BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 05/14/07

EMBARGO: Not for publication or broadcast before 1800 hours on Friday, 30 May 2014

MONETARY AND FINANCIAL DEVELOPMENTS
April 2014

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was lower at 3.4% in April (March: 3.5%). Inflation in the *food and non-alcoholic beverages* category moderated to 3.6% (March: 3.9%), largely reflecting the significant price increase for *fresh chicken* in the corresponding month of last year. The lower food inflation was, however, partially offset by higher inflation in the *transport* category (5.3%, March: 5.1%) following higher car repair and servicing costs during the month.

Monetary Conditions: Interbank rates were on average stable in April. The 3-month interbank rate, however, traded higher during the month as the preference of interbank lenders shifted mainly towards shorter-term lending. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.53%. Retail deposit rates were also relatively stable during the period. On an annual basis, broad money or M3 growth increased slightly to 6.0% in April. The expansion in M3 was mainly on account of credit extension to the private sector by the banking system and higher net claims on the Government. Net financing to the private sector grew at a stable pace of 9.5% in April, amidst a slight moderation in the growth of outstanding banking system loans and a higher growth in net issuances of private debt securities (PDS). While the growth of outstanding business loans moderated slightly following higher repayments during the month, the level of loans disbursed to businesses remained healthy. Outstanding household loan growth was relatively stable during the month. Nevertheless, there has been a gradual moderation of household loan growth from 12.0% in December 2013 to 11.6% in April 2014. Overall loan demand moderated with lower loan applications from the business sector.

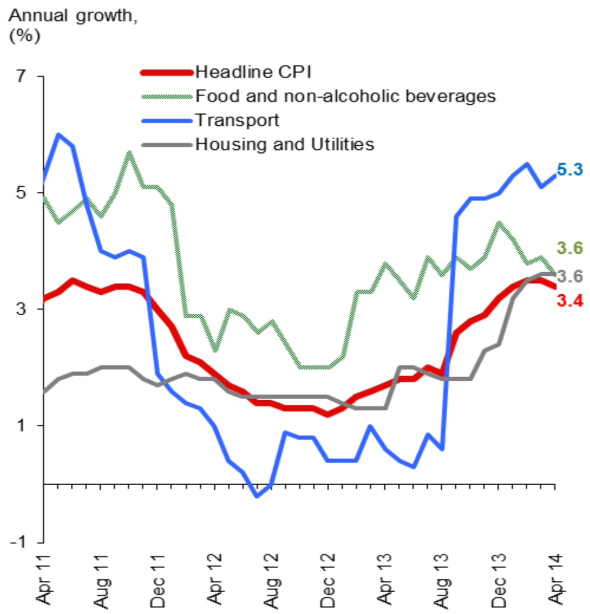
Banking System: Banking system capitalisation remained strong with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12.2%, 13% and 14.7% respectively. The level of net impaired loans sustained at 1.3% of net loans while the loan loss coverage ratio was above 100%.

Exchange Rates and International Reserves: In April, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trade partners. For the month as a whole, the ringgit was unchanged against the US dollar. Despite appreciating earlier, the ringgit and other regional currencies faced depreciation pressure towards the end of the month following concerns over geopolitical developments and regional growth prospects. In the period between 1 and 16 May, the ringgit strengthened against the currencies of Malaysia's major trade partners. The international reserves of Bank Negara Malaysia amounted to RM427.6 billion (equivalent to USD131.1 billion) as at 15 May 2014, sufficient to finance 9.2 months of retained imports and is 1.3 times the short-term external debt .

Bank Negara Malaysia
30 May 2014

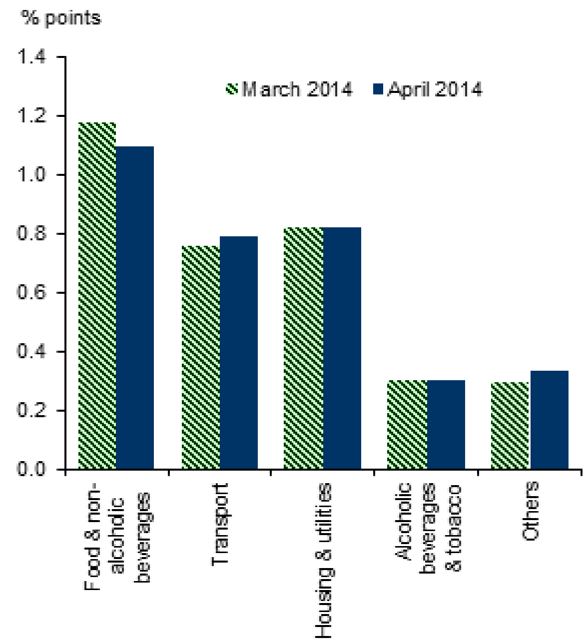
Headline inflation was lower in April

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

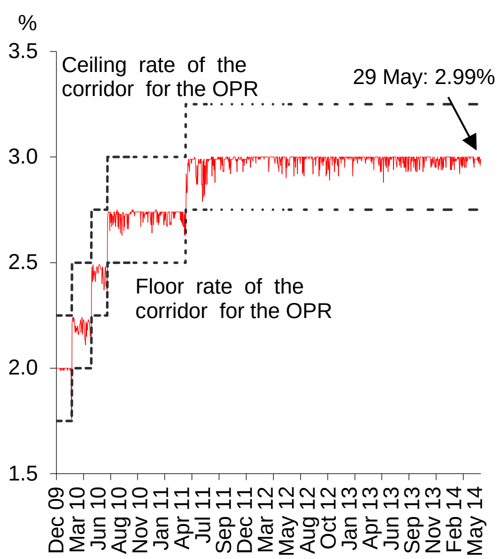


* Others include *restaurants and hotels; recreation services and culture; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear* and *miscellaneous goods and services.*

Source: Bank Negara Malaysia

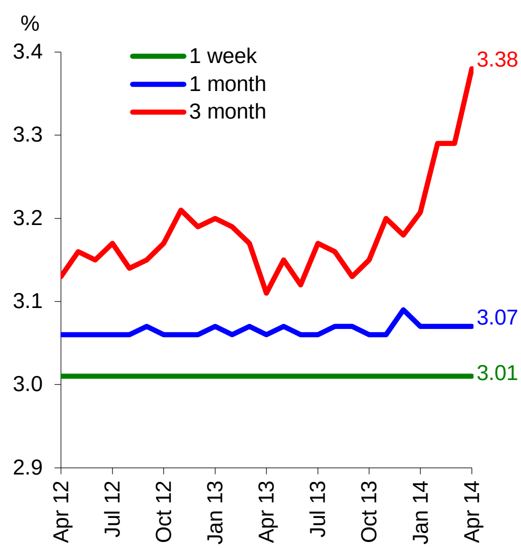
Interest rates remained stable during the month

Average Overnight Interbank Rate



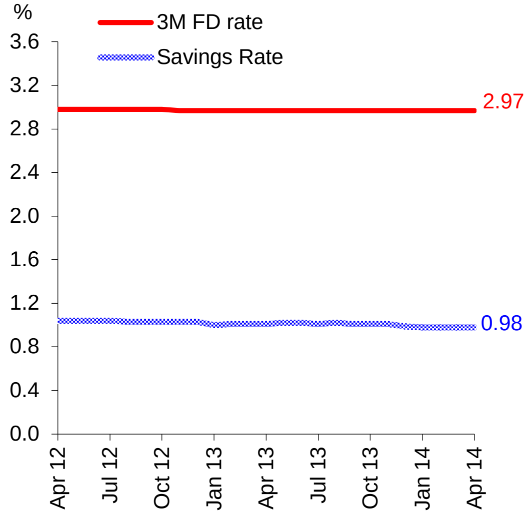
Source: Bank Negara Malaysia

Average Interbank Rates



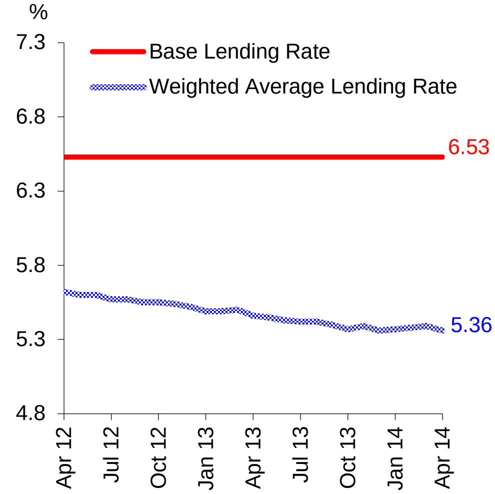
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

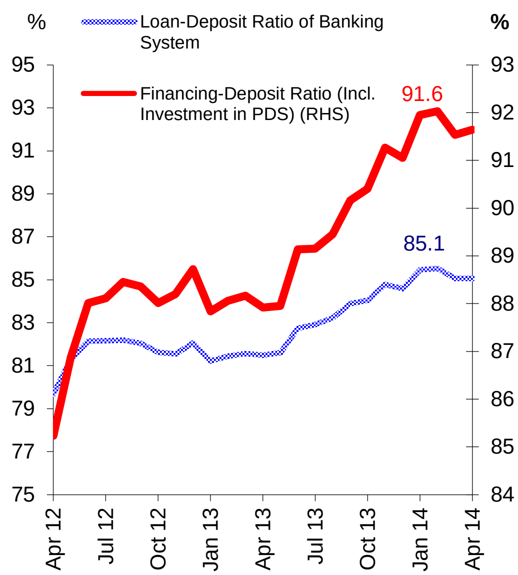
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

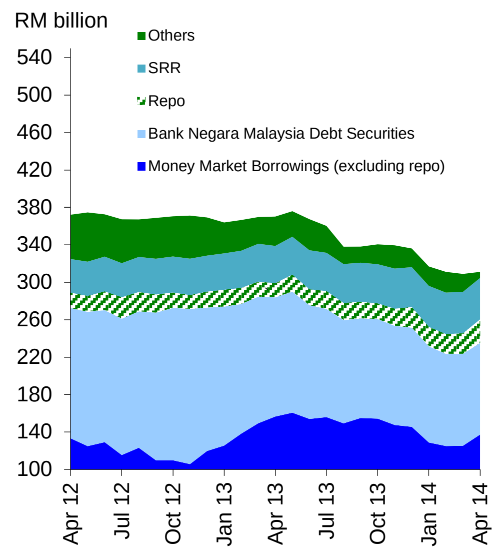
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

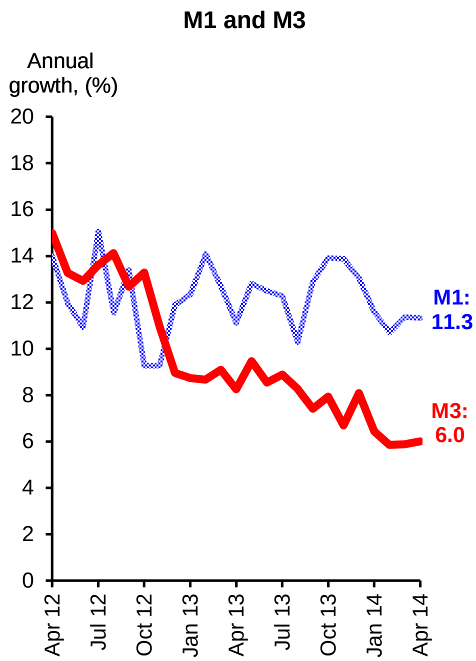
Outstanding Liquidity Placed With Bank Negara Malaysia



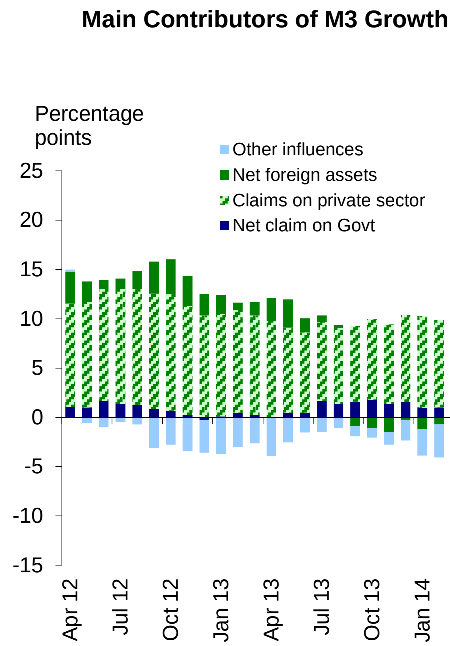
* Money Market Borrowings (excluding repo) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)

Source: Bank Negara Malaysia

Broad money growth increased slightly in April

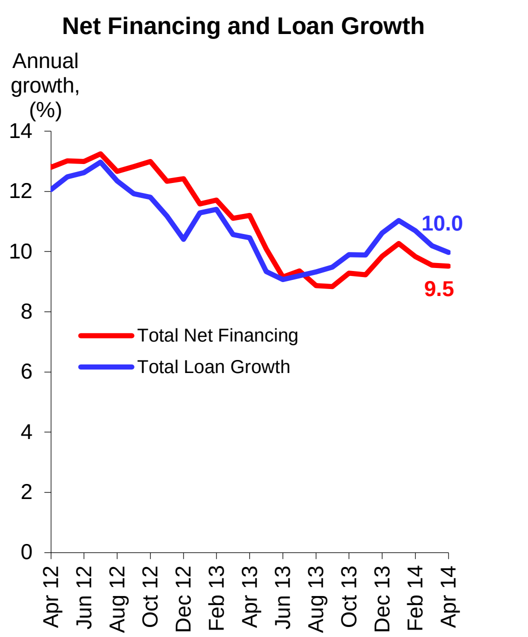


Source: Bank Negara Malaysia



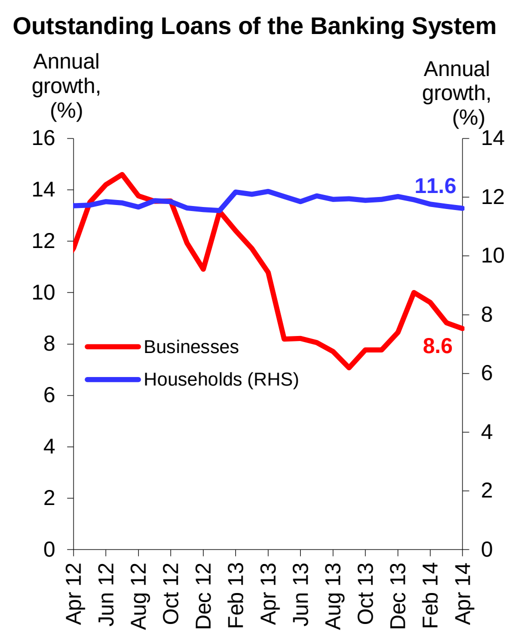
Source: Bank Negara Malaysia

Financing activity was sustained in April



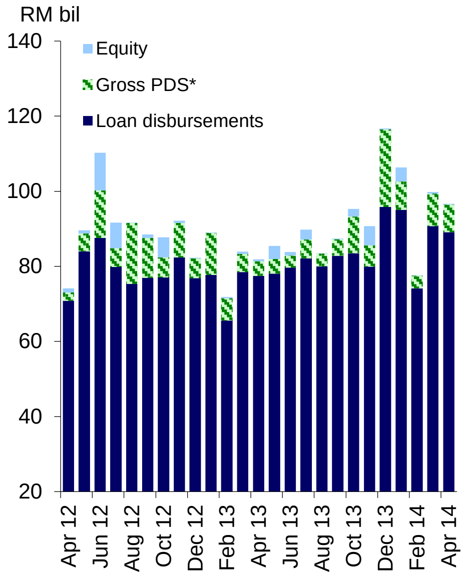
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

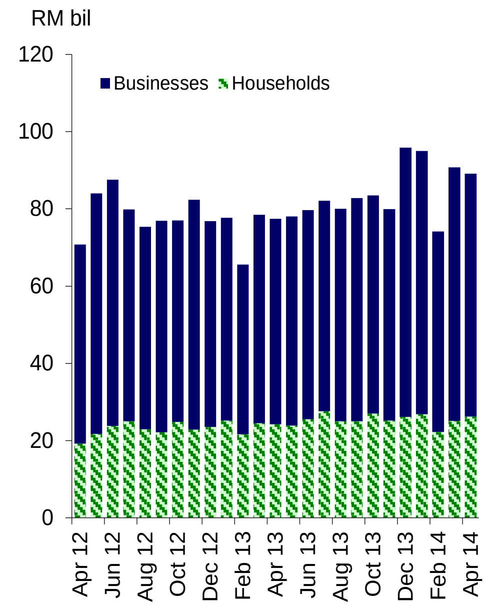
Gross Private Sector Financing



* Excludes foreign issuances

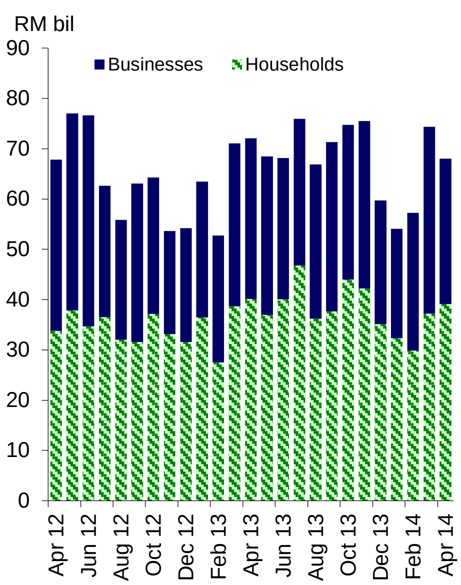
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



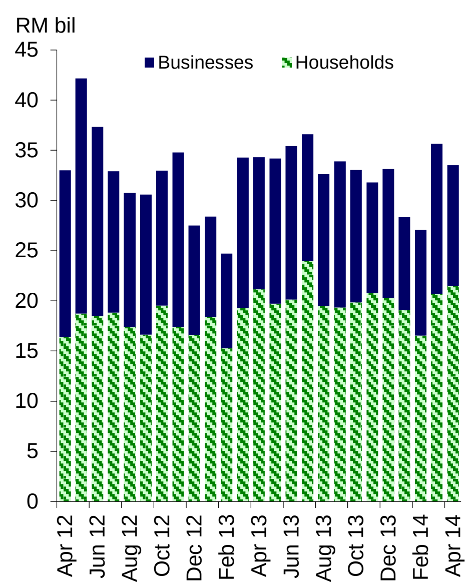
Source: Bank Negara Malaysia

Loan Applications by the Banking System



Source: Bank Negara Malaysia

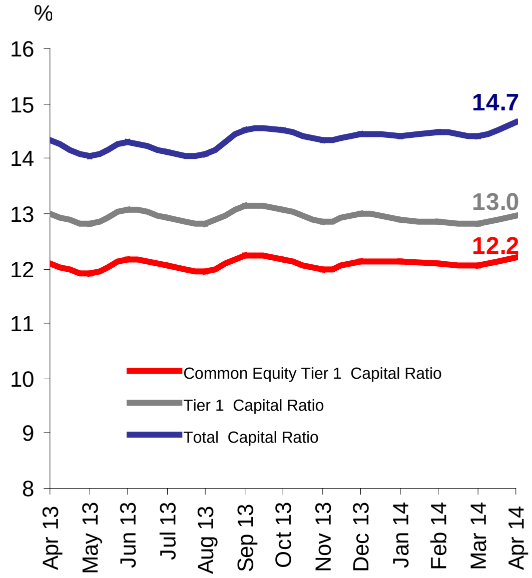
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality

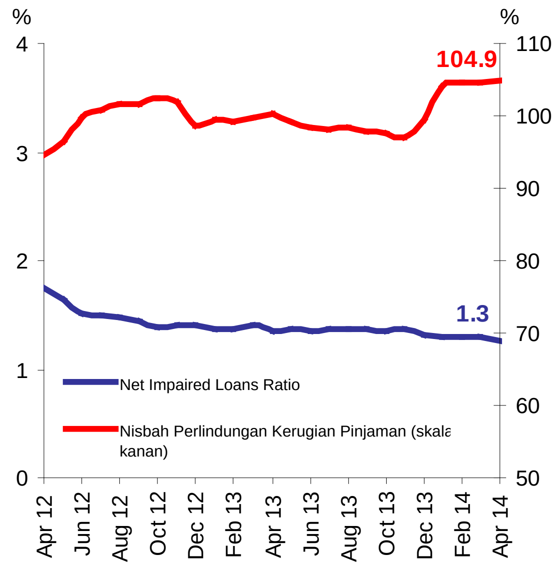
Capital Strength



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

Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage Ratio



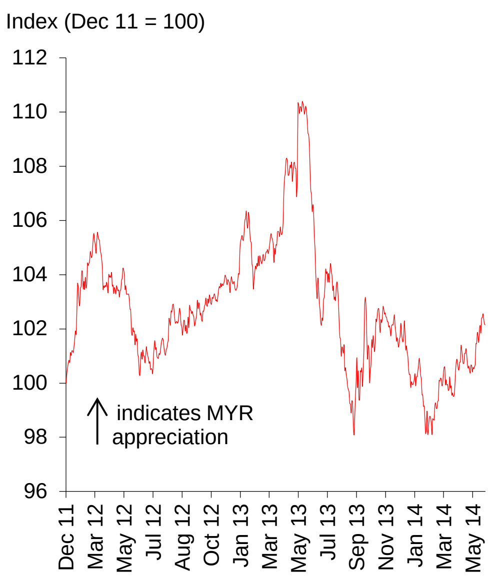
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

The ringgit exhibited a mixed performance against the currencies of Malaysia's major trade partners

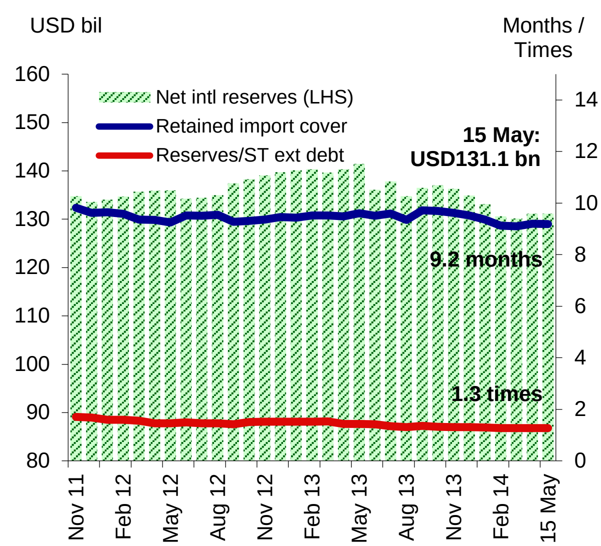
Index of Ringgit Performance against Major Trade Partners*



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

Source: Bank Negara Malaysia

Net International Reserves



Source: Bank Negara Malaysia

Key Monetary and Financial Statistics

		Feb 14		Mar 14		Apr 14	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		120.9	9.0	119.9	8.0	119.1	7.7
M1		325.8	10.7	327.1	11.4	325.5	11.3
M2		1,444.9	6.4	1,459.9	6.3	1,469.7	6.3
M3		1,460.1	5.9	1,474.0	5.9	1,484.0	6.0
Banking System							
Net financing[1]		1,659.0	9.8	1,668.5	9.6	1,676.8	9.5
Loan-deposit ratio (%) [2]		85.7		85.1		85.1	
Financing-deposit ratio (%) [2&3]		92.2		91.5		91.6	
Loans applied (during the period)		57.3	8.5	74.3	4.6	68.0	-5.6
Loans approved (during the period)		27.1	9.5	35.7	4.0	33.5	-2.3
Loans disbursed (during the period)		74.2	13.1	90.7	15.6	89.1	15.1
Loans repaid (during the period)		73.7	17.2	88.2	23.6	87.0	16.7
Banking System Health							
Total capital ratio (%) [4]		14.5		14.4		14.7	
Tier 1 capital ratio (%) [4]		12.9		12.8		13.0	
Common equity tier 1 capital ratio (%) [4]		12.1		12.0		12.2	
Net impaired loans ratio (%)		1.3		1.3		1.3	
BNM International Reserves (end-period)							
Net Reserves in RM billion		427.6		424.6		427.7	
Net Reserves in USD billion (equivalent)		130.6		130.2		131.2	
Months of retained imports		9.1		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	2.99 [2.98]		3.00 [2.98]		2.97 [2.99]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.07 [3.07]		3.06 [3.07]		3.06 [3.07]	
Fixed deposits of commercial banks:	1-month	2.91		2.91		2.91	
	3-month	2.97		2.97		2.97	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.38		5.39		5.36	
Prices							
Consumer Price Index (CPI) (2010=100)		109.8	3.5	109.9	3.5	109.9	3.4

[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.

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

Source: Bank Negara Malaysia and Department of Statistics Malaysia