BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 04/14/10

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MONETARY AND FINANCIAL DEVELOPMENTS
March 2014

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), remained unchanged at 3.5% in March (February: 3.5%). During the month, inflation in the *food and non-alcoholic beverages* category increased marginally to 3.9% from 3.8% in February. Inflation in the *miscellaneous goods and services* category increased to 0.1% in March, from -0.4% in February. However, despite a 5 sen/litre adjustment in the price of RON97 petrol during the month, inflation in the *transport* category declined to 5.1% (February: 5.5%) as the impact from a larger upward adjustment of 20 sen/litre made in March 2013 lapsed.

Monetary Conditions: Interbank rates were on average stable in March. 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 (M3) grew by 5.9% in March. Although credit extended to the private sector by the banking system expanded at a more moderate pace, it remained as the main driver of M3 expansion. The expansion, however, was partially offset by the decline in net foreign assets following net trade outflows during the month. Net financing to the private sector grew at a slower pace of 9.6% in March, due to a moderation in the growth of outstanding banking system loans. While the growth of outstanding business loans moderated following higher repayments, the level of loans disbursed to businesses was higher compared to the previous month. Outstanding household loan growth was stable during the month. Overall loan demand increased with higher loan applications from both the business and household sectors.

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%, 12.8% and 14.4% respectively. Net impaired loans remained at 1.3% of net loans while the loan loss coverage ratio was above 100%.

Exchange Rates and International Reserves: In March, the ringgit appreciated against the US dollar and recorded a mixed performance against the currencies of Malaysia's other major trade partners. This was driven by renewed interest in regional financial markets during the month arising from expectations of a more gradual reduction of monetary accommodation in the US and of stimulus measures to boost growth in PR China. In the period between 1 and 15 April, the ringgit continued to strengthen against the US dollar, but exhibited a mixed performance against the currencies of Malaysia's other major trade partners. The international reserves of Bank Negara Malaysia amounted to RM427.4 billion (equivalent to USD131.1 billion) as at 15 April 2014, sufficient to finance 9.4 months of retained imports and are 3.3 times the short-term external debt.

Bank Negara Malaysia
30 April 2014

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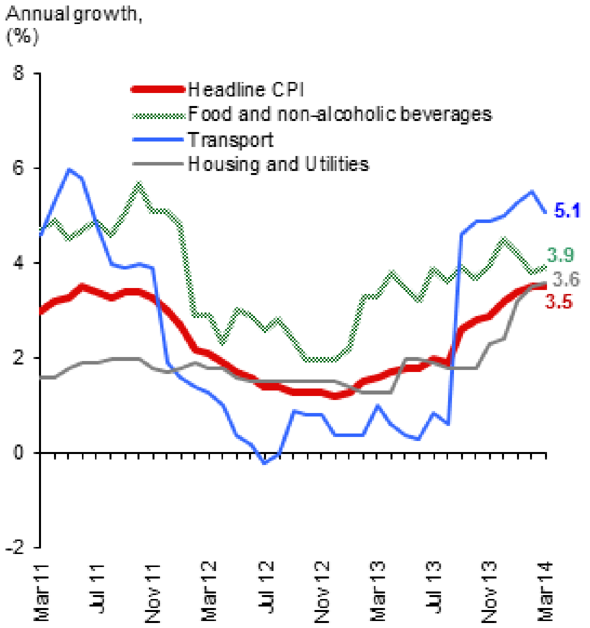
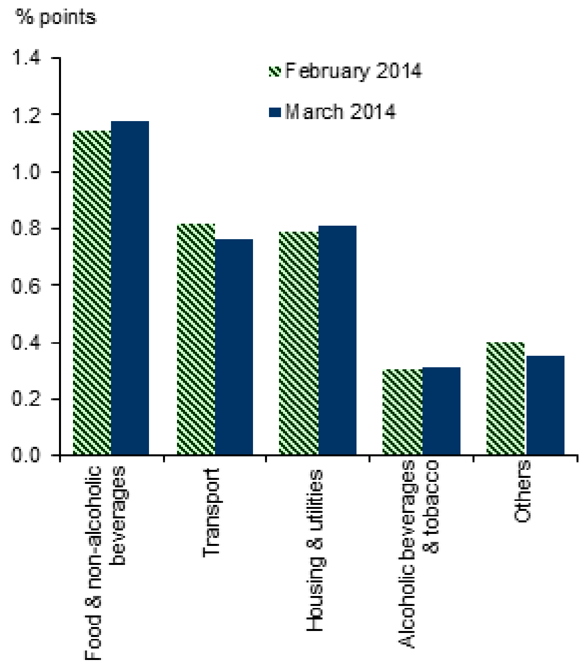
Headline inflation was unchanged in March

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

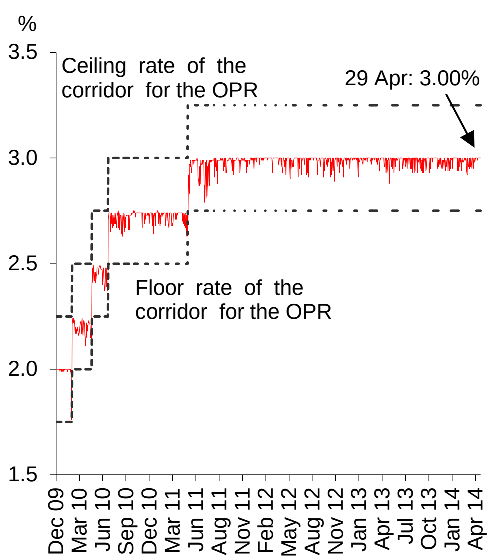


* Others include *restaurants and hotels; recreation services and culture; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear* and *miscellaneous goods and services.*

Source: Bank Negara Malaysia

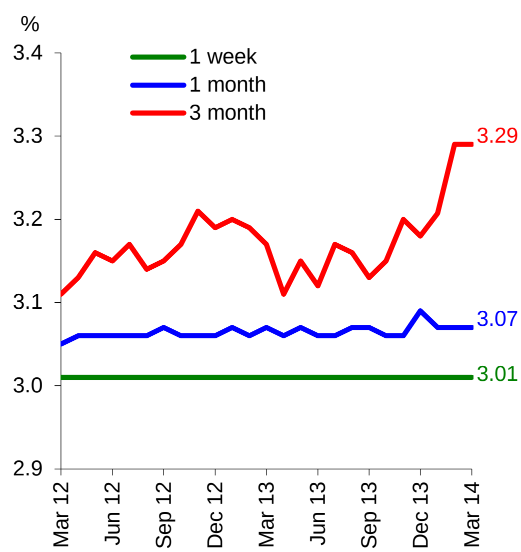
Interest rates remained stable during the month

Average Overnight Interbank Rate

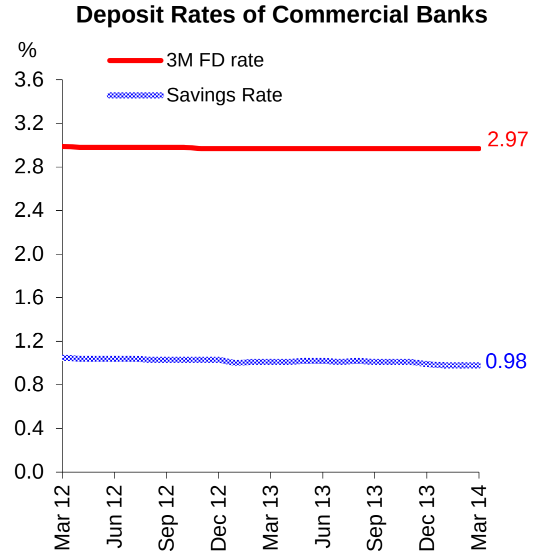


Source: Bank Negara Malaysia

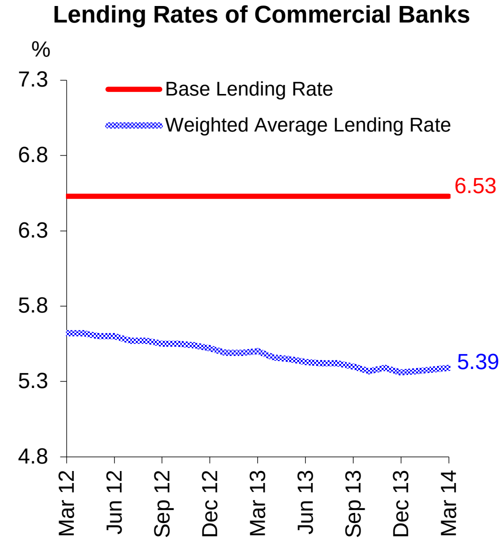
Average Interbank Rates



Source: Bank Negara Malaysia

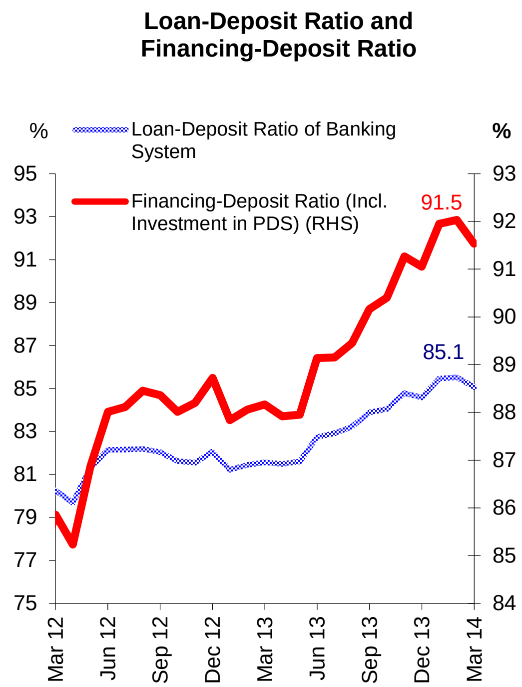


Source: Bank Negara Malaysia

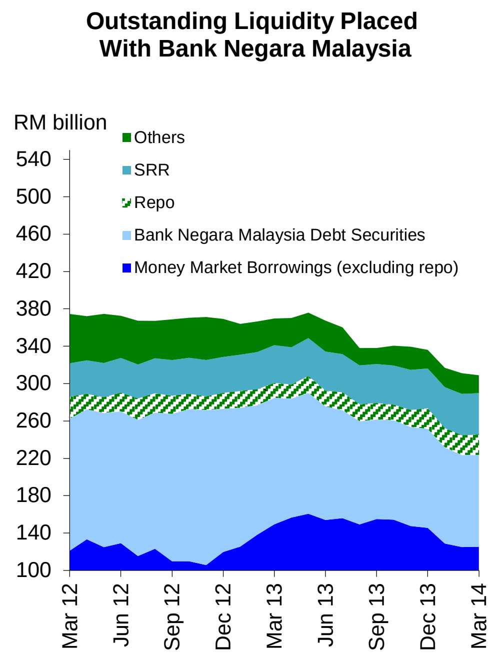


Source: Bank Negara Malaysia

Liquidity in the banking system remained ample



Source: Bank Negara Malaysia

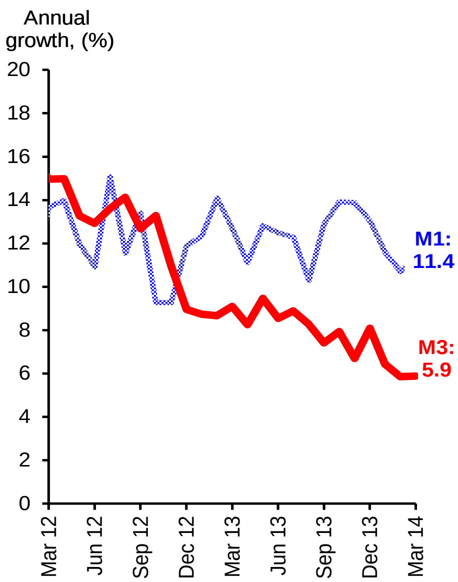


* Money Market Borrowings (excluding repo) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)

Source: Bank Negara Malaysia

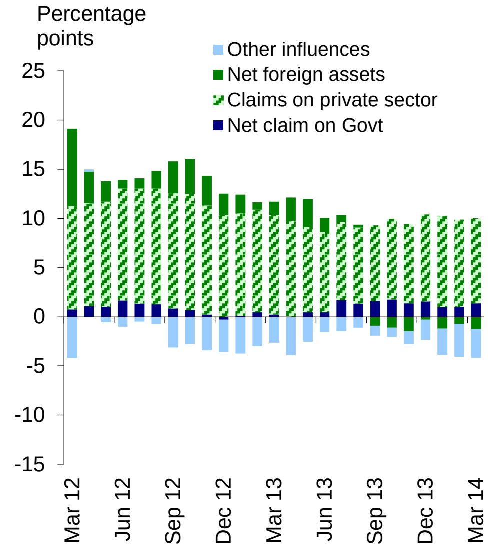
Broad money growth was sustained in March

M1 and M3



Source: Bank Negara Malaysia

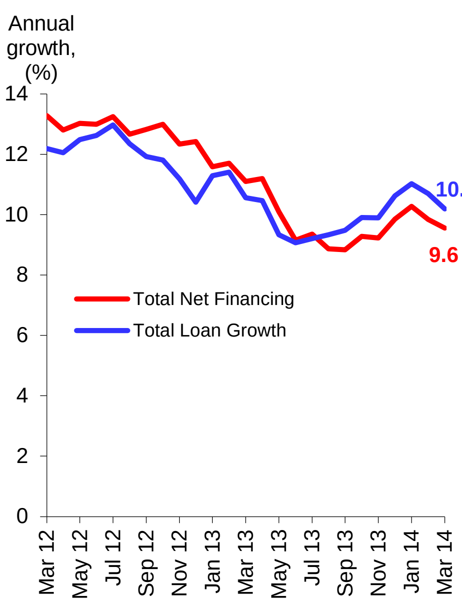
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

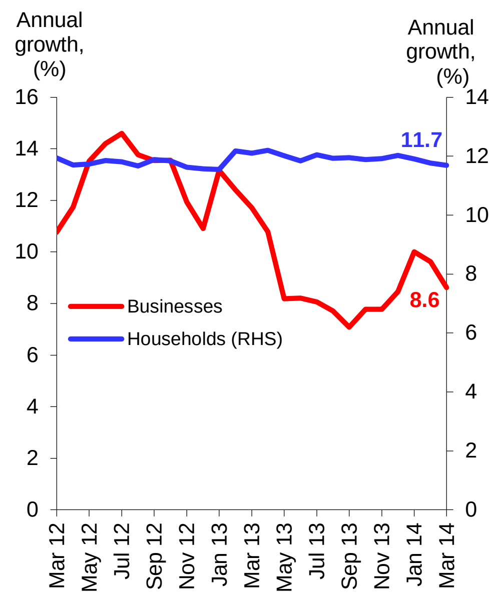
Financing activity moderated slightly in March

Net Financing and Loan Growth



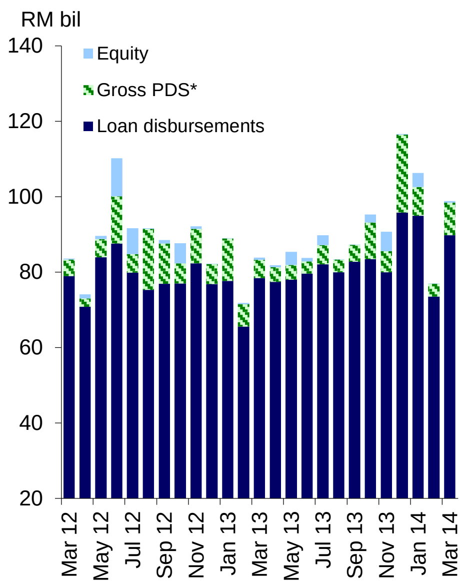
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)
Source: Bank Negara Malaysia

Outstanding Loans of the Banking System



Source: Bank Negara Malaysia

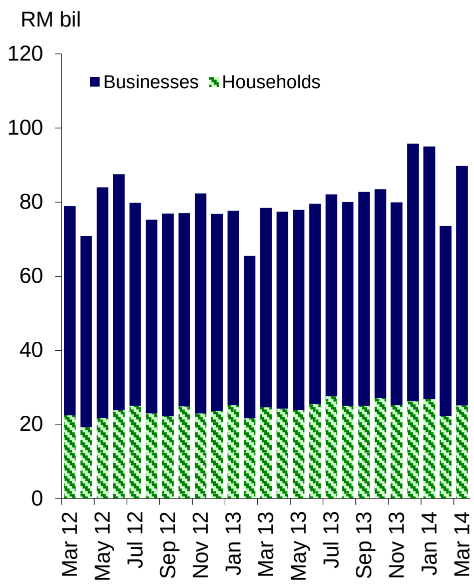
Gross Private Sector Financing



* Excludes foreign issuances

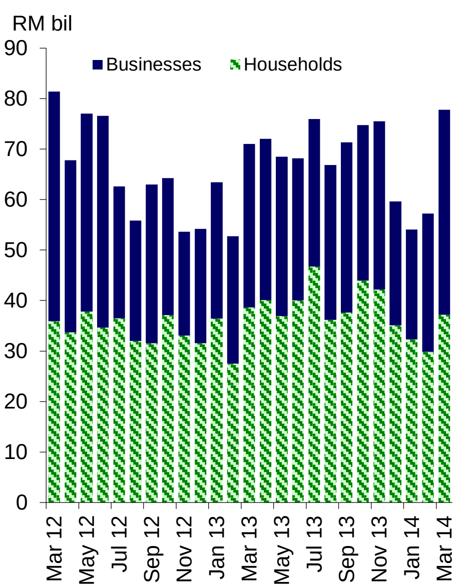
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



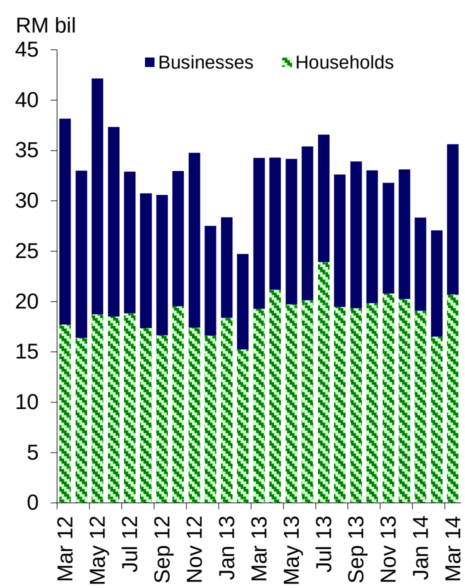
Source: Bank Negara Malaysia

Loan Applications by the Banking System



Source: Bank Negara Malaysia

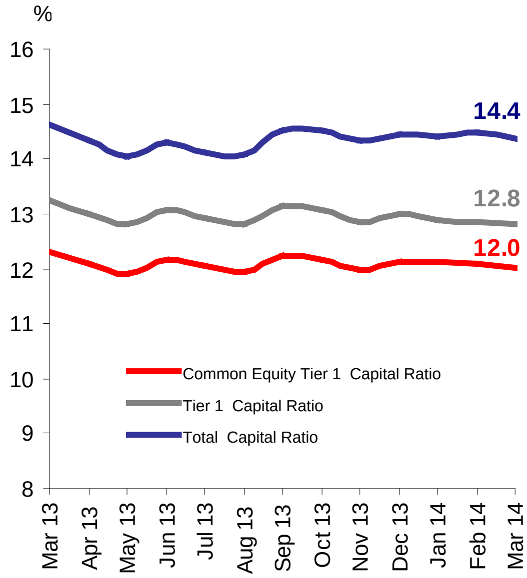
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality

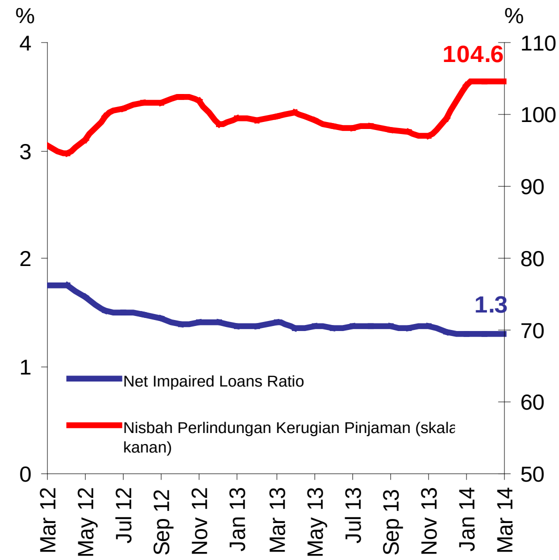
Capital Strength



* 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



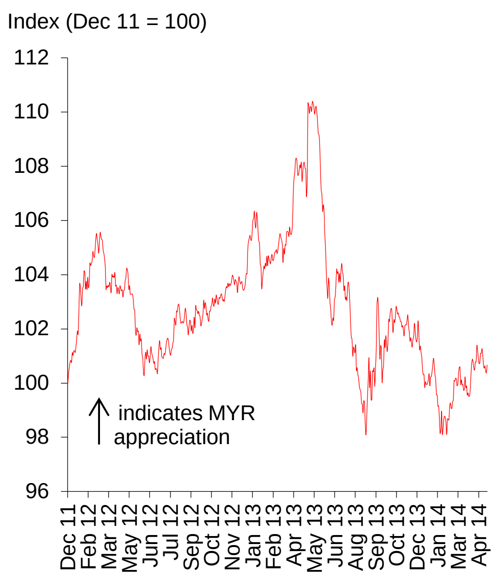
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

[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

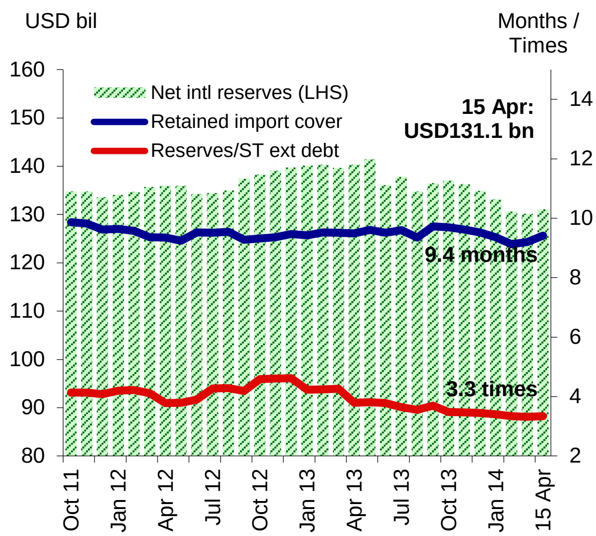
Index of Ringgit Performance against Major Trade Partners*



* 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

		Jan 14		Feb 14		Mar 14	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		126.9	13.1	120.9	9.0	119.9	8.0
M1		332.0	11.6	325.8	10.7	327.1	11.4
M2		1,448.0	6.8	1,444.9	6.4	1,459.9	6.3
M3		1,464.4	6.4	1,460.2	5.9	1,474.0	5.9
Banking System							
Net financing[1]		1,654.6	10.3	1,659.0	9.8	1,668.5	9.6
Loan-deposit ratio (%) [2]		85.6		85.7		85.1	
Financing-deposit ratio (%) [2&3]		92.1		92.2		91.5	
Loans applied (during the period)		54.1	-14.8	57.3	8.5	77.8	9.5
Loans approved (during the period)		28.4	-0.1	27.1	9.5	35.7	4.0
Loans disbursed (during the period)		95.0	22.3	73.6	12.2	89.8	14.5
Loans repaid (during the period)		88.2	15.8	73.5	16.8	87.7	22.9
Banking System Health							
Total capital ratio (%) [4]		14.4		14.5		14.4	
Tier 1 capital ratio (%) [4]		12.9		12.9		12.8	
Common equity tier 1 capital ratio (%) [4]		12.1		12.1		12.0	
Net impaired loans ratio (%)		1.3		1.3		1.3	
BNM International Reserves (end-period)							
Net Reserves in RM billion		435.9		427.6		424.6	
Net Reserves in USD billion (equivalent)		133.1		130.6		130.2	
Months of retained imports		9.4		9.1		9.2	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	3.00 [2.99]		2.99 [2.98]		3.00 [2.98]	
	1-week	3.02 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.06 [3.07]		3.07 [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		5.37		5.38		5.39	
Prices							
Consumer Price Index (CPI) (2010=100)		109.5	3.4	109.8	3.5	109.9	3.5

[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