



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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MONETARY AND FINANCIAL DEVELOPMENTS **April 2011**

Price Conditions: Headline inflation, as measured by the Consumer Price Index (CPI), increased to 3.2% on an annual basis. The main contributors to inflation during the month were the *food and non-alcoholic beverages* and *transport* categories. Higher food prices were due mainly to the increase in *meat* and *fish and seafood* prices. Price increases in the *transport* category during the month reflected the effect of the upward adjustment in the price of RON97 from RM2.50/litre to RM2.70/litre due to the rise in the global price of crude oil in March 2011.

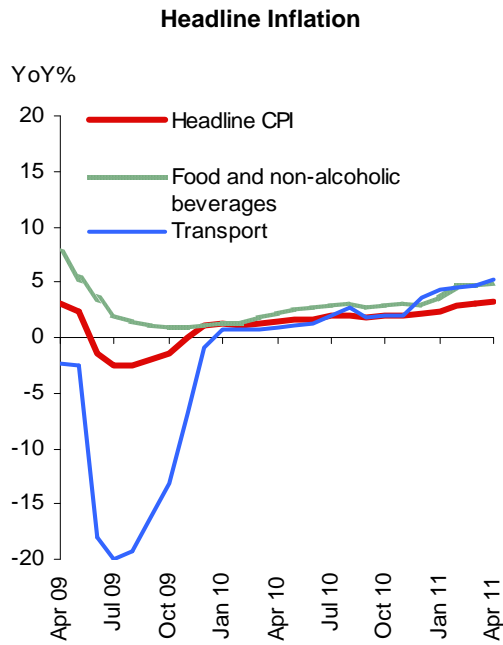
Monetary Conditions: Interbank rates were stable in April. In terms of retail rates, the average base lending rate (BLR) of commercial banks was unchanged at 6.27% as at end-April. Retail deposit rates also remained stable. Following the Monetary Policy Committee's decision to raise the Overnight Policy Rate by 25 basis points to 3.00% on 5 May 2011, interbank rates across all maturities trended higher. Retail lending and deposit rates were also revised in May. Private sector liquidity, as measured by broad money (M3), expanded at a higher annual rate of 10.1% in April. The increase in M3 reflected higher non-resident inflows and credit extended by the banking system to the private sector. Meanwhile, liquidity in the banking system also increased substantially following the strong portfolio inflows in April. These inflows were sterilised by the Bank to avoid excessive expansionary monetary conditions through the use of a wide range of monetary instruments, including direct borrowing and Wadiah acceptances, issuance of BNM securities and the increase in the Statutory Reserve Requirement (SRR). Net financing to the private sector grew at a slower pace in April due mainly to lower net PDS issuances. Banking system loans outstanding, on the other hand, expanded by 13.5% during the month with higher loans extended to businesses in the *wholesale and retail, restaurants and hotels; real estate; finance, insurance and business services* and *agriculture* sectors. Loans to households also continued to rise steadily. Meanwhile, loan applications from businesses and households moderated from their relatively high levels in March.

Banking System: Capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.5% and 12.9% respectively. The level of net impaired loans remained stable to account for 2.1% of net loans. Loan loss coverage increased to 93%.

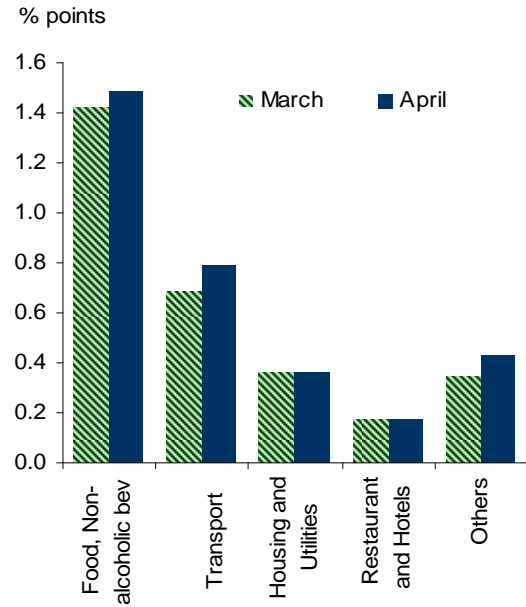
Exchange Rates and International Reserves: In April, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners. While the ringgit appreciated against the US dollar, Japanese yen and Chinese renminbi, it depreciated against the Singapore dollar and euro. The ringgit's appreciation against the US dollar was in line with the strengthening of regional currencies, amid expectations of higher interest rates and a robust growth outlook for Asia. In May, the ringgit depreciated against the currencies of Malaysia's key trading partners with the exception of the euro. The international reserves of Bank Negara Malaysia stood at RM401 billion (equivalent to USD132.6 billion) as at 13 May 2011, sufficient to finance 9.4 months of retained imports and is 4.4 times the short-term external debt.

Bank Negara Malaysia
31 May 2011

Inflation rose in April

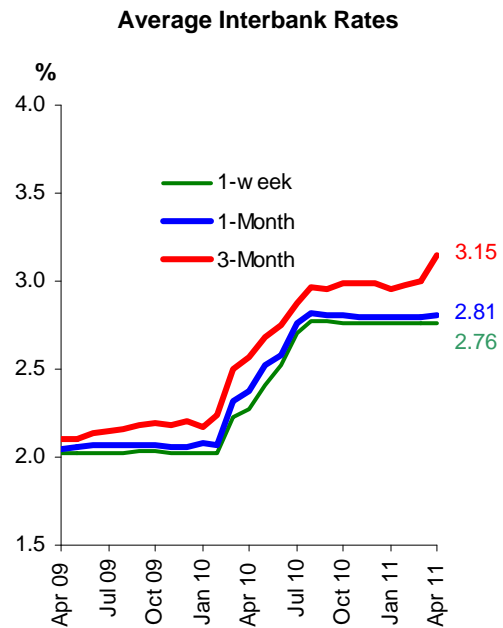
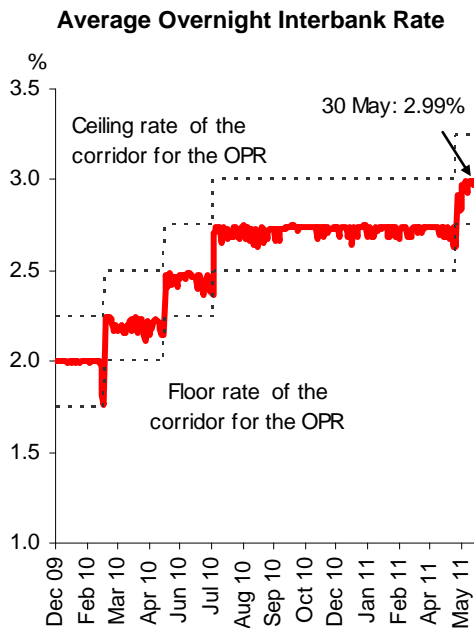


Headline Inflation: Component Contribution

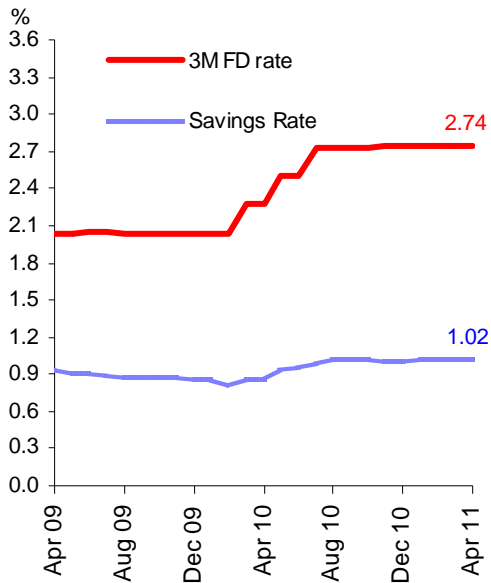


*Others include recreation services and culture, alcoholic beverages and tobacco, education, health, furnishings, household equipment and routine, communication clothing and footwear and miscellaneous goods and services

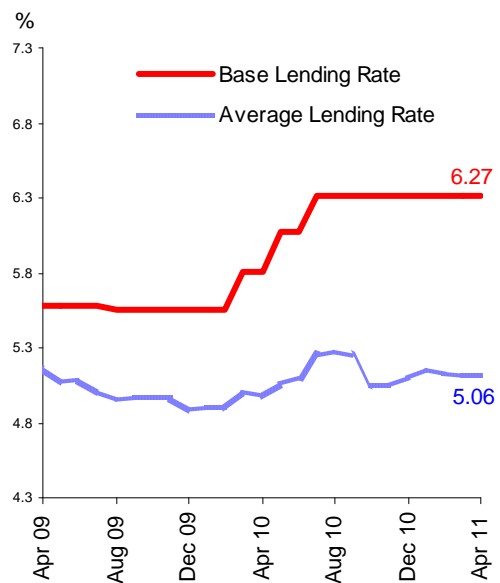
Interest rates remained stable in April



Deposit Rates of Commercial Banks

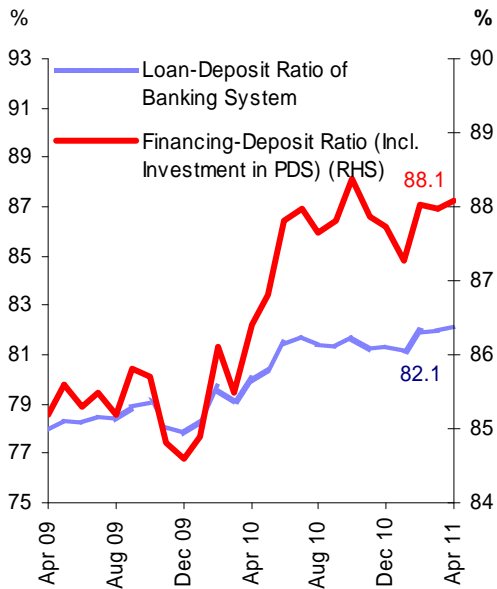


Lending Rates of Commercial Banks

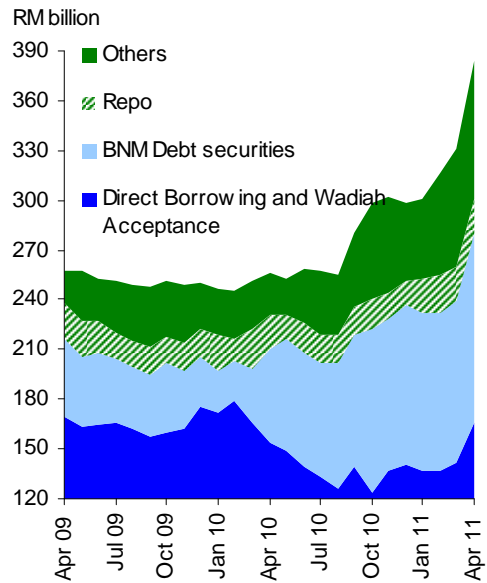


Liquidity in the banking system increased following strong foreign inflows

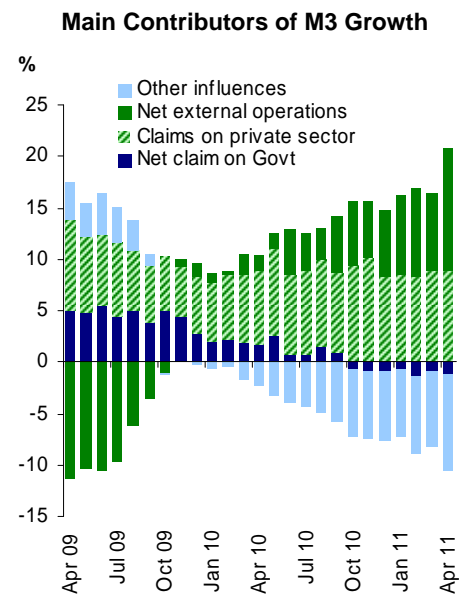
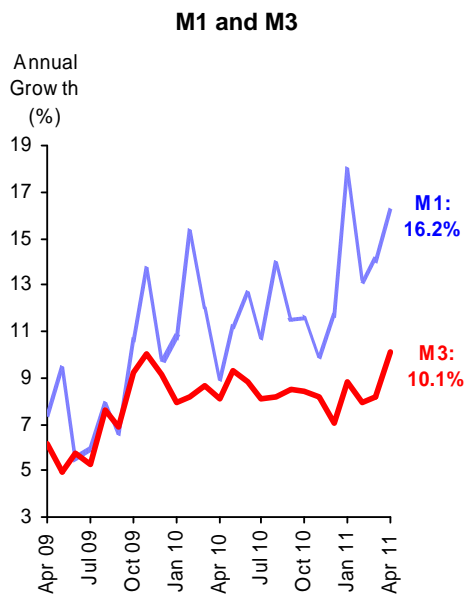
Loan-Deposit Ratio and Financing-Deposit Ratio



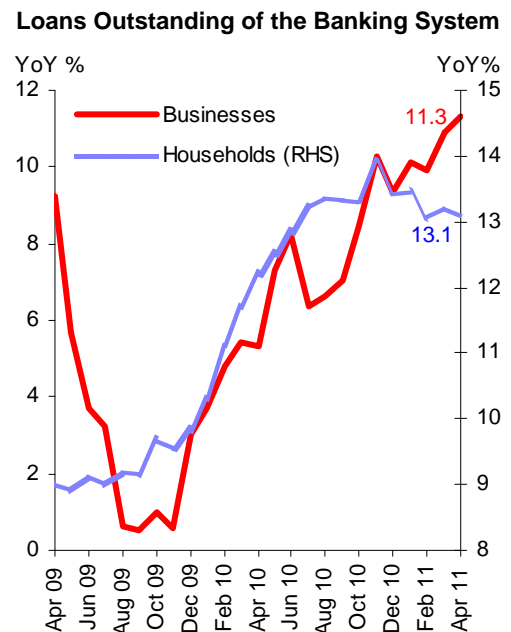
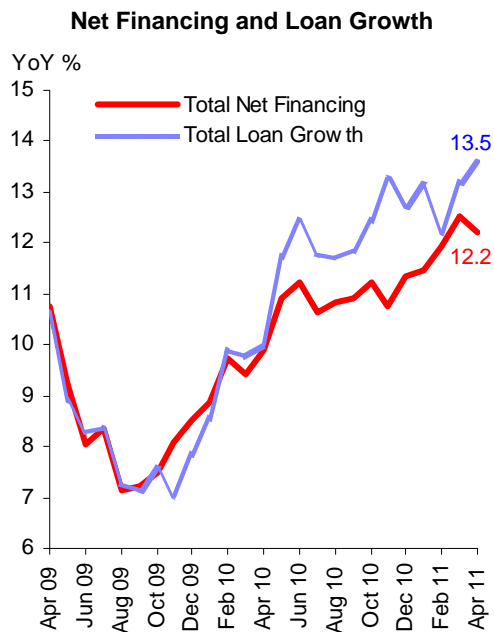
Outstanding Liquidity Placed With Bank Negara Malaysia



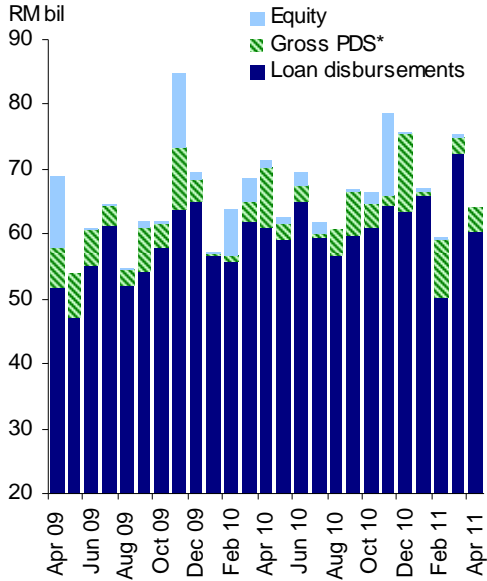
Broad money growth was higher



Financing activity was robust in April

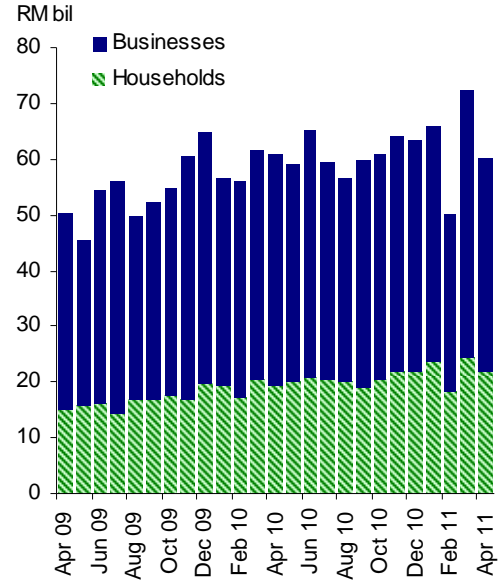


Gross Private Sector Financing

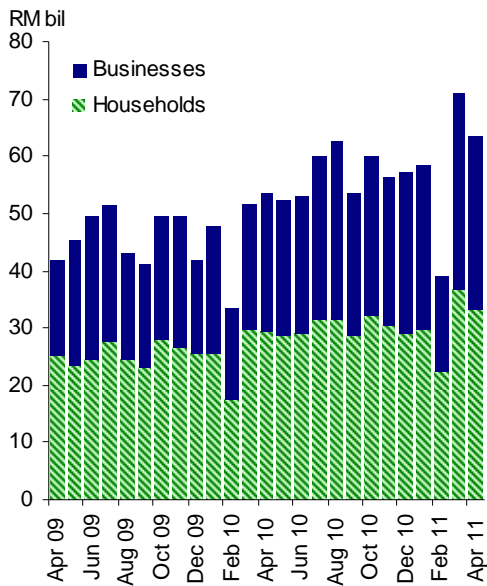


* Excludes foreign issuances

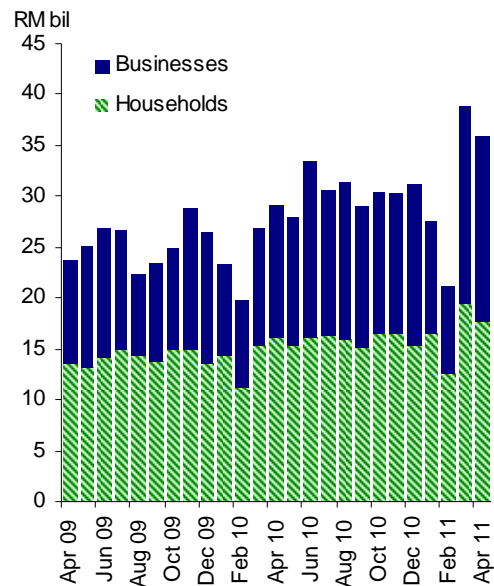
Loan Disbursements by the Banking System



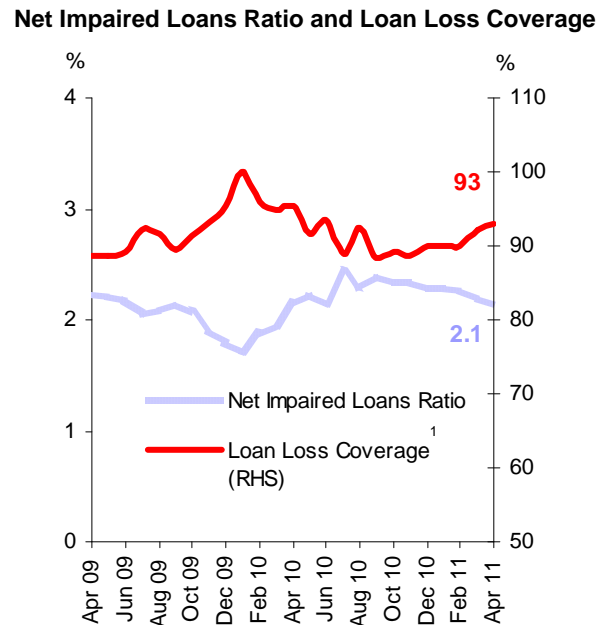
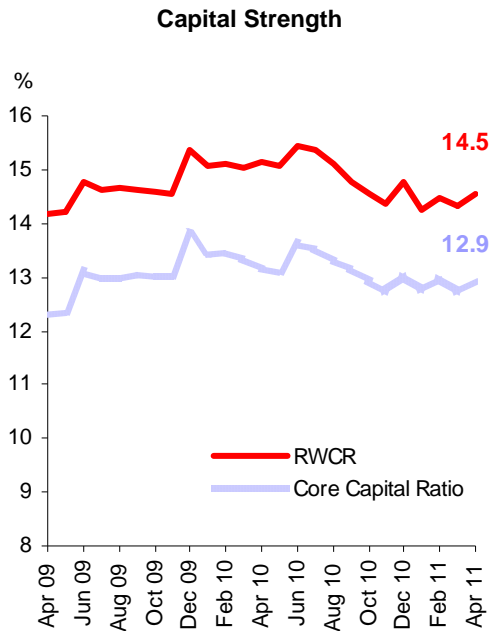
Loan Applications with the Banking System



Loan Approvals by the Banking System



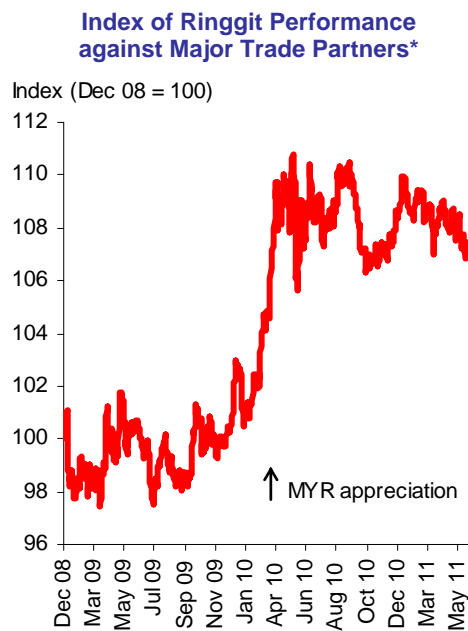
Banking system capitalisation remained strong with stable loan quality



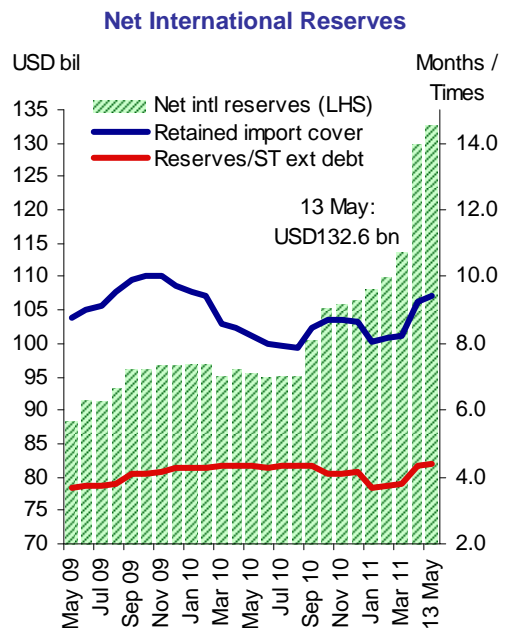
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

¹ Refers to ratio of general provisions/collective impairment provisions to total net loans.

Ringgit performance was mixed



* Currencies in the index: USD, CNY, SGD, JPY, EUR
Each currency carries equal weight



Key Monetary and Financial Statistics

	Feb 11		Mar 11		Apr 11		
	O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth	
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)	
Monetary Aggregates							
Reserve money	63.1	5.6	61.9	9.5	70.5	25.2	
M1	233.8	13.2	229.4	14.0	231.0	16.2	
M2	1,074.3	8.3	1,088.6	8.6	1,103.1	10.7	
M3	1,102.3	7.9	1,116.3	8.2	1,129.3	10.1	
Banking System							
Net financing ¹	13.4	11.9	12.7	12.5	10.2	12.2	
Loan-deposit ratio (%) ²		81.9		82.0		82.1	
Financing-deposit ratio (%) ^{2&3}		88.0		88.0		88.1	
Loans applied (during the period)	39.1	17.0	71.0	37.5	63.7	19.5	
Loans approved (during the period)	21.2	7.1	39.0	44.7	36.0	24.0	
Loans disbursed (during the period)	50.2	-10.2	72.5	17.3	60.3	-1.1	
Loans repaid (during the period)	47.6	2.8	62.0	6.8	56.0	-2.0	
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		14.4		14.3		14.5	
Net Impaired Loans Ratio (%)		2.3		2.2		2.1	
BNM International Reserves (end-period)							
Net Reserves in RM billion		338.6		344.5		393.2	
Net Reserves in USD billion (equivalent)		109.8		113.8		130.0	
Months of retained imports		8.2		8.2		9.3	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		2.75		2.75		3.00	
Interbank:	Overnight	2.72 [2.72]		2.74 [2.73]		2.63 [2.72]	
	1-week	2.76 [2.76]		2.76 [2.76]		2.76 [2.76]	
	1-month	2.79 [2.79]		2.79 [2.79]		2.79 [2.81]	
Fixed deposits of commercial banks:	1-month	2.71		2.71		2.71	
	3-month	2.74		2.74		2.74	
BLR of commercial banks		6.27		6.27		6.27	
ALR of commercial banks		5.07		5.06		5.06	
Prices							
Consumer Price Index (CPI) (2010=100)		102.3	2.9	102.4	3.0	102.6	3.2

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.