BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 08/13/10

EMBARGO: Not for publication or broadcast before 1700 hours on Friday, 30 August 2013

MONETARY AND FINANCIAL DEVELOPMENTS July 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 2.0% in July 2013 (June: 1.8%). Inflation in the *food and non-alcoholic beverages* category increased to 3.9% during the month (June: 3.2%) as strong demand during the festive period led to higher prices of *fresh chicken* and *fresh fish*. The *transport* category recorded higher inflation of 0.9% during the month (June: 0.3%).

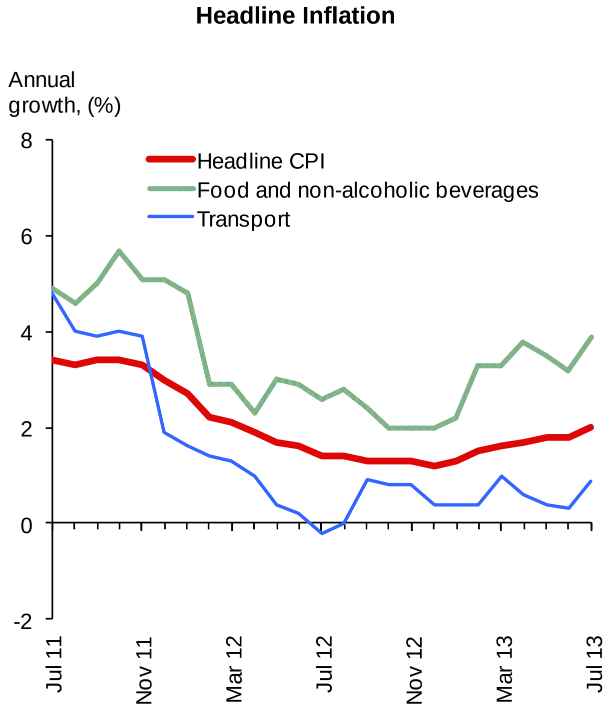
Monetary Conditions: Interbank rates were stable in July. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.53%. Retail deposit rates were also relatively stable during the period. Broad money or M3 growth increased to 8.9% in July. The year-on-year expansion in M3 was mainly on account of credit extension to the private sector by the banking system, growth in net foreign assets and higher net claims on the Government. Net financing to the private sector grew 9.2% in July. Growth in net issuances of private debt securities (PDS) and outstanding loans of the banking system both increased slightly. Loans outstanding to businesses grew at a stable pace relative to the previous month with loans extended mainly to the *wholesale and retail, restaurants and hotel; manufacturing,* and *construction* sectors. The growth of household loans outstanding was driven mainly by loans for the *purchase of cars* and for *credit card* facilities. Overall loan demand was sustained with higher loan applications, especially from the household sector.

Banking System: The banking system remained well capitalised with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 11.8%, 12.7% and 13.8% respectively. The level of net impaired loans continued to be stable at 1.4% of net loans, while the loan loss coverage remained well above 90%.

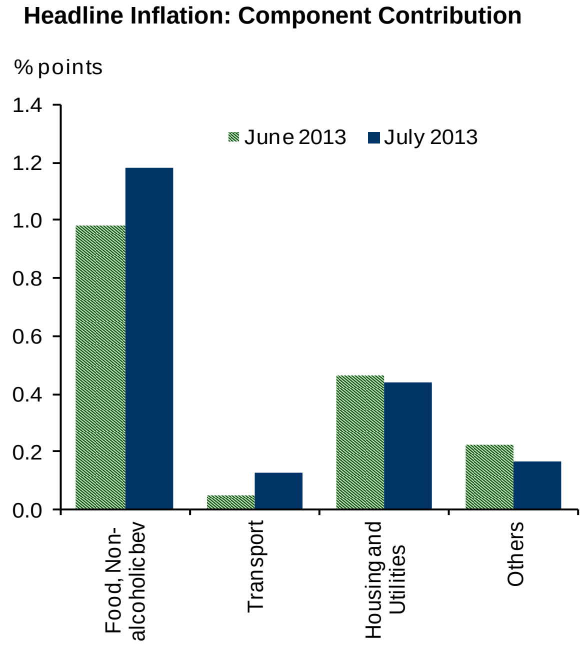
Exchange Rates and International Reserves: In July, the ringgit depreciated against the currencies of Malaysia's major trading partners. The ringgit and most regional currencies depreciated against the US dollar as discussions on the possibility of the tapering of monetary accommodation in the US resulted in a significant withdrawal of funds from regional financial markets. In August, the ringgit continued to depreciate against the currencies of Malaysia’s major trading partners. The international reserves of Bank Negara Malaysia stood at RM438.3 billion (equivalent to USD137.9 billion) as at 15 August 2013, sufficient to finance 9.6 months of retained imports. The reserve coverage of the short-term external debt is 3.8 times based on the latest short-term external debt position as at end-June 2013.

Bank Negara Malaysia
30 August 2013

Headline inflation increased in July



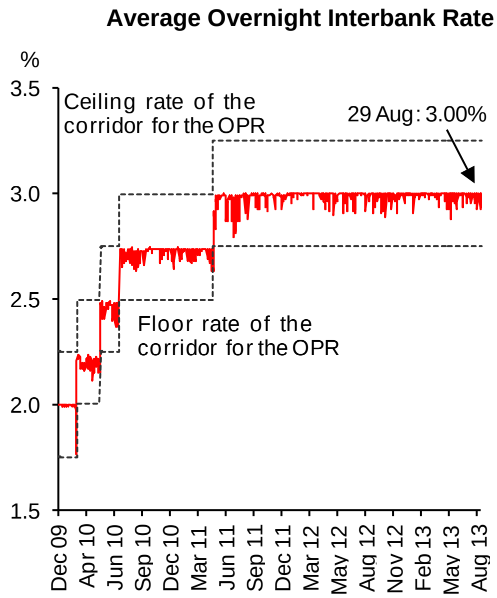
Source: Department of Statistics Malaysia



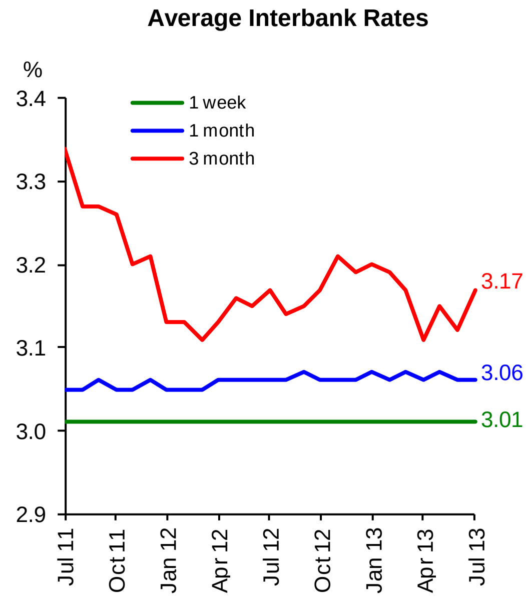
* Others include *restaurants and hotels; recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear* and *miscellaneous goods and services.*

Source: Bank Negara Malaysia

Interest rates remained stable

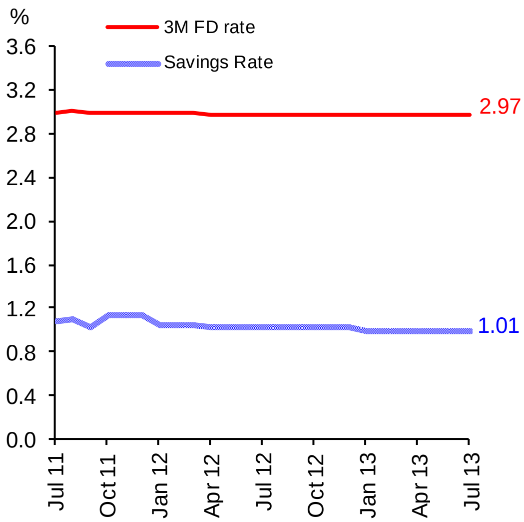


Source: Bank Negara Malaysia



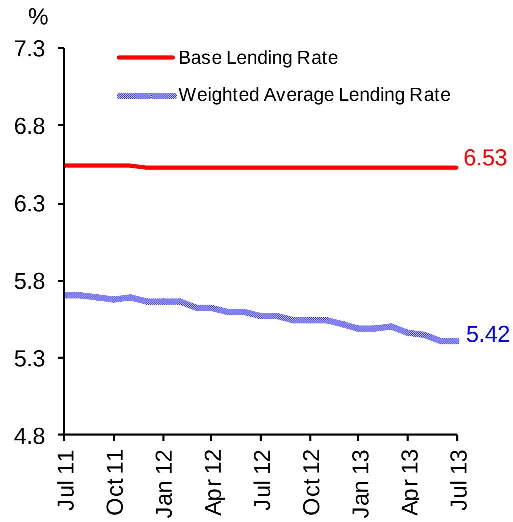
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

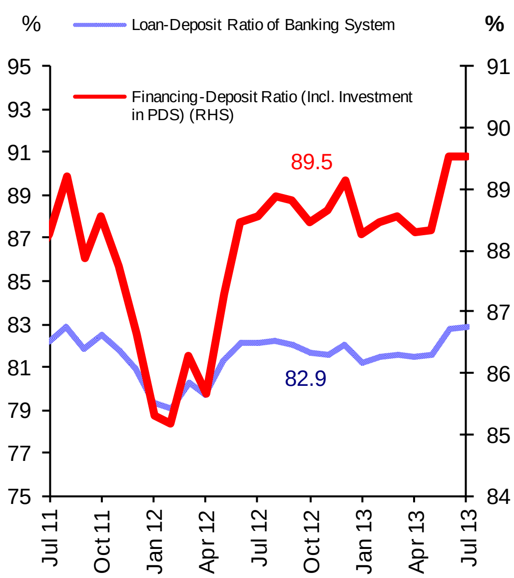
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

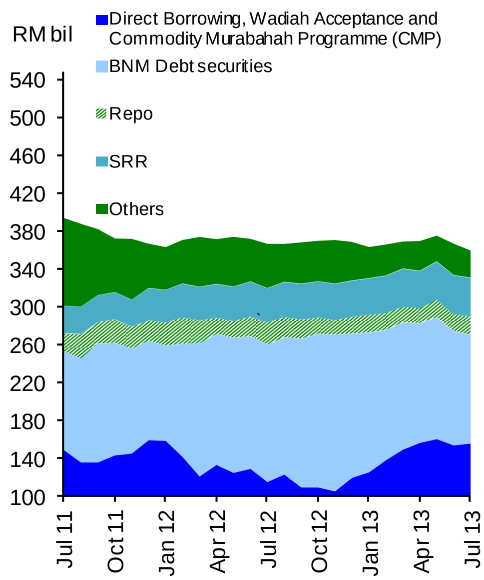
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

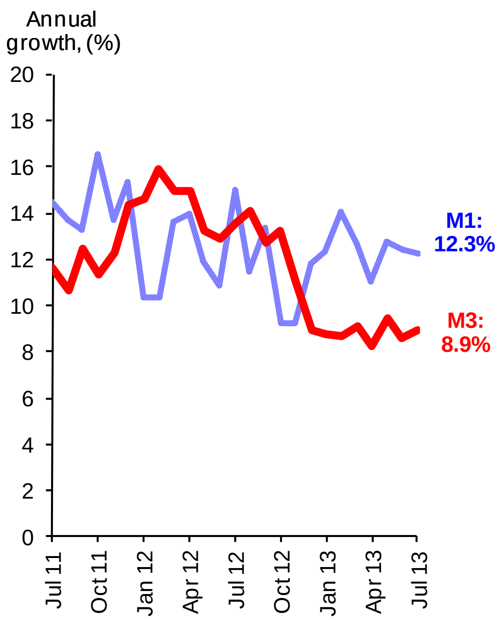
Outstanding Liquidity Placed With Bank Negara Malaysia



Source: Bank Negara Malaysia

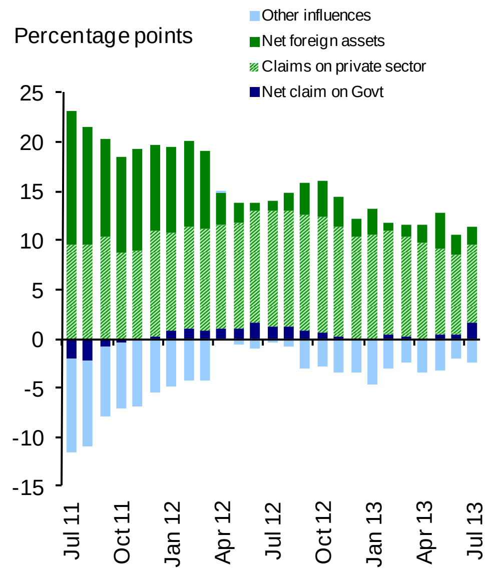
Broad money growth increased slightly

M1 and M3



Source: Bank Negara Malaysia

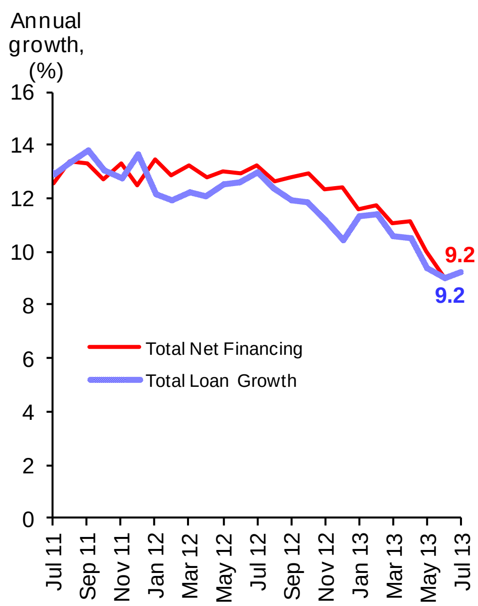
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity was sustained in July

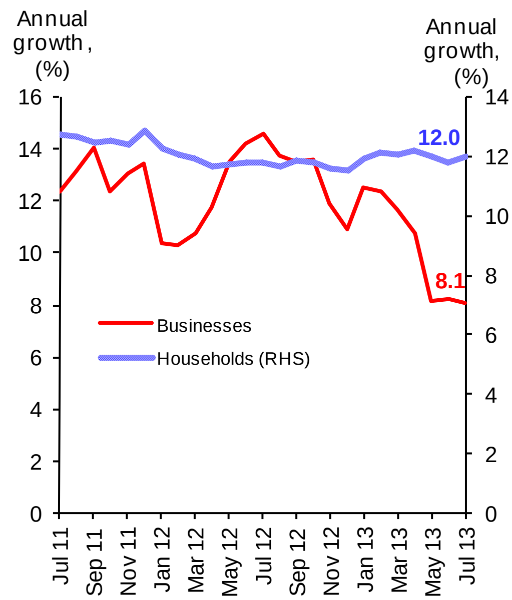
Net Financing and Loan Growth



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

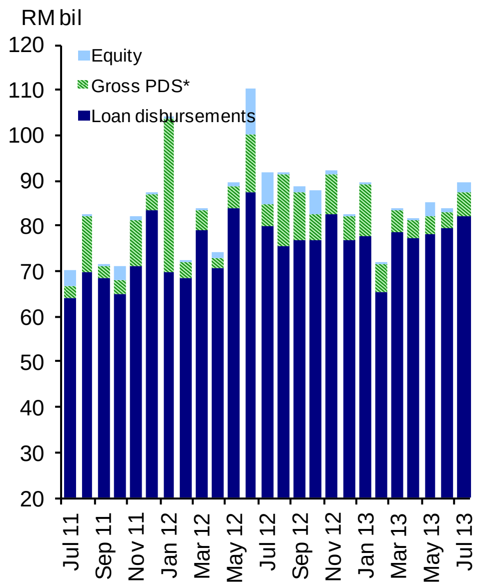
Source: Bank Negara Malaysia

Outstanding Loans of the Banking System



Source: Bank Negara Malaysia

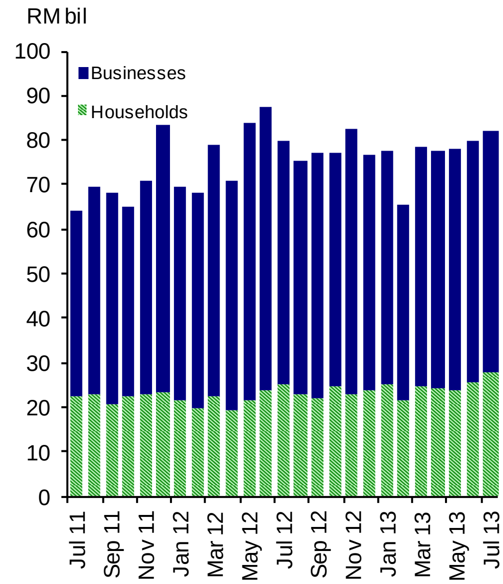
Gross Private Sector Financing



* Excludes foreign issuances

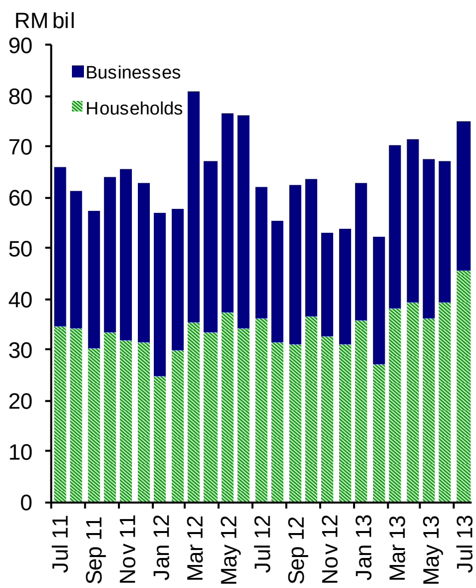
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



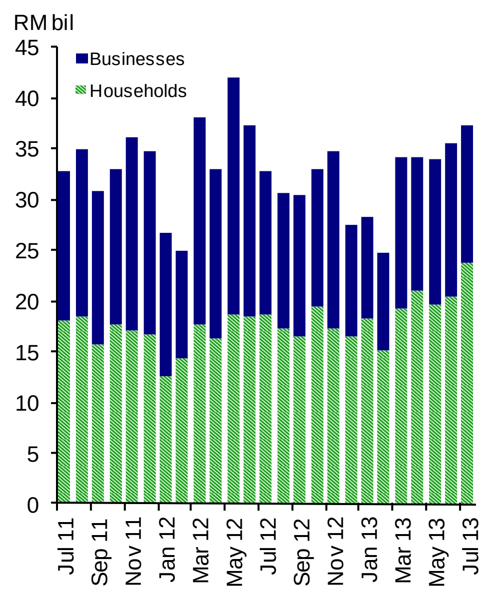
Source: Bank Negara Malaysia

Loan Applications with the Banking System



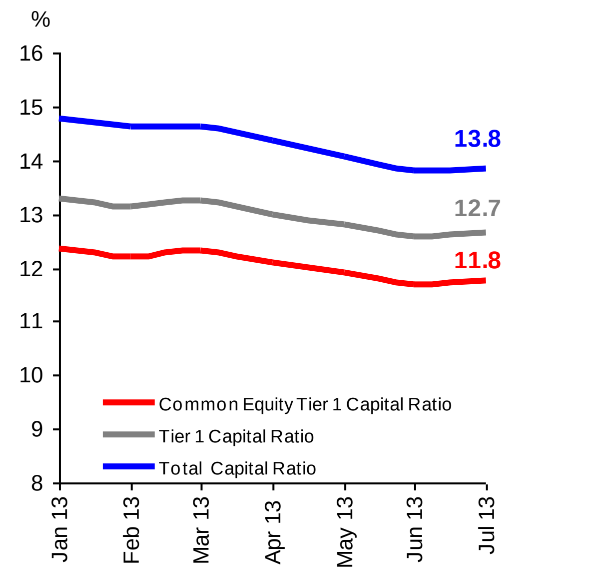
Source: Bank Negara Malaysia

Loan Approvals by the Banking System



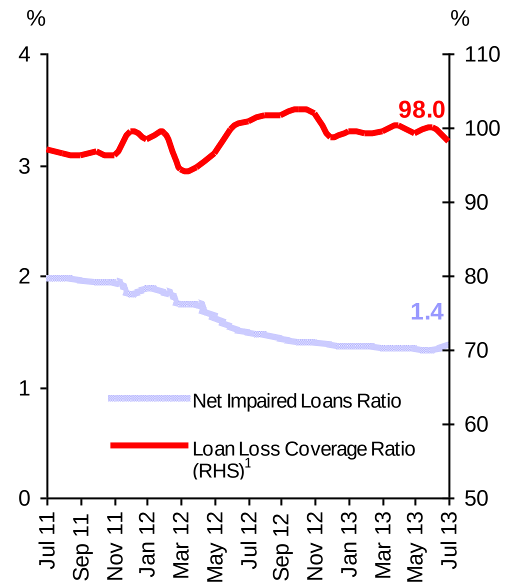
Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality



* Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework.

Source: Bank Negara Malaysia

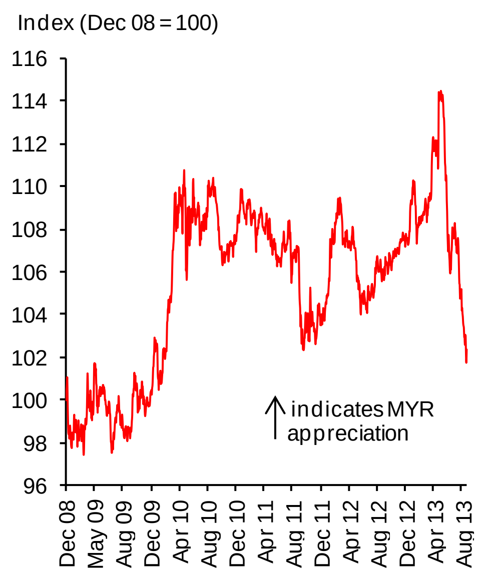


* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

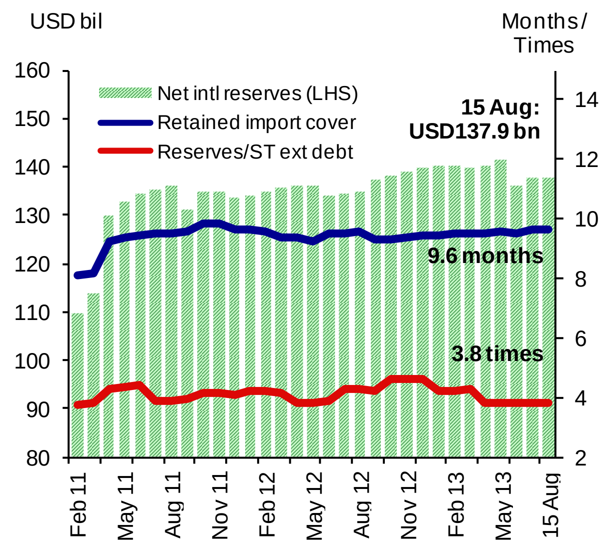
Source: Bank Negara Malaysia

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



* Currencies in the index: USD, CNY, SGD, JPY, EUR
Each currency carries equal weight

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

Key Monetary and Financial Statistics

		May 13		Jun 13		Jul 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		110.9	11.6	111.7	10.8	114.1	12.4
M1		295.6	12.8	298.8	12.5	304.2	12.3
M2		1,401.7	10.1	1,404.0	9.0	1,415.0	9.5
M3		1,420.4	9.5	1,420.6	8.5	1,430.6	8.9
Banking System							
Net financing[1]		1,538.5	10.0	1,553.9	9.1	1,562.9	9.2
Loan-deposit ratio (%) [2]		81.6		82.8		82.9	
Financing-deposit ratio (%) [2&3]		88.3		89.5		89.5	
Loans applied (during the period)		67.8	-11.5	67.4	-11.5	75.0	20.7
Loans approved (during the period)		34.1	-19.0	35.7	-4.3	37.4	13.9
Loans disbursed (during the period)		78.0	-7.1	79.7	-9.1	82.1	2.8
Loans repaid (during the period)		70.2	3.4	67.6	-10.0	77.9	0.7
Banking System Health							
Total capital ratio (%) [4]		14.1		13.8		13.8	
Tier 1 capital ratio (%) [4]		12.8		12.6		12.7	
Common equity tier 1 capital ratio (%) [4]		11.9		11.7		11.8	
Net impaired loans ratio (%)		1.4		1.3		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		436.8		432.8		438.3	
Net Reserves in USD billion (equivalent)		141.4		136.1		137.8	
Months of retained imports		9.6		9.5		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 [2.98]		3.00 [2.99]		3.00 [2.99]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.08 [3.07]		3.08 [3.06]		3.06 [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		5.45		5.43		5.42	
Prices							
Consumer Price Index (CPI) (2010=100)		106.6	1.8	106.7	1.8	106.9	2.0

[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