BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 12/13/11

EMBARGO: Not for publication or broadcast before 1700 hours on Tuesday, 31 December 2013

MONETARY AND FINANCIAL DEVELOPMENTS
November 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was higher at 2.9% in November 2013 (October: 2.8%). The *housing, water, electricity, gas and other fuels* category recorded higher inflation of 2.3% in November (October: 1.8%) following a larger increase in rental for *terrace and townhouse* as well as *apartment and condominium*. Prices in the *food and non-alcoholic beverages* category increased by 3.9% (October: 3.7%). Inflation for other CPI categories remained relatively stable in November 2013.

Monetary Conditions: Interbank rates were stable in November. 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 moderated to 6.7% in November. The expansion in M3 was mainly on account of credit extension to the private sector by the banking system. The expansion, however, was moderated somewhat by lower net claims on the Government and net portfolio outflows during the month. Net financing to the private sector grew by 9.2% in November amid a moderation in the growth of net issuances of private debt securities (PDS) and stable growth in outstanding loans of the banking system. The outstanding business and household loans grew at a stable pace following a sustained level of loans disbursed compared to previous months. Overall loan demand remained robust with sustained loan applications from both 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%, 12.9% and 14.3% respectively. The level of net impaired loans remained stable at 1.4% of net loans, while the loan loss coverage remained well above 90%.

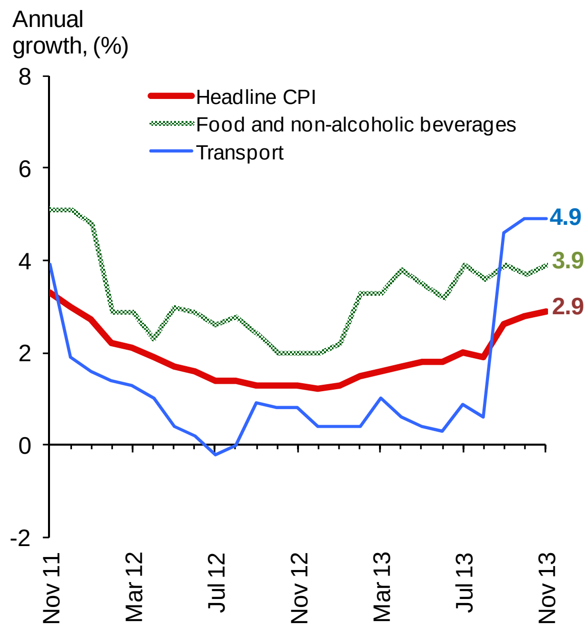
Exchange Rates and International Reserves: In November, the ringgit depreciated against most of the currencies of Malaysia's major trading partners, except the Japanese yen. The ringgit and most regional currencies depreciated against the US dollar following the release of better-than-expected economic indicators in the US, which revived expectations for an imminent tapering of monetary operations by the US Federal Reserve. This resulted in a withdrawal of funds from regional financial markets. The US Federal Reserve announced on 18 December 2013 that beginning in January, the Federal Reserve Open Market Committee will modestly reduce the pace of asset purchases. In the period between 1 and 18 December, the ringgit continued to depreciate against the currencies of Malaysia's major trade partners. The international reserves of Bank Negara Malaysia amounted to RM440.8 billion (equivalent to USD135.3 billion) as at 13 December 2013, sufficient to finance 9.4 months of retained imports and are 3.7 times the short-term external debt.

Bank Negara Malaysia
31 December 2013

Diterbitkan oleh:
Jabatan Komunikasi Strategik, Tingkat 14, Blok B, Bangunan Bank Negara Malaysia,
Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
Telefon: +60(3) 2698 8044 Faksimili: +60(3) 2693 6919
Web: www.bnm.gov.my

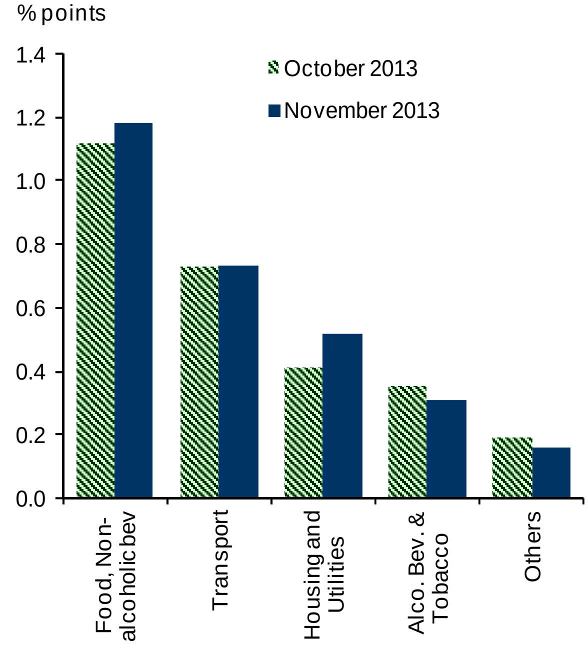
Headline inflation increased in November

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

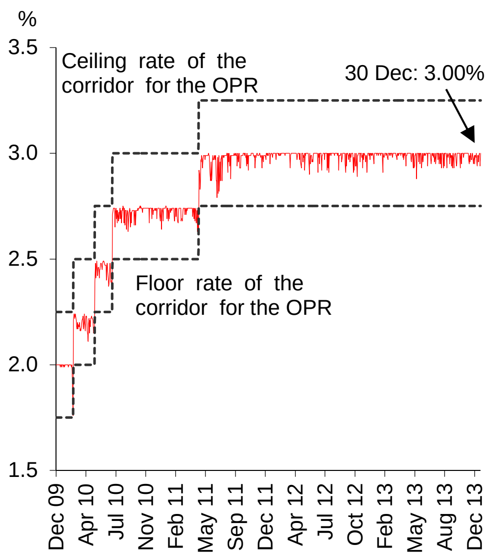


* Others include *restaurants and hotels; recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear* and *miscellaneous goods and services.*

Source: Bank Negara Malaysia

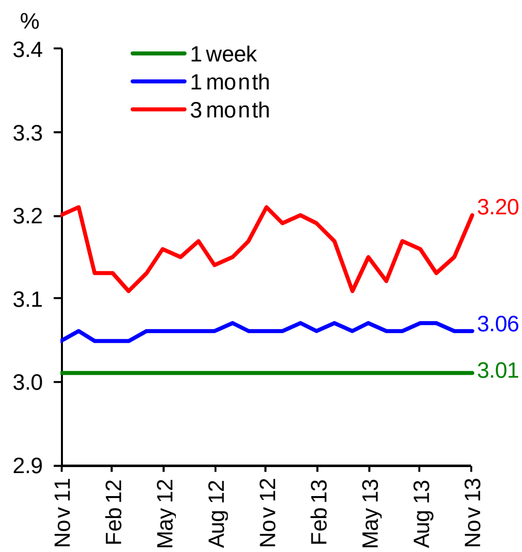
Interest rates remained stable

Average Overnight Interbank Rate



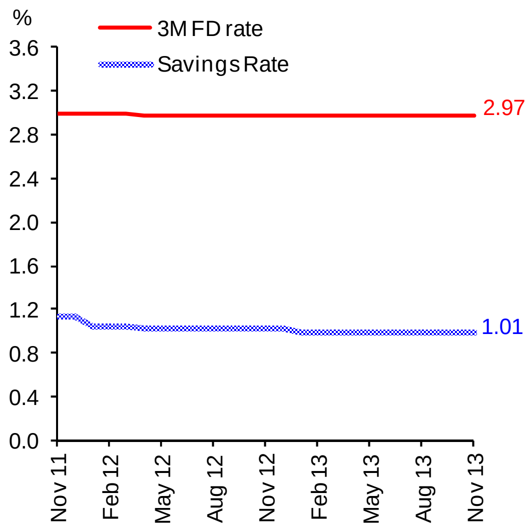
Source: Bank Negara Malaysia

Average Interbank Rates



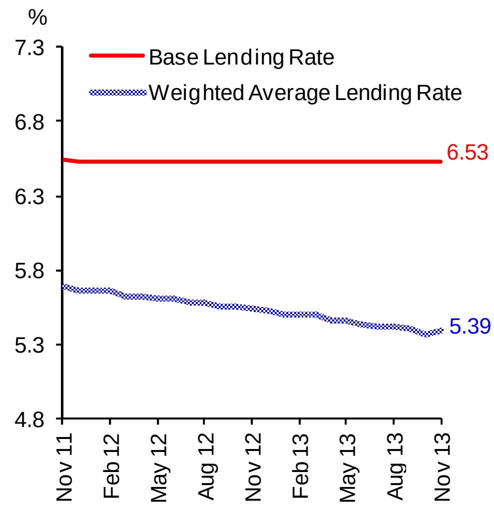
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

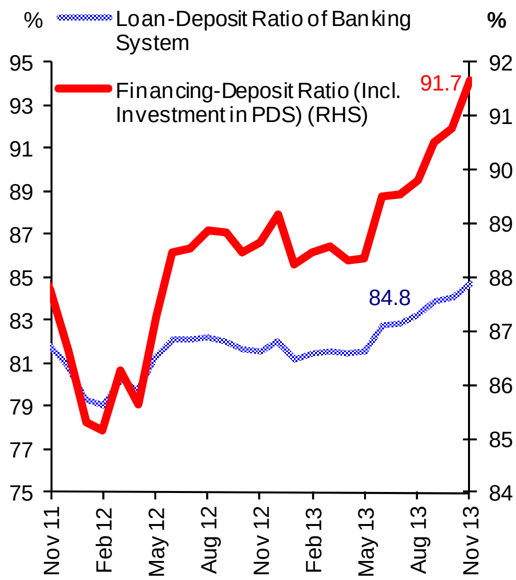
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

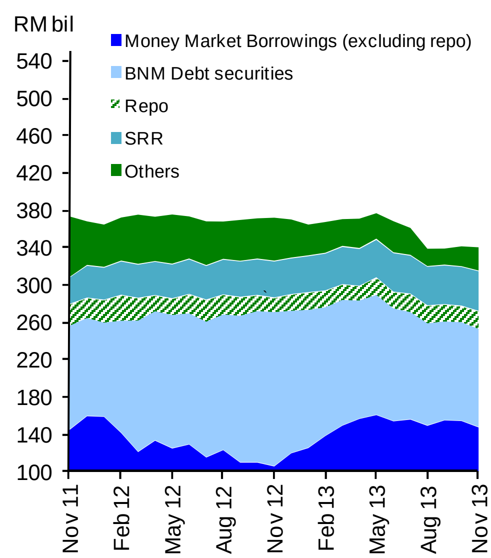
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

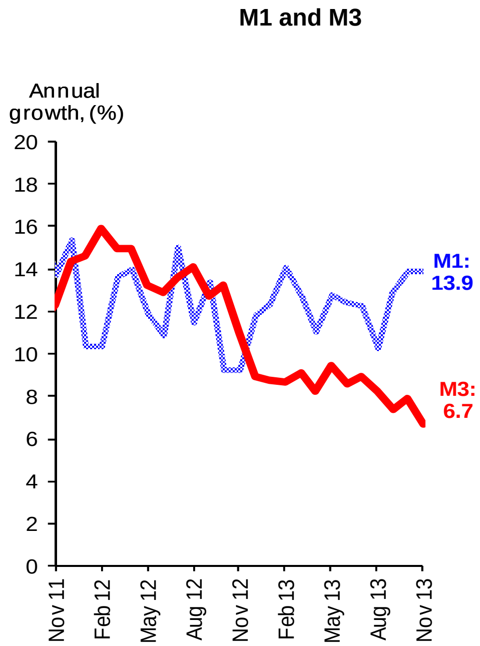
Outstanding Liquidity Placed With Bank Negara Malaysia



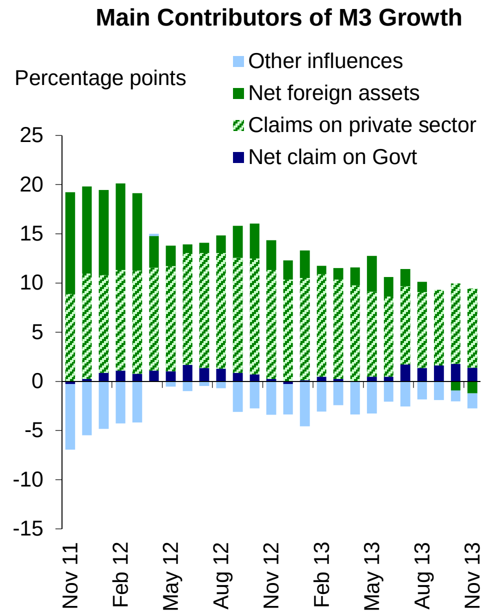
* Money Market Borrowings (excluding repo) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)

Source: Bank Negara Malaysia

Broad money growth moderated in November

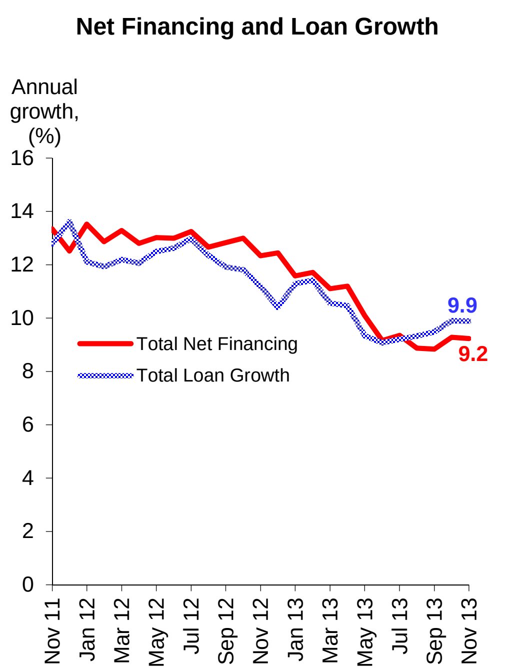


Source: Bank Negara Malaysia



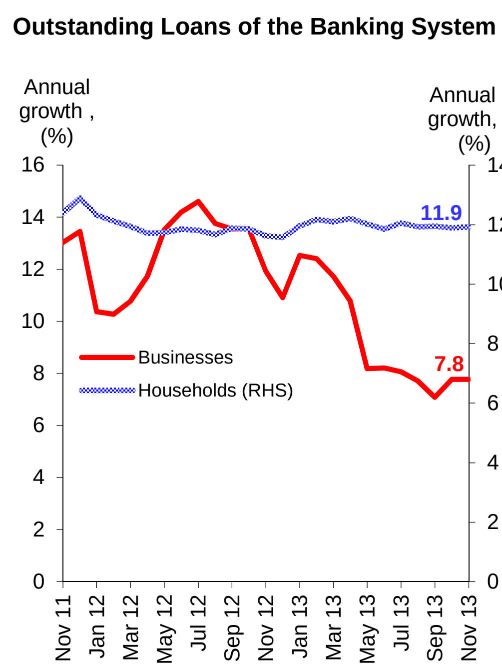
Source: Bank Negara Malaysia

Financing activity was sustained in November



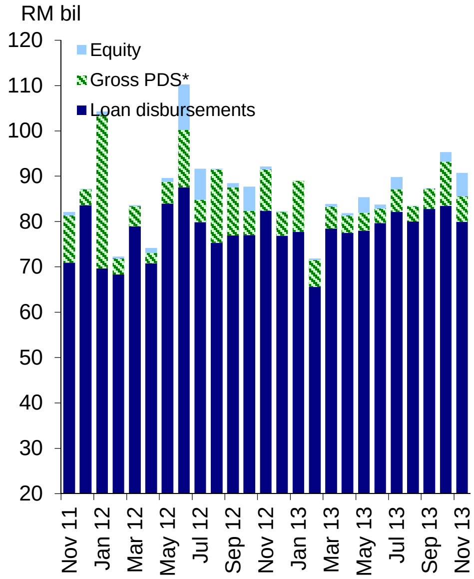
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

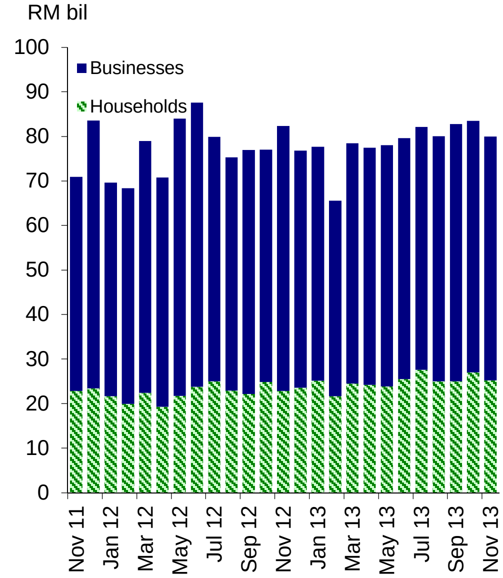
Gross Private Sector Financing



* Excludes foreign issuances

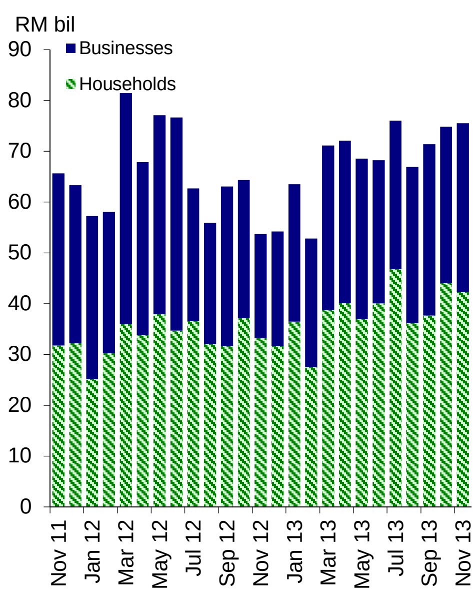
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



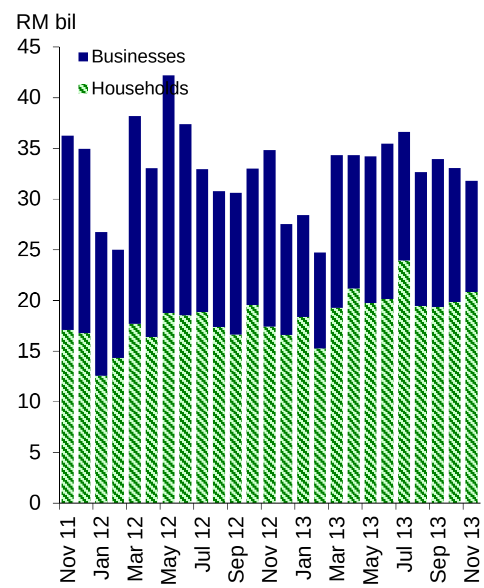
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

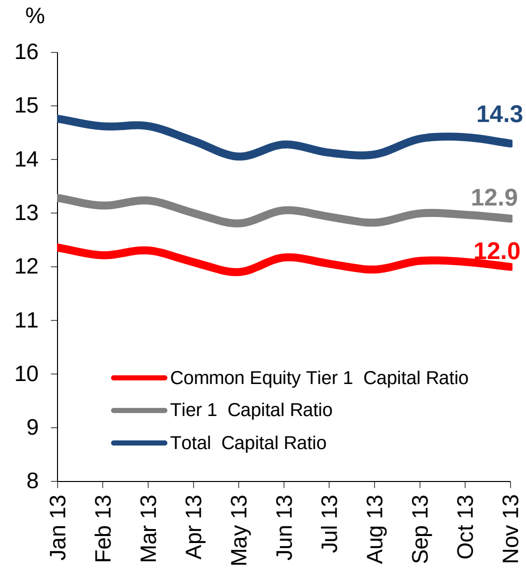
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality

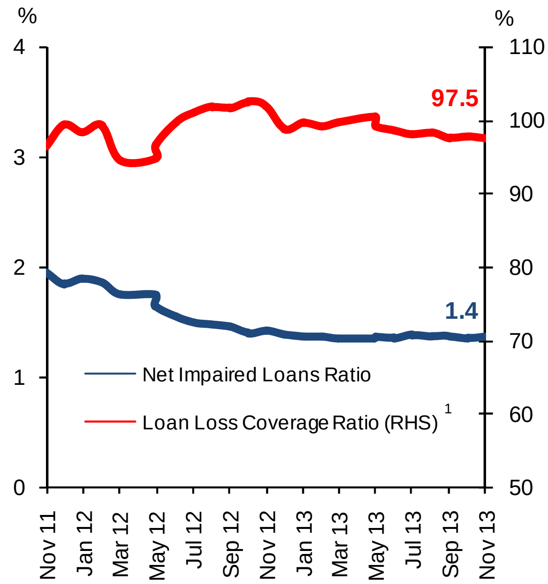
Capital Strength



* 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



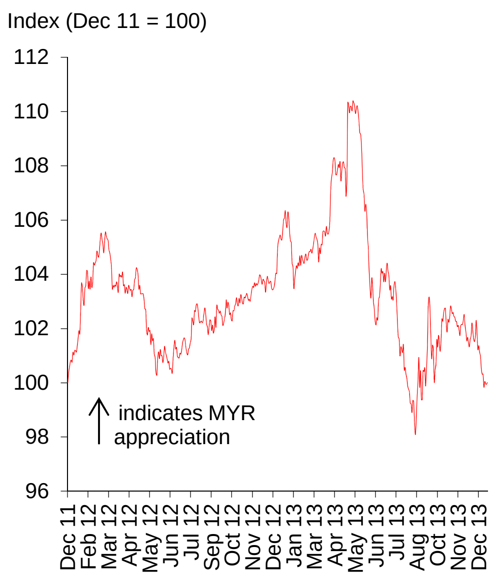
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

[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 Malaysia's major trading partners

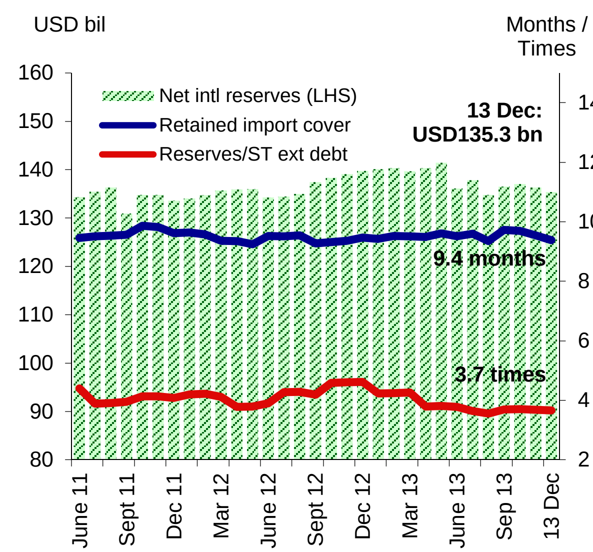
Index of Ringgit Performance against Major Trade Partners*



* 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

		Sep 13		Oct 13		Nov 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		112.7	9.6	111.2	8.5	114.0	10.4
M1		309.6	12.9	309.1	13.9	311.4	13.9
M2		1,421.9	8.0	1,429.5	8.4	1,416.0	7.1
M3		1,437.0	7.4	1,446.8	7.9	1,434.6	6.7
Banking System							
Net financing[1]		1,587.3	8.8	1,603.3	9.3	1,613.9	9.2
Loan-deposit ratio (%) [2]		83.9		84.1		84.8	
Financing-deposit ratio (%) [2&3]		90.5		90.8		91.7	
Loans applied (during the period)		71.3	13.1	74.8	16.3	75.5	40.8
Loans approved (during the period)		33.9	10.9	33.0	0.2	31.8	-8.6
Loans disbursed (during the period)		82.8	7.6	83.5	8.4	80.0	-2.9
Loans repaid (during the period)		73.8	2.0	75.4	-1.1	76.5	-3.8
Banking System Health							
Total capital ratio (%) [4]		14.4		14.4		14.3	
Tier 1 capital ratio (%) [4]		13.0		13.0		12.9	
Common equity tier 1 capital ratio (%) [4]		12.1		12.1		12.0	
Net impaired loans ratio (%)		1.4		1.4		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		444.5		446.2		443.8	
Net Reserves in USD billion (equivalent)		136.5		137.0		136.3	
Months of retained imports		9.7		9.7		9.5	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.93 [2.98]		2.98 [2.99]		3.00 [2.99]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.02 [3.01]	
	1-month	3.07 [3.07]		3.06 [3.06]		3.07 [3.06]	
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		5.40		5.37		5.39	
Prices							
Consumer Price Index (CPI) (2010=100)		107.9	2.6	108.3	2.8	108.6	2.9

[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