BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 04/13/05

EMBARGO: Not for publication or broadcast before 1800 hours on Tuesday, 30 April 2013

MONETARY AND FINANCIAL DEVELOPMENTS
March 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI) was marginally higher at 1.6% in March 2013 (February: 1.5%). Inflation in the *transport* category rose by 1.0% (February: 0.4%), due mainly to the upward adjustment in the price of RON97 petrol to RM2.90 per litre from RM2.70 per litre. Meanwhile, prices in the *clothing and footwear* category declined at a slower rate of 0.5% (February: -1.2%) due to the upward adjustment in prices after the Chinese New Year sales. Inflation in the *food and non-alcoholic beverages* category, however, remained unchanged at 3.3%.

Monetary Conditions: Interbank rates were stable in March. 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 (M3) grew by 9.1% in March on an annual basis, underpinned by the extension of credit to the private sector. On a monthly basis, the expansion was moderated somewhat by Government fundraising. Net financing to the private sector grew at a slower pace in March (11.0%) due to a moderation in the growth of both outstanding banking system loans and net issuances of private debt securities (PDS). While the growth of business loans outstanding moderated during the month following large repayments, loans disbursed to businesses remained strong with more loans extended mainly to the *manufacturing; wholesale and retail, restaurants* *and hotel; finance, insurance and business services,* and *construction* sectors. Loans to households also grew at a more moderate pace. The overall loan demand, however, remained strong with higher loan applications from both businesses and households.

Banking System: Capitalisation remained strong under the new Basel III Capital Adequacy Framework with common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio of 12.2%, 13.1% and 14.5% respectively. The level of net impaired loans improved to 1.3% of net loans, while the loan loss coverage remained well above 90%.

Exchange Rates and International Reserves: In March, the ringgit broadly appreciated against the currencies of Malaysia's major trading partners with the exception of the Chinese renminbi, against which the ringgit depreciated by 0.1%. Ringgit's strength was due mainly to the release of positive domestic and global economic data, which contributed to favourable investor sentiment towards domestic and regional financial assets. The ringgit appreciation, however, was partially offset by uncertainties surrounding the banking crisis in Cyprus. In April, the ringgit continued to appreciate against the currencies of Malaysia's major trading partners. The international reserves of Bank Negara Malaysia stood at RM432.1 billion (equivalent to USD139.9 billion) as at 15 April 2013, sufficient to finance 9.9 months of retained imports and are 4.6 times the short-term external debt.

Bank Negara Malaysia
30 April 2013

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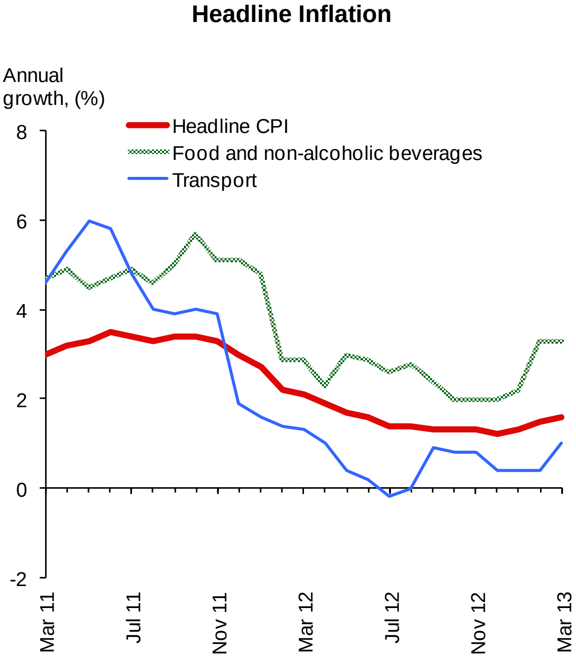
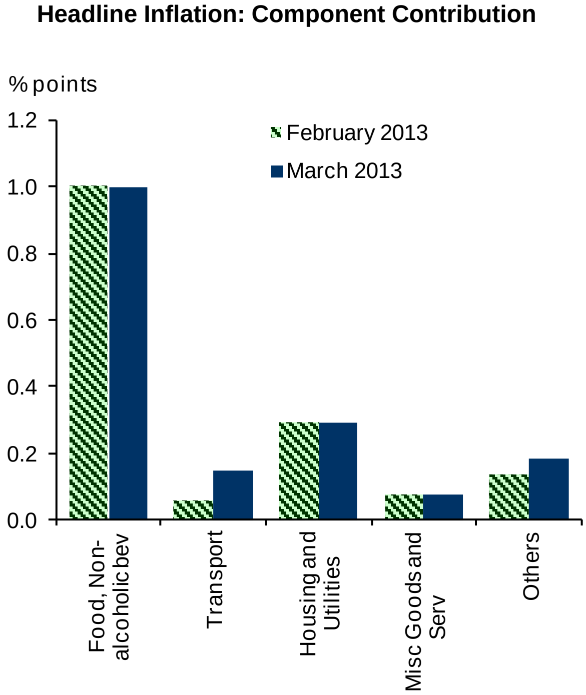
Headline inflation continued to trend upward in March



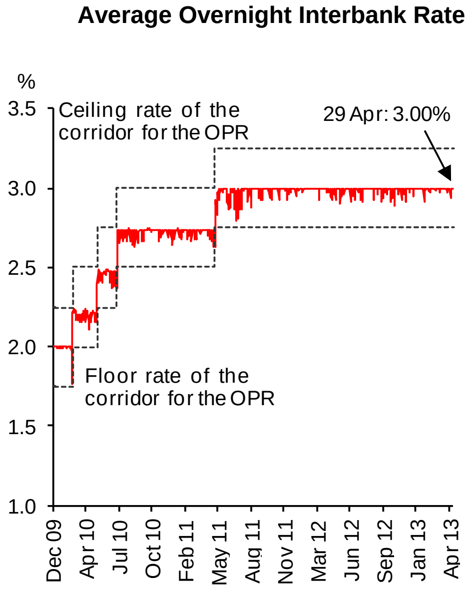
Source: Department of Statistics Malaysia



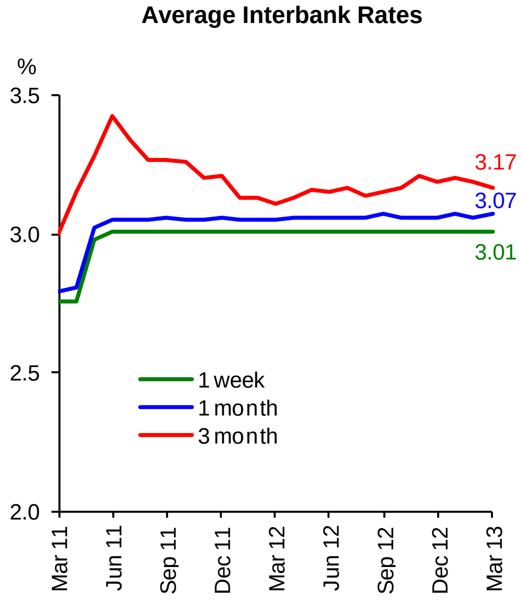
* Others includes *recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear;* and *miscellaneous goods and services*

Source: Bank Negara Malaysia

Interest rates remained stable



Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

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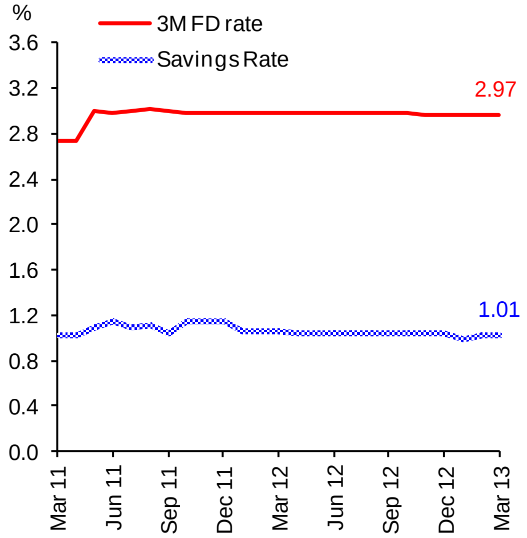
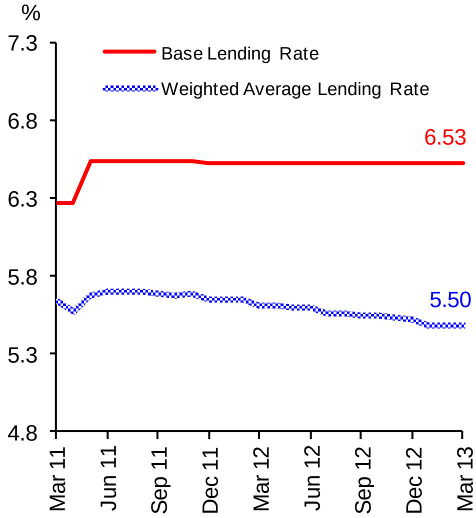
Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

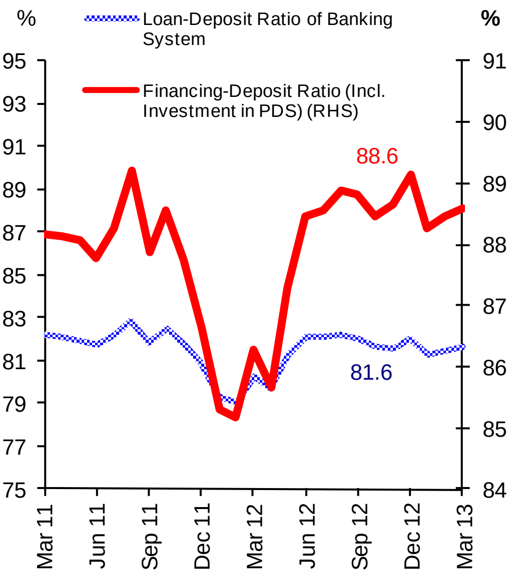
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

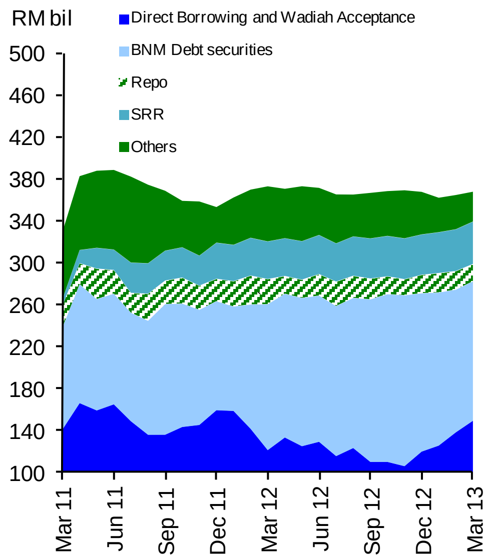
Liquidity in the banking system remained ample

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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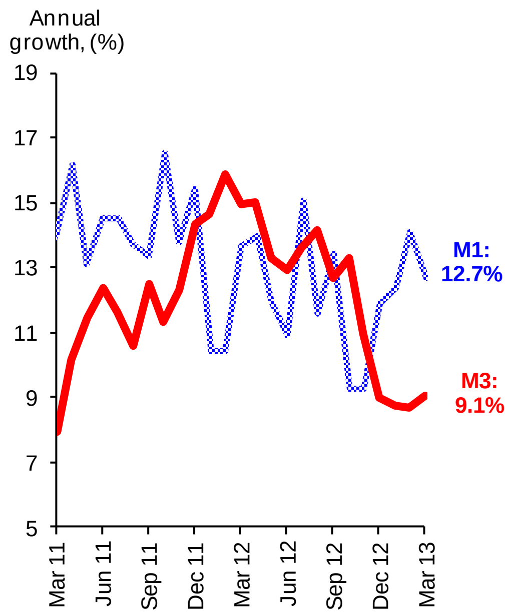
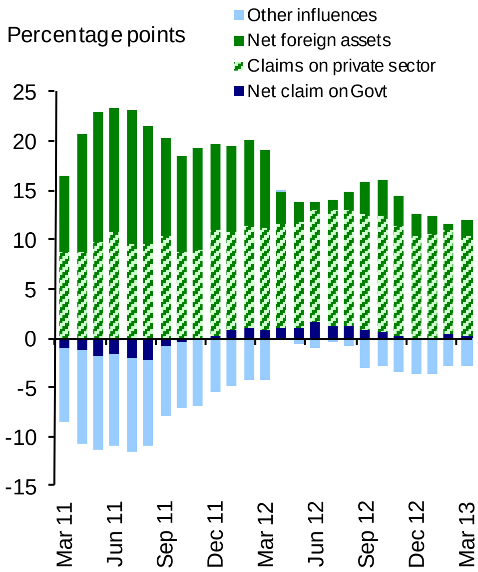
Broad money growth was higher

M1 and M3



Source: Bank Negara Malaysia

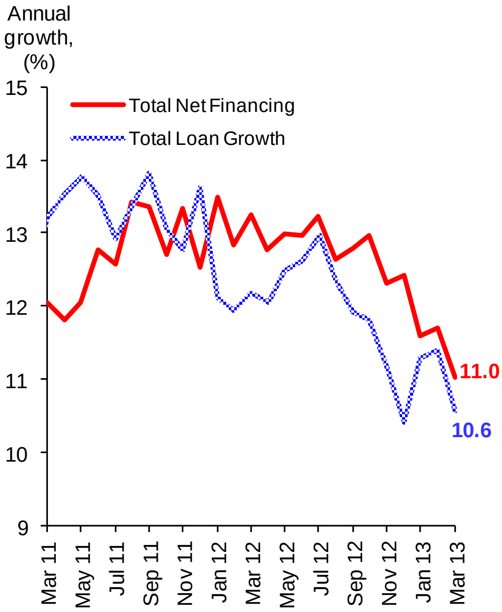
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity moderated in March

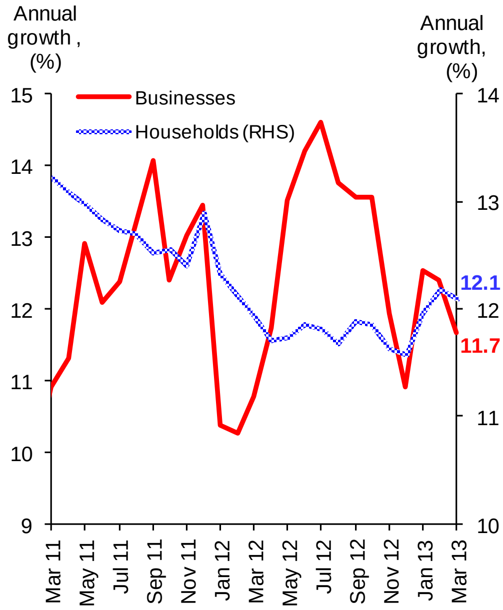
Net Financing and Loan Growth



* 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

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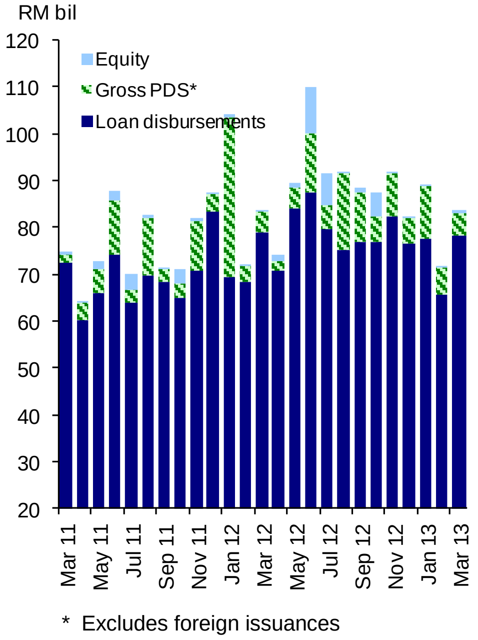
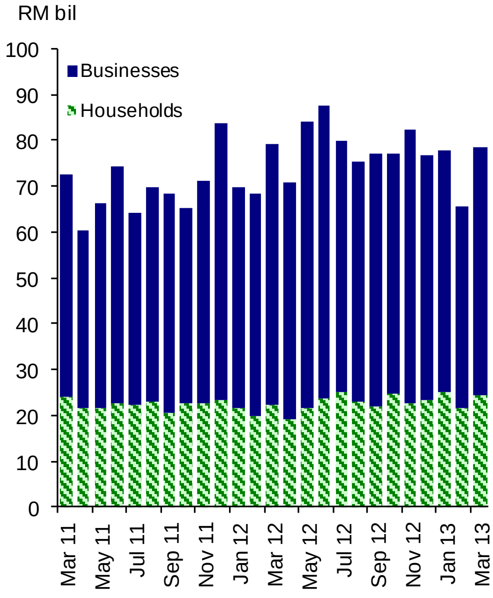
Gross Private Sector Financing



* Excludes foreign issuances

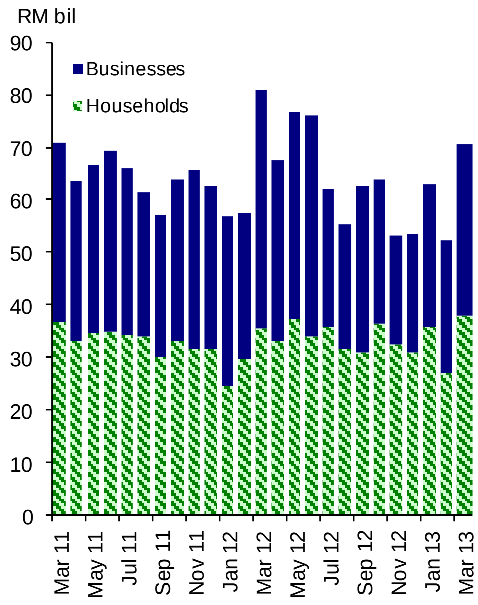
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



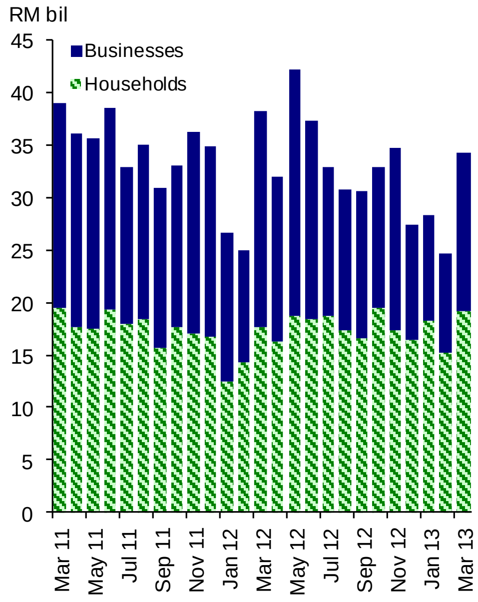
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

Loan Approvals by the Banking System



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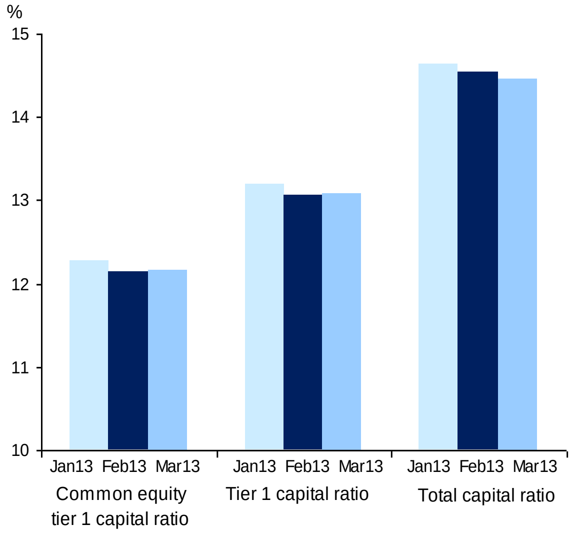
Banking system capitalisation remained strong with stable loan quality

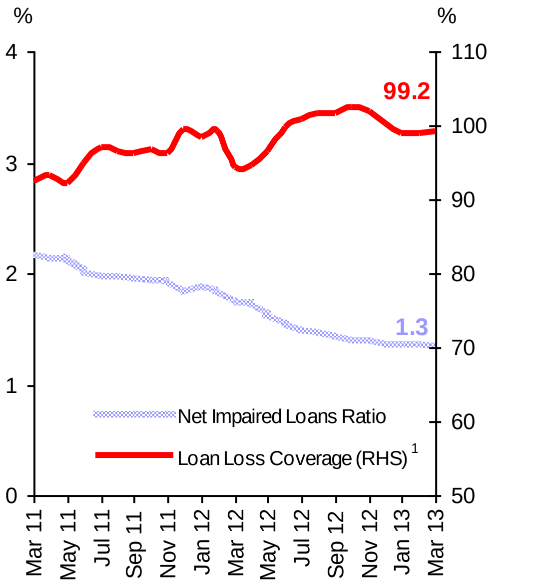
Capital Strength



* 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



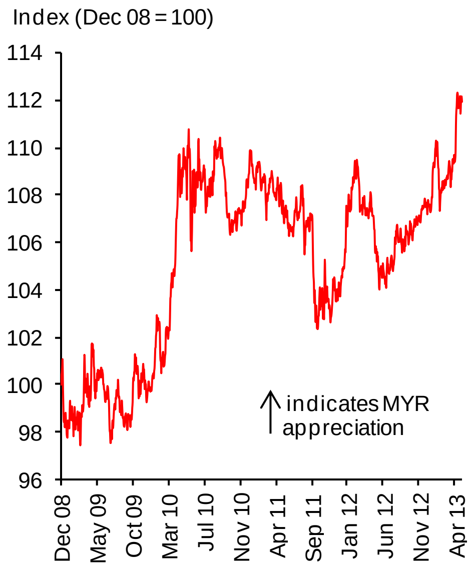
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

[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

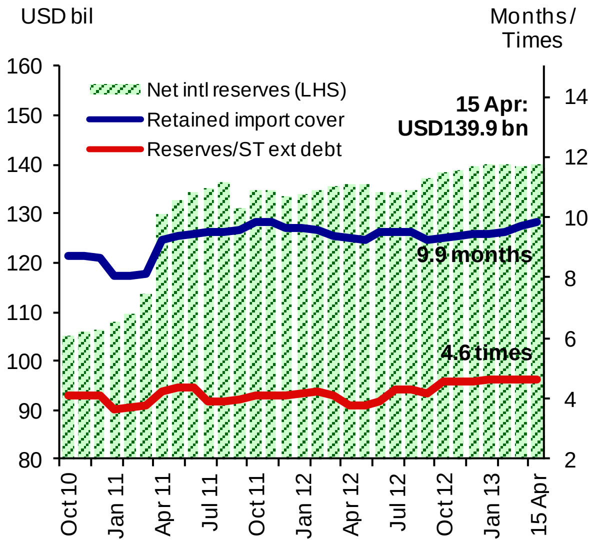
Index of Ringgit Performance against Major Trade Partners*



* 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

		Jan 13		Feb 13		Mar 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		112.2	10.4	111.0	13.2	111.0	13.8
M1		297.7	12.3	294.4	14.1	293.8	12.7
M2		1,360.8	9.6	1,363.0	9.2	1,376.6	9.6
M3		1,382.2	8.7	1,385.6	8.7	1,396.8	9.1
Banking System							
Net financing[1]		1,500.2	11.6	1,510.1	11.7	1,521.7	11.0
Loan-deposit ratio (%) [2]		81.2		81.5		81.6	
Financing-deposit ratio (%) [2&3]		88.3		88.5		88.6	
Loans applied (during the period)		62.9	10.8	52.3	-9.2	70.5	-13.0
Loans approved (during the period)		28.3	6.1	24.7	-1.2	34.2	-10.3
Loans disbursed (during the period)		77.7	11.5	65.6	-4.1	78.4	-0.7
Loans repaid (during the period)		76.1	2.3	62.9	-4.6	71.7	9.8
Banking System Health							
Total capital ratio (%) [4]		14.6		14.5		14.5	
Tier 1 capital ratio (%) [4]		13.2		13.1		13.1	
Common equity tier 1 capital ratio (%) [4]		12.3		12.1		12.2	
Net impaired loans ratio (%)		1.4		1.4		1.3	
BNM International Reserves (end-period)							
Net Reserves in RM billion		428.5		429.0		431.2	
Net Reserves in USD billion (equivalent)		140.1		140.3		139.6	
Months of retained imports		9.4		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	2.99 [2.99]		2.99 [2.99]		3.00 [3.00]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.07 [3.07]		3.07 [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		5.49		5.49		5.50	
Prices							
Consumer Price Index (CPI) (2010=100)		105.9	1.3	106.1	1.5	106.2	1.6

[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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