BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 10/13/14

EMBARGO: Not for publication or broadcast before 1800 hours on Thursday, 31 October 2013

MONETARY AND FINANCIAL DEVELOPMENTS
September 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was higher at 2.6% in September 2013 (August: 1.9%). The transport category recorded higher inflation of 4.6% during the month (August: 0.6%) following upward adjustments to prices of RON95 and RON97 petrol as well as diesel. Inflation in the food and non-alcoholic beverages category rose to 3.9% during the month (August: 3.6%) due primarily to the disruption in the supply of vegetables following adverse weather conditions. Inflation in the other CPI categories remained stable.

Monetary Conditions: Interbank rates were stable in September. 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 7.4% in September. The year-on-year expansion was driven mainly by the extension of credit to the private sector by the banking system and higher net claims on the Government. The relatively low net external inflows during the month contributed to the slower expansion in M3. While the growth of outstanding business loans moderated during the month, the level of loans disbursed to businesses continued to remain strong relative to previous months, with loans extended mainly to the manufacturing, wholesale and retail trade, restaurants and hotel, transport, storage and communications, and agriculture sectors. The growth of outstanding household loans was stable. However, the growth in total outstanding banking system loans was higher due to several large loans extended to other borrowers, namely domestic non-bank financial institutions. Amid a moderation in the growth of net issuances of private debt securities (PDS), net financing to the private sector grew at a stable pace of 8.7% in September. Overall loan demand increased slightly with higher loan applications from both business and household sectors.

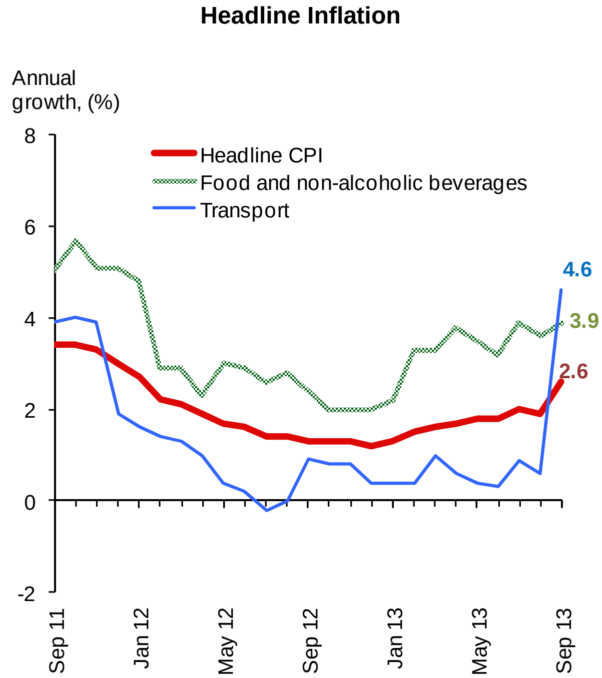
Banking System: Banking system capitalisation remained strong with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12.1%, 13% and 14.4% respectively. The level of net impaired loans remained stable at 1.4% of net loans, while the loan loss coverage remained well above 90%.

Exchange Rates and International Reserves: In September, the ringgit had a mixed performance against the currencies of Malaysia's major trading partners. The ringgit and most regional currencies appreciated against the US dollar as funds flowed into financial markets in the region, mainly on account of the US Federal Reserve's decision to maintain its asset purchase program. In October, the ringgit appreciated against the currencies of Malaysia's major trading partners as uncertainties surrounding the US debt ceiling and the release of positive domestic economic data increased demand for Malaysian financial assets. The international reserves of Bank Negara Malaysia amounted to RM444.9 billion (equivalent to USD136.6 billion) as at 14 October 2013, sufficient to finance 9.7 months of retained imports and are 3.9 times the short-term external debt.

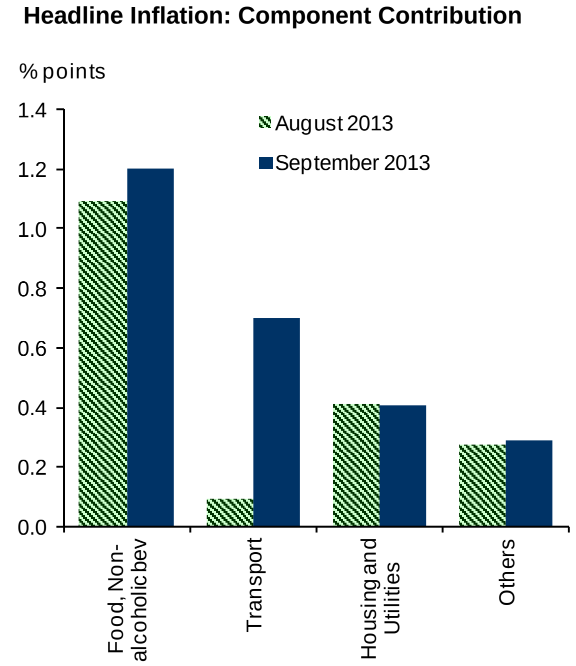
Bank Negara Malaysia
31 October 2013

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 September



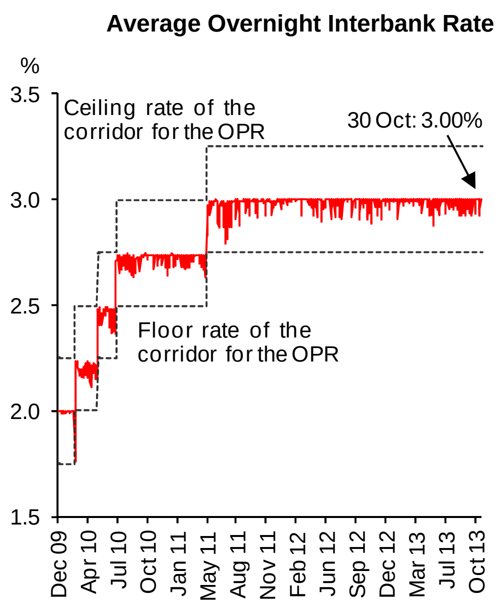
Source: Department of Statistics Malaysia



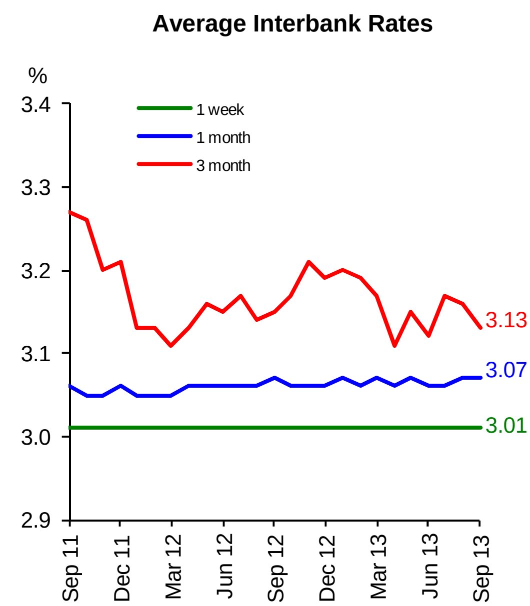
* Others include *restaurants and hotels; recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear* and *miscellaneous goods and services.*

Source: Bank Negara Malaysia

Interest rates remained stable

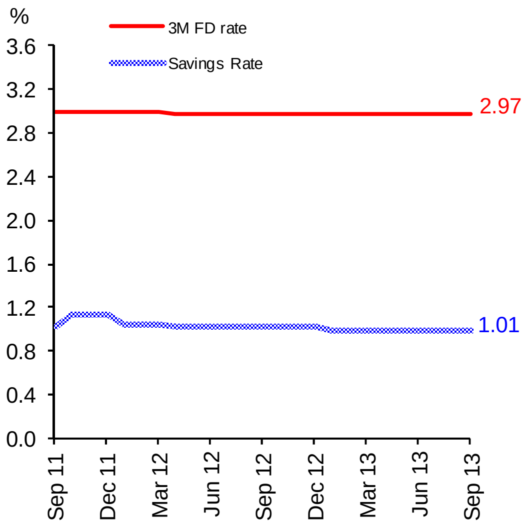


Source: Bank Negara Malaysia



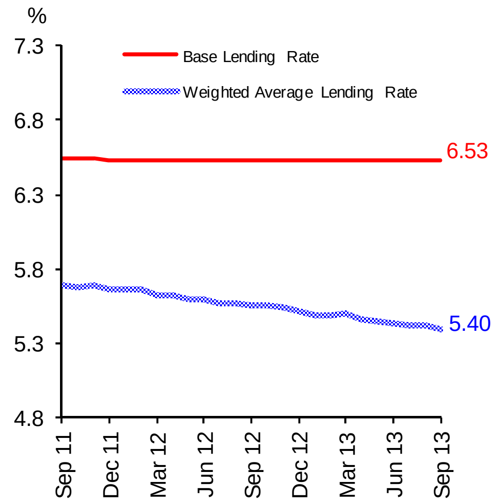
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

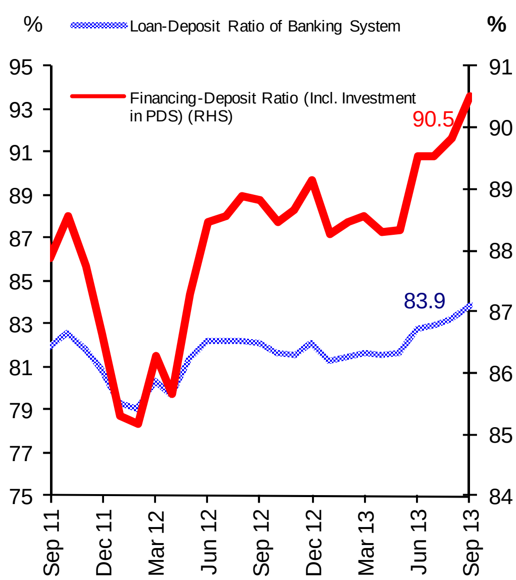
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

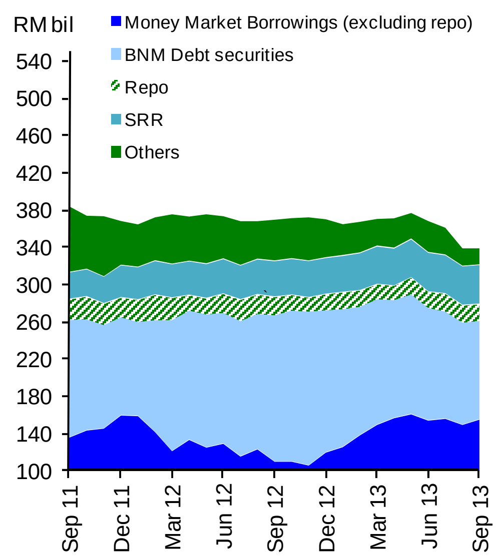
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

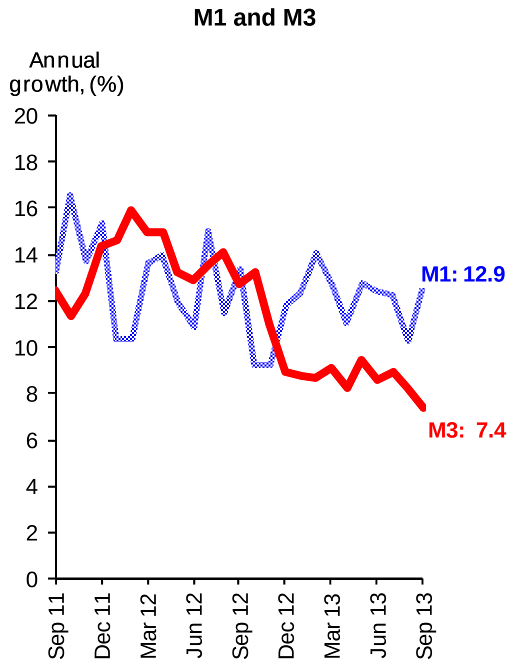
Outstanding Liquidity Placed With Bank Negara Malaysia



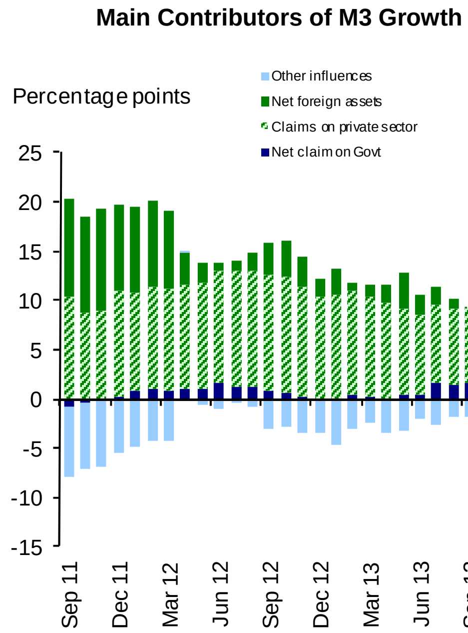
* Money Market Borrowings (excluding repo) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)

Source: Bank Negara Malaysia

Broad money growth moderated

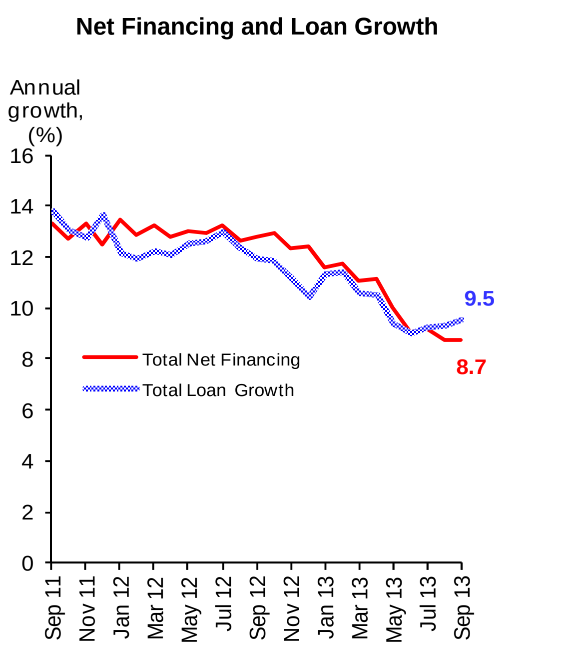


Source: Bank Negara Malaysia



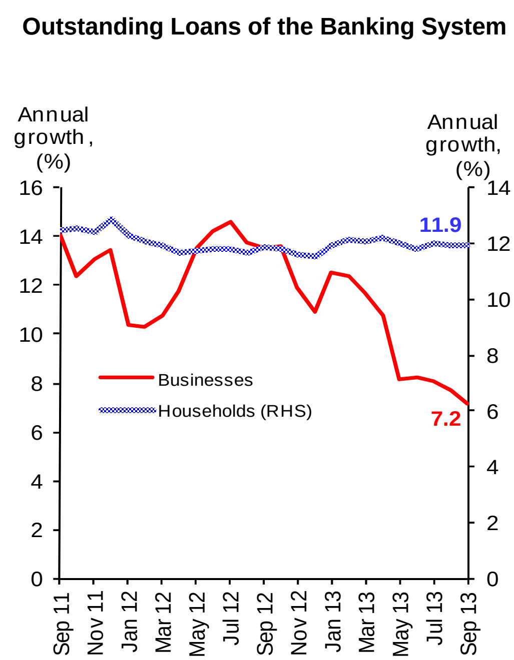
Source: Bank Negara Malaysia

Growth in overall financing activity was stable in September



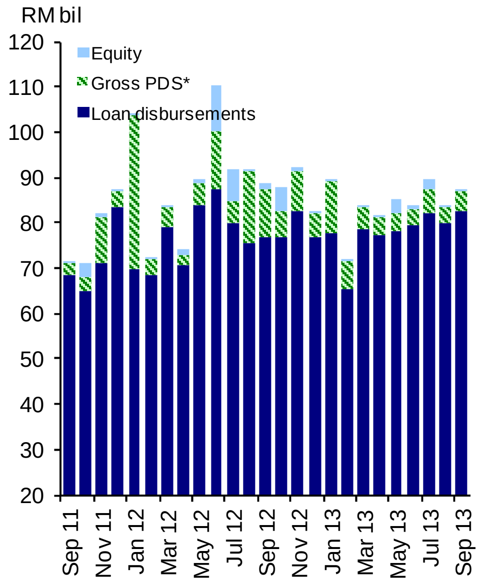
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non- residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

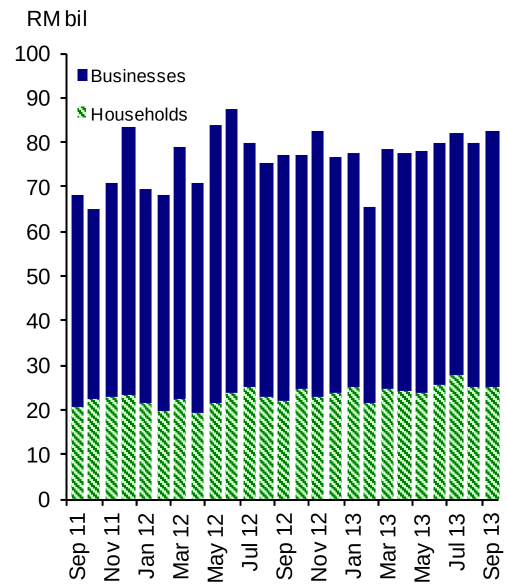
Gross Private Sector Financing



* Excludes foreign issuances

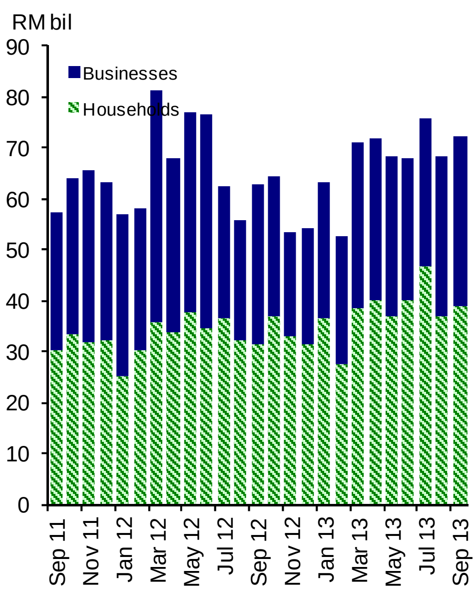
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



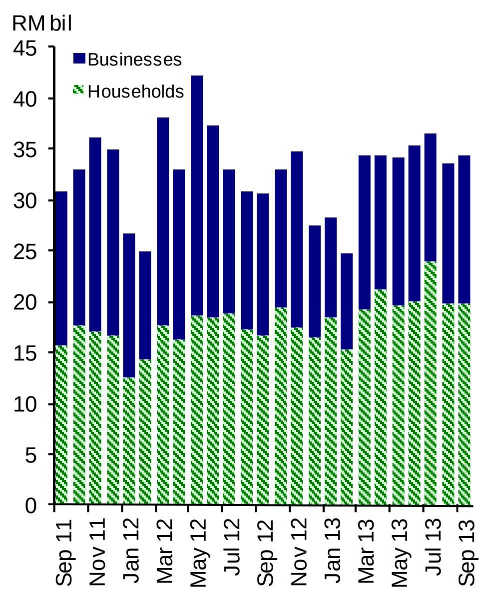
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

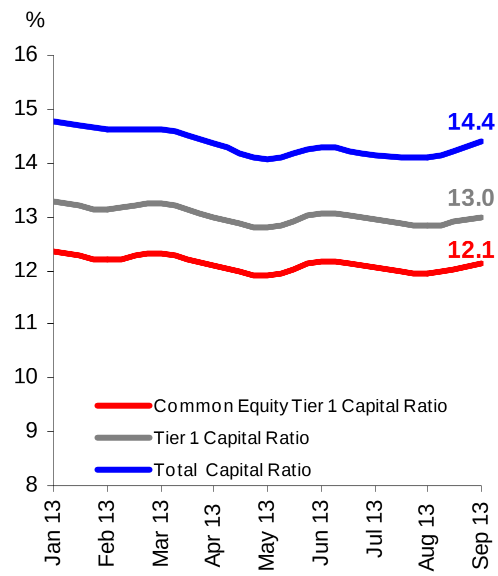
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality

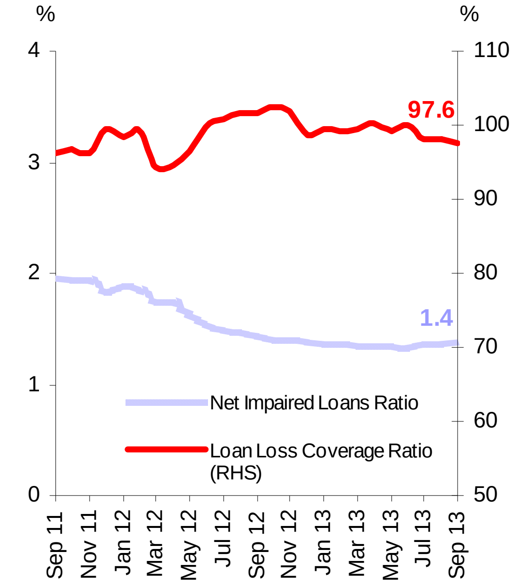
Capital Strength



* 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



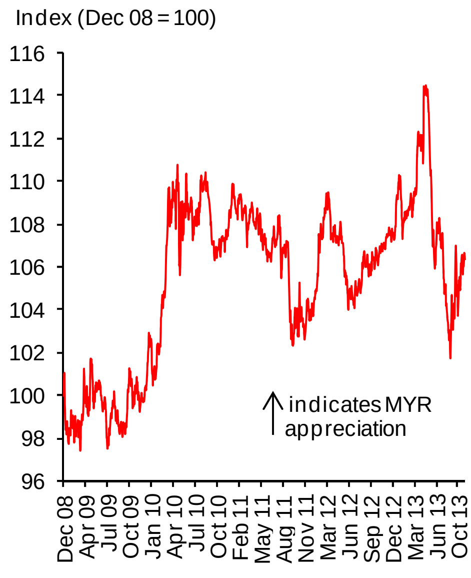
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

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

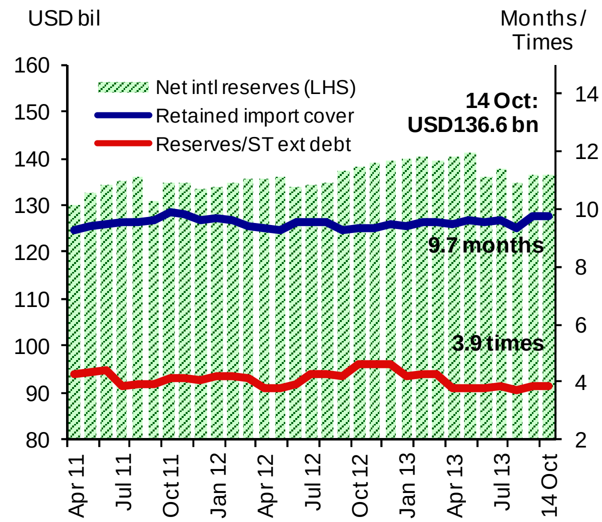
Index of Ringgit Performance against Major Trade Partners*



* 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

		Jul 13		Aug 13		Sep 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		114.1	12.4	112.9	8.7	112.7	9.6
M1		304.2	12.3	300.0	10.3	309.7	12.9
M2		1,415.0	9.5	1,416.7	8.6	1,421.9	8.0
M3		1,430.6	8.9	1,434.0	8.3	1,437.0	7.4
Banking System							
Net financing[1]		1,562.9	9.2	1,570.3	8.7	1,585.5	8.7
Loan-deposit ratio (%) [2]		82.9		83.2		83.9	
Financing-deposit ratio (%) [2&3]		89.5		89.8		90.5	
Loans applied (during the period)		76.0	21.3	66.9	19.7	71.3	13.1
Loans approved (during the period)		36.6	11.2	32.6	6.1	33.9	10.9
Loans disbursed (during the period)		82.1	2.8	80.0	6.2	82.6	7.4
Loans repaid (during the period)		77.9	0.7	72.6	-1.2	73.7	1.9
Banking System Health							
Total capital ratio (%) [4]		14.1		14.1		14.4	
Tier 1 capital ratio (%) [4]		12.9		12.8		13.0	
Common equity tier 1 capital ratio (%) [4]		12.1		12.0		12.1	
Net impaired loans ratio (%)		1.4		1.4		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		438.3		428.1		444.5	
Net Reserves in USD billion (equivalent)		137.8		134.8		136.5	
Months of retained imports		9.6		9.3		9.7	
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]		3.00 [2.98]		2.93 [2.98]	
	1-week	3.01 [3.01]		3.02 [3.01]		3.01 [3.01]	
	1-month	3.06 [3.06]		3.10 [3.07]		3.07 [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		5.42		5.42		5.40	
Prices							
Consumer Price Index (CPI) (2010=100)		106.9	2.0	107.0	1.9	107.9	2.6

[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