (December 2014: 3.4%), reflecting the lapse of the impact of the electricity tariff increase in January 2014. These factors more than offset the increase in inflation in the *food and non-alcoholic beverages* category (2.8%; December 2014: 2.4%), driven by the rise in prices of *vegetables* due to supply shortages arising from the prolonged rainy season and floods.

**Monetary Conditions:** Interbank rates were relatively stable in January. Retail deposit rates were also broadly unchanged over the period. On 2 January, the Base Rate (BR) replaced the base lending rate (BLR) as the main reference rate for new retail floating rate loans and financing facilities. Upon introduction, the average BR of banks stood at 3.90%. The transition to BR was neutral on retail lending rates, with most major banks maintaining the same effective lending rates under the BLR and the BR. The annual growth in broad money (M3) moderated to 6.1% in January. The expansion in M3 was driven mainly by the extension of credit to the private sector by the banking system and higher net claims on the Government. The expansion, however, was partially offset by a decline in net foreign assets following net external outflows during the month. Net financing to the private sector grew at a slower pace of 7.9% in January, amidst a moderation in the growth of both net issuances of private debt securities (PDS) and outstanding banking system loans. While the growth of outstanding business loans moderated during the

month, the level of loans disbursed to businesses continued to remain healthy.

**Banking System:** Banking system capitalisation remained strong with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12.4%, 13.1% and 15.1% respectively. The level of net impaired loans was sustained at 1.2% of net loans while the loan loss coverage ratio remained above 100%.

**Exchange Rates and International Reserves:** In January, the ringgit depreciated against most currencies of Malaysia's major trade partners. During the month, concerns about the global economic outlook and its implications on regional economies following the downward revision of global growth for 2015 by the IMF and World Bank led to the unwinding of portfolio investments by international investors from regional financial markets. This caused regional currencies to depreciate against the US dollar. For Malaysia, concerns about the continued decline in global oil prices also contributed to the ringgit depreciation. However, since 30 January, the ringgit has been appreciating against the US dollar as global oil prices started to recover and sentiments improved. The international reserves of Bank Negara Malaysia amounted to RM385.9 billion (equivalent to USD110.5 billion) as at 13 February 2015, sufficient to finance 7.8 months of retained imports and are 1.1 times the short-term external debt<sup>1</sup>.

**Bank Negara Malaysia**  
**27 February 2015**

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<sup>1</sup> 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.

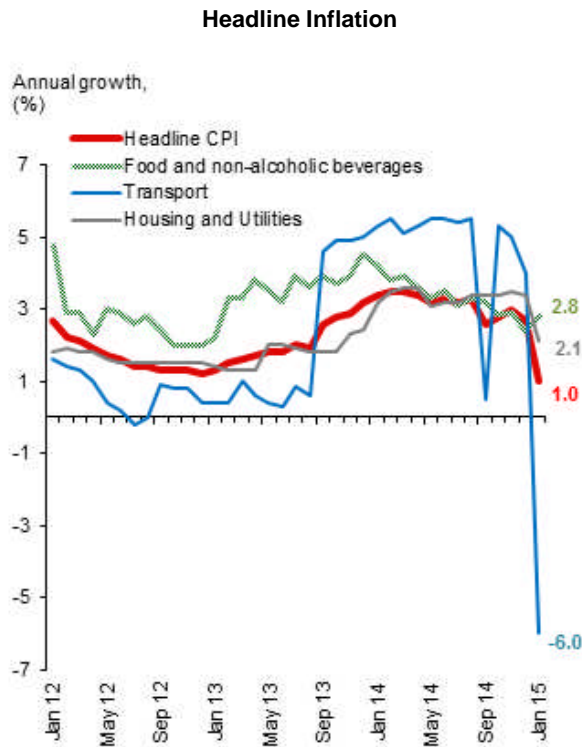
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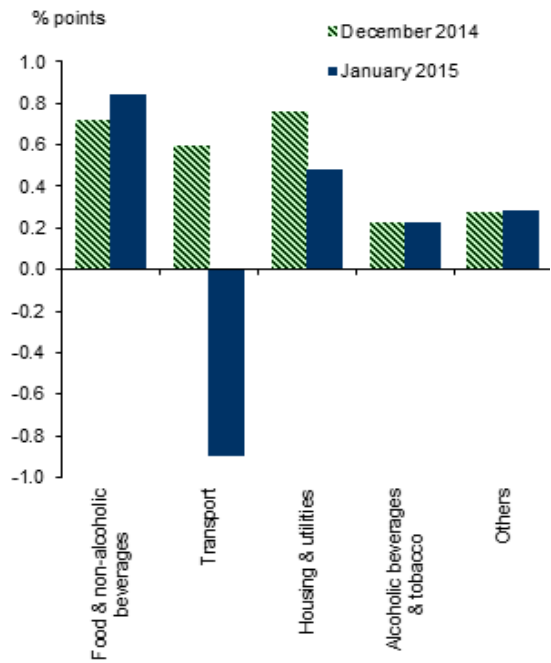
Web: [www.bnm.gov.my](http://www.bnm.gov.my)

## Headline inflation was significantly lower in January



Source: Department of Statistics Malaysia

## Headline Inflation: Component Contribution

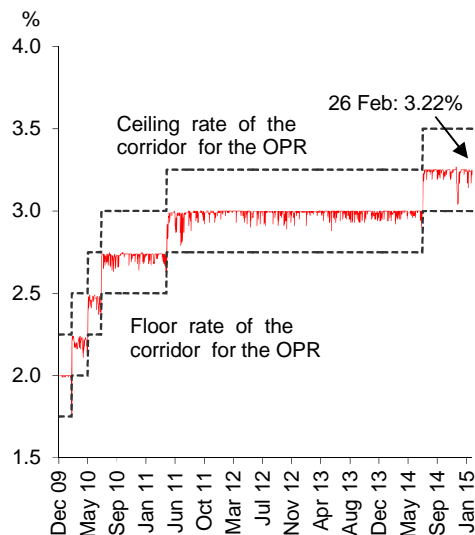


\* Others include restaurants and hotels; recreation services and culture; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear and miscellaneous goods and services.

Source: Bank Negara Malaysia

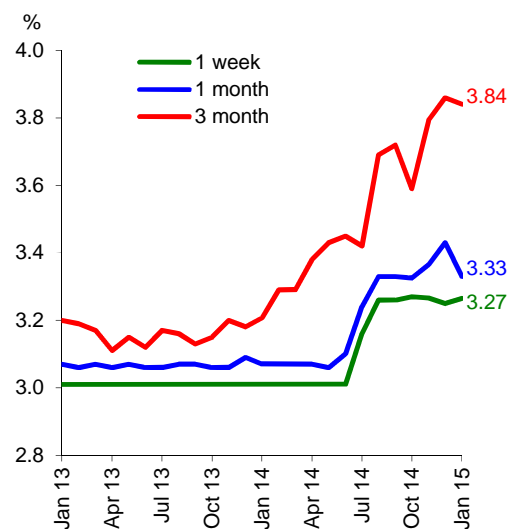
## Interest rates remained broadly stable

### Average Overnight Interbank Rate

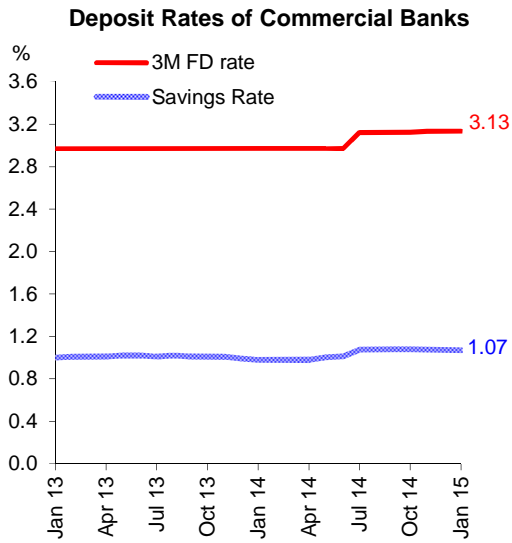


Source: Bank Negara Malaysia

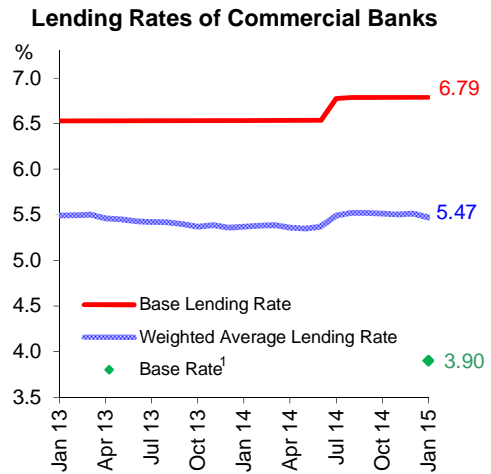
### Average Interbank Rates



Source: Bank Negara Malaysia



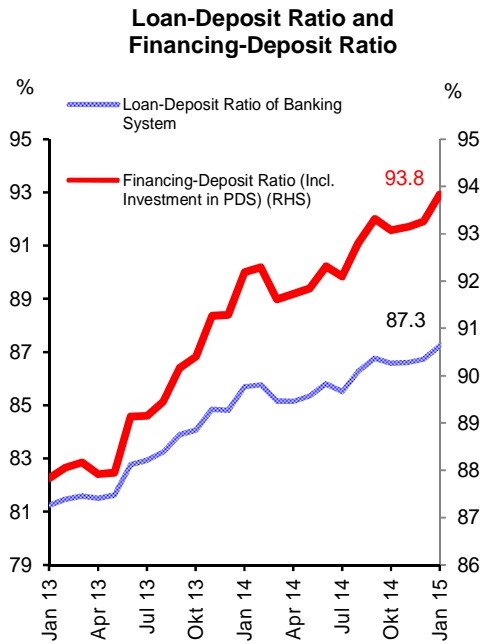
Source: Bank Negara Malaysia



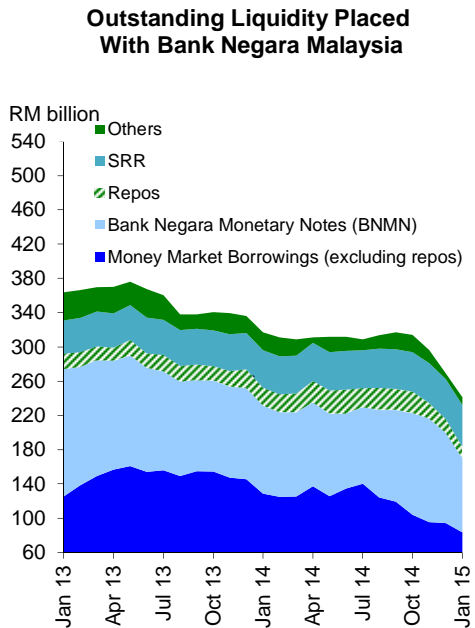
<sup>1</sup> On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the reference rate for new retail floating-rate loans and financing facilities.

Source: Bank Negara Malaysia

## Liquidity in the banking system remained ample



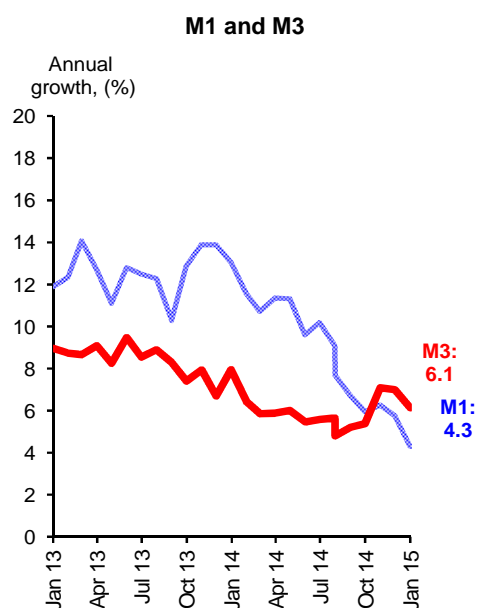
Source: Bank Negara Malaysia



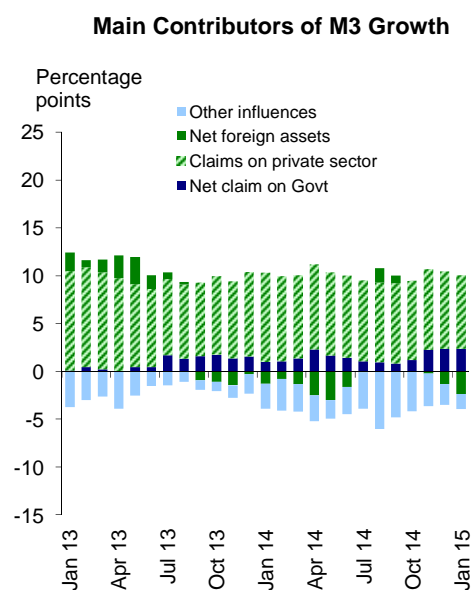
\* Money Market Borrowings (excluding repos) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)

Source: Bank Negara Malaysia

## Broad money growth moderated in January

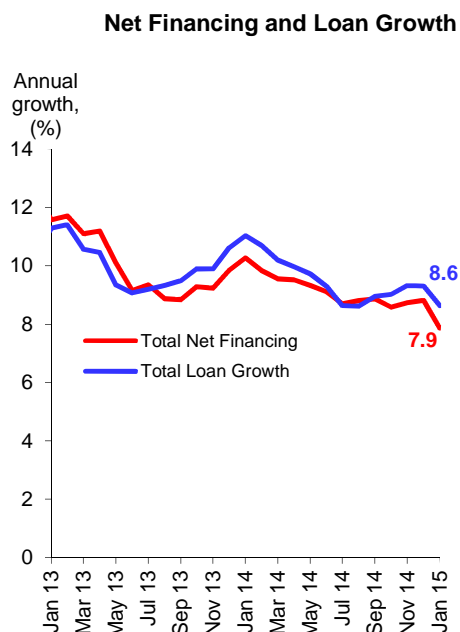


Source: Bank Negara Malaysia



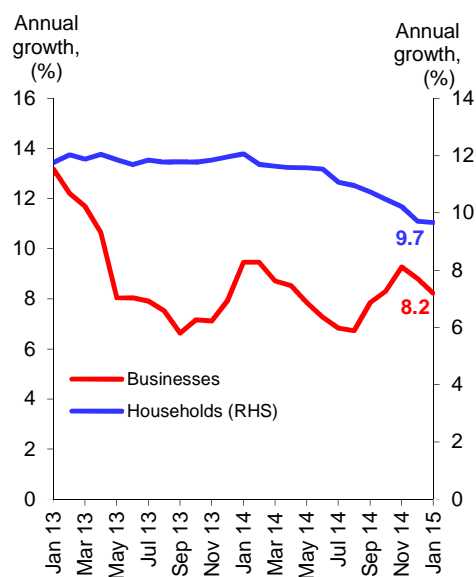
Source: Bank Negara Malaysia

## Growth in net financing moderated in January



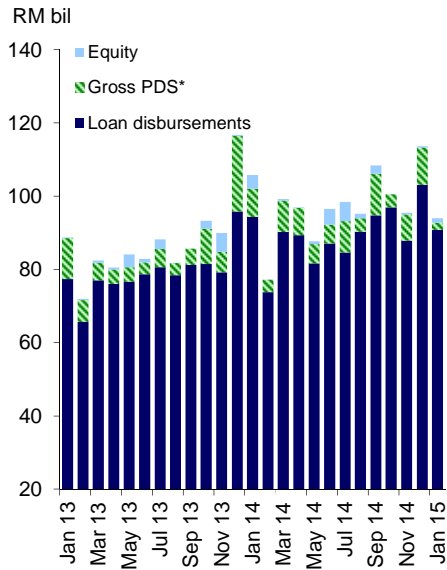
\* Net financing comprises of outstanding banking system loans and private debt securities (PDS) (excludes issuances by non-residents and Cagamas)  
Source: Bank Negara Malaysia

## Outstanding Loans of the Banking System



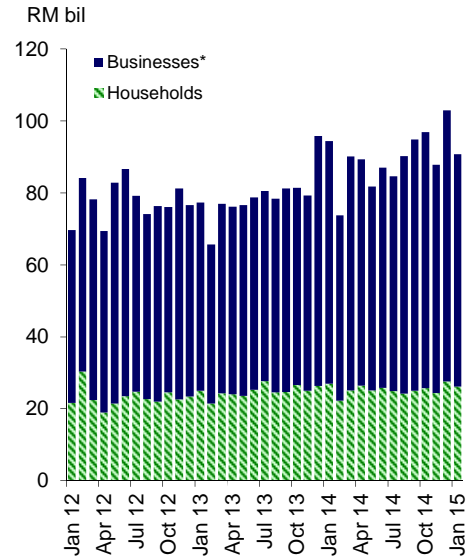
Source: Bank Negara Malaysia

### Gross Private Sector Financing



\* Excludes issuances by non-residents and Cagamas  
Source: Bank Negara Malaysia

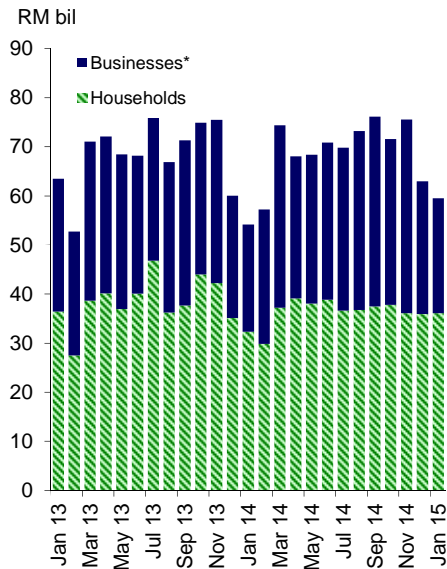
### Loan Disbursements by the Banking System



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

Source: Bank Negara Malaysia

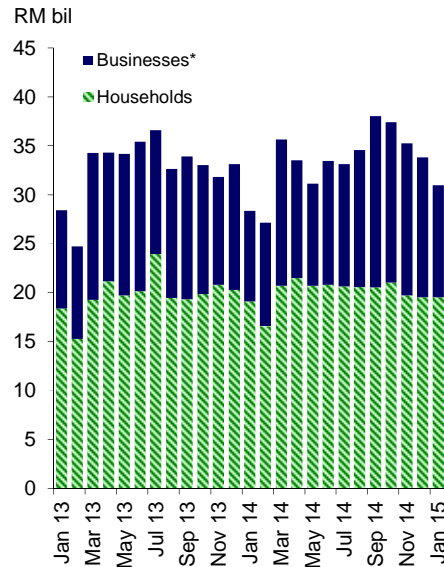
### Loan Applications to the Banking System



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

Source: Bank Negara Malaysia

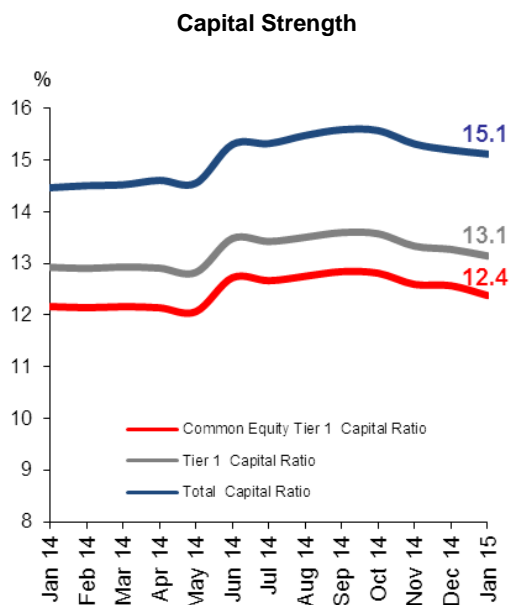
### Loan Approvals by the Banking System



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

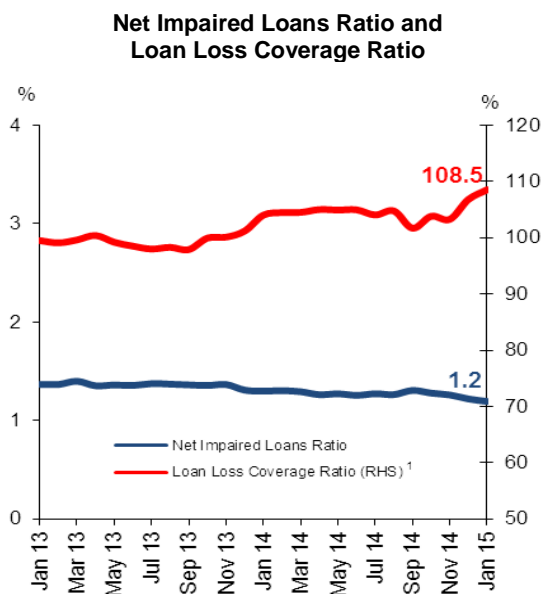
Source: Bank Negara Malaysia

## 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

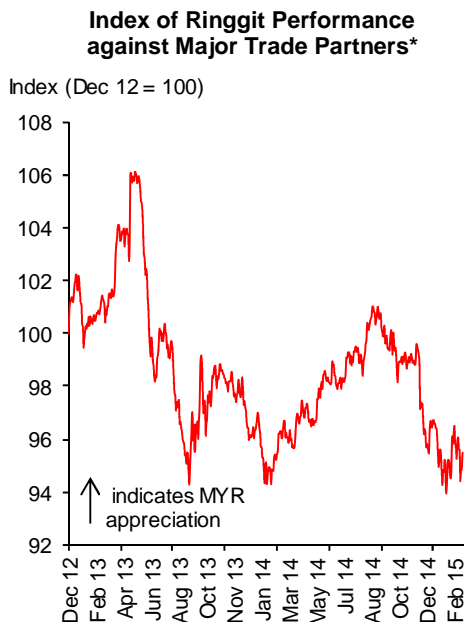


\* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

<sup>1</sup> Refers to ratio of individual plus collective impairment provisions to total impaired loans.

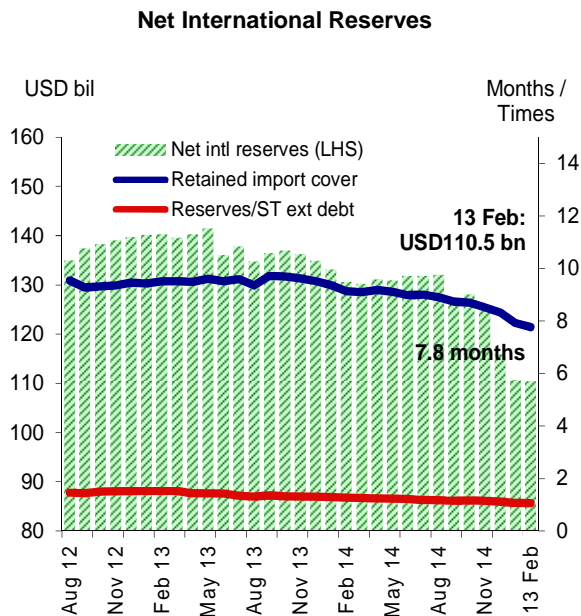
Source: Bank Negara Malaysia

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



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

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

## Key Monetary and Financial Statistics

|   | Nov 14      |             | Dec 14      |             | Jan 15      |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
|   | O/stg       | Ann. growth | O/stg       | Ann. growth | O/stg       | Ann. growth |
|   | (RM bil)    | (%)         | (RM bil)    | (%)         | (RM bil)    | (%)         |
| <b>Monetary Aggregates</b>                                  |             |             |             |             |             |             |
| Reserve money   | 122.7       | 7.6         | 124.8       | 7.7         | 132.7       | 4.6         |
| M1  | 330.9       | 6.3         | 346.4       | 5.7         | 346.3       | 4.3         |
| M2  | 1,517.6     | 7.7         | 1,544.7     | 7.5         | 1,546.6     | 6.8         |
| M3  | 1,527.8     | 7.1         | 1,553.8     | 7.0         | 1,554.3     | 6.1         |
| <b>Banking System</b>                                       |             |             |             |             |             |             |
| Net financing <sup>1</sup>                                  | 1,754.8     | 8.7         | 1,780.5     | 8.8         | 1,784.8     | 7.9         |
| Loan-deposit ratio (%) <sup>2</sup>                         | 86.6        |             | 86.7        |             | 87.3        |             |
| Financing-deposit ratio (%) <sup>2&amp;3</sup>              | 93.1        |             | 93.3        |             | 93.8        |             |
| Loans applied (during the period)                           | 75.6        | 0.1         | 62.9        | 4.8         | 59.5        | 10.0        |
| Loans approved (during the period)                          | 35.2        | 10.8        | 33.8        | 2.0         | 31.0        | 9.3         |
| Loans disbursed (during the period)                         | 87.8        | 10.8        | 103.0       | 7.5         | 90.8        | -3.8        |
| Loans repaid (during the period)                            | 80.2        | 6.8         | 89.2        | 10.1        | 91.1        | 5.3         |
| <b>Banking System Health</b>                                |             |             |             |             |             |             |
| Total capital ratio (%) <sup>4</sup>                        | 15.3        |             | 15.2        |             | 15.1        |             |
| Tier 1 capital ratio (%) <sup>4</sup>                       | 13.3        |             | 13.3        |             | 13.1        |             |
| Common equity tier 1 capital ratio (%) <sup>4</sup>         | 12.6        |             | 12.6        |             | 12.4        |             |
| Net impaired loans ratio (%)                                | 1.3         |             | 1.2         |             | 1.2         |             |
| <b>BNM International Reserves (end-period)</b>              |             |             |             |             |             |             |
| Net Reserves in RM billion                                  | 411.6       |             | 405.3       |             | 386.5       |             |
| Net Reserves in USD billion (equivalent)                    | 125.7       |             | 115.9       |             | 110.6       |             |
| Months of retained imports                                  | 8.5         |             | 8.3         |             | 7.9         |             |
| <b>Interest Rates at end-period [average for the month]</b> |             |             |             |             |             |             |
| Overnight Policy Rate (OPR)                                 | 3.25        |             | 3.25        |             | 3.25        |             |
| Interbank:  |             |             |             |             |             |             |
| Overnight   | 3.25 [3.24] |             | 3.23 [3.19] |             | 3.24 [3.25] |             |
| 1-week  | 3.26 [3.27] |             | 3.30 [3.25] |             | 3.27 [3.27] |             |
| 1-month   | 3.31 [3.37] |             | 3.38 [3.43] |             | 3.41 [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 <sup>5</sup>                                      |             |             |             |             | 3.90        |             |
| Weighted ALR of commercial banks                            | 5.50        |             | 5.51        |             | 5.47        |             |
| <b>Prices</b>   |             |             |             |             |             |             |
| Consumer Price Index (CPI) (2010=100)                       | 111.9       | 3.0         | 111.8       | 2.7         | 110.6       | 1.0         |

<sup>1</sup> Comprises banking system loans outstanding and private debt securities (PDS) outstanding (excludes non-resident and Cagamas issuances)

<sup>2</sup> Deposits exclude deposits accepted from banking institutions. Loans exclude loans sold to Cagamas and loans extended to banking institutions.

<sup>3</sup> Financing comprises loans and banking institutions' holdings of PDS.

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

<sup>5</sup> 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