BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 07/13/10

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MONETARY AND FINANCIAL DEVELOPMENTS
June 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was stable at 1.8% in June 2013 (May: 1.8%). Inflation in the *alcoholic beverages and tobacco* category was higher at 4.2% during the month (May: 1.9%), due to upward adjustments in the prices of *cigarettes*. This was, however, offset by lower inflation in the *food and non-alcoholic beverages* category, which moderated to 3.2% (May: 3.5%), following lower inflation in the *meat* and *vegetables* sub-categories.

Monetary Conditions: Interbank rates were stable in June. 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, the growth in broad money or M3 moderated to 8.5% in June. The slower expansion in M3 was driven by a more modest expansion in credit extended by the banking system to the private sector and a more moderate increase in net foreign assets, due in part to net portfolio outflows during the month. Net financing to the private sector grew at a slower pace of 9.1% in June due to a moderation in the growth of both net issuances of private debt securities (PDS) and outstanding loans of the banking system. The growth of business loans outstanding remained stable during the month with loans extended mainly to the *finance, insurance and business services; education, health and others; agriculture* and *transportation, storage and communication* sectors. Loans outstanding to households, however, grew at a more moderate pace. Overall loan demand remained strong with sustained loan applications from both the business and household sectors.

Banking System: The banking system remained well-capitalised under the Basel III Capital Adequacy Framework with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 11.7%, 12.6% and 13.8%, respectively. The level of net impaired loans improved at 1.3% of net loans, while the loan loss coverage remained at above 90%.

Exchange Rates and International Reserves: In June, the ringgit depreciated against the currencies of Malaysia's major trading partners. The ringgit, together with other regional currencies, depreciated during the month, as news of the possibility of the tapering of monetary accommodation in the US and concerns over China's growth trajectory led to a withdrawal of funds from regional financial markets. In July, the ringgit continued to depreciate further against the currencies of Malaysia's major trading partners, with the exception of the Japanese yen, against which the ringgit appreciated. The international reserves of Bank Negara Malaysia stood at RM438.7 billion (equivalent to USD137.9 billion) as at 15 July 2013, sufficient to finance 9.6 months of retained imports and are 4.3 times the short-term external debt.

Bank Negara Malaysia
31 July 2013

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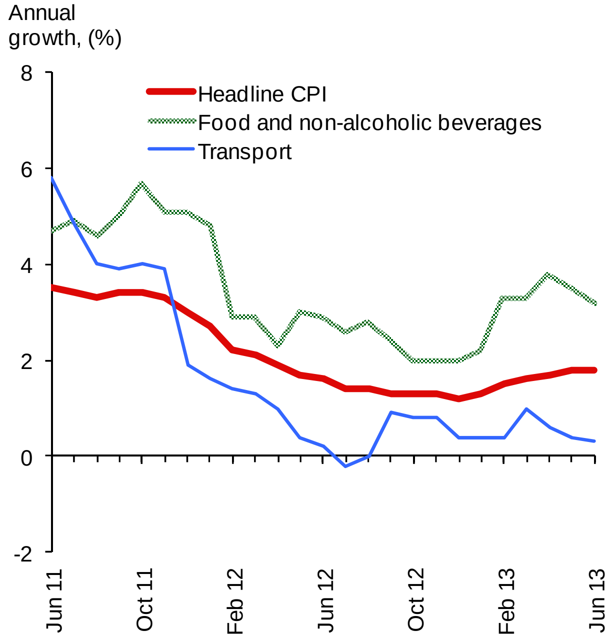
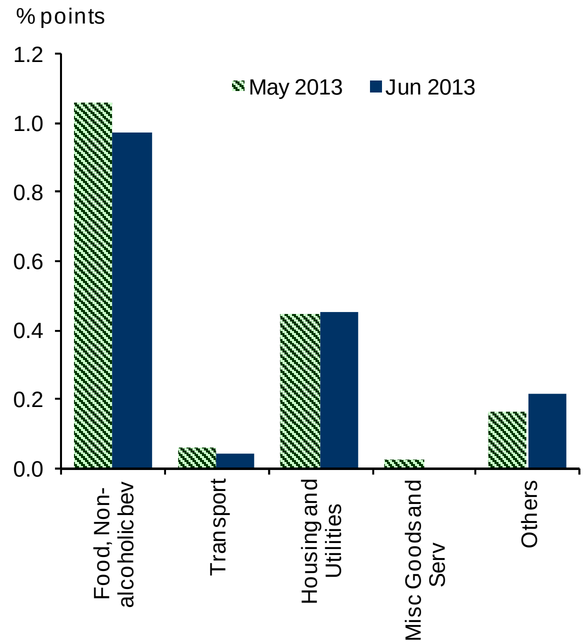
Headline inflation was stable

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

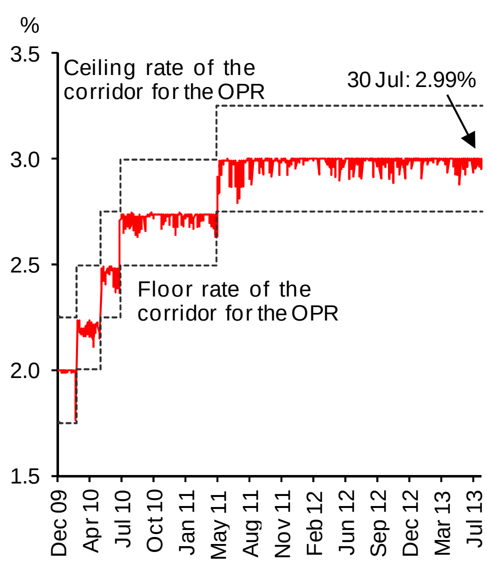


* Others includes *recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication;* and *clothing and footwear*

Source: Bank Negara Malaysia

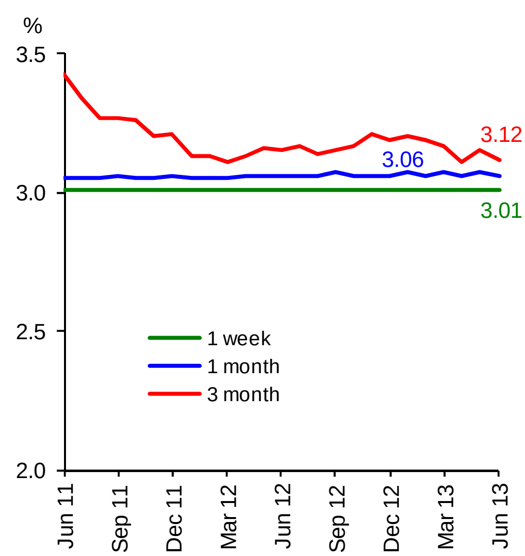
Interest rates remained stable

Average Overnight Interbank Rate



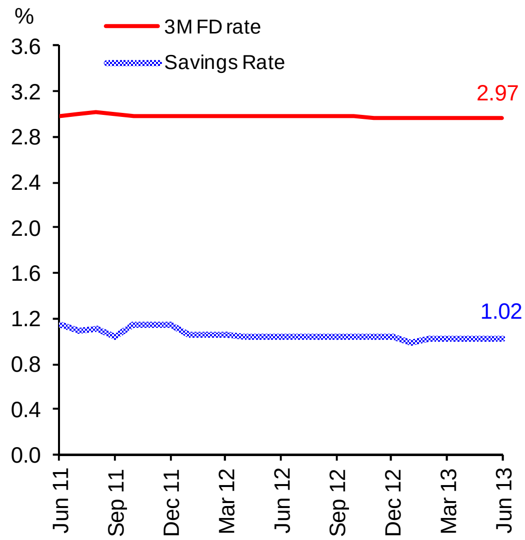
Source: Bank Negara Malaysia

Average Interbank Rates



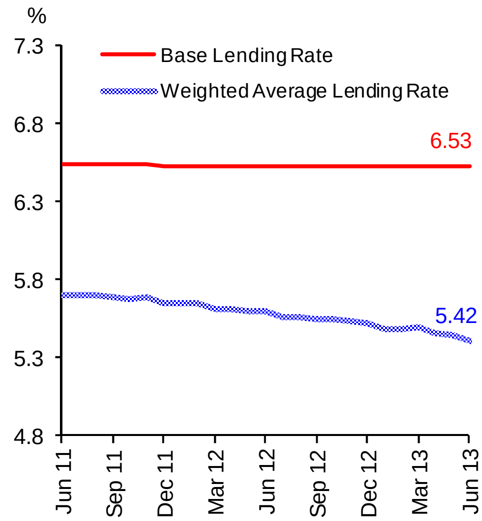
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

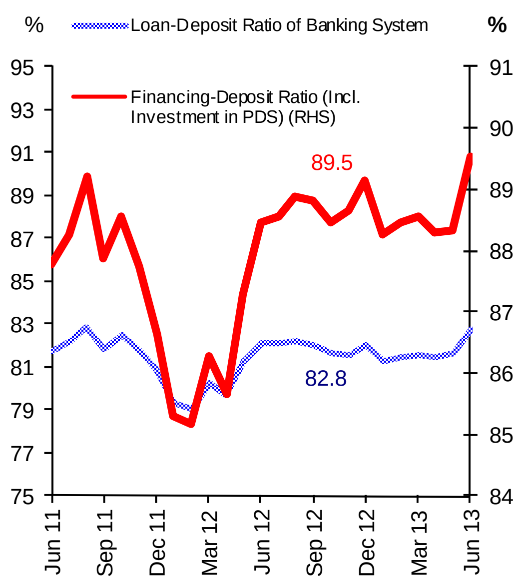
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

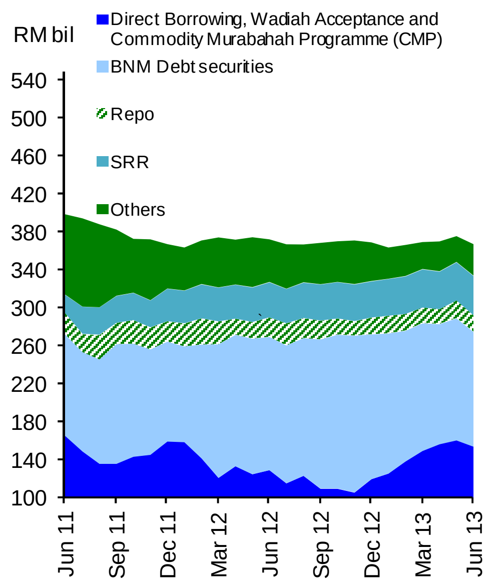
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

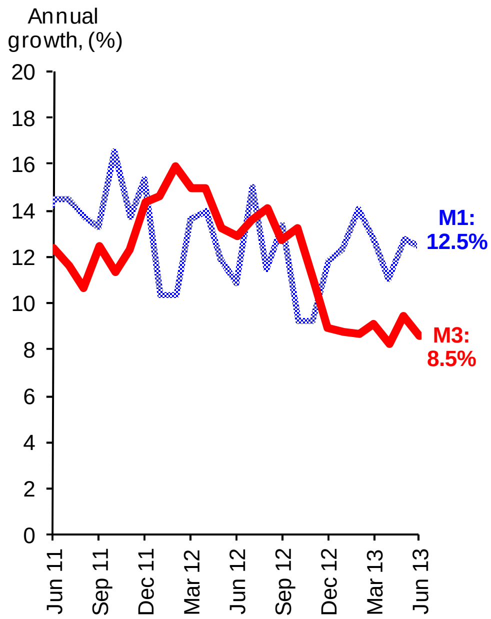
Outstanding Liquidity Placed With Bank Negara Malaysia



Source: Bank Negara Malaysia

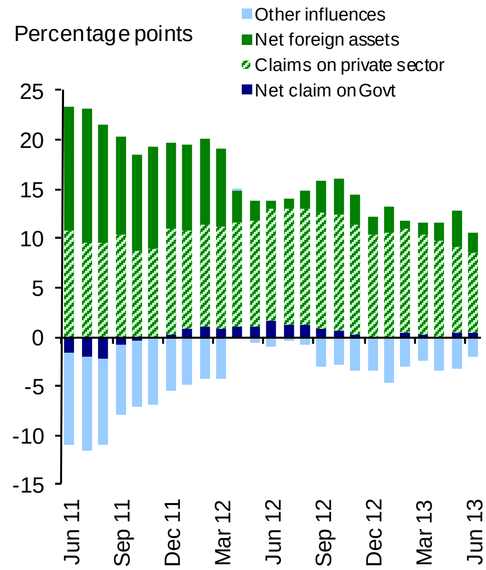
Broad money growth moderated

M1 and M3



Source: Bank Negara Malaysia

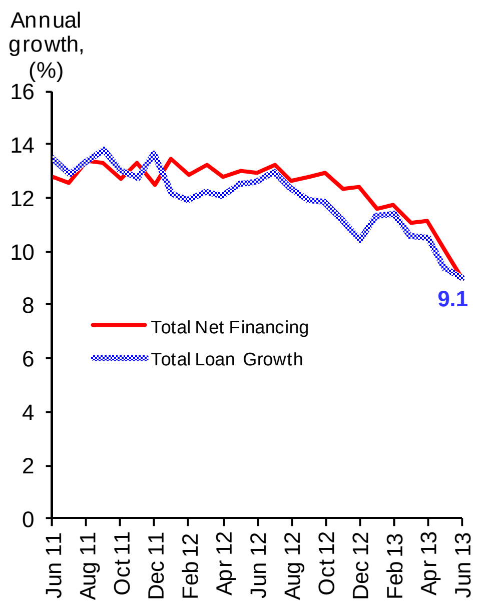
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity moderated

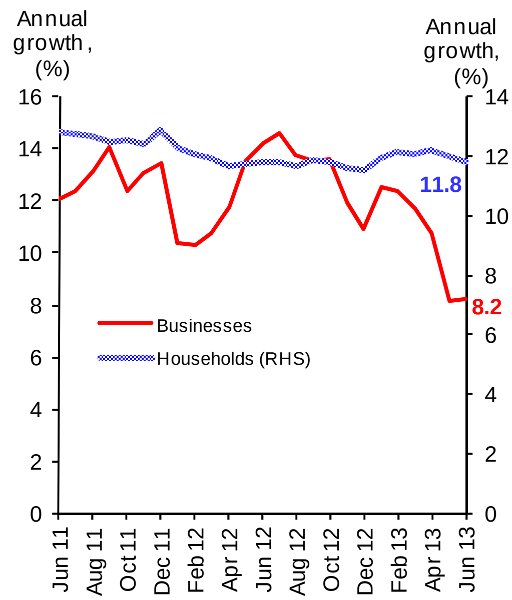
Net Financing and Loan Growth



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

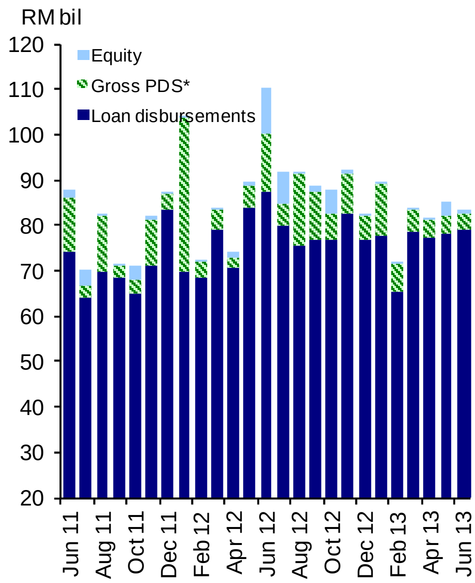
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

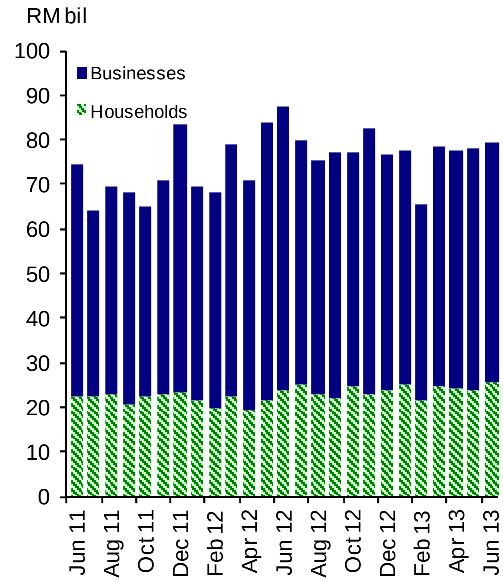
Gross Private Sector Financing



* Excludes foreign issuances

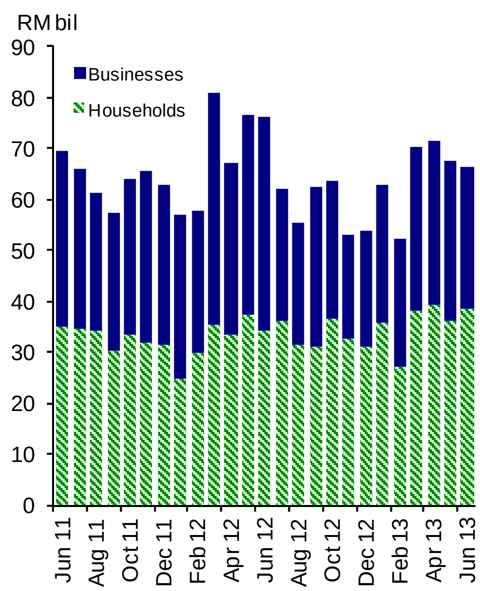
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



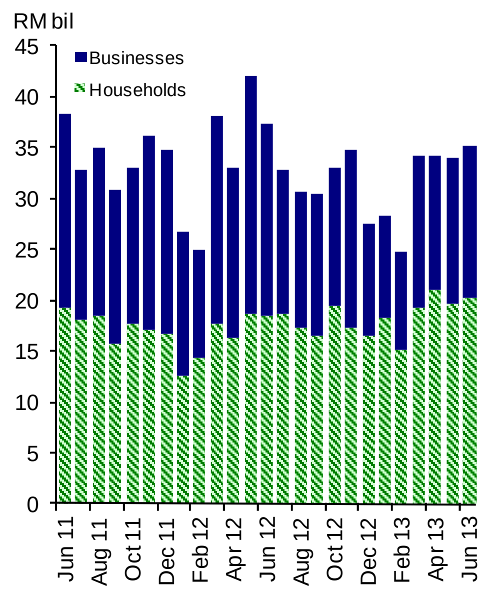
Source: Bank Negara Malaysia

Loan Applications with the Banking System



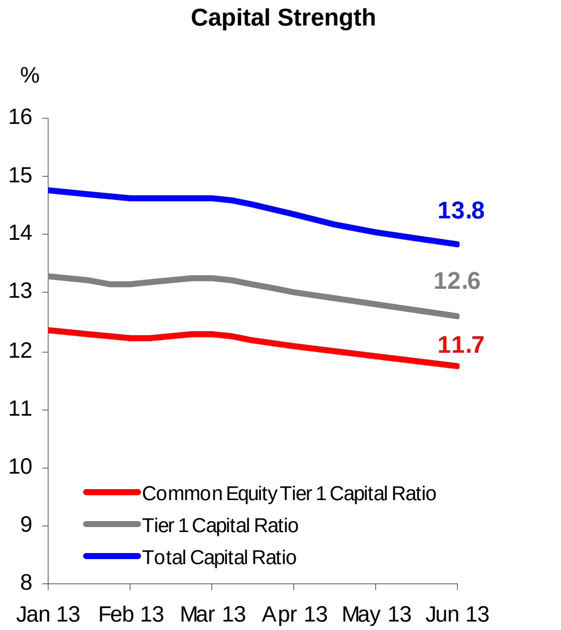
Source: Bank Negara Malaysia

Loan Approvals by the Banking System



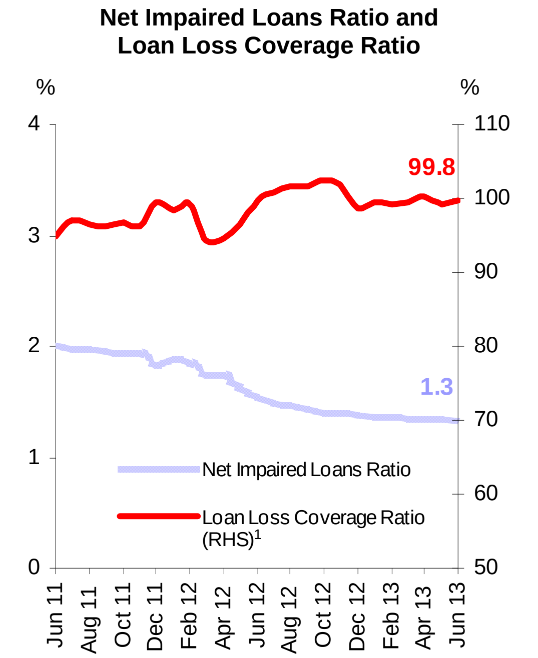
Source: Bank Negara Malaysia

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

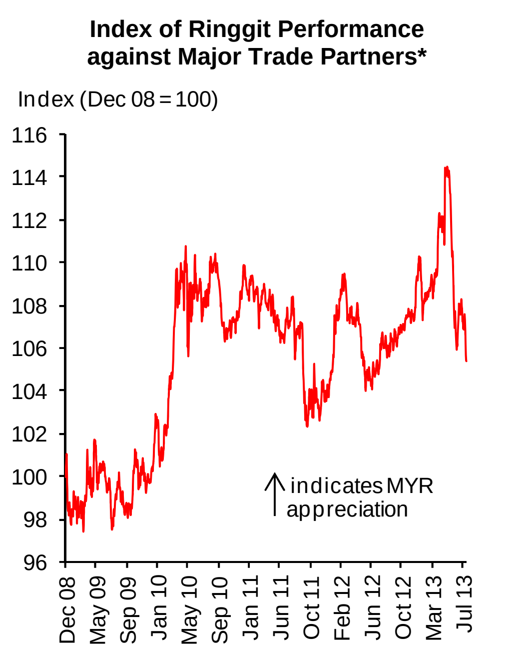


* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

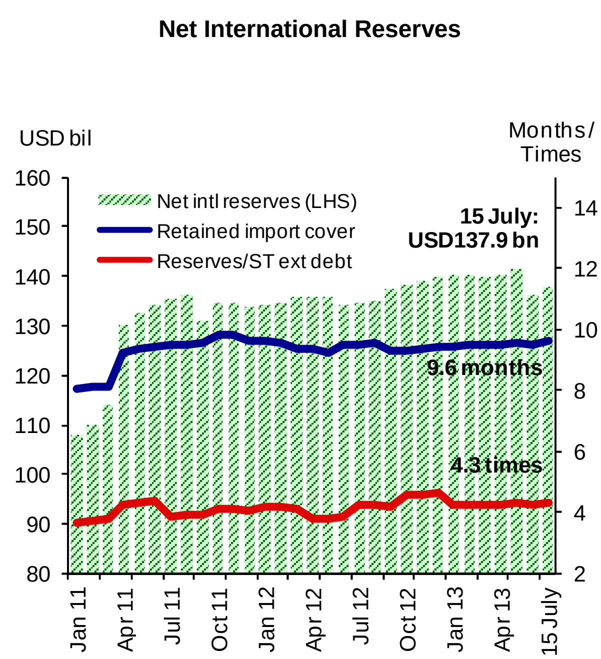
Source: Bank Negara Malaysia

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

		Apr 13		May 13		Jun 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		110.6	11.2	110.9	11.6	111.7	10.8
M1		292.5	11.1	295.6	12.8	298.8	12.5
M2		1,386.1	8.9	1,401.7	10.1	1,404.0	9.0
M3		1,405.6	8.2	1,420.4	9.5	1,420.6	8.5
Banking System							
Net financing[1]		1,529.8	11.1	1,538.5	10.0	1,553.9	9.1
Loan-deposit ratio (%) [2]		81.5		81.6		82.8	
Financing-deposit ratio (%) [2&3]		88.3		88.3		89.5	
Loans applied (during the period)		71.4	5.9	67.8	-11.5	66.2	-13.0
Loans approved (during the period)		34.2	7.3	34.1	-19.0	35.2	-5.5
Loans disbursed (during the period)		77.5	9.4	78.0	-7.1	79.2	-9.5
Loans repaid (during the period)		74.6	9.5	70.2	3.4	67.2	-10.6
Banking System Health							
Total capital ratio (%) [4]		14.3		14.1		13.8	
Tier 1 capital ratio (%) [4]		13.0		12.8		12.6	
Common equity tier 1 capital ratio (%) [4]		12.1		11.9		11.7	
Net impaired loans ratio (%)		1.4		1.4		1.3	
BNM International Reserves (end-period)							
Net Reserves in RM billion		433.2		436.8		432.8	
Net Reserves in USD billion (equivalent)		140.3		141.4		136.1	
Months of retained imports		9.5		9.6		9.5	
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]		3.00 [2.99]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.06 [3.06]		3.08 [3.07]		3.08 [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		5.46		5.45		5.42	
Prices							
Consumer Price Index (CPI) (2010=100)		106.3	1.7	106.6	1.8	106.7	1.8

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