BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 01/14/08

EMBARGO: Not for publication or broadcast before 1800 hours on Thursday, 30 January 2014

MONETARY AND FINANCIAL DEVELOPMENTS
December 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was higher at 3.2% in December 2013 (November: 2.9%). Prices in the food and non-alcoholic beverages category increased by 4.5% (November: 3.9%), reflecting higher prices in the fish and seafood, meat, and vegetables sub-categories, following adverse weather conditions. Higher prices were also recorded in the food away from home sub-category.

Monetary Conditions: Interbank rates were on average stable in December. 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. The annual growth in broad money (M3) increased to 8.1% in December. The expansion in M3 was driven mainly by the extension of credit to the private sector by the banking system. Net financing to the private sector grew by 9.9% in December, driven by higher growth in both outstanding banking system loans and net issuances of private debt securities (PDS). While the growth of outstanding business loans increased during the month with higher loans extended mainly to the manufacturing; wholesale and retail trade, restaurants and hotels; construction and real estate sectors, outstanding household loans maintained a stable growth rate. Although loan applications from both business and household sectors moderated, loan approvals remained stable, especially for the business sector.

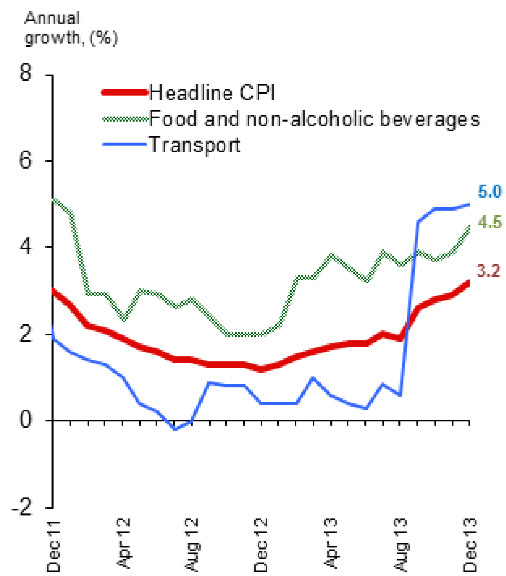
Banking System: Banking system capitalisation remained strong with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12%, 12.8% and 14.3%, respectively. Net impaired loans remained unchanged at 1.4% of net loans while the loan loss coverage remained well above 90%.

Exchange Rates and International Reserves: In December, the ringgit depreciated against the currencies of most of Malaysia's major trading partners, with the exception of the Japanese yen. The ringgit and most other regional currencies depreciated against the US dollar as the anticipation and eventual announcement of a scale-back of monetary injections by the US Federal Reserve resulted in outflows of funds from regional financial markets. In the period between 1 and 20 January, the ringgit depreciated against the currencies of most of Malaysia's major trade partners. The international reserves of Bank Negara Malaysia amounted to RM442.3 billion (equivalent to USD135.0 billion) as at 15 January 2014, sufficient to finance 9.6 months of retained imports and were 3.7 times the short-term external debt.

Bank Negara Malaysia
30 January 2014

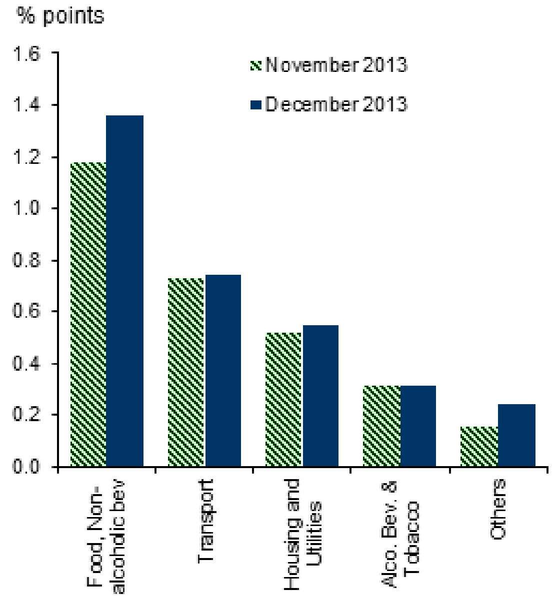
Headline inflation increased in December

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

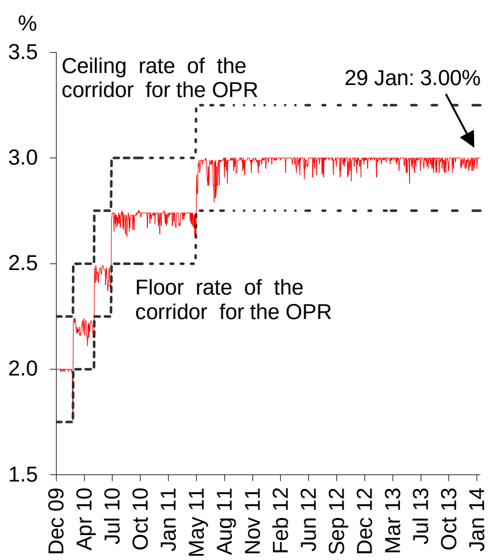


* Others include *restaurants and hotels; recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear* and *miscellaneous goods and services.*

Source: Bank Negara Malaysia

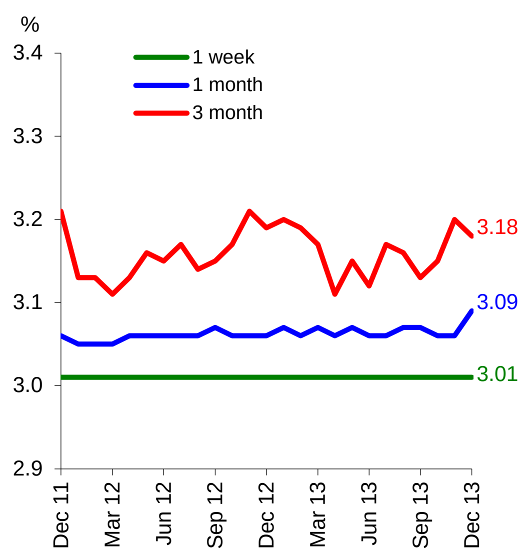
Interest rates remained stable

Average Overnight Interbank Rate



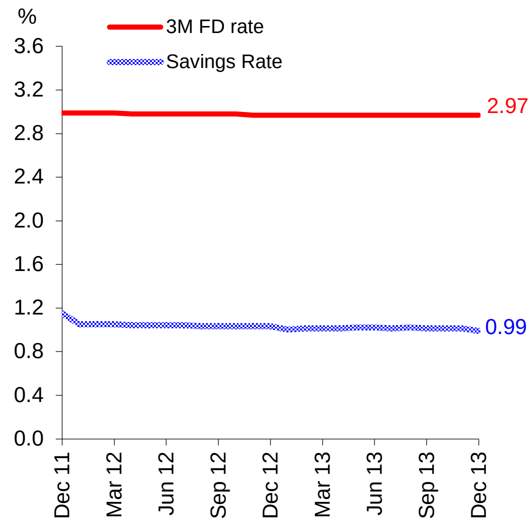
Source: Bank Negara Malaysia

Average Interbank Rates



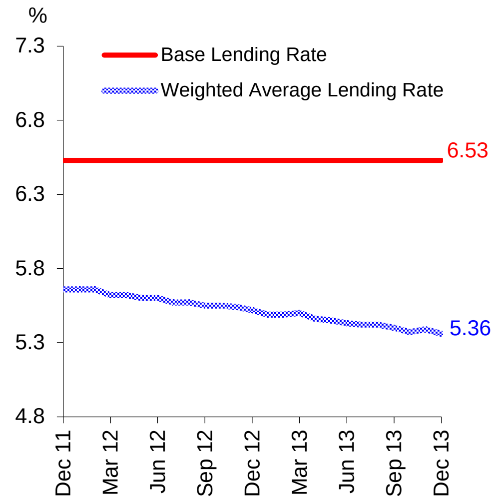
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

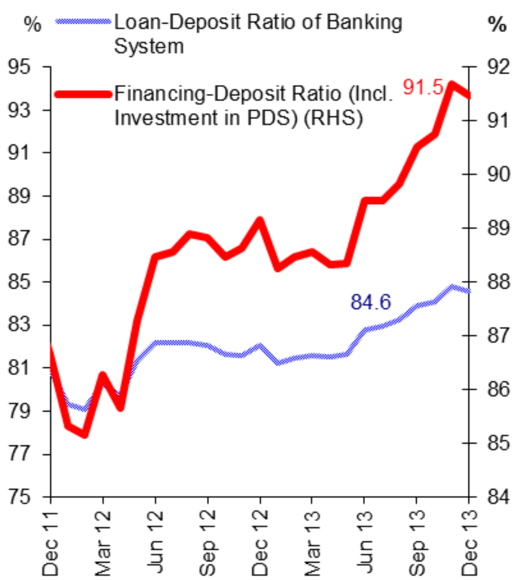
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

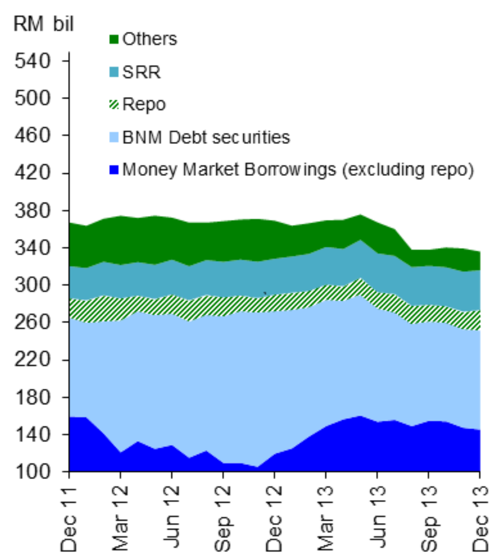
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

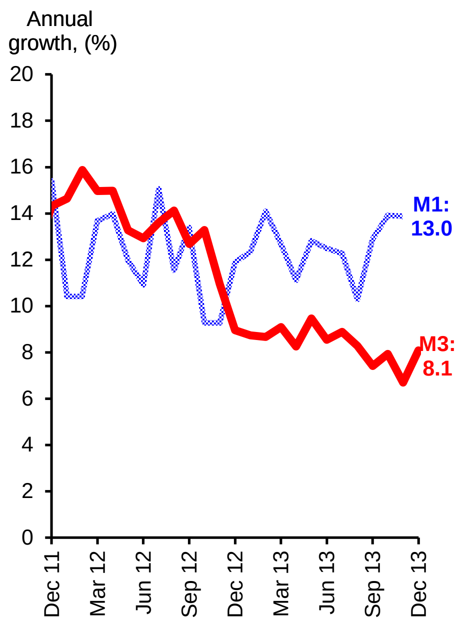


* Money Market Borrowings (excluding repo) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)

Source: Bank Negara Malaysia

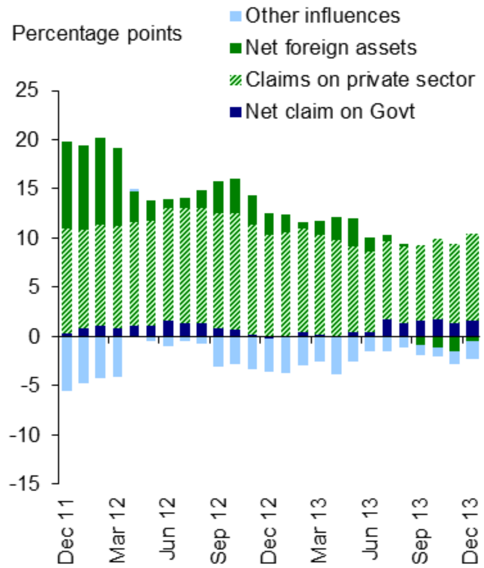
Broad money growth increased in December

M1 and M3



Source: Bank Negara Malaysia

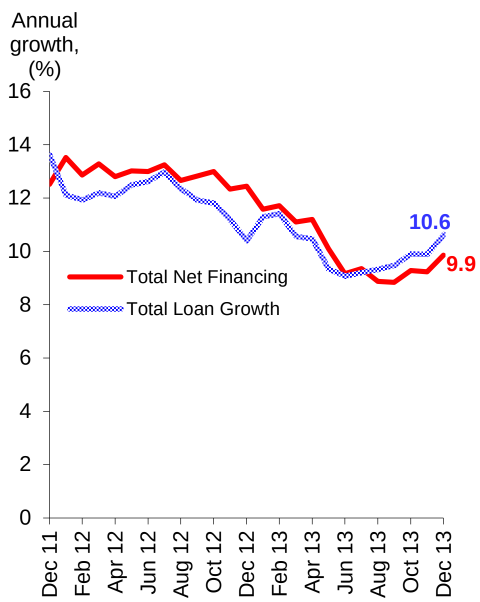
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity increased in December

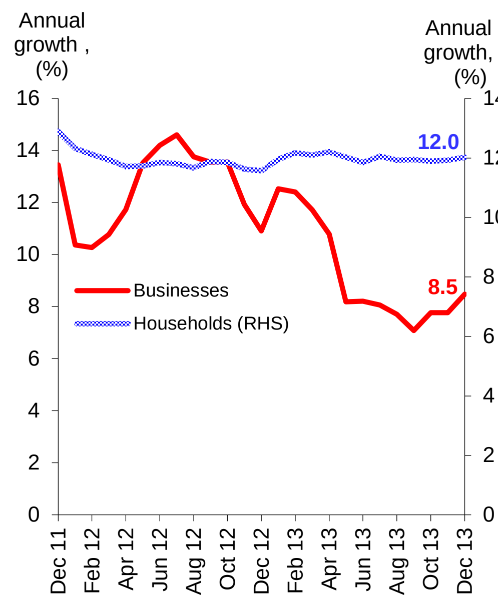
Net Financing and Loan Growth



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

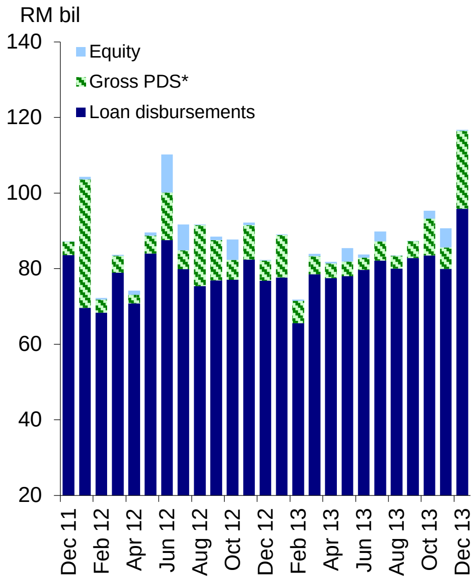
Source: Bank Negara Malaysia

Outstanding Loans of the Banking System



Source: Bank Negara Malaysia

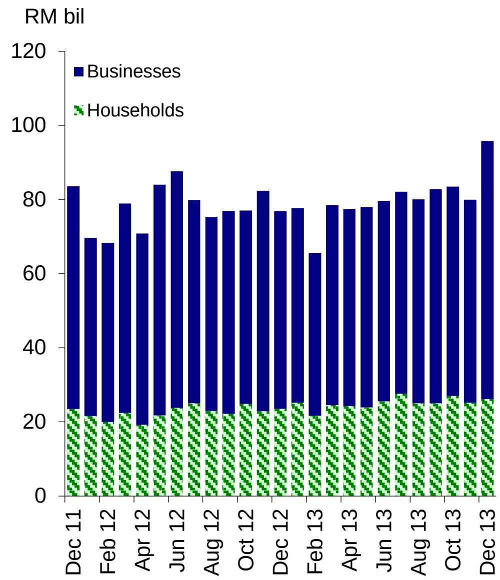
Gross Private Sector Financing



* Excludes foreign issuances

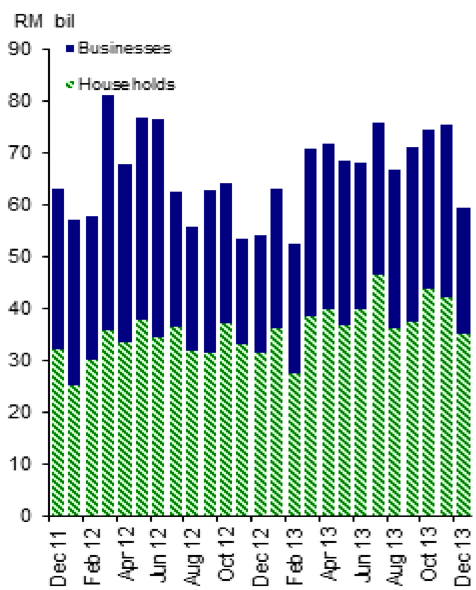
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



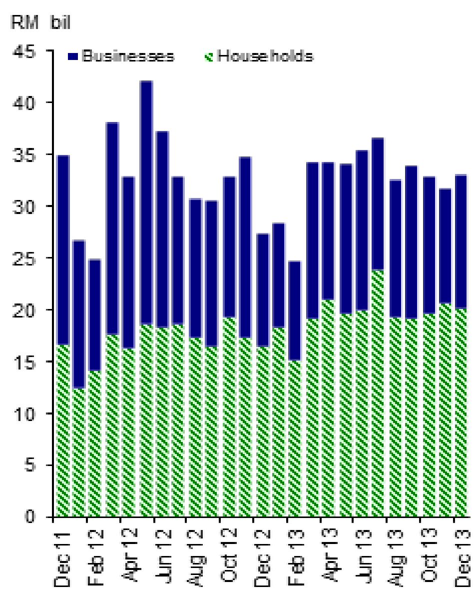
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

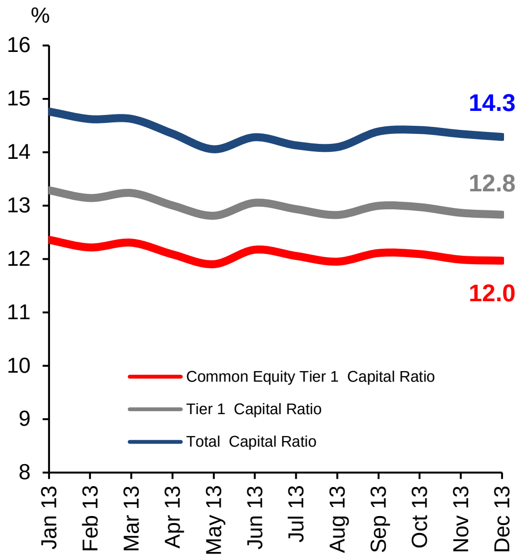
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality

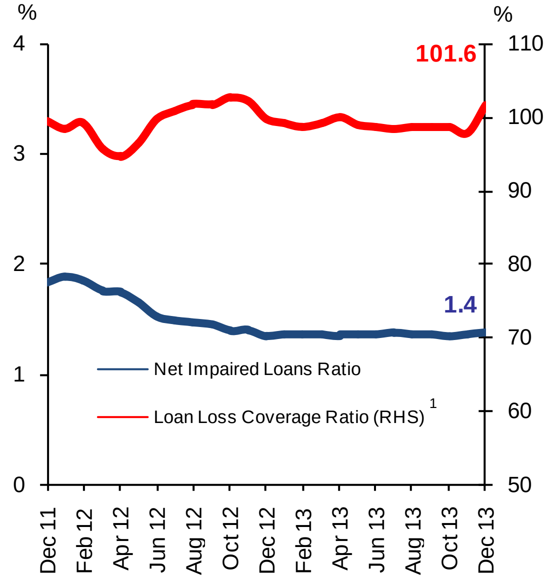
Capital Strength



* 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



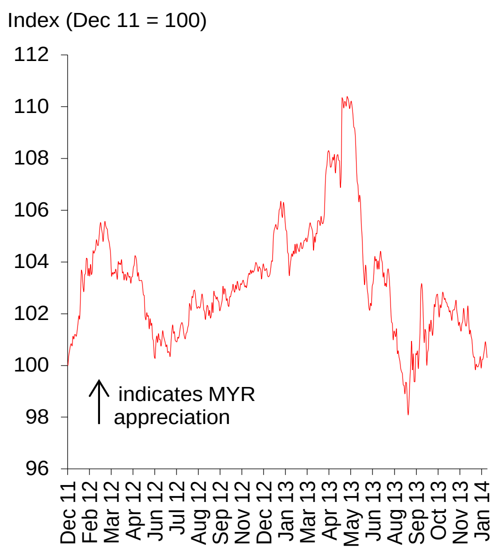
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

The ringgit depreciated against the currencies of most of Malaysia's major trading partners in December

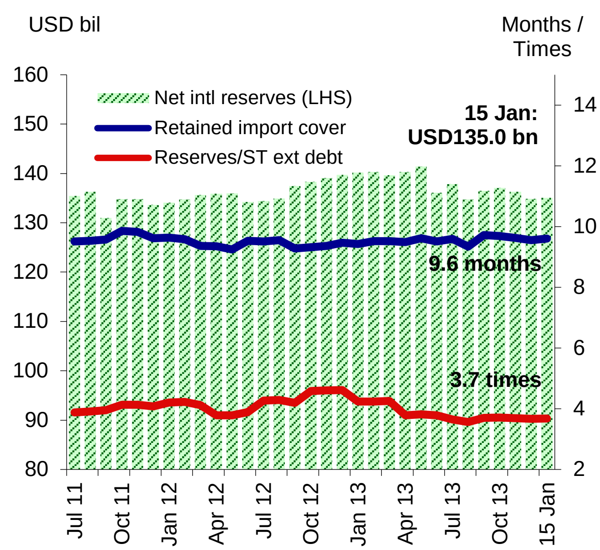
Index of Ringgit Performance against Major Trade Partners*



* 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

		Oct 13		Nov 13		Dec 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		111.2	8.5	114.0	10.4	115.8	9.4
M1		309.1	13.9	311.4	13.9	327.5	13.0
M2		1,429.5	8.4	1,416.0	7.1	1,444.8	8.4
M3		1,446.8	7.9	1,434.6	6.7	1,462.4	8.1
Banking System							
Net financing[1]		1,603.3	9.3	1,613.9	9.2	1,636.3	9.9
Loan-deposit ratio (%) [2]		84.1		84.8		84.6	
Financing-deposit ratio (%) [2&3]		90.8		91.7		91.5	
Loans applied (during the period)		74.8	16.3	75.5	40.8	59.7	10.1
Loans approved (during the period)		33.0	0.2	31.8	-8.6	33.1	20.4
Loans disbursed (during the period)		83.5	8.4	80.0	-2.9	95.8	24.7
Loans repaid (during the period)		75.4	-1.1	76.5	-3.8	81.8	14.6
Banking System Health							
Total capital ratio (%) [4]		14.4		14.3		14.3	
Tier 1 capital ratio (%) [4]		13.0		12.9		12.8	
Common equity tier 1 capital ratio (%) [4]		12.1		12.0		12.0	
Net impaired loans ratio (%)		1.4		1.4		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		446.2		443.8		441.7	
Net Reserves in USD billion (equivalent)		137.0		136.3		134.9	
Months of retained imports		9.7		9.6		9.6	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.98 [2.99]		3.00 [2.99]		2.99 [2.98]	
	1-week	3.01 [3.01]		3.02 [3.01]		3.02 [3.01]	
	1-month	3.06 [3.06]		3.07 [3.06]		3.20 [3.09]	
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		5.39		5.36	
Prices							
Consumer Price Index (CPI) (2010=100)		108.3	2.8	108.6	2.9	108.9	3.2

[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