



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

Ref. No.: 04/09/13

**EMBARGO: Not for publication or  
broadcast before 1930 hours on  
Wednesday, 29 April 2009**

**Monetary and Financial Developments in March 2009**  
**Highlights of the Press Release**

- The average lending rate (ALR) decreased to a historic low of 5.16%.
- Net financing to the private sector from the banking system and capital market increased at a combined annual rate of 10.7%.
- Headline inflation moderated further to 3.5% due mainly to the slower rate of price increases in most of the food sub-categories.
- The risk-weighted capital ratio (RWCR) and core capital ratio of the banking system improved to 13.4% and 11.5% respectively.



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## **MONETARY AND FINANCIAL DEVELOPMENTS**

**March 2009**

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Growth in gross financing to the private sector was sustained in March. Growth was supported by both higher loan disbursements and larger PDS issuances. On a net basis, banking system loans and PDS outstanding expanded at a combined annual rate of 10.7%. Total loans outstanding expanded at an annual rate of 10.9%.

During the period 1 March – 28 April, the daily weighted average overnight interbank rate moved within a narrow range of 1.99% - 2.01%. Interbank rates of other maturities were also relatively stable. Fixed deposit (FD) rates were unchanged between March and April. As at 15 April, the average quoted FD rates for tenures between 1 and 12 months were within the range of 2.02% and 2.52%. In terms of the CBs' lending rates, the average base lending rate (BLR) of 5.53% as at 15 April was lower compared to end-February (5.89%), while the average lending rate (ALR) decreased to a historic low of 5.16% as at end-March (5.49% in February).

From 1 March to 28 April, the ringgit appreciated by 2.1% against the U.S. dollar. Against other major currencies, the ringgit also appreciated against the Japanese yen (0.8%), but depreciated against the euro (-0.4%) and the pound sterling (-0.3%). Against regional currencies, the ringgit appreciated against the Chinese renminbi (1.9%), the Philippine peso (2.4%) and the Thai baht (0.5%). However, the ringgit depreciated against the Singapore dollar (-0.7%). The ringgit depreciated significantly against the Korean won (-9.5%) and the Indonesian rupiah (-7.5%) as both currencies rebounded from the adverse foreign exchange developments in the earlier part of the year over country specific factors.

Headline inflation moderated further to 3.5% in March due mainly to the slower rate of price increases in most of the food sub-categories. The reduction in households' electricity tariffs on 1 March also contributed to the moderation in inflation.

Broad money, or M3, expanded at a slower annual growth rate of 7.3%. During the month, broad money increased by RM5.1 billion due to Government spending and the extension of credit by banks.

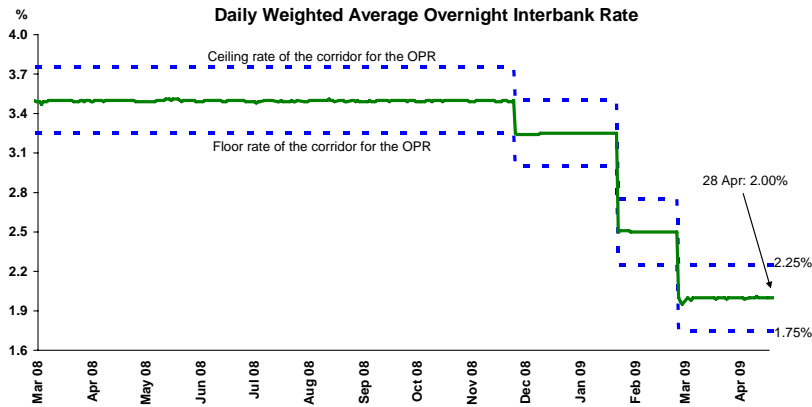
The banking system remained sound, with the risk-weighted capital ratio (RWCR) and core capital ratio improving to 13.4% and 11.5% respectively. Meanwhile, the net non-performing loans (NPLs) remained unchanged at 2.2% of total net loans.

### ***Interest rates remained stable***

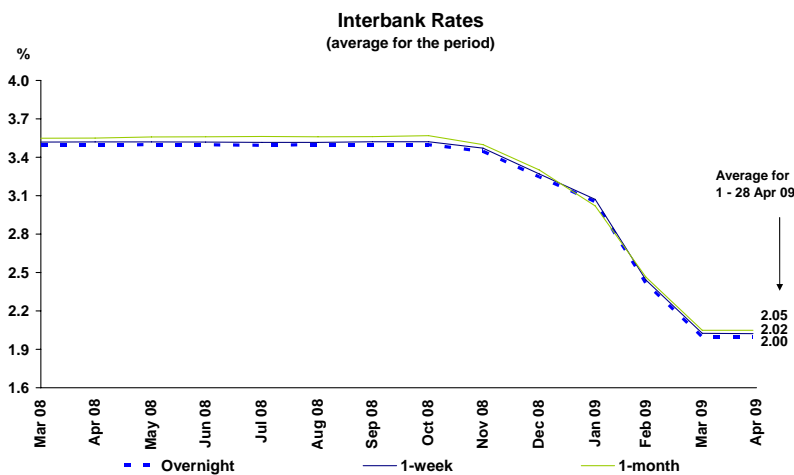
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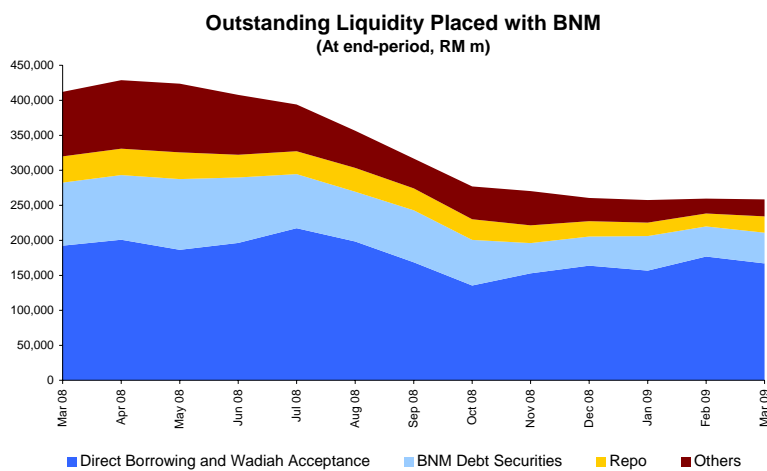
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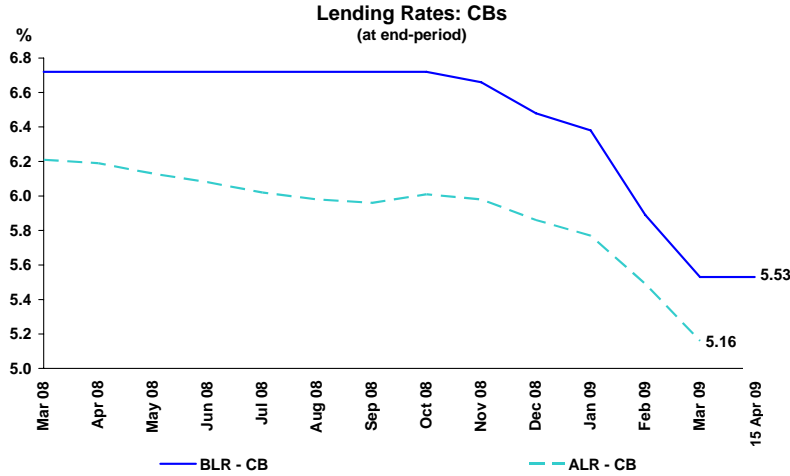
*The average overnight interbank rate moved within a narrow range*



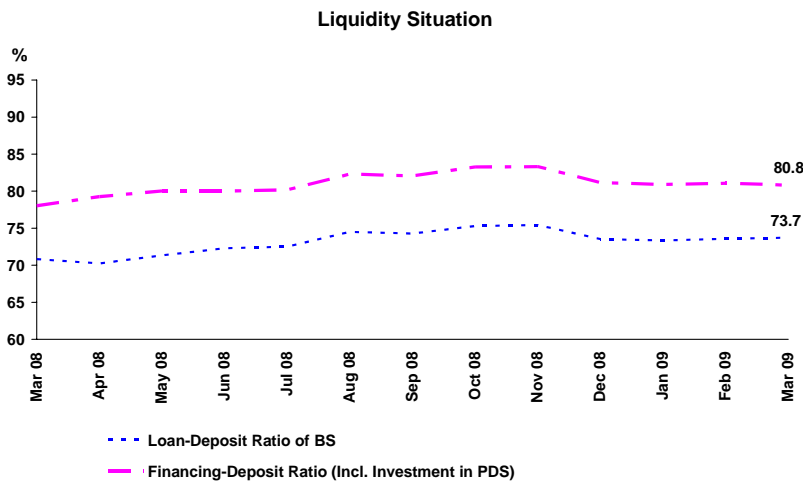
*Other interbank rates were also relatively stable*



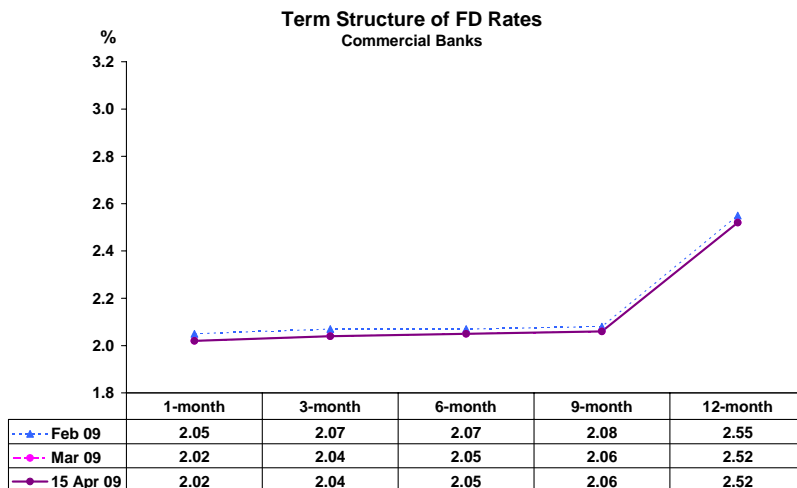
*BNM continued to absorb excess liquidity*



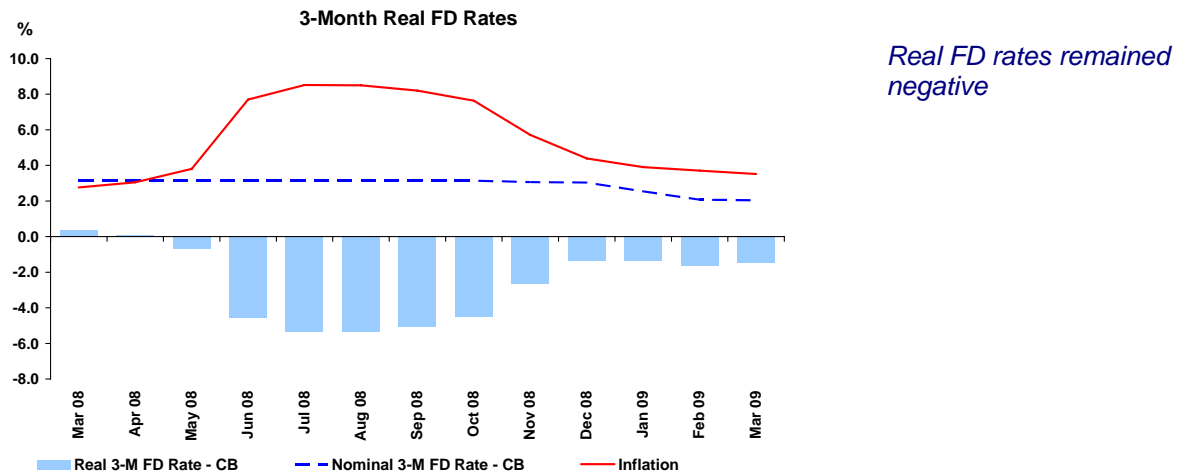
*CBs' BLR was unchanged, whereas the ALR trended lower*



*The loan-deposit and financing-deposit ratios were relatively stable in March*

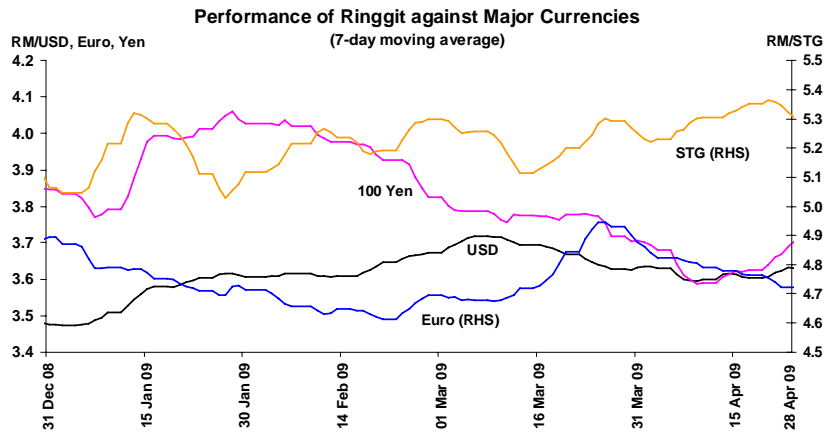


*Average FD rates were unchanged between March and 15 April*

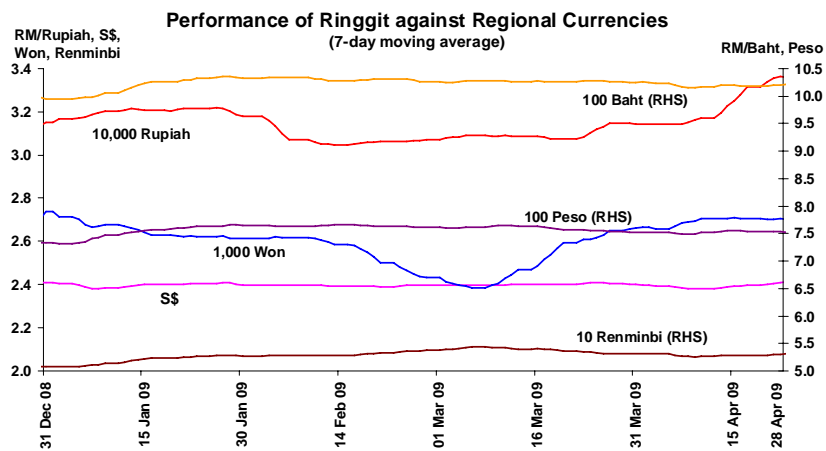


### ***The ringgit appreciated against the U.S. dollar***

From 1 March to 28 April, the ringgit appreciated by 2.1% against the U.S. dollar. The strong performance of the ringgit against the U.S. dollar was reflective of the broad trend in regional currencies. This followed improved investor risk appetite towards financial assets in emerging markets. The aggressive policy measures introduced by the developed economies and the tentative signs of stabilisation in some U.S. economic indicators led to expectations that international financial market conditions were normalising. The ringgit also benefited from favourable market reaction to the Second Stimulus Package announced on 10 March. Against other major currencies, the ringgit also appreciated against the Japanese yen (0.8%), but depreciated against the euro (-0.4%) and the pound sterling (-0.3%). Against regional currencies, the ringgit appreciated against the Chinese renminbi (1.9%), the Philippine peso (2.4%) and the Thai baht (0.5%). However, the ringgit depreciated against the Singapore dollar (-0.7%). The ringgit depreciated significantly against the Korean won (-9.5%) and the Indonesian rupiah (-7.5%) as both currencies rebounded from the adverse foreign exchange developments in the earlier part of the year over country specific factors.



*The ringgit appreciated against the U.S dollar and yen but depreciated against the euro and the pound sterling*



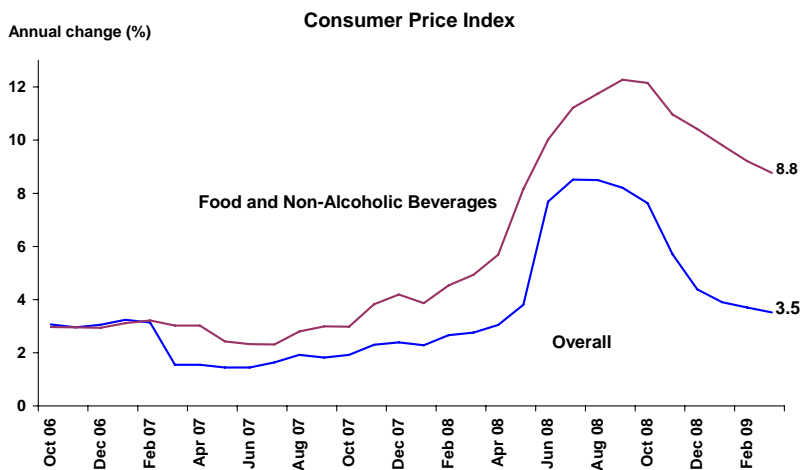
*The ringgit registered a mixed performance against regional currencies*

### Performance of Ringgit against Selected Currencies

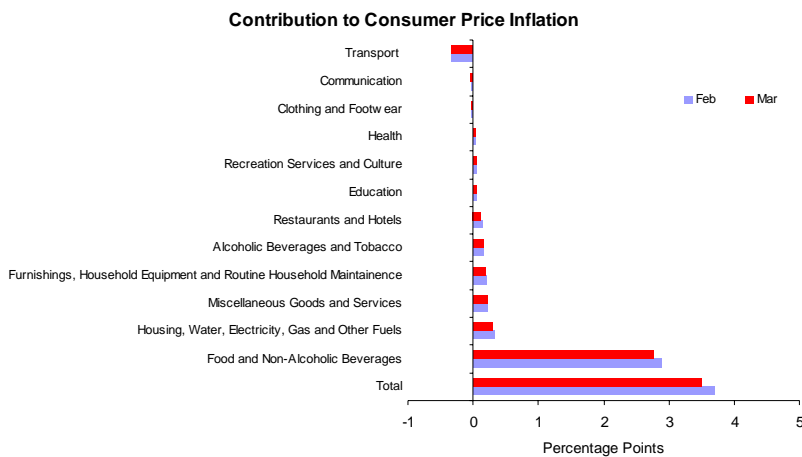
RM per foreign currency	End-period				% Change	
	Dec 08	Feb 09	Mar 09	28 Apr 09	End Dec 08 - 28 Apr 09	End Feb 09 - 28 Apr 09
US dollar	3.4640	3.6925	3.6470	3.6180	-4.3	2.1
Euro	4.8759	4.6952	4.8348	4.7117	3.5	-0.4
Pound sterling	4.9989	5.2699	5.2203	5.2852	-5.4	-0.3
100 Japanese yen	3.8327	3.7862	3.7091	3.7560	2.0	0.8
Singapore dollar	2.4070	2.3956	2.4008	2.4118	-0.2	-0.7
100 Thai baht	9.9398	10.248	10.266	10.193	-2.5	0.5
100 Philippine peso	7.2774	7.5829	7.5343	7.4056	-1.7	2.4
100 Indonesian rupiah	0.0316	0.0308	0.0315	0.0333	-5.0	-7.5
100 Korean won	0.2750	0.2428	0.2630	0.2682	2.6	-9.5
Chinese renminbi	0.5076	0.5398	0.5335	0.5299	-4.2	1.9

### ***Inflation moderated further***

Headline inflation moderated further to 3.5% in March (February: 3.7%). As in the previous month, the moderation in inflation was explained mostly by the slower rate of price increases in the *food and non-alcoholic beverages* category (8.8% compared to 9.2% in February). With the exception of the *fruits and food away from home* sub-categories, all other food sub-categories recorded slower rates of price increases in March. Following the reduction in households' electricity tariffs by a weighted average of 2.54% on 1 March, inflation in the *housing, water, electricity, gas and other fuels* category moderated slightly to 1.4% during the month (February: 1.5%). Meanwhile, prices in the *transport* category continued to decline by 2.1% (February: -2.1%).



*Inflation moderated to 3.5% in March*

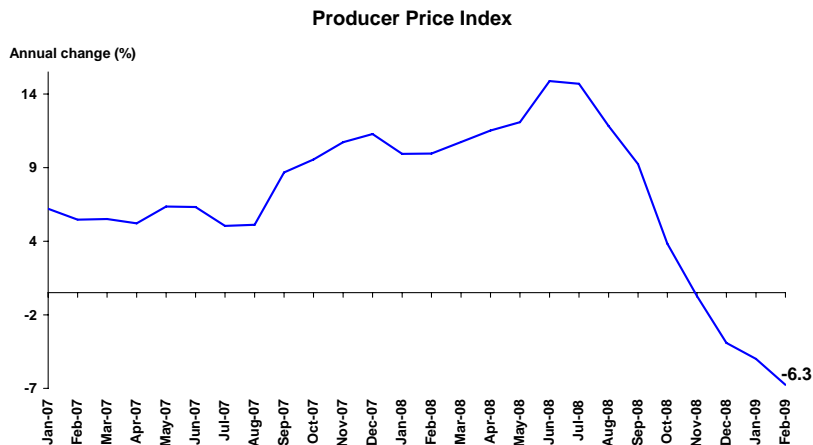




### ***Producer prices declined further in February***

The Producer Price Index (PPI) declined by 6.3% in February (January 2009: -4.5%). As in the previous month, the decline was due mainly to the significantly lower prices of commodity-related components of the PPI. Prices in the commodity-related components of the PPI fell by 18.8% in February (January: -14.0%). In the non-commodity-related components of the PPI, prices declined at a marginally faster rate of 0.5% (January 2009: -0.2%).

In terms of composition, prices in both the local and imported components of the PPI also continued to decline at a faster rate. In February 2009, prices in the local component of the PPI declined by 8.1% (January: -5.6%), while prices in the imported component declined by 2.4% (January: -2.2%). The continued decline in producer prices is expected to sustain the moderation in consumer prices.



*Producer prices declined further in February*

### **Monetary aggregates increased at a slower pace**

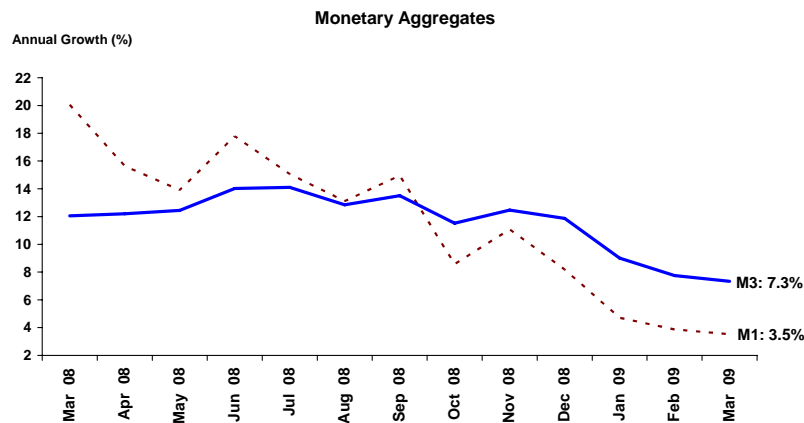
In March, broad money or M3, increased by RM5.1 billion, to expand at a slower annual growth rate of 7.3%. The increase was underpinned by expansionary domestic factors, including Government spending and the extension of credit by banks. Meanwhile, foreign assets of the banking system declined slightly as portfolio inflows were offset by trade outflows.

**M3 Determinants**  
(RM billion)

	Change during period			
	Dec 08	Jan 09	Feb 09	Mar 09
M3	22.4	14.2	-1.7	5.1
Net claims on Government	21.6	5.6	-1.3	1.6
Claims on the private sector	1.7	2.8	0.7	1.4
Loans	1.7	2.1	1.4	1.1
Securities	0.1	0.8	-0.6	0.3
Net foreign assets*	-2.8	3.1	1.9	-1.3
Other influences	1.9	2.6	-3.0	3.5

\* Pre-revaluation of the international reserves

M3 has been revised to include *other deposits* from December 1999 onwards. *Other deposits* were previously excluded from the compilation of M3.



### **Banking system deposits increased in March**

Total deposits placed with the banking system increased by RM9.3 billion or 8.0% on an annual basis in March (February: -RM0.3 billion, 8.3%). The increase in deposits was due to the payment of outlays by the Government during the month. By customer, higher deposits were placed by financial institutions, business enterprises, and to a lesser extent, individuals. By type, the increase in deposits was mainly in the form of negotiable instruments of deposits (NIDs) and Islamic banking system (IBS) deposits.

### Deposits by Holder (RM million)

	Change during period			
	Dec 08	Jan 09	Feb 09	Mar 09
Federal Government	620	-604	2,709	-2,612
State Governments	226	-588	1,542	305
Statutory Authorities <sup>1</sup>	-1,272	-2,134	627	-323
Financial Institutions	13,789	-4,056	-3,533	7,251
Business Enterprises	13,195	6,673	-5,075	3,660
Individuals	5,038	4,858	2,434	1,582
Others <sup>2</sup>	-2,453	391	1,016	-533
<b>Total</b>	<b>29,144</b>	<b>4,540</b>	<b>-279</b>	<b>9,328</b>

1/ Include local Governments

2/ Consist of domestic other entities and foreign non-bank entities

### Deposits by Type (RM million)

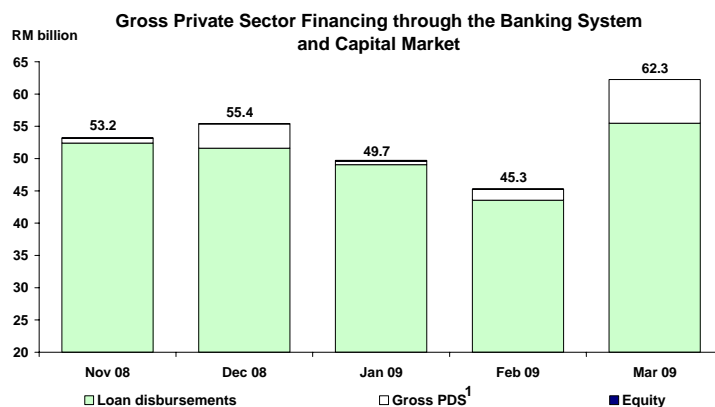
	Change during period			
	Dec 08	Jan 09	Feb 09	Mar 09
Fixed deposits	4,423	9,864	2,193	-38
NIDs	4,913	-4,316	-4,643	3,769
Demand deposits	6,118	-1,834	252	-155
Savings deposits	2,047	523	1,968	736
Repos	-12	41	-30	560
FX deposits	-995	2,947	466	-645
IBS deposits <sup>1</sup>	4,775	-2,460	1,433	3,170
Others <sup>2</sup>	7,875	-225	-1,975	1,962
<b>Total</b>	<b>29,144</b>	<b>4,540</b>	<b>-279</b>	<b>9,328</b>

1/ IBS deposits refers to Islamic banking system deposits

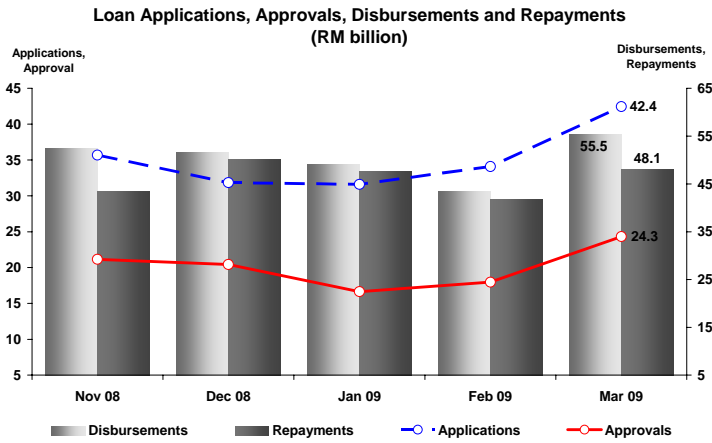
2/ Other deposits comprised mainly of short-term money market deposits

## Significant increase in gross financing

Growth in gross financing to the private sector through the banking system and the capital market was sustained in March. Growth was supported by both higher loan disbursements and larger PDS issuances. On a net basis, banking system loans and PDS outstanding expanded at a combined annual rate of 10.7% as at end-March (February: 10.9%).



*Gross financing increased significantly during the month*



All major loan indicators increased...

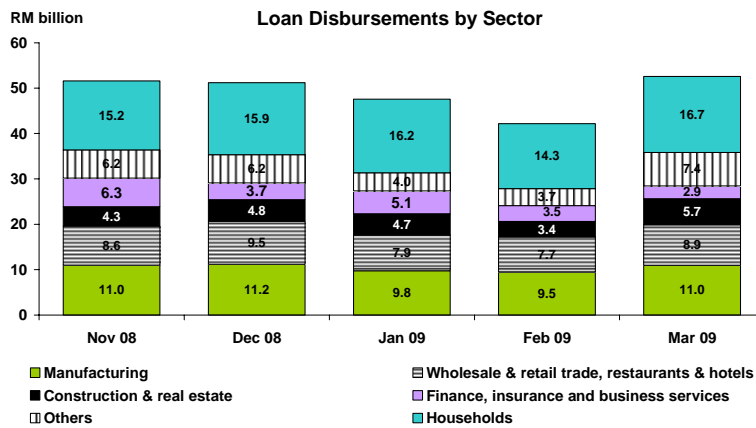
	RM billion			Annual Growth (%)		
	Feb-09	Mar-09	J-M 09	Feb-09	Mar-09	J-M 09
<b>Overall</b>						
Loan applications	34.1	42.4	108.1	8.1	4.7	-3.5
Loan approvals	18.0	24.3	58.9	-15.9	-0.7	-17.8
Loan disbursements	43.5	55.5	148.1	-5.6	9.0	-2.3
Chg in Loans Outstanding <sup>1/</sup>	1.4	4.7	7.3	10.9	10.9	10.9
<b>Businesses</b>						
Loan applications	17.6	18.6	52.0	14.1	-11.0	-7.8
Loan approvals	8.0	11.1	26.1	-29.2	-13.0	-31.5
Loan disbursements	29.2	38.8	100.8	-9.1	7.8	-5.2
Chg in Loans Outstanding <sup>1/</sup>	-0.4	-0.2	-1.2	10.0	9.5	9.5
<b>SMEs<sup>2/</sup></b>						
Loan applications	6.6	7.9	20.2	-13.7	-9.8	-17.7
Loan approvals	3.0	3.4	8.9	-19.2	-25.4	-30.6
Loan disbursements	11.2	11.5	34.7	-15.4	-11.0	-13.1
Chg in Loans Outstanding <sup>1/3/</sup>	-1.9	-0.1	-6.9	0.6	-0.4	-0.4
<b>Households</b>						
Loan applications	16.5	23.8	56.1	2.4	21.5	0.9
Loan approvals	9.9	13.2	32.8	-0.8	12.6	-2.2
Loan disbursements	14.3	16.7	47.2	2.5	11.9	4.7
Chg in Loans Outstanding <sup>1/</sup>	1.2	1.5	5.4	8.9	8.8	8.8

...supported by both the business and household sectors

<sup>1/</sup> The annual growth in outstanding amount as at end-period.

<sup>2/</sup> Include loans to individual businesses.

<sup>3/</sup> The decline in SME loans outstanding partly reflected the exclusion of a number of companies from the SME classification, as they have grown beyond the definition of SME. Without such exclusion, SMEs loans outstanding would have expanded by 2.85% year-on-year as at end-March 2009.



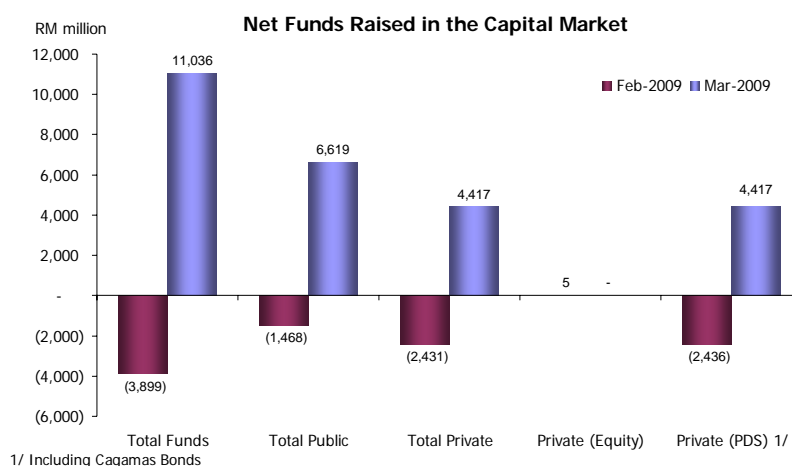
Loan disbursements remained broad-based

The major loan indicators were higher in March compared to February. Demand for financing from the business sector increased during the month, as reflected by the higher loan applications of RM18.6 billion. Business loan disbursements also increased to RM38.8 billion, with funds mainly channelled to the *real estate; transport, storage and communication; and community, social and personal services* sectors. As at end-March, business loans outstanding expanded at an annual growth rate of 9.5% (end-February: 10.0%).

For the household sector, loan applications, approvals and disbursements increased during the month, mainly due to higher loans for the purchase of residential properties and the usage of credit cards. Household loans outstanding expanded by 8.8% as at end-March (end-February: 8.9%).

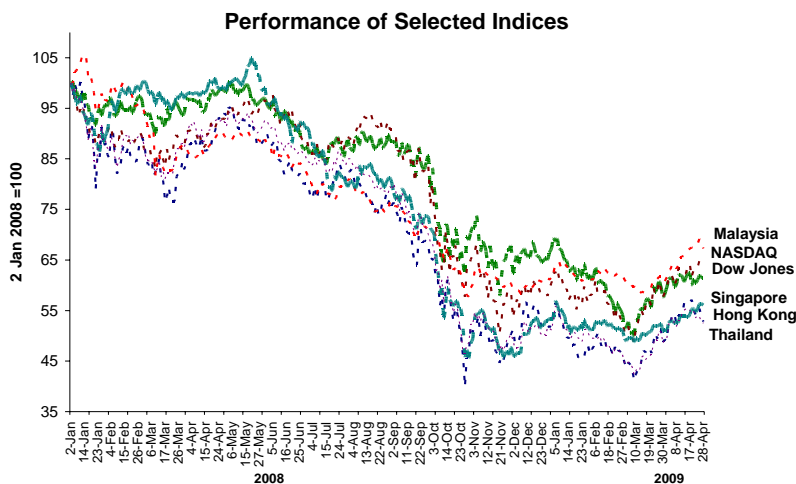
### ***Higher net funds raised in the capital market***

Net funds raised in the capital market amounted to RM11 billion in March. In the public sector, a total of RM12.3 billion was raised through the re-opening of the 3-year and 5-year Malaysian Government Securities (MGS), and through issuances of Merdeka Savings Bonds. On a net basis, net funds raised by the public sector amounted to RM6.6 billion. In the private sector, gross funds raised also increased to RM6.8 billion, significantly higher than the RM1.9 billion raised last month. The bulk of the funds were raised by firms in the *finance; transportation and construction* sectors. After adjusting for redemptions, net funds raised by the private sector amounted to RM4.4 billion.



## KLCI declined in March

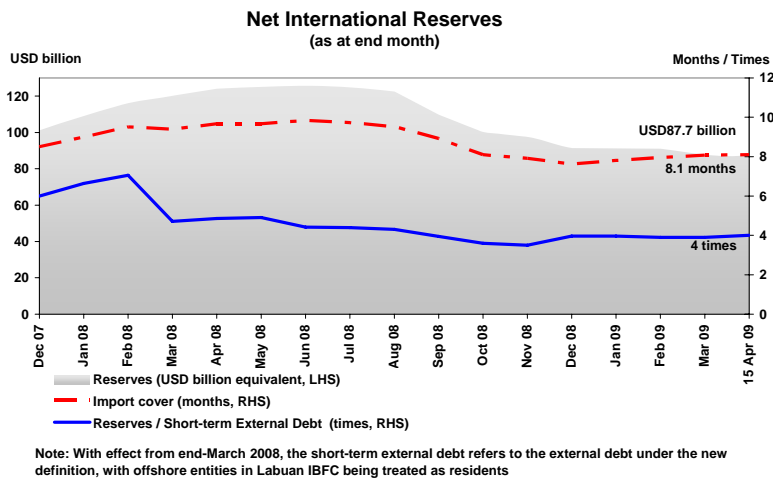
In March, the KLCI ended lower to close at 872.6 (end-February: 890.7 points). During the first half of the month, the KLCI declined, affected by weaker regional and domestic economic indicators. Market sentiments, however, improved in the second half of the month, due to the announcement of the Second Stimulus Package and positive developments in the global markets. Market capitalisation declined to RM662.1 billion (since end-February: -0.8%) and the daily average turnover increased to 444.6 million units (February: 396.2 million units).



As at 28 April, the KLCI ended higher at 965.7 (since end-March: +10.7%). Overall market capitalisation was higher at RM735.1 billion (since end-March: +11.0%) and the daily average turnover increased to 1,216.9 million units.

## International reserves

The international reserves of Bank Negara Malaysia amounted to RM320.7 billion (equivalent to USD87.8 billion) as at 31 March 2009. The reserves level as at 31 March 2009 has taken into account the quarterly adjustment for the foreign exchange revaluation gain, following the strengthening of some of the major currencies against the ringgit during the quarter. As at 15 April 2009, the international reserves amounted to RM320.1 billion (equivalent to USD87.7 billion). The reserves position is sufficient to finance 8.1 months of retained imports and is 4 times the short-term external debt.



### **Strong capitalisation and stable non-performing loans in the banking system**

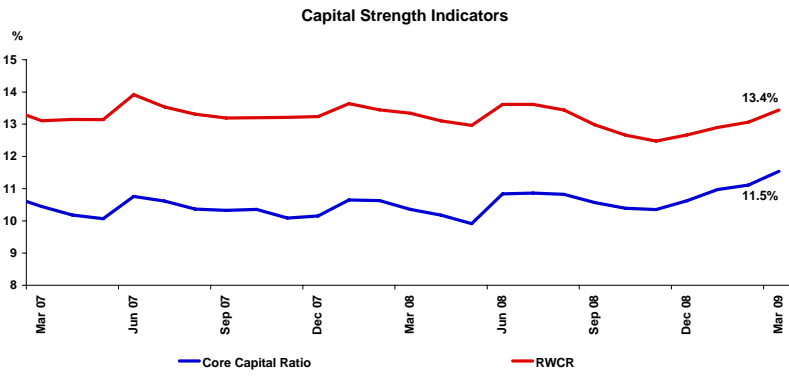
Capital ratios strengthened during the month supported largely by capital raising exercises by several banking institutions in an effort to further enhance their risk bearing capacity given the more challenging environment. The risk-weighted capital ratio (RWCR) improved to 13.4% whilst core capital ratio increased to 11.5%. Net non-performing loans (NPLs) remained unchanged at 2.2% of total net loans.

#### **Banking System Health Indicators<sup>\*</sup>**

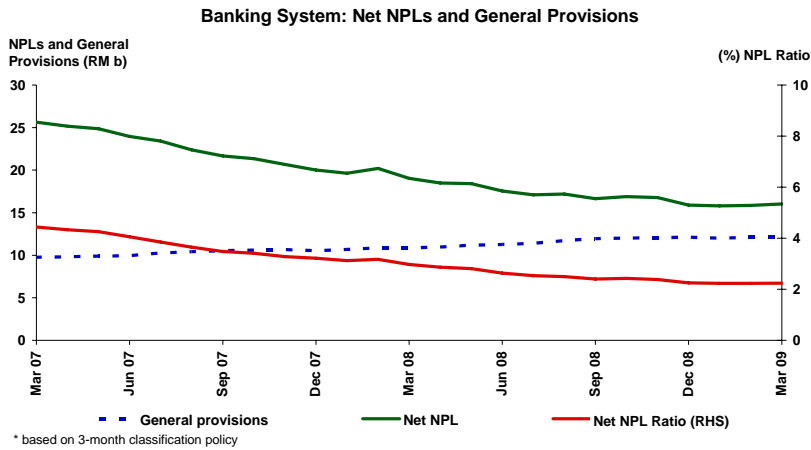
	2002	2003	2004	2005	2006	2007	2008	Jan 09	Feb 09	Mar 09
<b>Capital (%)**</b>										
Core capital ratio	11.1	11.1	11.4	10.7	10.7	10.2	10.6	11.0	11.1	11.5
RWCR	13.2	13.8	14.4	13.7	13.5	13.2	12.7	12.9	13.1	13.4
<b>Net NPLs (3-month classification)</b>										
% of net total loans	10.2	8.9	7.5	5.8	4.8	3.2	2.2	2.2	2.2	2.2
Amount (RM million)	43,110	40,013	36,668	31,332	27,360	20,011	15,897	15,812	15,863	16,029
<b>General provisions / Net total loans (3-month, %)</b>	2.1	2.0	1.9	1.8	1.7	1.7	1.7	1.7	1.7	1.7

<sup>\*</sup> Figures include Islamic banks.

<sup>\*\*</sup> Beginning March 2008, RWCR and CCR are computed based on Basel II for banking institutions that have adopted the standardised approach



*Banking system capitalisation remained strong...*



*... whilst NPLs remained at a low level*



### Key Monetary and Financial Statistics

	Jan 09		Feb 09		Mar 09	
	Outs.	Ann. growth	Outs.	Ann. growth	Outs.	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
<b>Monetary Aggregates</b>						
Reserve money	73.7	5.8	60.5	-10.6	54.1	-17.5
M1	183.8	4.7	179.2	3.9	179.7	3.5
M2	916.8	10.7	914.7	9.5	921.9	9.3
M3	945.9	9.0	944.2	7.8	949.3	7.3
<b>Banking System</b>						
Total deposits	976.8	9.2	976.5	8.3	985.8	8.0
Total loans (including loans sold to Cagamas)	727.8	11.6	729.2	10.9	733.9	10.9
Loan-deposit ratio (%)	73.3		73.6		73.7	
Financing-deposit ratio <sup>1</sup> (%)	80.9		81.1		80.8	
Loans applied (during the period)	31.6	-20.9	34.1	8.1	42.4	4.7
Loans approved (during the period)	16.7	-35.5	18.0	-15.9	24.3	-0.7
Loans disbursed (during the period)	49.1	-10.0	43.5	-5.6	55.5	9.0
Loans repaid (during the period)	47.7	-3.5	41.8	-3.5	48.4	4.8
<b>Banking System Health</b>						
Risk-weighted Capital Ratio (RWCR) (%)	12.9		13.1		13.4	
Net NPLs: 3-month classification (%)	2.2		2.2		2.2	
<b>Interest Rates at end-period [average for the month]</b>						
Overnight Policy Rate (OPR)	2.50		2.00		2.00	
Interbank:	Overnight	2.50 [3.05]	1.99 [2.42]		2.00 [2.00]	
	1-week	2.52 [3.07]	2.03 [2.44]		2.03 [2.02]	
	1-month	2.56 [3.02]	2.06 [2.46]		2.06 [2.05]	
Fixed deposits of commercial banks:	1-month	2.54	2.05		2.02	
	3-month	2.54	2.07		2.04	
BLR of commercial banks		6.38	5.89		5.53	
ALR of commercial banks		5.77	5.49		5.16	
<b>Prices</b>						
Consumer Price Index (CPI) (2005=100)	111.7	3.9	111.9	3.7	111.7	3.5
Producer Price Index (PPI) (2000=100)	131.9	-4.5	130.3	-6.3	n.a.	n.a.
<b>Exchange Rates of Ringgit against Selected Currencies (end-period)</b>						
US dollar	3.6085		3.6925		3.6470	
Euro	4.6517		4.6952		4.8348	
Pound Sterling	5.1259		5.2699		5.2203	
100 Japanese yen	4.0379		3.7862		3.7091	
Singapore dollar	2.3923		2.3956		2.4008	
100 Thai Baht	10.331		10.248		10.266	
100 Philippine Peso	7.6193		7.5829		7.5343	
100 Indonesian Rupiah	0.0318		0.0308		0.0315	
100 Korean Won	0.2609		0.2428		0.2630	
<b>Capital Market</b>						
Net funds raised (in Rmb) by:	public	5.7	-1.5		6.6	
	private	-1.0	-2.4		4.4	
Bursa Malaysia Composite Index (end-period)		884.5	890.7		872.6	
Bursa Malaysia Market Capitalisation (Rmb, end-period)		667.9	667.4		662.1	

<sup>1</sup> Refers to the ratio of loans and holdings of PDS by the banking system to deposits of the banking system.