BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 03/13/11

EMBARGO: Not for publication or broadcast before 1800 hours on Friday, 29 March 2013

MONETARY AND FINANCIAL DEVELOPMENTS
February 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was higher at 1.5% in February 2013 (January: 1.3%). Inflation in the *food and non-alcoholic beverages* category increased to 3.3% (January: 2.2%) reflecting higher prices in the *fish and seafood* and *vegetables* sub-categories (February: 5.9% and 5.0% respectively; January: 1.1% and 2.5% respectively) due to greater demand during the Chinese New Year festivities, amid lower supply due to the flooding in the east coast. Of note, inflation in the *education* category rose to 2.2% during the month (January: 1.8%) following the increase in tuition fees for pre-tertiary education at private universities.

Monetary Conditions: Interbank rates were stable in February. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks was unchanged at 6.53%. Retail deposit rates were also relatively stable during the period. Broad money or M3 growth was sustained at 8.8% in February. The year-on-year expansion in M3 was mainly on account of credit extension to the private sector by the banking system. On a month-on-month basis, the expansion in M3 was moderated by net foreign outflows. Net financing to the private sector grew 11.7% in February, driven by higher growth in net issuances of private debt securities (PDS) and outstanding banking system loans. Business loans outstanding increased during the month with loans extended mainly to the *manufacturing; wholesale and retail trade, restaurants and hotels; construction* and *agriculture* sectors. Loans to households expanded by RM4.5 billion during the month, driven mainly by loans for the *purchase of residential property, non-residential property, securities* and *passenger cars*. Other major loan indicators moderated relative to the previous month, as a result of the fewer working days due to the festive season.

Banking System: The banking system remained well capitalised under the new Basel III Capital Adequacy Framework with common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio of 12.1%, 13% and 14.5% respectively. The ratios were marginally lower from previous month following seasonal dividend payouts by a few banks and continued expansion in the risk-weighted assets. The level of net impaired loans remained unchanged at 1.4% of net loans, while the loan loss coverage remained well above 90%.

Exchange Rates and International Reserves: In February, the ringgit broadly appreciated against the currencies of Malaysia's major trading partners with the exception of the Singapore dollar, against which the ringgit remain unchanged. The ringgit's appreciation was due to the better than expected domestic economic data, which contributed to favourable investor sentiments towards Malaysian financial assets. In March, the ringgit appreciated against the Japanese yen, euro and Singapore dollar but depreciated against the US dollar and Chinese renminbi. The international reserves of Bank Negara Malaysia stood at RM430 billion (equivalent to USD140.6 billion) as at 15 March 2013, sufficient to finance 9.4 months of retained imports and is 4.6 times the short-term external debt.

Bank Negara Malaysia
29 March 2013

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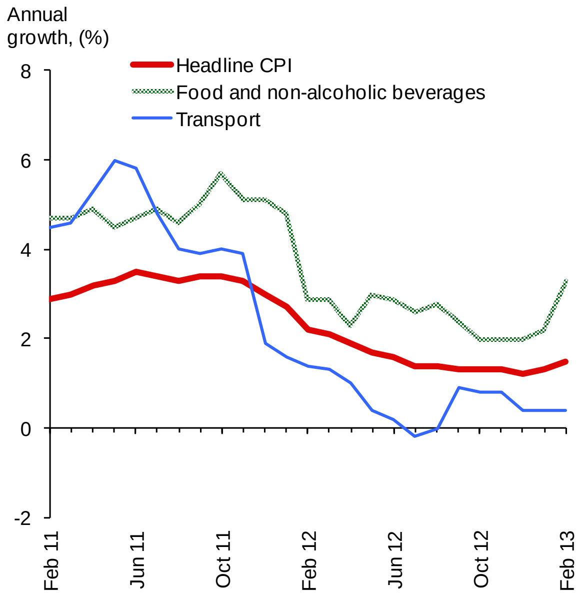
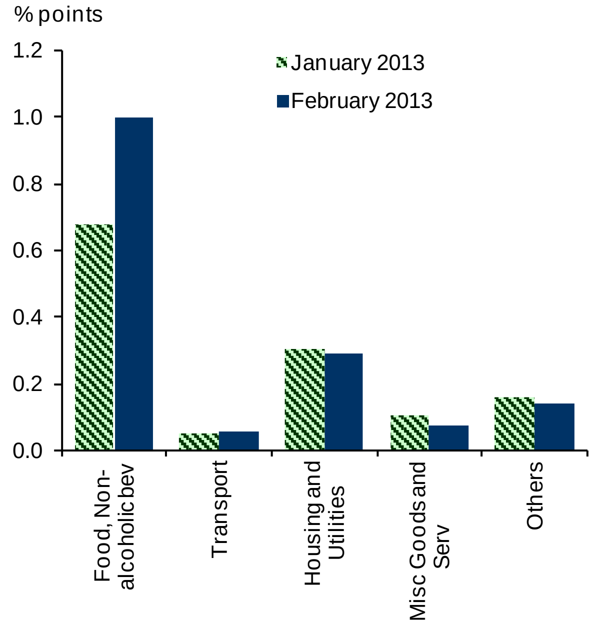
Headline inflation increased in February

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

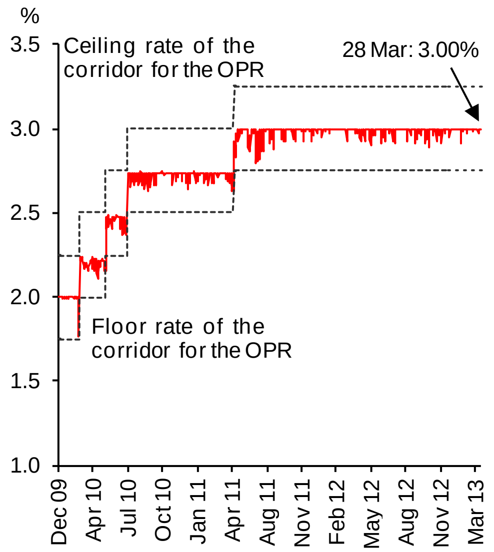


* Others includes *recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear;* and *miscellaneous goods and services*

Source: Bank Negara Malaysia

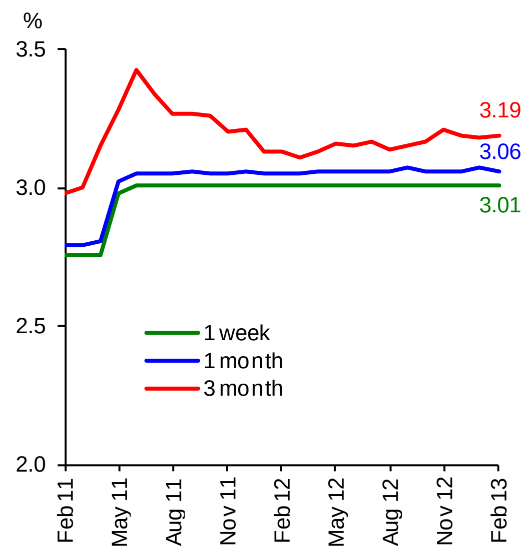
Interest rates remained stable

Average Overnight Interbank Rate



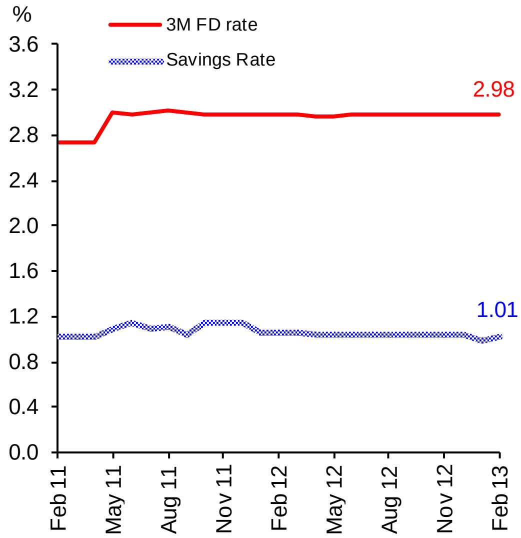
Source: Bank Negara Malaysia

Average Interbank Rates



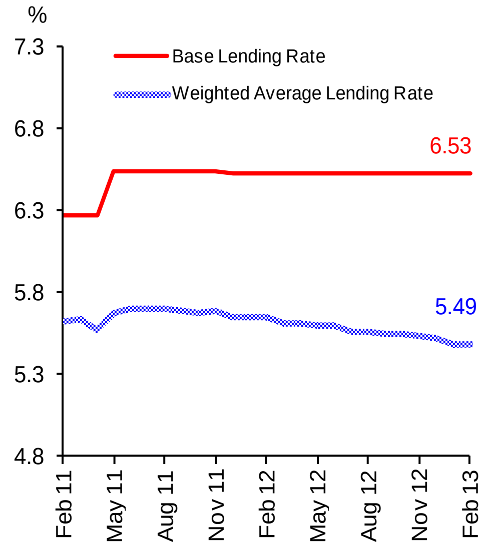
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

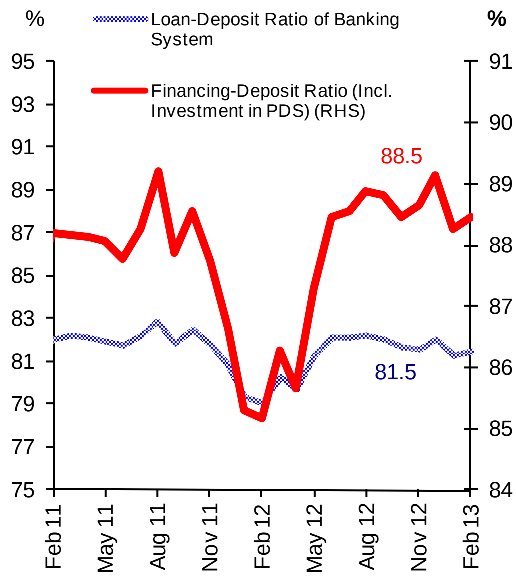
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

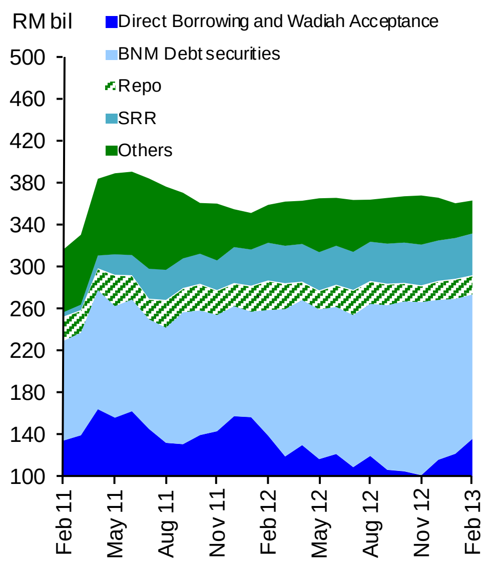
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

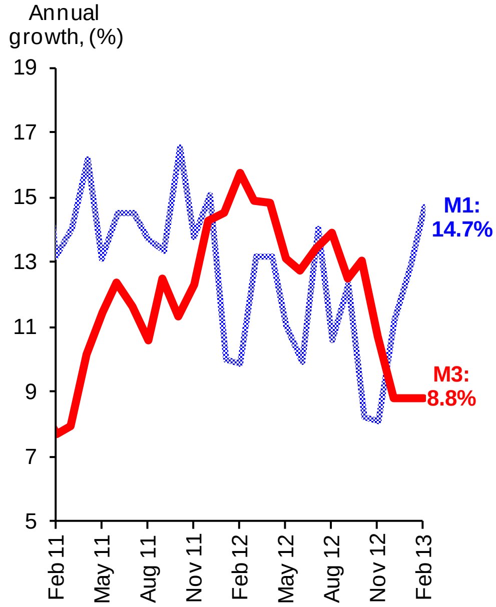
Outstanding Liquidity Placed With Bank Negara Malaysia



Source: Bank Negara Malaysia

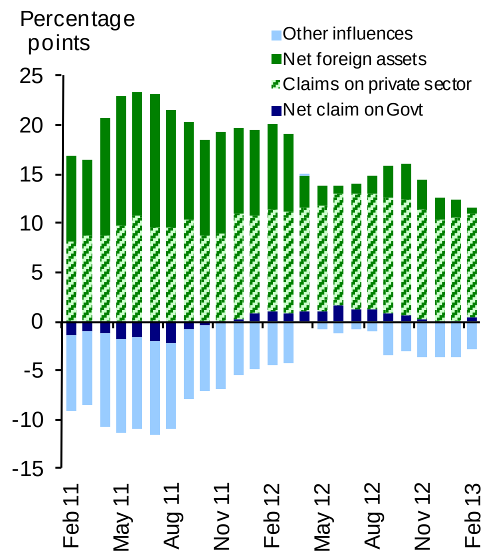
Stable growth in M3

M1 and M3



Source: Bank Negara Malaysia

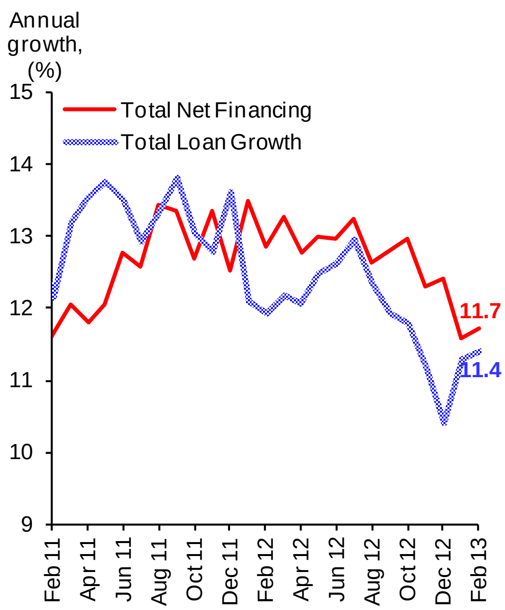
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity increased in February

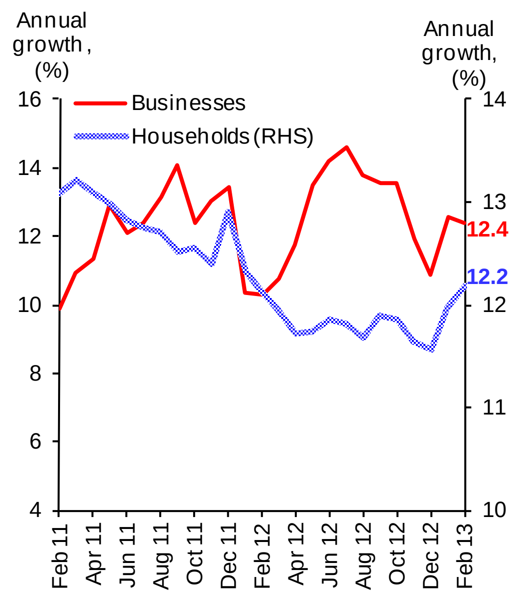
Net Financing and Loan Growth



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

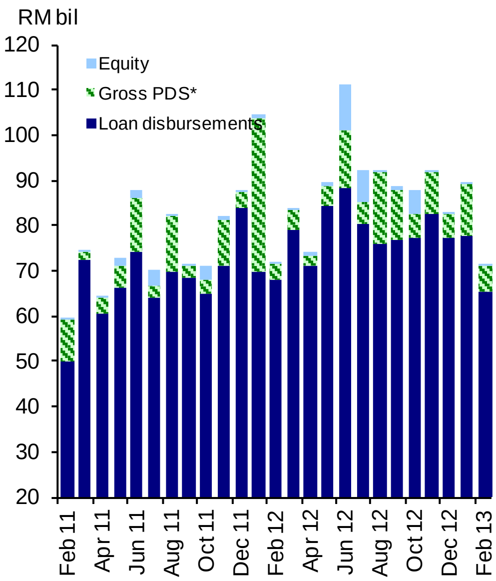
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

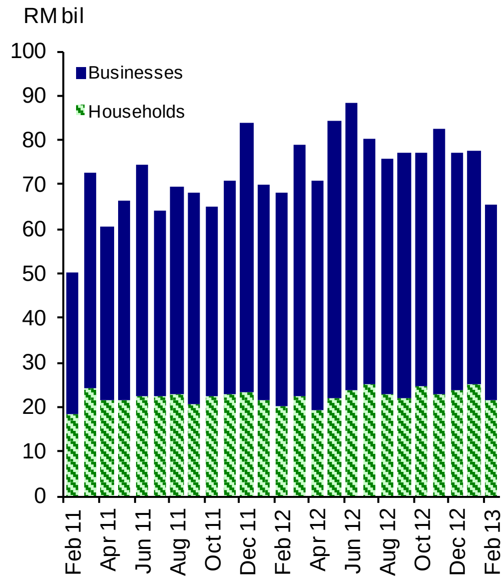
Gross Private Sector Financing



* Excludes foreign issuances

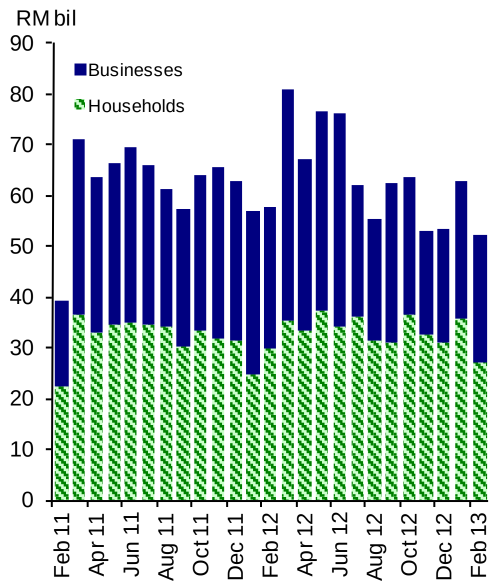
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



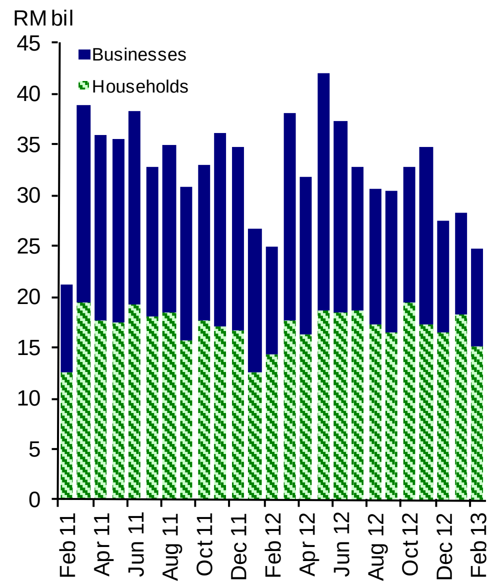
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

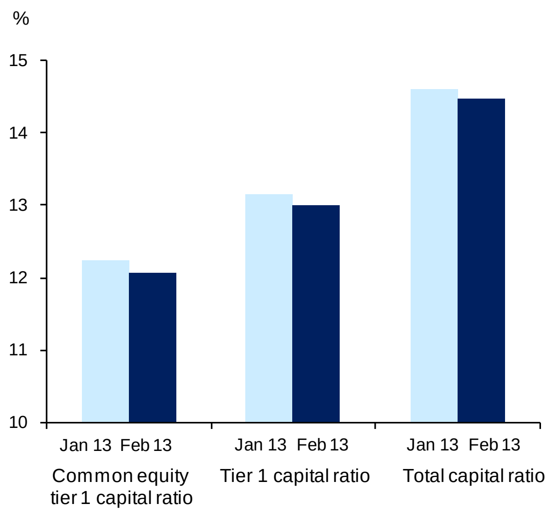
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality

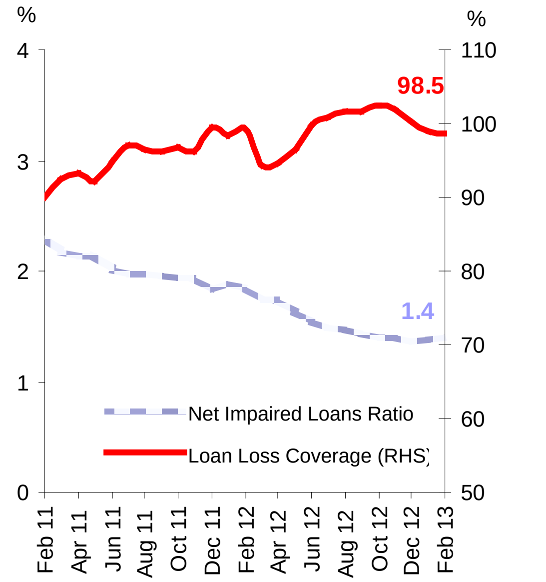
Capital Strength



* 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



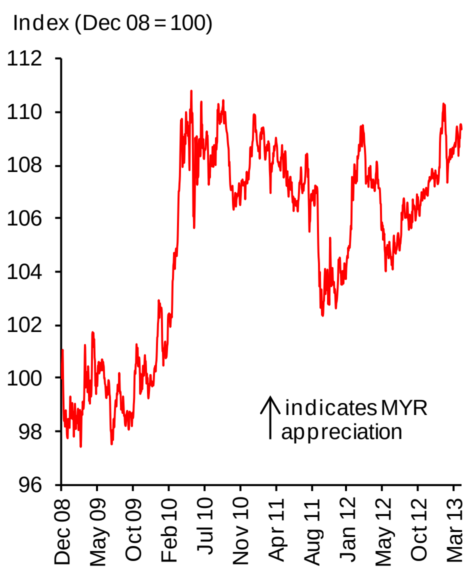
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

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

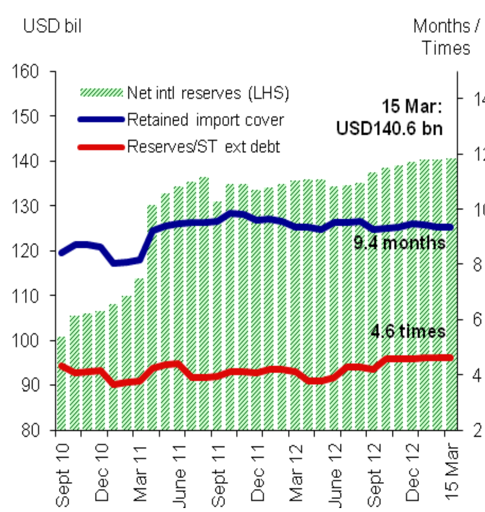
Index of Ringgit Performance against Major Trade Partners*



* 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

Key Monetary and Financial Statistics

		Dec 12		Jan 13		Feb 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		105.8	9.9	112.2	10.4	111.0	13.2
M1		287.1	11.2	297.7	12.8	294.4	14.7
M2		1,330.8	9.5	1,360.8	9.7	1,363.0	9.3
M3		1,350.3	8.8	1,382.2	8.8	1,385.6	8.8
Banking System							
Net financing[1]		1,489.3	12.4	1,500.2	11.6	1,510.1	11.7
Loan-deposit ratio (%) [2]		82.1		81.2		81.5	
Financing-deposit ratio (%) [2&3]		89.2		88.3		88.5	
Loans applied (during the period)		53.6	-14.6	62.9	10.8	52.2	-9.4
Loans approved (during the period)		27.5	-21.1	28.3	6.1	24.7	-1.2
Loans disbursed (during the period)		77.1	-7.9	77.7	11.3	65.6	-3.5
Loans repaid (during the period)		71.5	1.9	76.1	2.4	62.9	-4.4
Banking System Health							
Total capital ratio (%) [4]		-		14.6		14.5	
Tier 1 capital ratio (%) [4]		-		13.2		13.0	
Common equity tier 1 capital ratio (%) [4]		-		12.2		12.1	
Net impaired loans ratio (%)		1.4		1.4		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		427.2		428.5		429.0	
Net Reserves in USD billion (equivalent)		139.7		140.1		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	3.00 [2.99]		2.99 [2.99]		2.99 [2.99]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.06 [3.06]		3.07 [3.07]		3.07 [3.06]	
Fixed deposits of commercial banks:	1-month	2.90		2.91		2.90	
	3-month	2.98		2.98		2.98	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.52		5.49		5.49	
Prices							
Consumer Price Index (CPI) (2010=100)		105.5	1.2	105.9	1.3	106.1	1.5

[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