BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 09/13/10

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MONETARY AND FINANCIAL DEVELOPMENTS
August 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was slightly lower at 1.9% in August 2013 (July: 2.0%). Inflation in the *food and non-alcoholic beverages* category moderated to 3.6% during the month (July: 3.9%) due to the festive season price control scheme which led to slower price increases in the *fresh chicken* and *fresh vegetables* sub-categories. The *transport* category also recorded lower inflation of 0.6% during the month (July: 0.9%) as the impact of upward adjustment on the price of RON97 petrol in August 2012 wore off.

Monetary Conditions: Interbank rates were stable in August. 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 8.3% in August. Net portfolio outflows during the month contributed to the slower expansion in M3. Net financing to the private sector grew at a slower pace of 8.7% in August due to a moderation in the growth of net issuances of private debt securities (PDS) amid stable growth in outstanding loans of the banking system. Although the growth of business loans outstanding moderated during the month, the level of loans disbursed to businesses remained high compared to previous months. The growth of household loans outstanding was stable. Overall loan demand was slightly lower due to lower loan applications from the household 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 14.1% 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 August, the ringgit depreciated against the currencies of Malaysia's major trading partners. The ringgit and most regional currencies depreciated against the US dollar with the growing expectations of a tapering of monetary accommodation by the US Federal Reserve. This prompted a significant outflow of funds from regional financial markets. In September, the ringgit appreciated against the currencies of Malaysia's major trading partners as market participants factored in the delay in the tapering operations by the US Federal Reserve. The international reserves of Bank Negara Malaysia stood at RM429.2 billion (equivalent to USD135.1 billion) as at 13 September 2013, sufficient to finance 9.3 months of retained imports and are 3.8 times the short-term external debt.

Bank Negara Malaysia
30 September 2013

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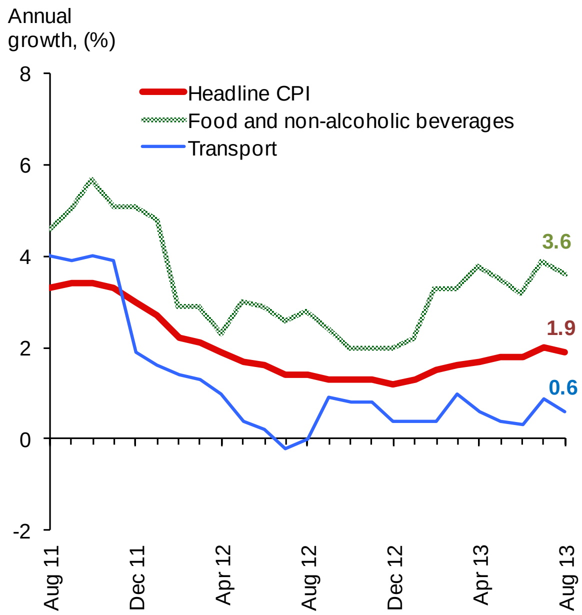
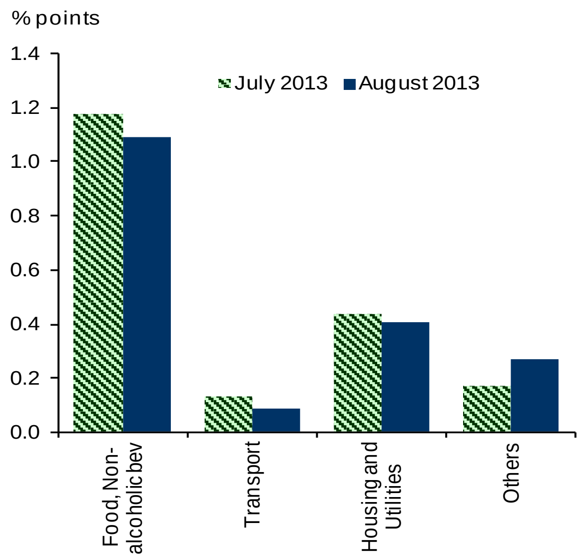
Headline inflation moderated slightly in August

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

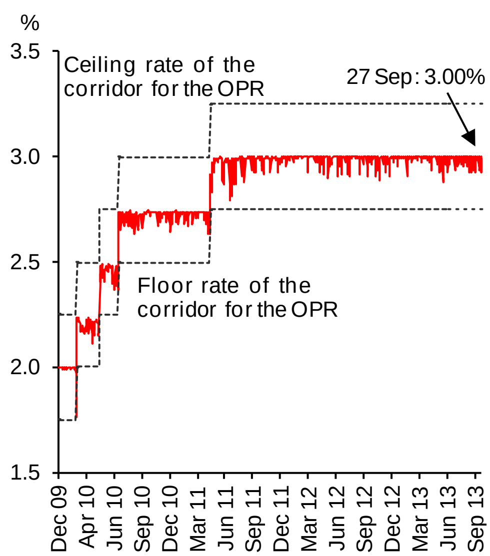


* Others include *restaurants and hotels; recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear* and *miscellaneous goods and services.*

Source: Bank Negara Malaysia

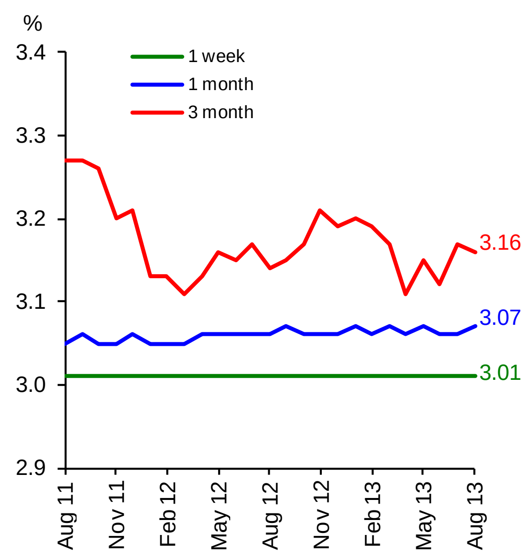
Interest rates remained stable

Average Overnight Interbank Rate



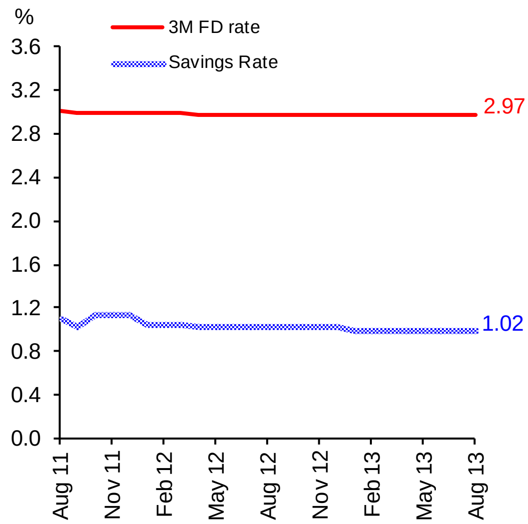
Source: Bank Negara Malaysia

Average Interbank Rates



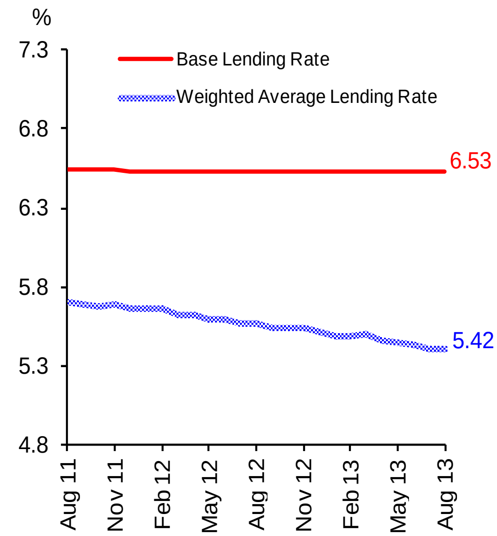
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

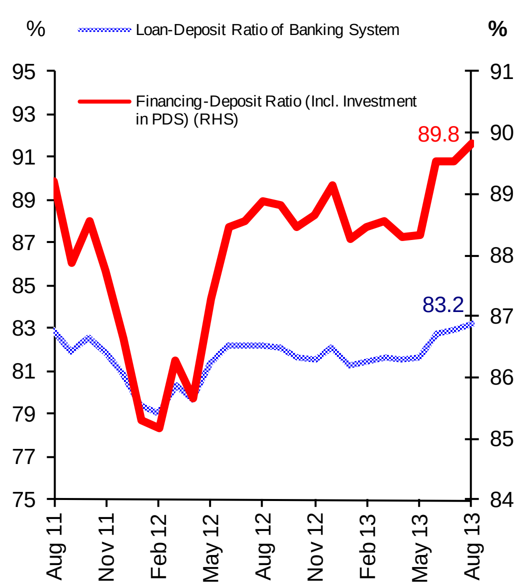
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

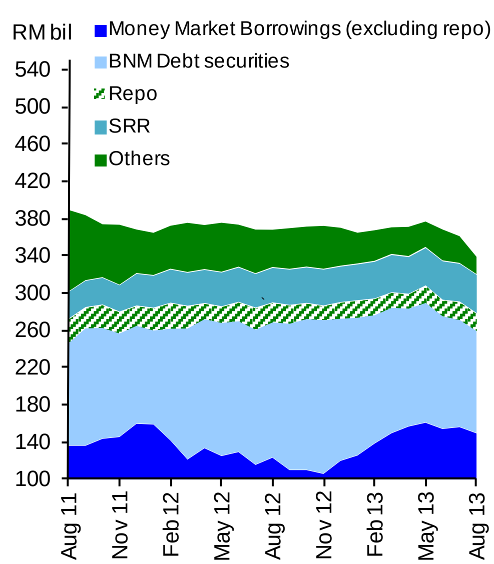
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

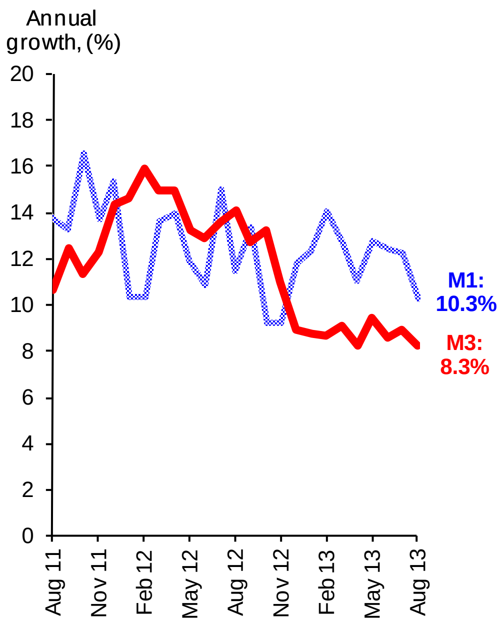


* Money Market Borrowings (excluding repo) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)

Source: Bank Negara Malaysia

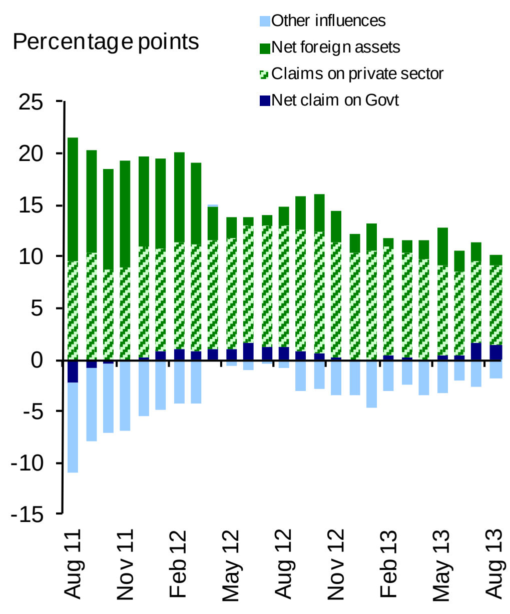
Broad money growth moderated

M1 and M3



Source: Bank Negara Malaysia

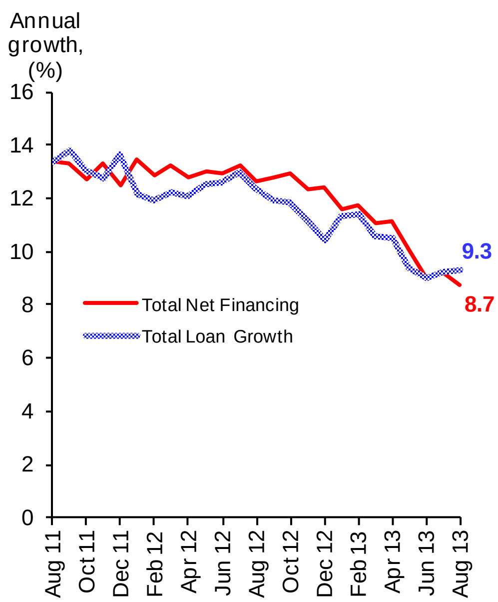
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity grew at a slower pace in August

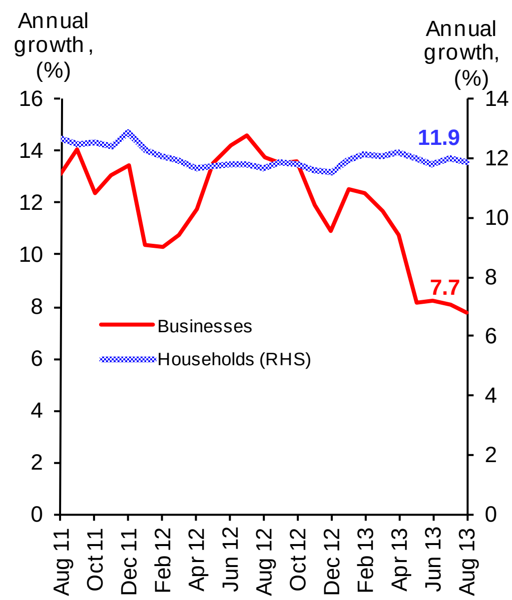
Net Financing and Loan Growth



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

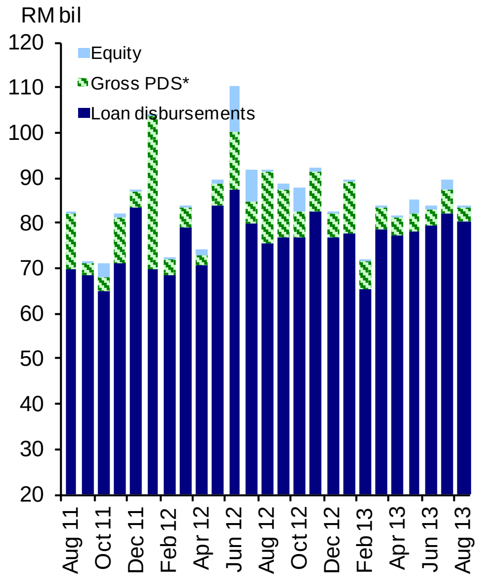
Source: Bank Negara Malaysia

Outstanding Loans of the Banking System



Source: Bank Negara Malaysia

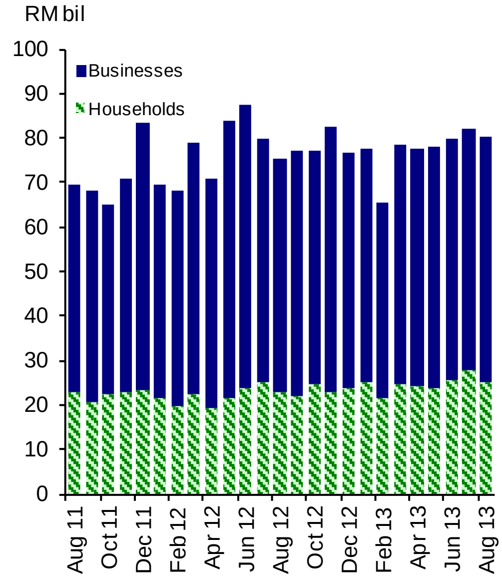
Gross Private Sector Financing



* Excludes foreign issuances

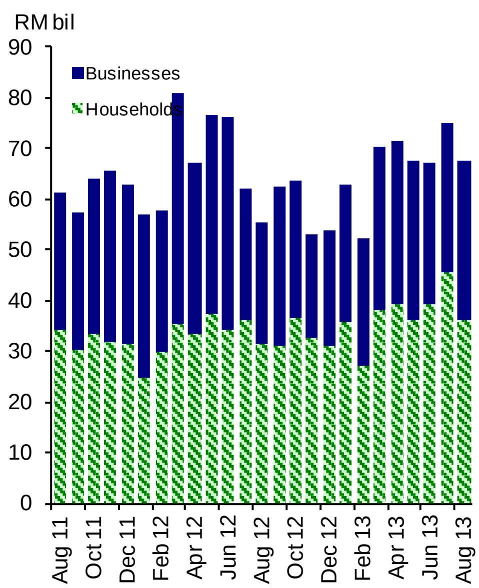
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



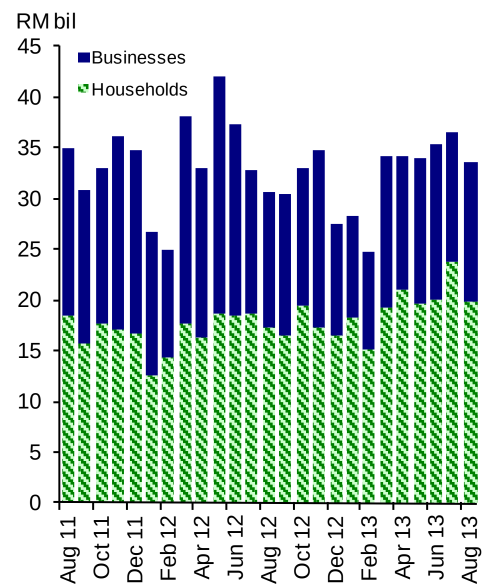
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

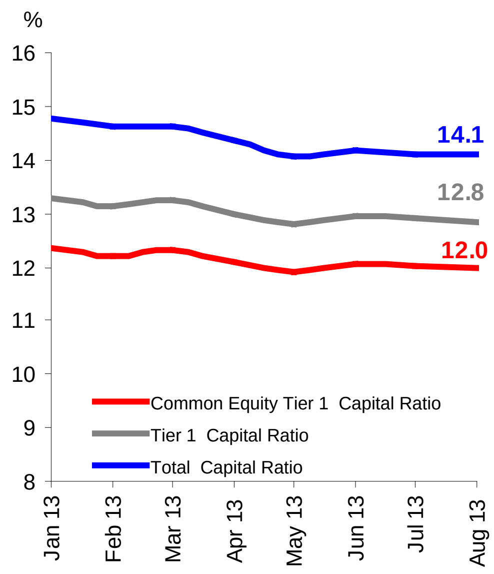
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality

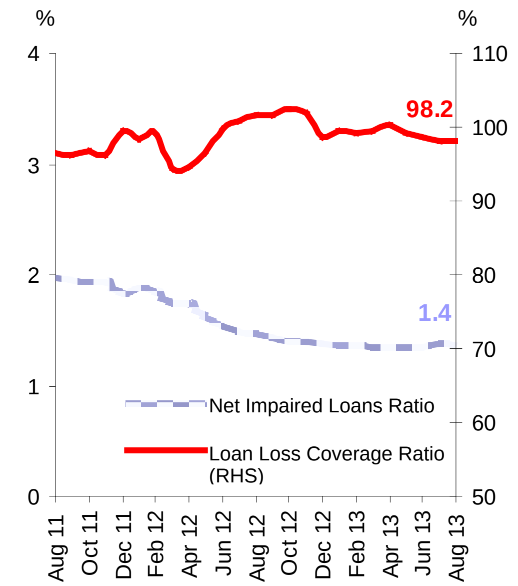
Capital Strength



* 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



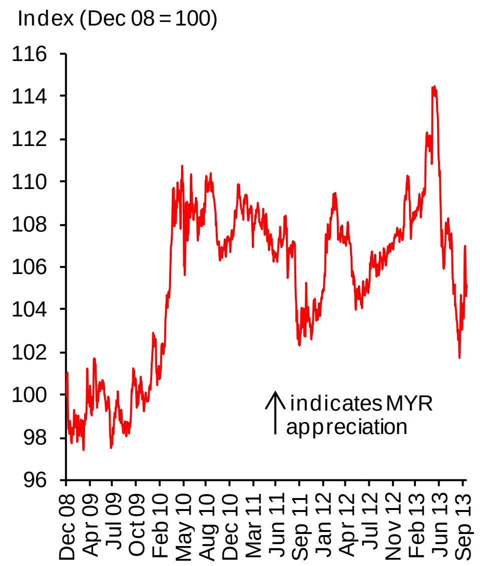
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

Ringgit depreciated against the currencies of Malaysia's major trading partners

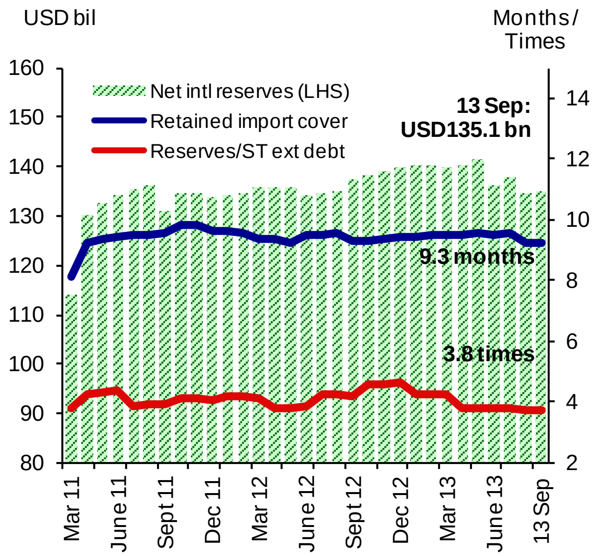
Index of Ringgit Performance against Major Trade Partners*



* 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

		Jun 13		Jul 13		Aug 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		111.7	10.8	114.1	12.4	112.9	8.7
M1		298.8	12.5	304.2	12.3	300.0	10.3
M2		1,404.0	9.0	1,415.0	9.5	1,416.7	8.6
M3		1,420.6	8.5	1,430.6	8.9	1,434.0	8.3
Banking System							
Net financing[1]		1,553.9	9.1	1,562.9	9.2	1,570.3	8.7
Loan-deposit ratio (%) [2]		82.7		82.9		83.2	
Financing-deposit ratio (%) [2&3]		89.5		89.5		89.8	
Loans applied (during the period)		68.2	-10.5	75.0	20.7	67.6	22.0
Loans approved (during the period)		35.4	-4.9	36.5	11.1	33.5	9.2
Loans disbursed (during the period)		79.7	-9.1	82.1	2.8	80.1	6.4
Loans repaid (during the period)		67.6	-10.0	77.9	0.7	73.9	0.6
Banking System Health							
Total capital ratio (%) [4]		14.2		14.1		14.1	
Tier 1 capital ratio (%) [4]		12.9		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		432.8		438.3		428.1	
Net Reserves in USD billion (equivalent)		136.1		137.8		134.8	
Months of retained imports		9.5		9.6		9.3	
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 [2.99]		3.00 [2.98]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.02 [3.01]	
	1-month	3.08 [3.06]		3.06 [3.06]		3.10 [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		5.43		5.42		5.42	
Prices							
Consumer Price Index (CPI) (2010=100)		106.7	1.8	106.9	2.0	107.0	1.9

[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