BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 06/13/05

EMBARGO: Not for publication or broadcast before 1700 hours on Friday, 28 June 2013

MONETARY AND FINANCIAL DEVELOPMENTS
May 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 1.8% in May 2013 (April: 1.7%). Inflation in the *housing, water, electricity, gas, and other fuels* category was higher (May: 2.0%, April: 1.3%), driven mainly by the *rental for apartment and condominium* sub-category. This, however, was partly offset by lower inflation in the *food and non-alcoholic beverages* category (May: 3.5%, April 3.8%) following the decline in prices of *fresh chicken* during the month.

Monetary Conditions: Interbank rates were stable in May. 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. The annual growth in broad money (M3) increased to 9.5% in May. The year-on-year expansion in M3 was mainly on account of net disbursements of loans to the private sector, net foreign inflows, and higher net claims on the Government. Net financing to the private sector grew at a slower pace of 10% in May due to a moderation in the growth of both outstanding loans of the banking system and net issuances of private debt securities (PDS). The growth of business loans outstanding moderated during the month following lower loan disbursements relative to the corresponding period in 2012, when loans disbursed to businesses were exceptionally high. Nevertheless, loans disbursed to businesses remained strong relative to previous months with more loans extended mainly to the *real estate; finance, insurance and business services; construction* and *manufacturing* sectors.

Loans outstanding to households continued to grow at a relatively stable pace of 12%. The overall loan demand remained robust with sustained loan applications from both business and household sectors.

Banking System: The banking system remained well-capitalised under the Basel III Capital Adequacy Framework with Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio of 11.9%, 12.8% and 14.1% respectively. The slight decline in Tier 2 Capital was due to the redemption of subordinated debt by a bank. The level of net impaired loans remained stable at 1.4% of net loans, while the loan loss coverage remained above 90%.

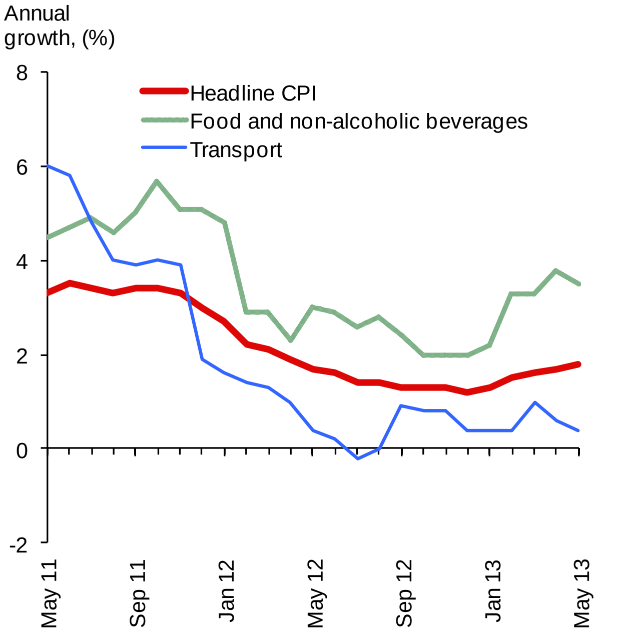
Exchange Rates and International Reserves: In May, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners. The ringgit depreciated against the Chinese renminbi, euro, and the US dollar, but appreciated against the Japanese yen and Singapore dollar. The ringgit initially strengthened against the US dollar as the earlier uncertainty surrounding the General Elections subsided. The ringgit, together with other regional currencies, however, depreciated towards the latter part of the month mainly due to the global market overreaction to uncertainties surrounding the continuity of the monetary accommodation in the US, which led to withdrawal of funds from regional financial markets. In June, the ringgit broadly depreciated against the currencies of Malaysia's major trading partners. The international reserves of Bank Negara Malaysia stood at RM435.0 billion (equivalent to USD140.8 billion) as at 14 June 2013, sufficient to finance 9.4 months of retained imports and is 4.3 times the short-term external debt.

Bank Negara Malaysia
28 June 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

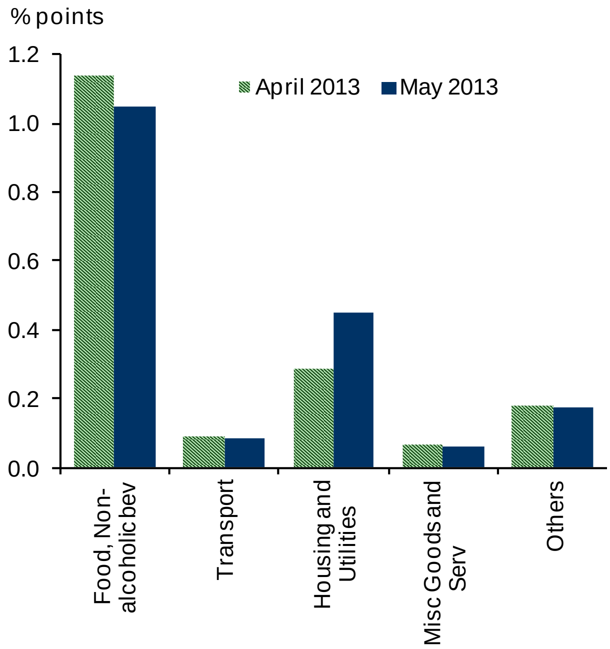
Headline inflation edged up in May

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

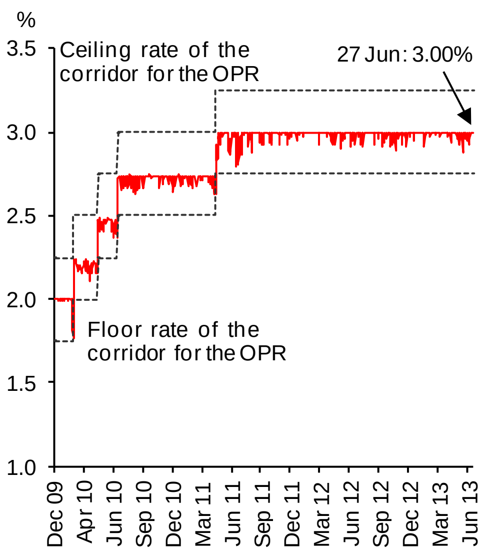


* Others includes *recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear;* and *miscellaneous goods and services*

Source: Bank Negara Malaysia

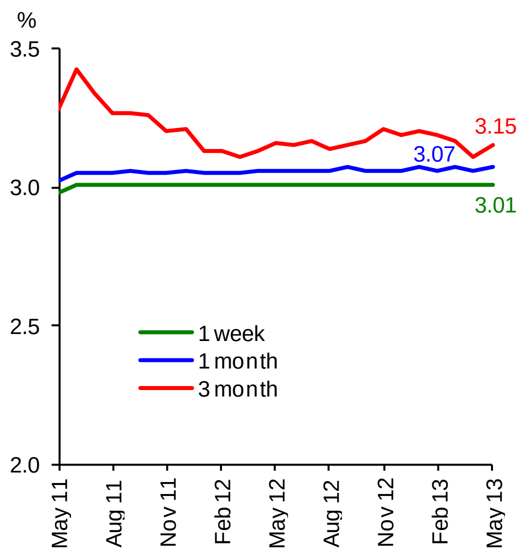
Interest rates remained stable

Average Overnight Interbank Rate



Source: Bank Negara Malaysia

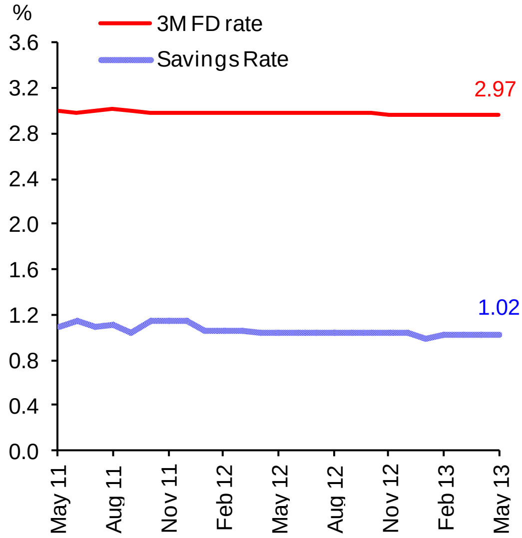
Average Interbank Rates



Source: Bank Negara Malaysia

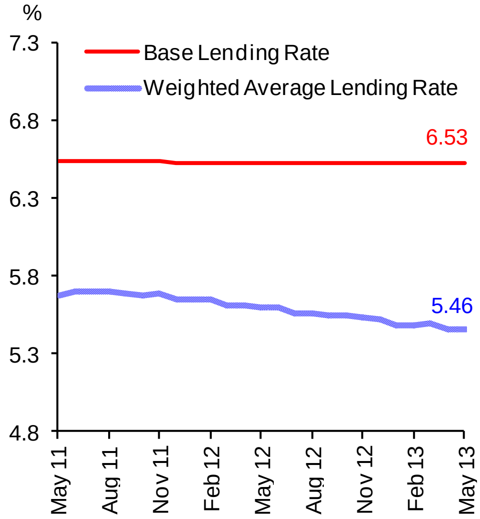
Diterbitkan oleh:
Jabatan Komunikasi Strategik, Tingkat 14, Blok B, Bangunan Bank Negara Malaysia,
Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
Telefon: +60(3) 2698 8044 Faksimili: +60(3) 2693 6919
Web: www.bnm.gov.my

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

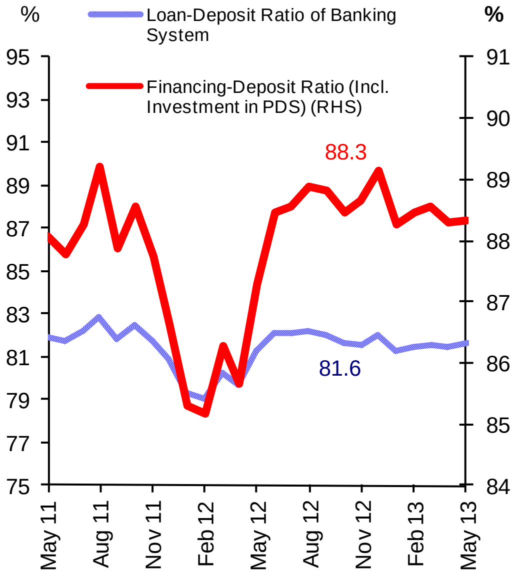
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

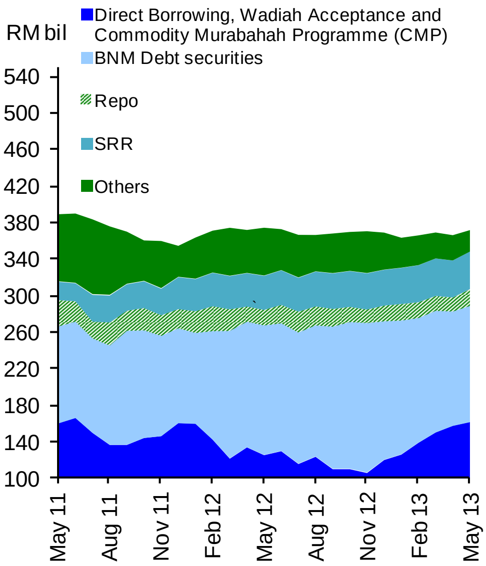
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

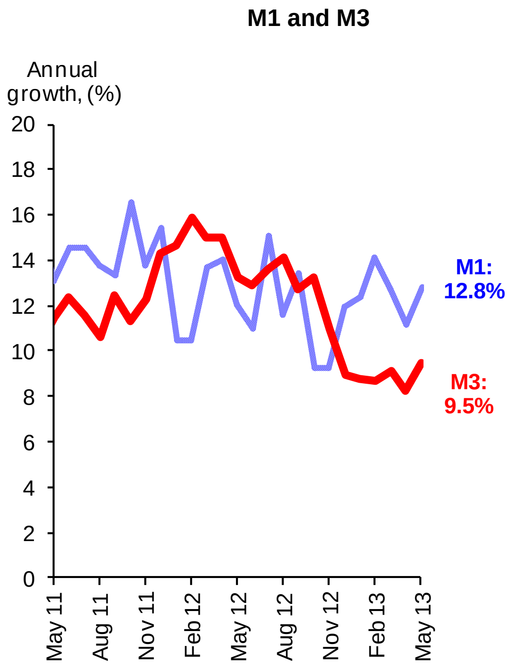
Outstanding Liquidity Placed With Bank Negara Malaysia



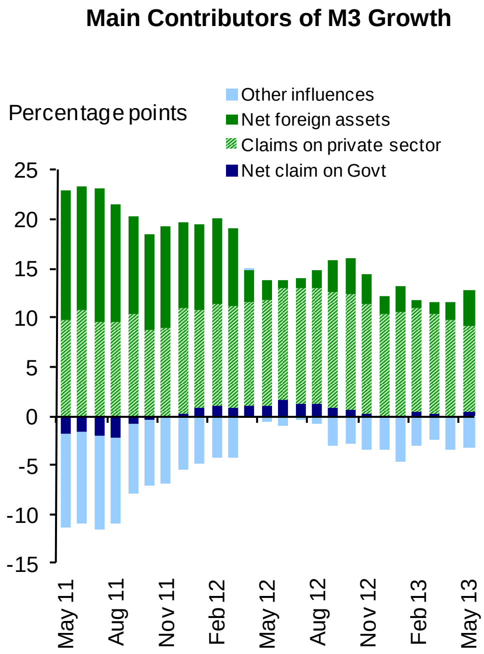
Source: Bank Negara Malaysia

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

Broad money growth increased

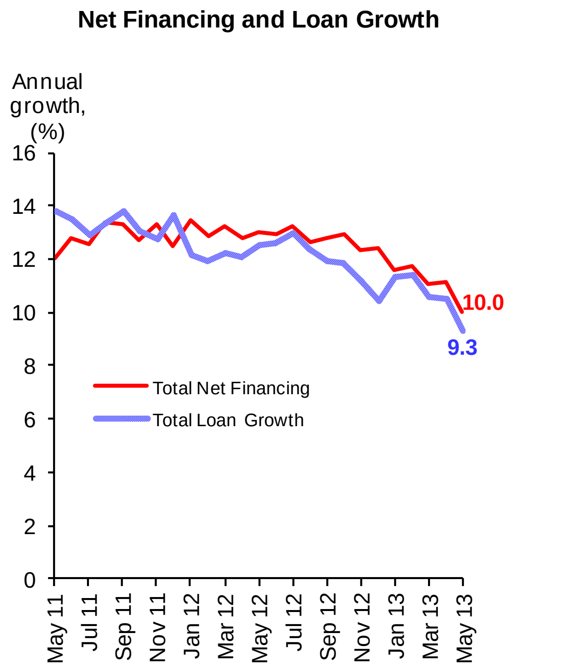


Source: Bank Negara Malaysia



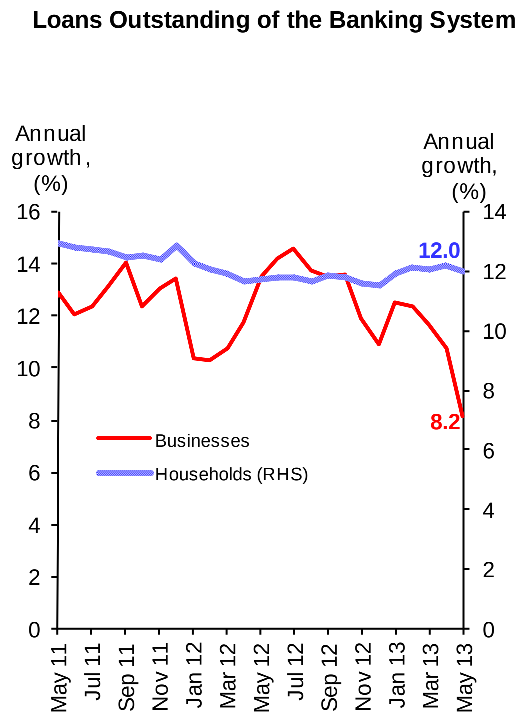
Source: Bank Negara Malaysia

Financing activity moderated in May



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

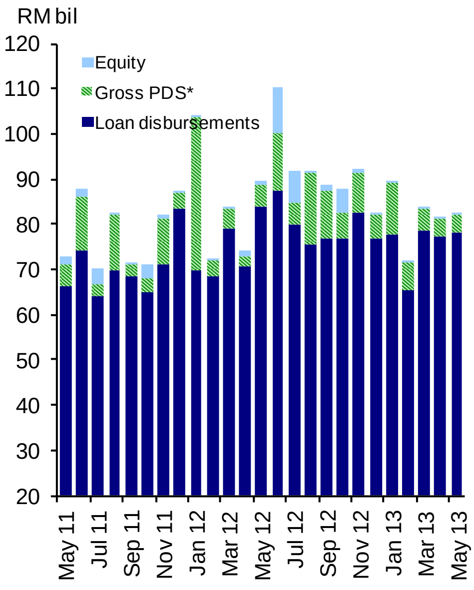
Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

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

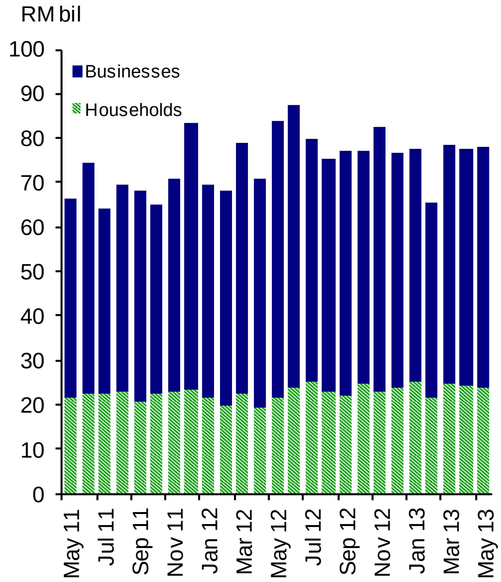
Gross Private Sector Financing



* Excludes foreign issuances

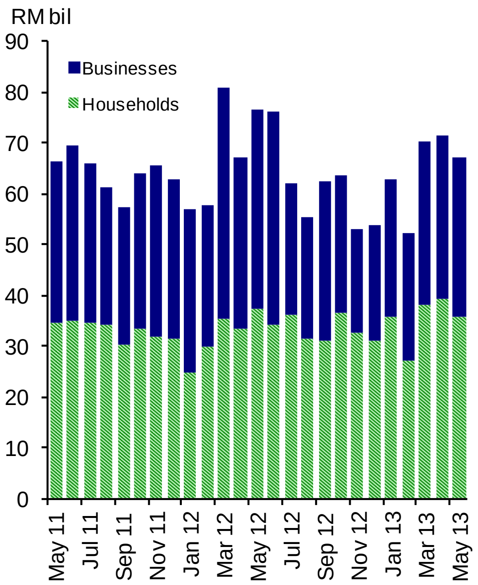
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



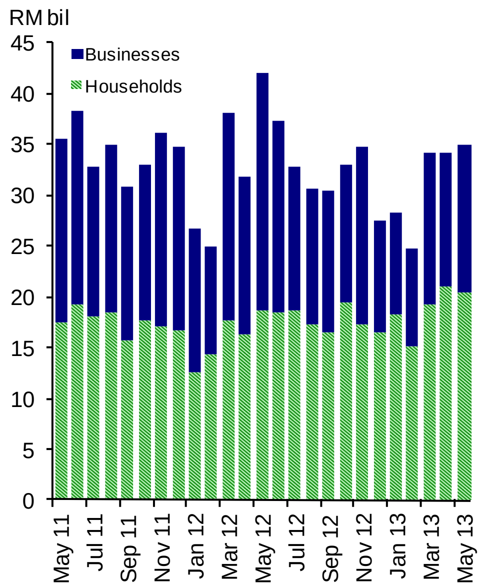
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

Loan Approvals by the Banking System

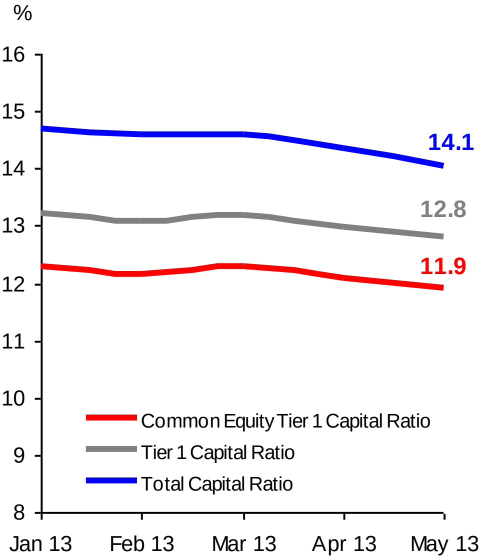


Source: Bank Negara Malaysia

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

Banking system capitalisation remained strong with stable loan quality

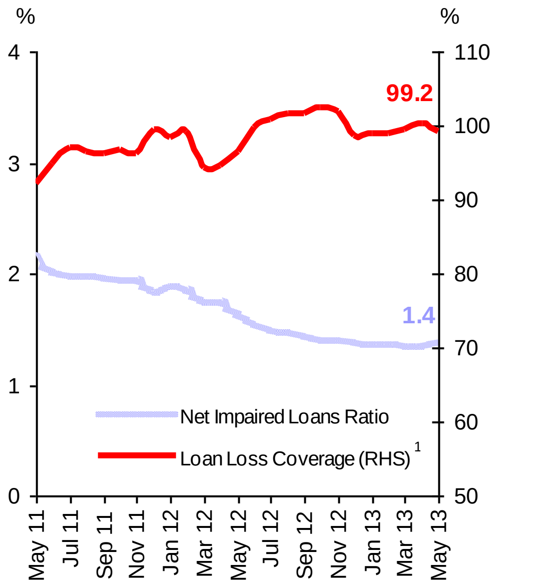
Capital Strength



* 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



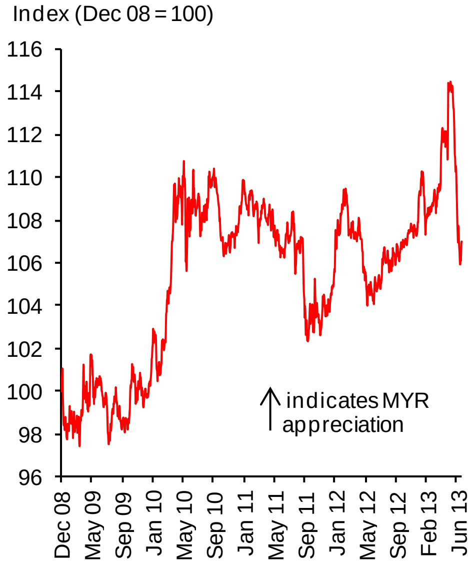
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

Ringgit had a mixed performance against the currencies of Malaysia's major trading partners in May

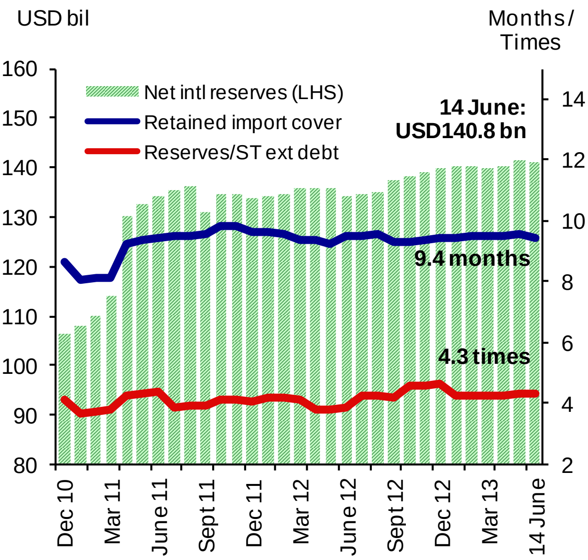
Index of Ringgit Performance against Major Trade Partners*



* 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

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

Key Monetary and Financial Statistics

		Mar 13		Apr 13		May 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		111.0	13.8	110.6	11.2	110.9	11.6
M1		293.8	12.7	292.5	11.1	295.6	12.8
M2		1,377.1	9.7	1,386.1	8.9	1,402.1	10.1
M3		1,397.3	9.1	1,405.6	8.2	1,420.8	9.5
Banking System							
Net financing[1]		1,521.7	11.0	1,529.8	11.1	1,538.5	10.0
Loan-deposit ratio (%) [2]		81.6		81.5		81.6	
Financing-deposit ratio (%) [2&3]		88.6		88.3		88.3	
Loans applied (during the period)		70.5	-13.0	71.4	5.9	67.4	-12.0
Loans approved (during the period)		34.2	-10.3	34.2	7.3	35.0	-16.9
Loans disbursed (during the period)		78.5	-0.6	77.5	9.4	78.0	-7.1
Loans repaid (during the period)		71.3	9.3	74.6	9.5	70.4	3.8
Banking System Health							
Total capital ratio (%) [4]		14.6		14.3		14.1	
Tier 1 capital ratio (%) [4]		13.2		13.0		12.8	
Common equity tier 1 capital ratio (%) [4]		12.3		12.1		11.9	
Net impaired loans ratio (%)		1.4		1.4		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		431.2		433.2		436.8	
Net Reserves in USD billion (equivalent)		139.6		140.3		141.4	
Months of retained imports		9.5		9.5		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 [3.00]		3.00 [2.99]		3.00 [2.98]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.10 [3.07]		3.06 [3.06]		3.08 [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		5.50		5.46		5.46	
Prices							
Consumer Price Index (CPI) (2010=100)		106.2	1.6	106.3	1.7	106.6	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

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