BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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MONETARY AND FINANCIAL DEVELOPMENTS
January 2013

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), edged up to 1.3% in January 2013 (December 2012: 1.2%). Inflation in the *food and non-alcoholic beverages* category increased to 2.2% (December 2012: 2.0%) due to higher prices in the *meat* and *rice, bread and other cereals* sub-categories. The *miscellaneous goods and services* category also recorded higher inflation of 1.7% during the month (December 2012: 1.0%) partly due to the higher prices of personal care products. Inflation in the *transport* category, however, remained unchanged at 0.4% as the impact from the downward adjustment to the price of RON97 petrol to RM2.70/litre from RM 2.75/litre was offset by higher inflation in the *repair & maintenance of personal transport* sub-category.

Monetary Conditions: Interbank rates were stable in January. 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 (M3) grew by 8.6% in January (Dec 12: 8.8%). The expansion in M3 was underpinned by the extension of credit to the private sector by the banking system, net foreign inflows and government spending. Net financing to the private sector grew at a slower pace in January due to the moderation in issuances of private debt securities (PDS). Outstanding banking system loans increased by 11.3% on an annual basis. On a monthly basis, business loans recorded a moderation following large repayments during the month, despite loan disbursement to businesses remaining strong. Loans to households expanded by RM6.4 billion during the month, driven mainly by loans for the *purchase of residential property, purchase of non-residential property, securities* and *passenger cars*. Overall, loan demand remained robust with strong loan applications from both the business and household sectors.

Banking System: The banking system remained well-capitalised under the adoption of the Basel III Capital Adequacy Framework[1]. The common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio stood at 12.1%, 13% and 14.5% respectively as at end-January 2013, well above the minimum requirements for the current phase-in period of 3.5%, 4.5% and 8% respectively. The level of net impaired loans ratio remained unchanged at 1.4%, while the loan loss coverage remained above 90%.

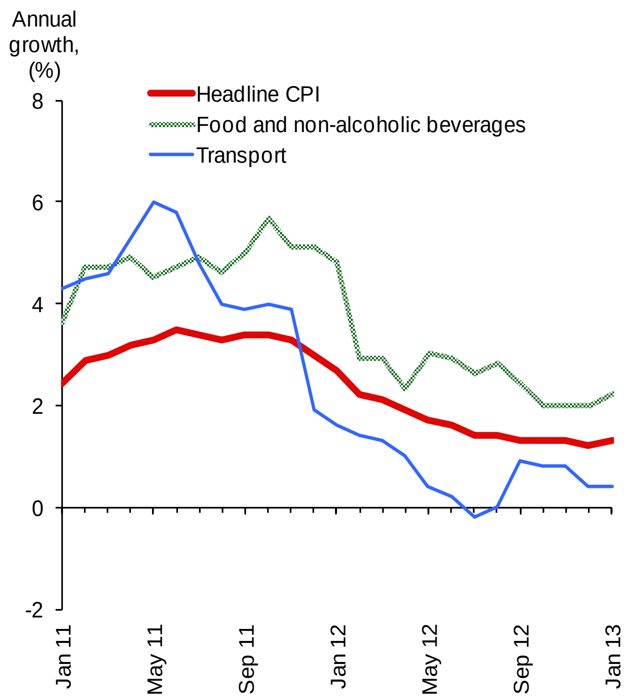
Exchange Rates and International Reserves: In January, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners. The ringgit appreciated against the Japanese yen but depreciated against the US dollar, Chinese renminbi and euro. The ringgit was unchanged against the Singapore dollar. The ringgit and other regional currencies depreciated against the US dollar as portfolio investors withdrew funds from emerging markets after a sustained period of currency appreciation, on concerns over export competitiveness. In February, the ringgit appreciated against the Japanese yen, euro and Chinese renminbi but remained unchanged against the US dollar and Singapore dollar. The international reserves of Bank Negara Malaysia stood at RM429.1 billion (equivalent to USD140.3 billion) as at 15 February 2013, sufficient to finance 9.5 months of retained imports and is 4.6 times the short-term external debt.

Bank Negara Malaysia
28 February 2013

[1] For further elaboration of the guideline and implementation, please refer to http://www.bnm.gov.my/guidelines/01_banking/01_capital_adequacy/gl_11_capital_adequacy_framework.pdf

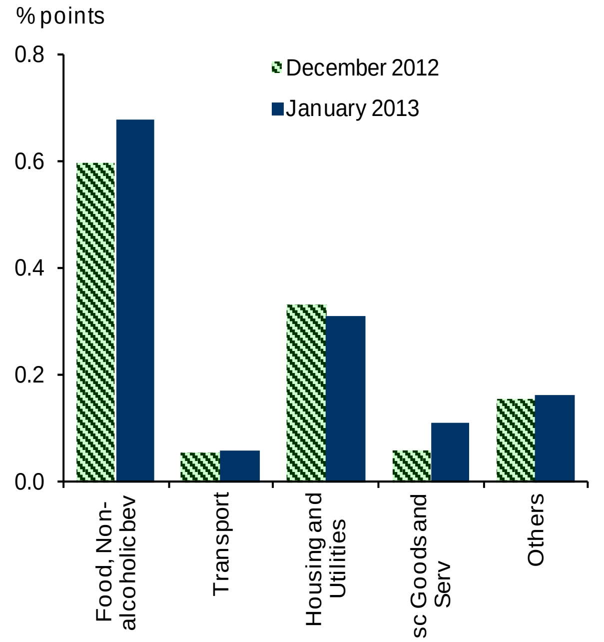
Headline inflation edged up in January

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

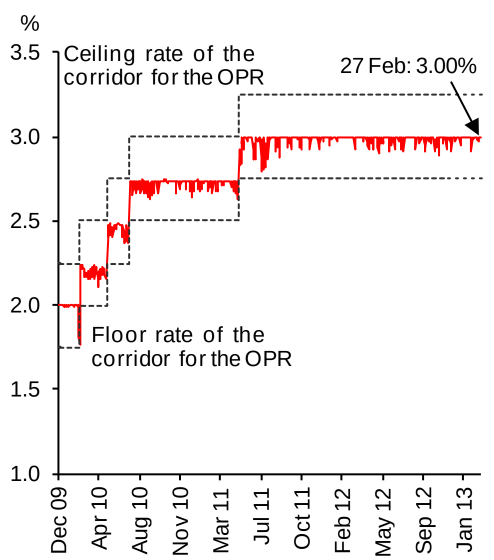


*Others includes *recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear;* and *miscellaneous goods and services*

Source: Bank Negara Malaysia

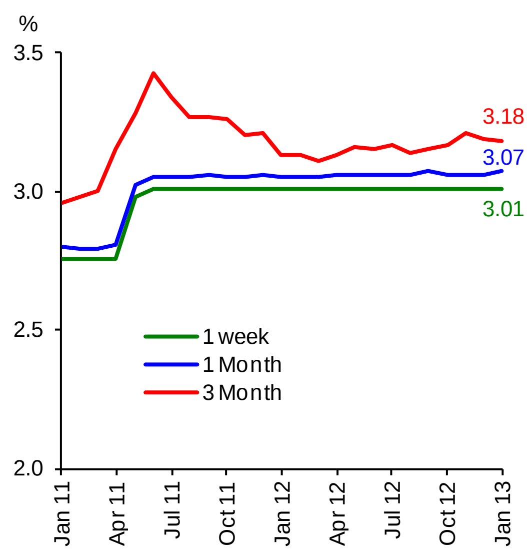
Interest rates remained stable

Average Overnight Interbank Rate

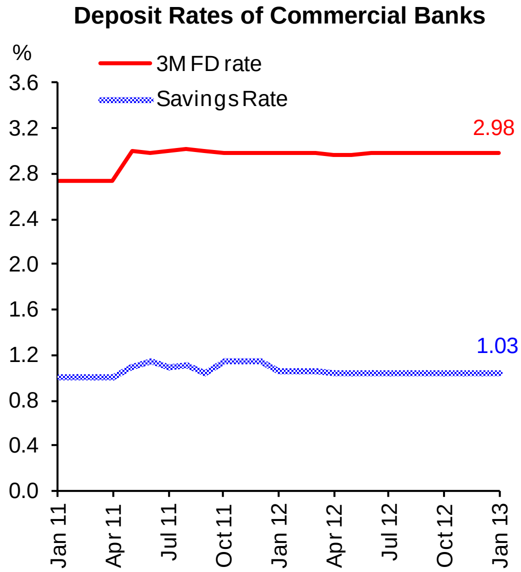


Source: Bank Negara Malaysia

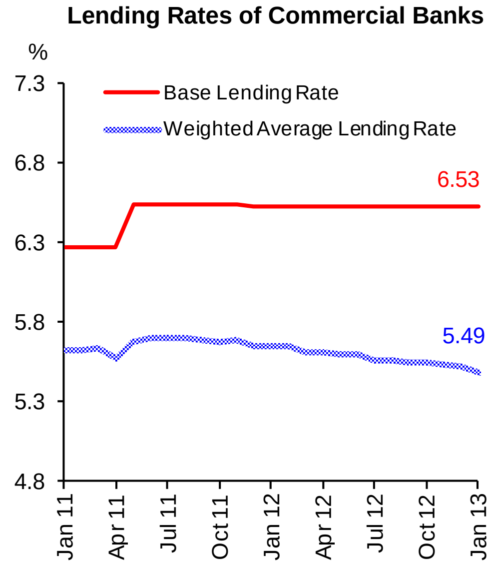
Average Interbank Rates



Source: Bank Negara Malaysia

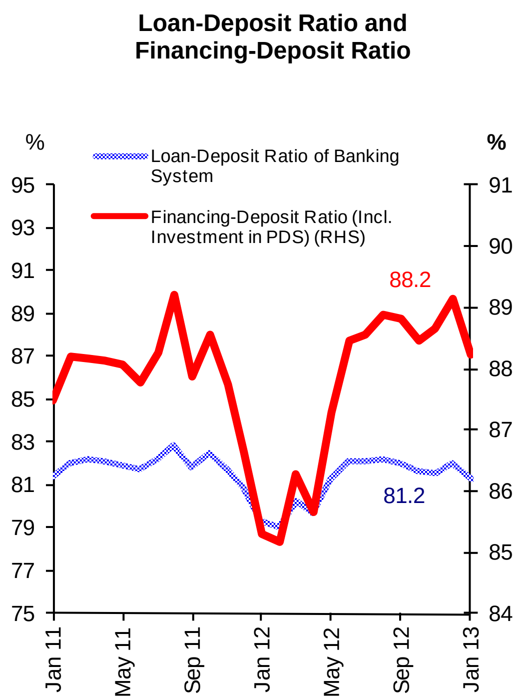


Source: Bank Negara Malaysia

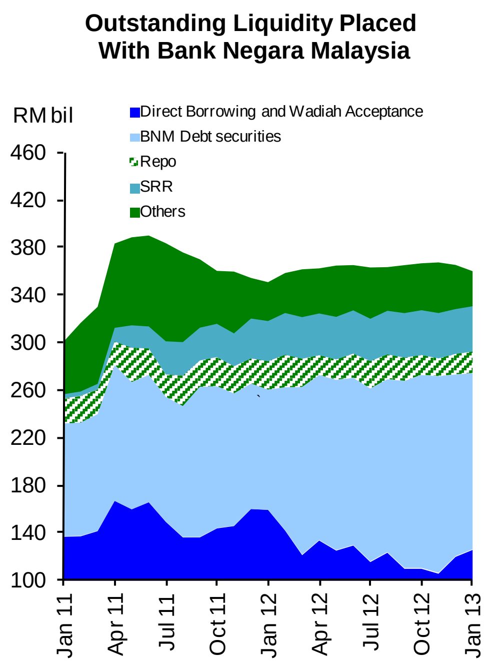


Source: Bank Negara Malaysia

Liquidity in the banking system remained ample



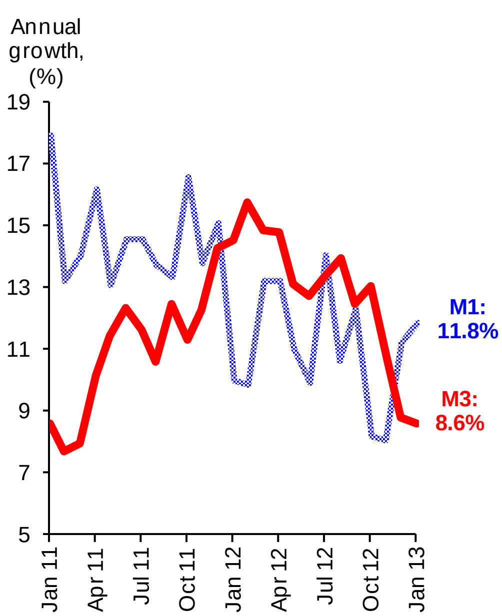
Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

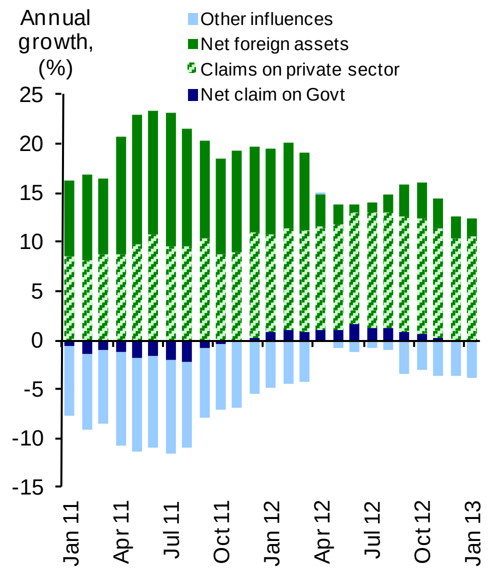
Broad money growth moderated further in January

M1 and M3



Source: Bank Negara Malaysia

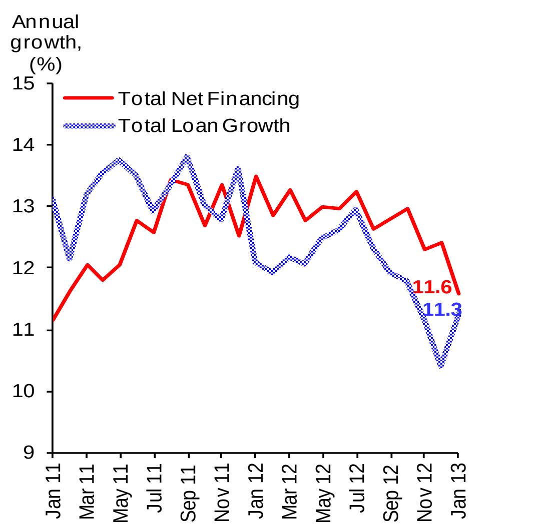
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity slowed in January due to a moderation in PDS issuances

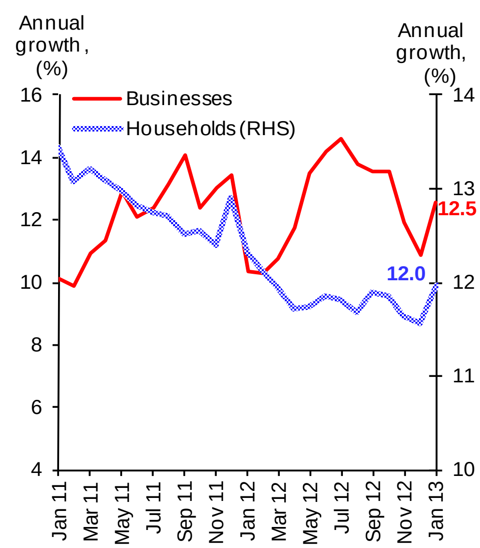
Net Financing and Loan Growth



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

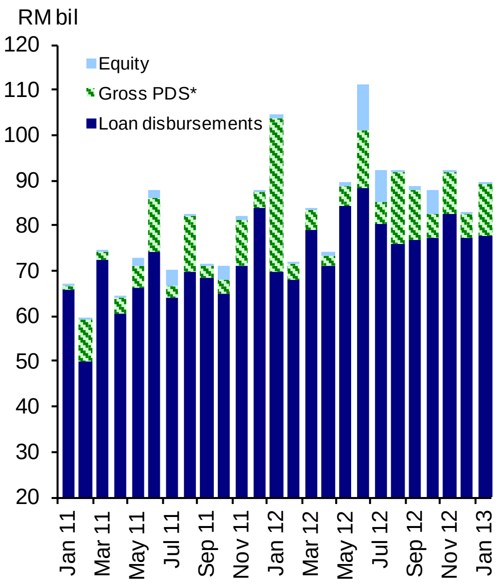
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

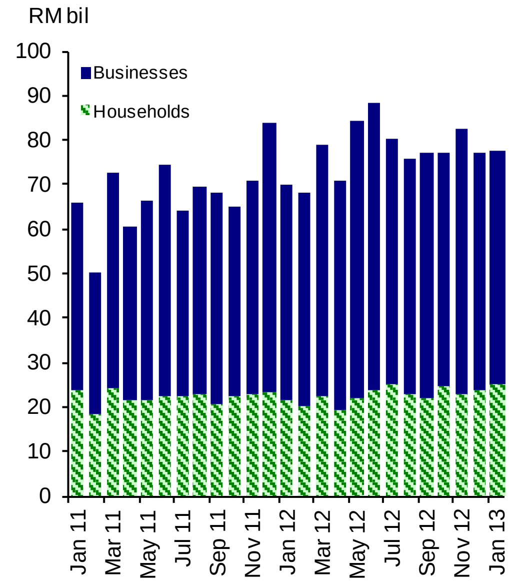
Gross Private Sector Financing



* Excludes foreign issuances

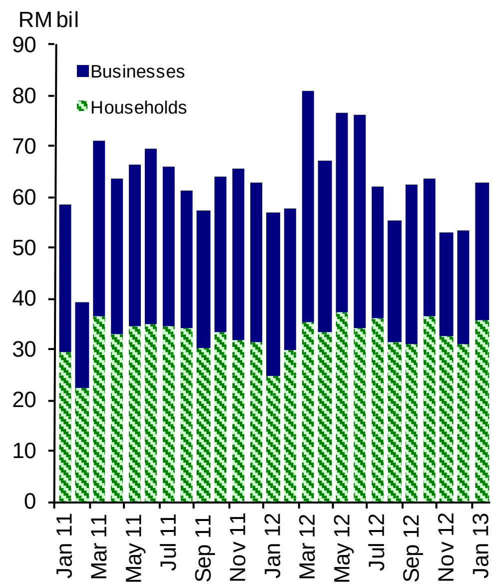
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



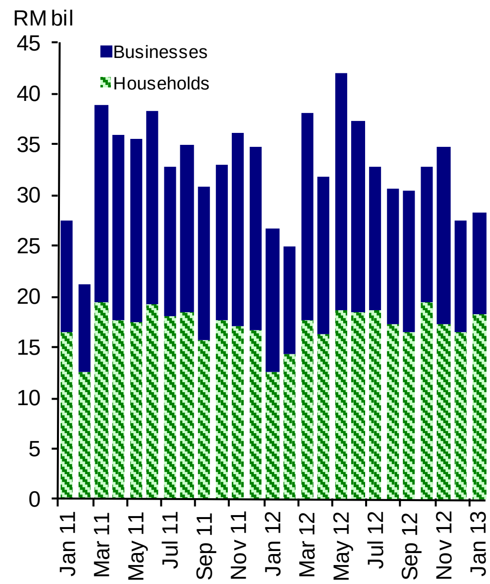
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

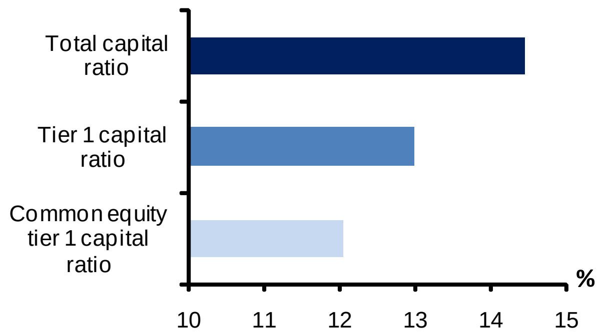
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

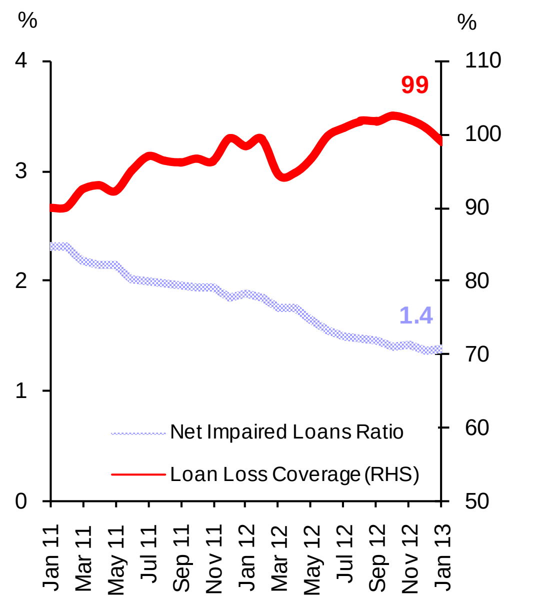
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage

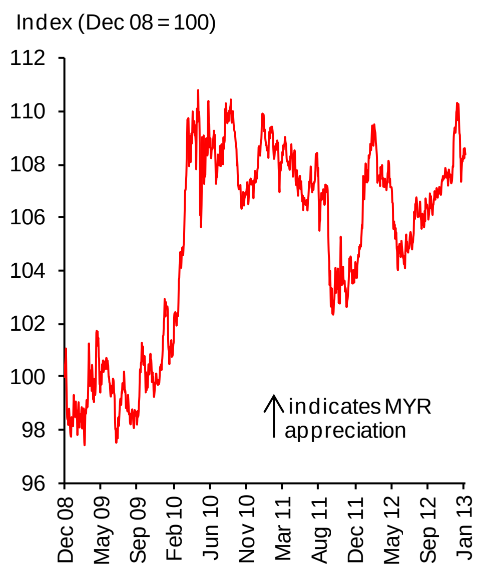


* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.
[1] Refers to ratio of general provisions/collective impairment provisions to total net loans.

Source: Bank Negara Malaysia

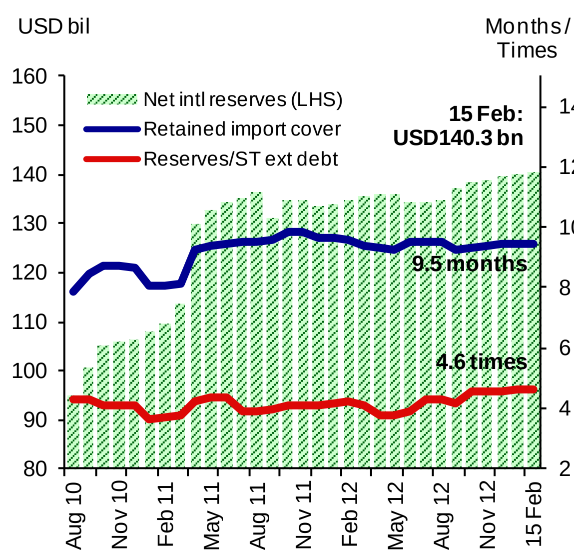
Ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners in January

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

		Nov 12		Dec 12		Jan 13	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		103.2	17.2	105.8	9.9	112.2	10.4
M1		270.5	8.1	287.1	11.2	295.0	11.8
M2		1,319.6	11.4	1,330.8	9.5	1,357.5	9.4
M3		1,341.7	10.7	1,350.3	8.8	1,378.9	8.6
Banking System							
Net financing[1]		1,477.2	12.3	1,489.3	12.4	1,500.2	11.6
Loan-deposit ratio (%) [2]		81.6		82.1		81.2	
Financing-deposit ratio (%) [2&3]		88.6		89.2		88.2	
Loans applied (during the period)		53.1	-19.0	53.6	-14.6	63.0	10.9
Loans approved (during the period)		34.7	-4.1	27.5	-21.1	28.3	6.2
Loans disbursed (during the period)		82.5	16.2	77.1	-7.9	77.8	11.5
Loans repaid (during the period)		79.6	25.6	71.5	1.9	76.2	2.5
Banking System Health							
Total capital ratio (%) [4]		-		-		14.5	
Tier 1 capital ratio (%) [4]		-		-		13.0	
Common equity tier 1 capital ratio (%) [4]		-		-		12.1	
Net impaired loans ratio (%)		1.4		1.4		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		426.2		427.1		428.5	
Net Reserves in USD billion (equivalent)		139.1		139.7		140.1	
Months of retained imports		9.4		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	[2.99]	2.99	[2.99]
	1-week	3.01	[3.01]	3.01	[3.01]	3.01	[3.01]
	1-month	3.11	[3.06]	3.06	[3.06]	3.07	[3.07]
Fixed deposits of commercial banks:	1-month	2.90		2.90		2.91	
	3-month	2.98		2.98		2.98	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.54		5.52		5.46	
Prices							
Consumer Price Index (CPI) (2010=100)		105.5	1.3	105.5	1.2	105.9	1.3

[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