BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 05/13/08

EMBARGO: Not for publication or broadcast before 1800 hours on Friday, 31 May 2013

MONETARY AND FINANCIAL DEVELOPMENTS
April 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 1.7% in April 2013 (March: 1.6%). Inflation in the *food and non-alcoholic beverages* category was higher during the month (April: 3.8%, March: 3.3%) due to the increase in the price of *fresh chicken*. The higher inflation was partly offset by lower inflation in the *transport* category (April: 0.6%, March: 1.0%).

Monetary Conditions: Interbank rates were stable in April. 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 8.2% in April. The annual expansion was mainly on account of credit extension by the banking system to the private sector. On a month-on-month basis, however, the expansion in M3 was partially offset by net foreign outflows and lower net claims on the government. Net financing to the private sector grew 11.1% in April. Growth in net issuances of private debt securities (PDS) increased while outstanding loans of the banking system showed steady growth. Large repayments resulted in slower growth of business loans outstanding during the month. Nevertheless, loans disbursed to businesses continued to remain strong with loans extended mainly to the *wholesale and retail, restaurants and hotel; electricity, gas and water supply,* and *construction* sectors. Loans outstanding to households grew at a stable pace during the month, driven mainly by loans for the *purchase of residential* *property, non-residential property, securities* and *passenger cars*. The overall loan demand remained robust with sustained loan applications from both business and household sectors.

Banking System: Capitalisation remained strong under the Basel III Capital Adequacy Framework with Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio of 12.1%, 13% and 14.3% respectively. The level of net impaired loans remained stable at 1.4% of net loans, while the loan loss coverage increased to above 100%.

Exchange Rates and International Reserves: In April, the ringgit broadly appreciated against the currencies of Malaysia's major trading partners with the exception of the euro, against which the ringgit depreciated by 0.2%. The announcement of further monetary easing in Japan led to increased investor interest towards regional financial assets and contributed to the strengthening of regional currencies, including the ringgit. The ringgit also strengthened as the earlier uncertainty surrounding the timing of the General Elections subsided. In May, the ringgit recorded a mixed performance against the currencies of Malaysia's major trading partners. The international reserves of Bank Negara Malaysia stood at RM436.9 billion (equivalent to USD141.4 billion) as at 15 May 2013, sufficient to finance 9.6 months of retained imports. The reserves coverage of short-term external debt is 4.3 times based on the latest short-term external debt position as at end-March 2013.

Bank Negara Malaysia
31 May 2013

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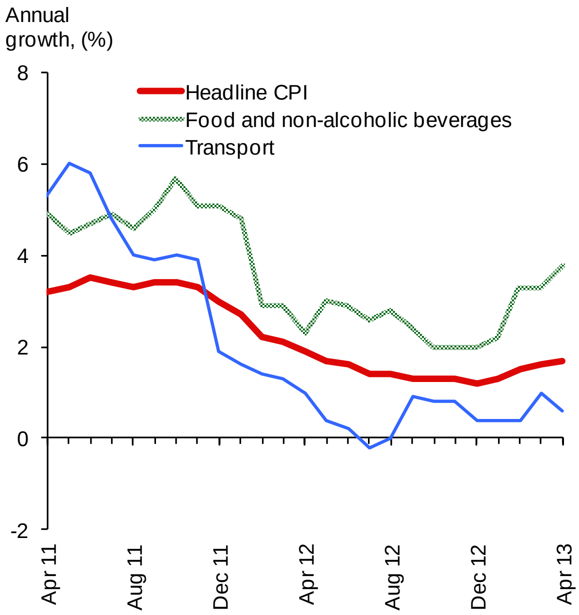
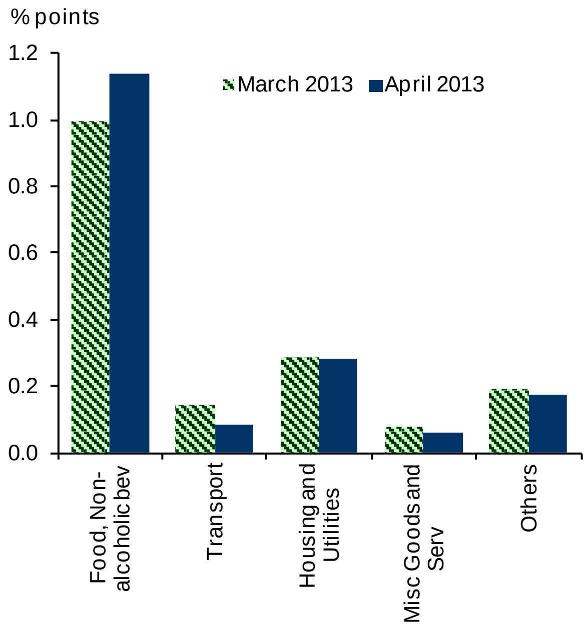
Headline inflation continued to rise in April

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

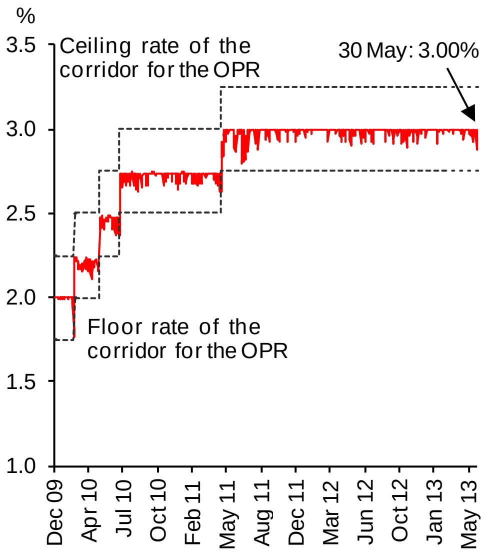


* Others includes *recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear;* and *miscellaneous goods and services*

Source: Bank Negara Malaysia

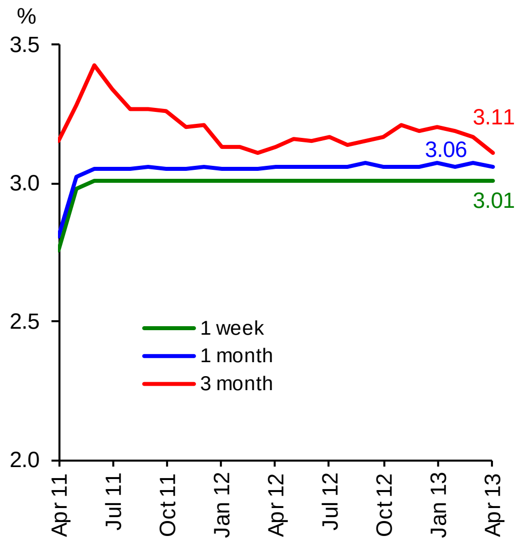
Interest rates remained stable

Average Overnight Interbank Rate



Source: Bank Negara Malaysia

Average Interbank Rates



Source: Bank Negara Malaysia

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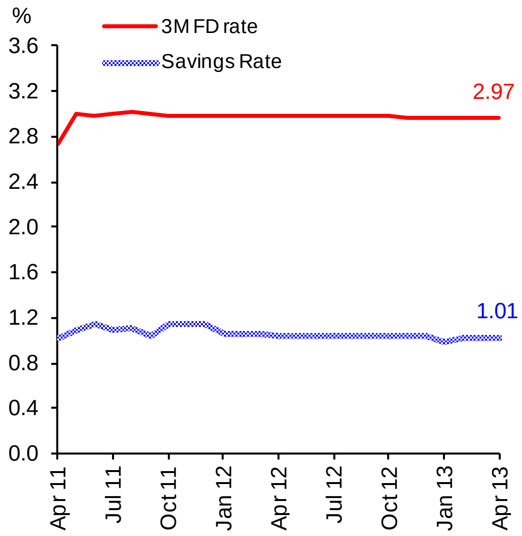
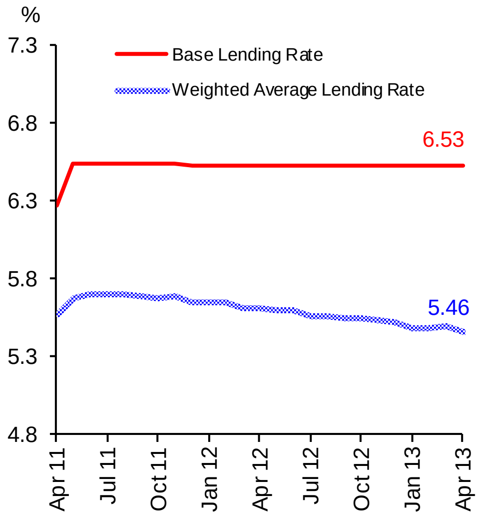
Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

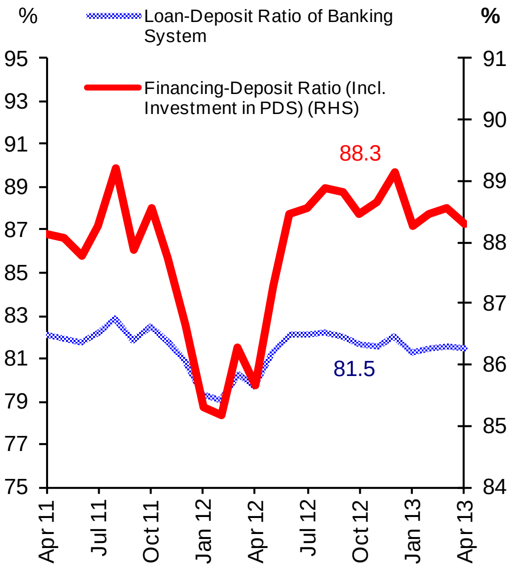
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

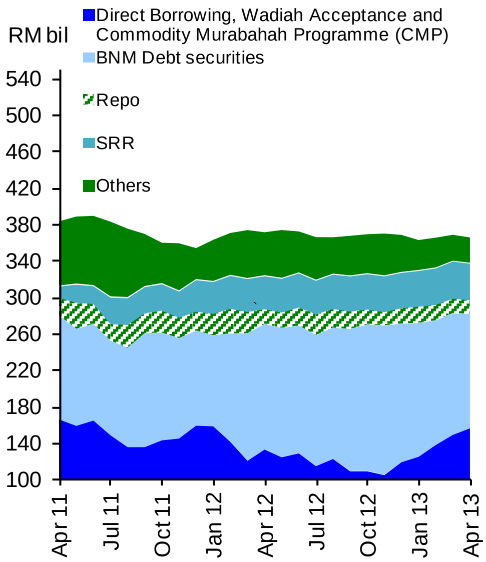
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia



Source: Bank Negara Malaysia

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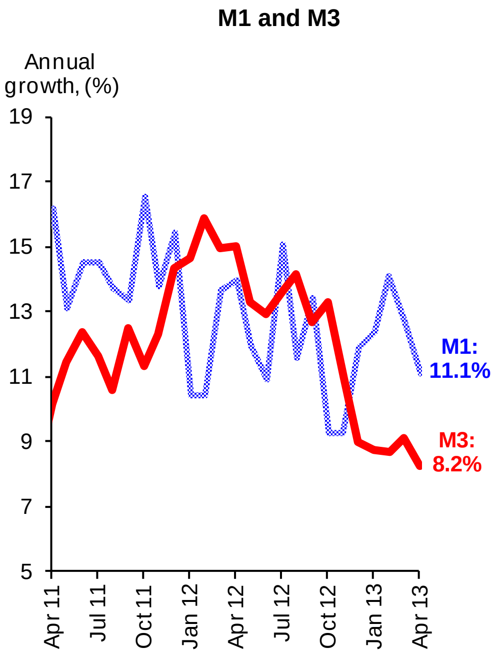
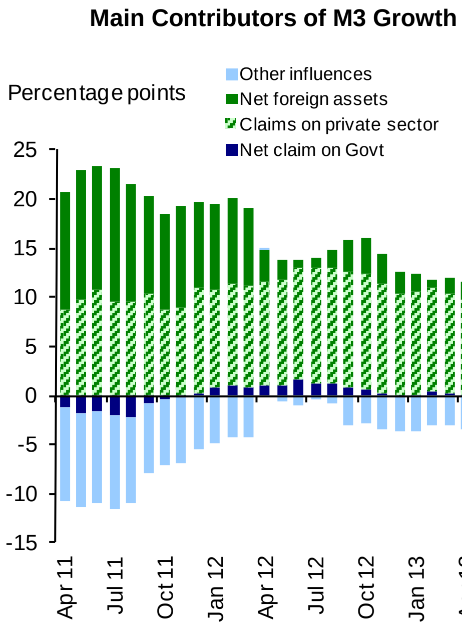
Broad money growth moderated

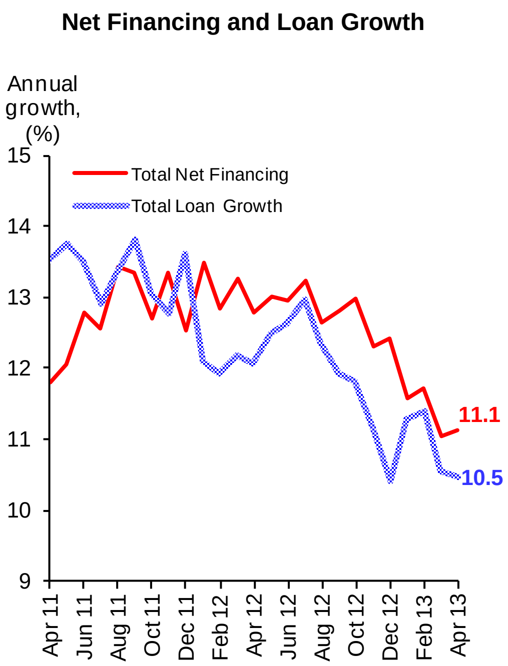


Source: Bank Negara Malaysia



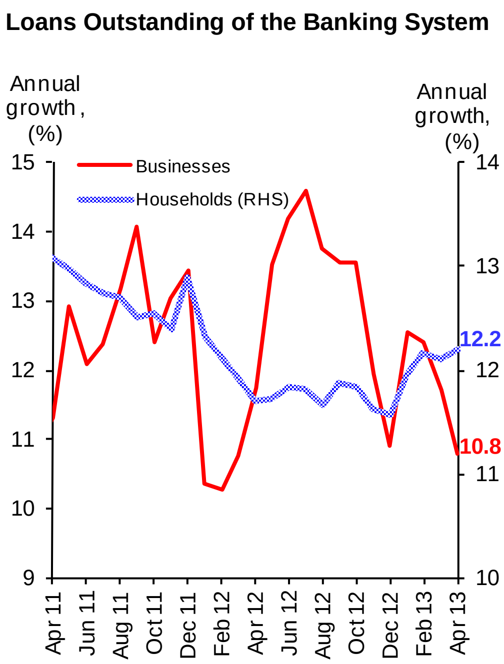
Source: Bank Negara Malaysia

Financing activity was sustained in April



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

Source: Bank Negara Malaysia



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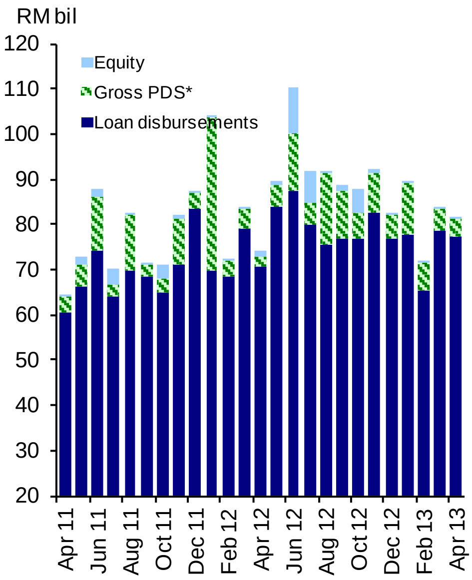
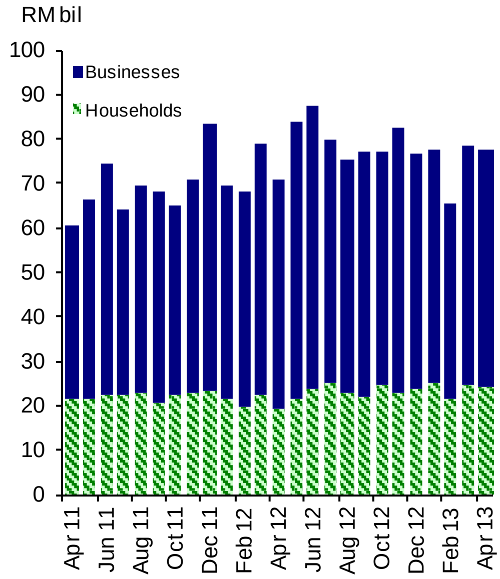
Gross Private Sector Financing



* Excludes foreign issuances

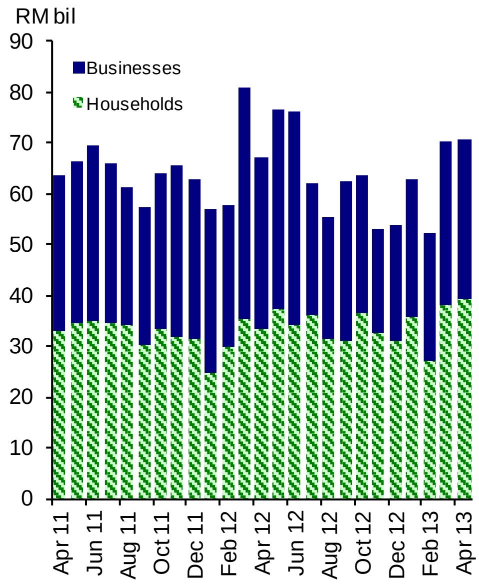
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



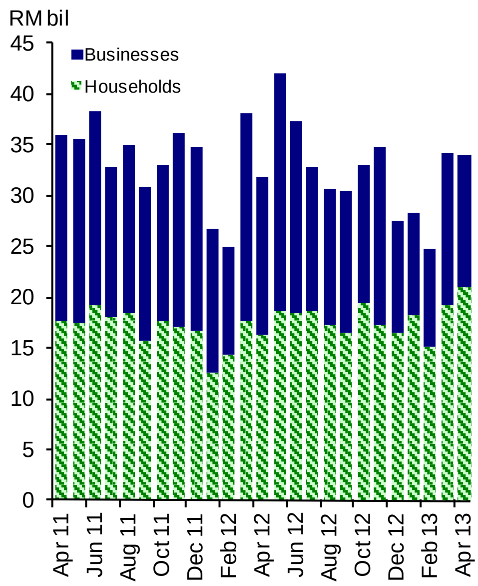
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

Loan Approvals by the Banking System



Source: Bank Negara Malaysia

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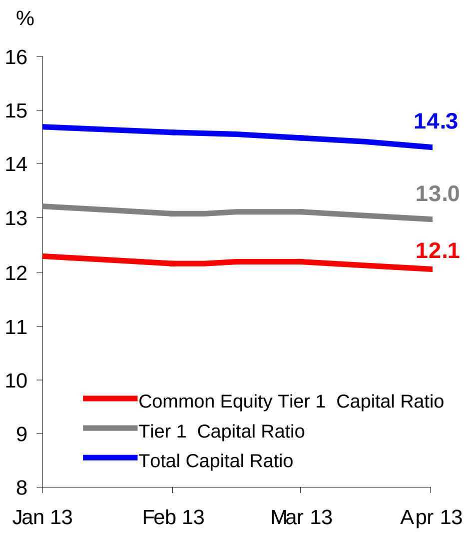
Banking system capitalisation remained strong with stable loan quality

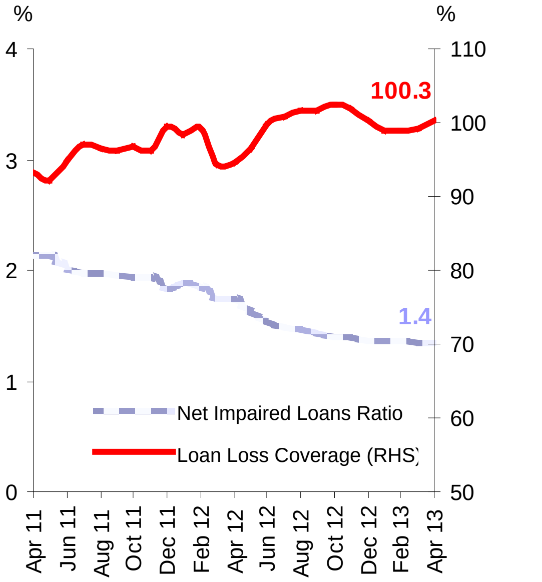
Capital Strength



* 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



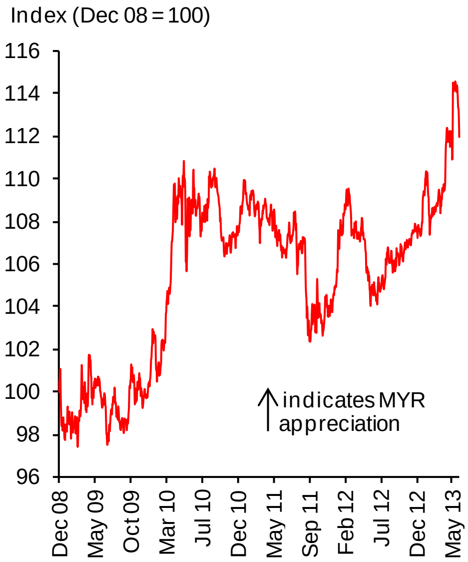
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

Ringgit broadly appreciated against the currencies of Malaysia's major trading partners

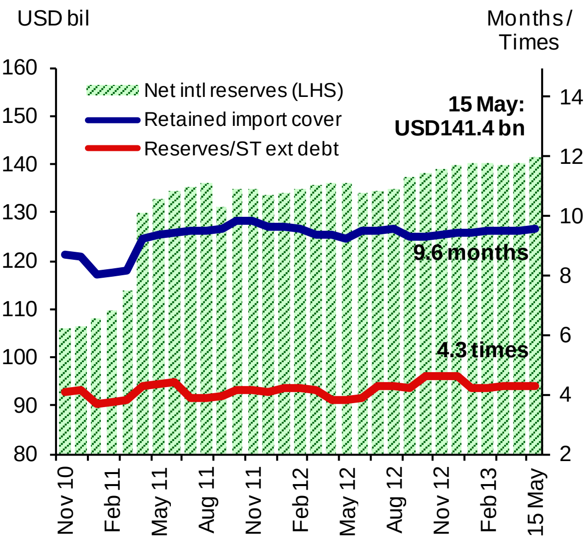
Index of Ringgit Performance against Major Trade Partners*



* 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

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Key Monetary and Financial Statistics

		Feb 13		Mar 13		Apr 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	13.2	111.0	13.8	110.6	11.2
M1		294.4	14.1	293.8	12.7	292.5	11.1
M2		1,363.0	9.2	1,377.1	9.7	1,386.1	8.9
M3		1,385.6	8.7	1,397.3	9.1	1,405.6	8.2
Banking System							
Net financing[1]		1,510.1	11.7	1,521.7	11.0	1,529.8	11.1
Loan-deposit ratio (%) [2]		81.5		81.6		81.5	
Financing-deposit ratio (%) [2&3]		88.5		88.6		88.3	
Loans applied (during the period)		52.3	-9.2	70.5	-13.0	71.4	5.9
Loans approved (during the period)		24.7	-1.2	34.2	-10.3	34.2	7.3
Loans disbursed (during the period)		65.6	-4.1	78.5	-0.6	77.5	9.4
Loans repaid (during the period)		62.9	-4.6	71.3	9.3	74.6	9.5
Banking System Health							
Total capital ratio (%) [4]		14.6		14.5		14.3	
Tier 1 capital ratio (%) [4]		13.1		13.1		13.0	
Common equity tier 1 capital ratio (%) [4]		12.2		12.2		12.1	
Net impaired loans ratio (%)		1.4		1.3		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		429.0		431.2		433.2	
Net Reserves in USD billion (equivalent)		140.3		139.6		140.3	
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	2.99 [2.99]		3.00 [3.00]		3.00 [2.99]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.07 [3.06]		3.10 [3.07]		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		5.49		5.50		5.46	
Prices							
Consumer Price Index (CPI) (2010=100)		106.1	1.5	106.2	1.6	106.3	1.7

[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

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