



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Ref. No.: 12/07/04

**EMBARGO: Not for publication or
broadcast before 1800 hours on
Friday, 28 December 2007**

Monetary and Financial Developments November 2007
Highlights of the Press Release

- Loan applications, approvals and disbursements in both the business and household sectors continued to register strong annual growth rates.
- Loans outstanding continued to expand at a strong annual growth rate of 10.2%.
- The banking system remained well capitalised, with the risk-weighted capital ratio (RWCR) remaining steady at 13.2%.
- The net non-performing loans (NPLs) ratio improved further to 3.3%.



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MONETARY AND FINANCIAL DEVELOPMENTS **November 2007**

In November, gross financing to the private sector was higher at RM55.7 billion, reflecting higher issuances of private debt securities (PDS) in the finance sector. On a net basis, financing of the private sector through banking system loans and PDS outstanding increased at a combined annual rate of 7.5%. Total loans outstanding continued to expand at a strong annual growth rate of 10.2%. Loan applications, approvals and disbursements in both the business and household sectors continued to register strong annual growth rates.

Interbank rates for all maturities were relatively steady. Fixed deposit rates were unchanged while the average lending rate of commercial banks was slightly higher.

The ringgit recorded a mixed performance against major currencies during the period 1 November – 27 December. The ringgit depreciated against the US dollar early in the period, as global investors became cautious following renewed uncertainty over the extent of subprime related losses in major international banks. The ringgit, however, reversed its trend in late November, and appreciated following the announcement of strong third quarter Malaysian economic growth performance. Externally, the ringgit was also supported by the broad improvement in investor sentiment on reports of the US government's plan to freeze interest rates of subprime mortgages, and following the concerted effort

by major central banks to ease tight liquidity conditions. The ringgit reached a post-crisis high of RM3.31 per US dollar on 13 December before depreciating slightly as market expectations for further US policy rate reductions receded. For the period 1 November – 27 December as a whole, the ringgit was relatively unchanged against the US dollar. The ringgit recorded a mixed performance against other major and regional currencies.

Headline inflation rose to 2.3% in November 2007 (October: 1.9%), primarily on account of higher prices in the *food and non-alcoholic beverages* category, as well as in the *restaurants and hotels and recreation services and culture* categories. Nevertheless, the impact on overall inflation was partly mitigated by declining prices in the *clothing and footwear* and *communication* categories.

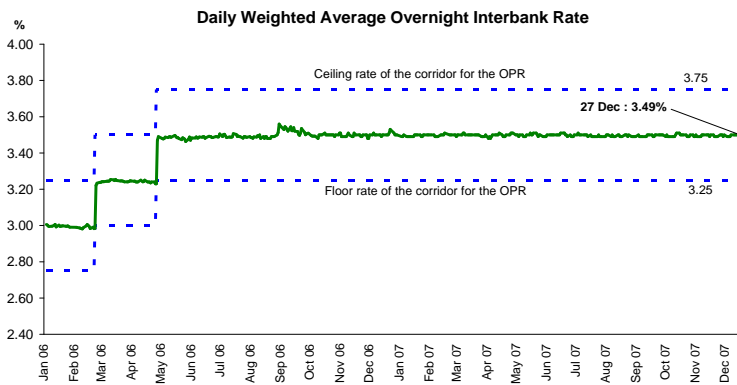
Broad money, or M3, increased at an annual rate of 9.7%, reflecting higher bank financing and the sustained repatriation of export earnings.

The banking system remained well capitalised, with the risk-weighted capital ratio (RWCR) remaining at 13.2% as at end-November, despite the distribution of profits by banking institutions. The net non-performing loans (NPLs) ratio improved further to 3.3% underpinned by higher recoveries, as well as continued write-offs by banking institutions.

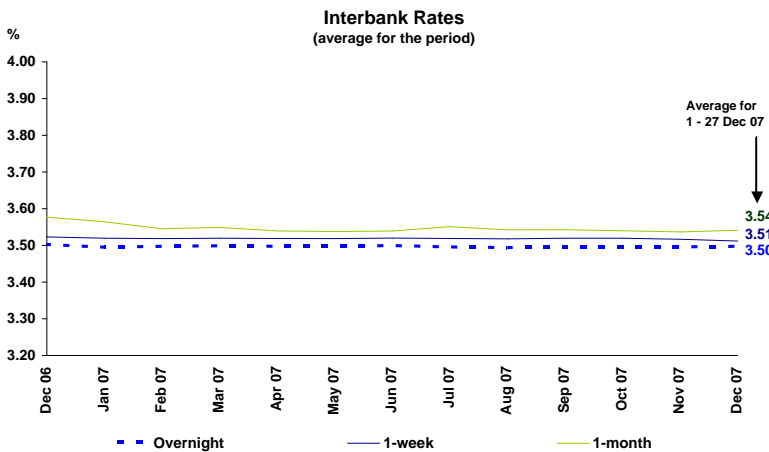
Interest rates remained stable

During the period 1 November – 27 December, the daily weighted average overnight interbank rate moved within a narrow range of 3.49% - 3.51%. Interbank rates of other maturities were also relatively stable.

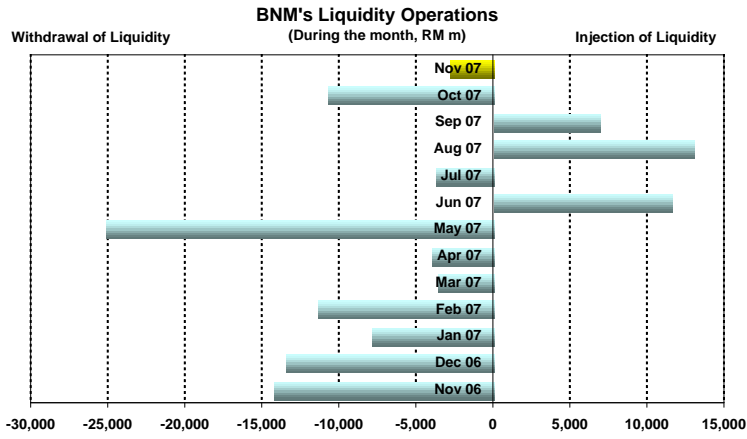
The average fixed deposit (FD) rates of commercial banks (CBs) remained unchanged in November and December. As at 15 December 2007, the average quoted FD rates for tenures between 1 and 12 months were within the range of 3.08% and 3.70%. In terms of CBs' lending rates, the average base lending rate (BLR) was unchanged at 6.72%, while the average lending rate (ALR) was higher at 6.31% in November (6.26% in October).



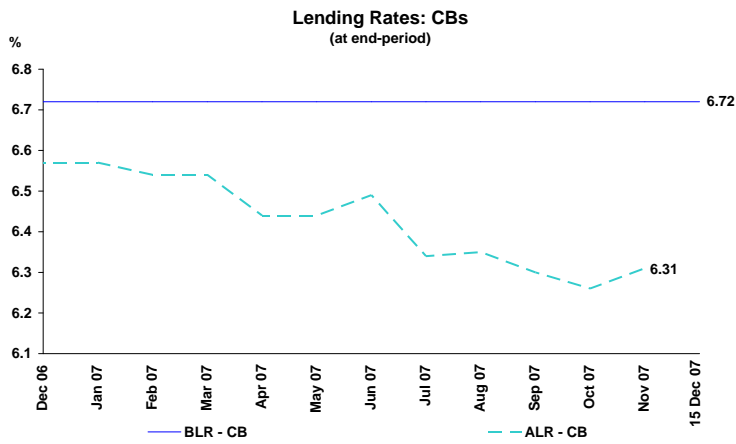
The average overnight interbank rate moved within a narrow range



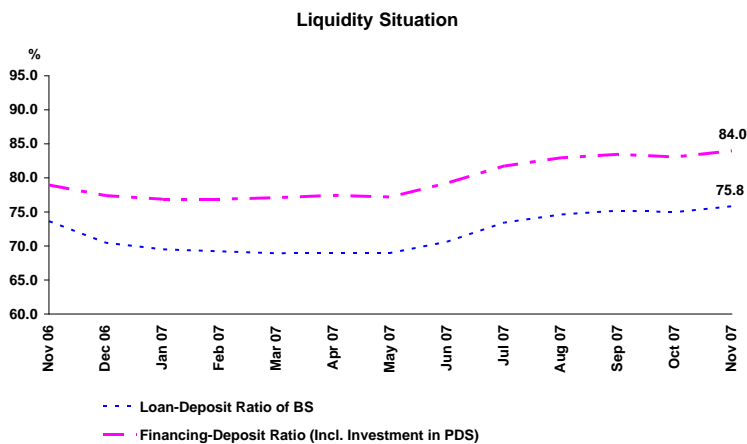
Other interbank rates remained largely unchanged



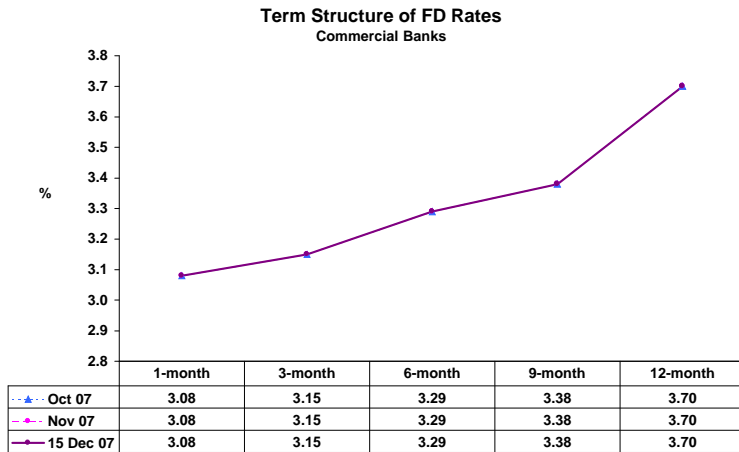
The Central Bank withdrew liquidity from the system in November



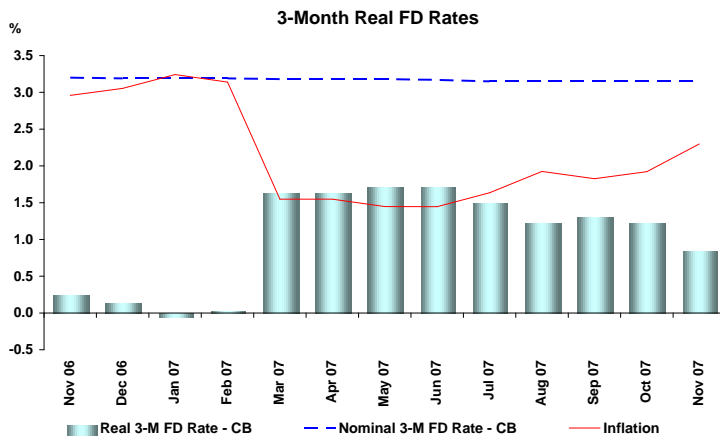
CBs' ALR increased slightly



The financing-deposit and loan-deposit ratios increased in November as deposit growth moderated while loans continued to increase at a steady pace



Average FD rates were unchanged



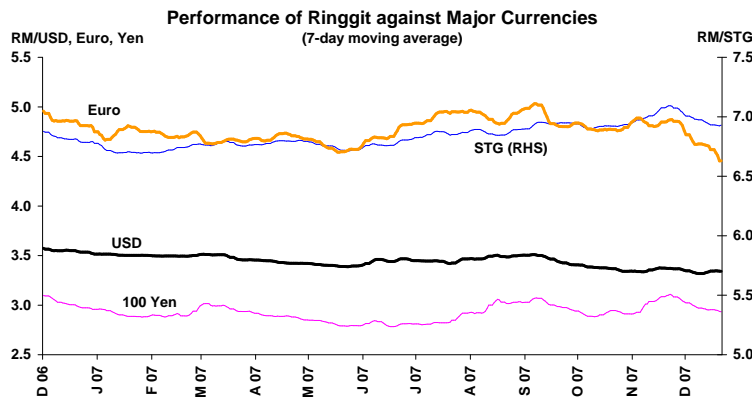
The real 3-month FD rate was lower as inflation increased

Ringgit exhibited mixed performance

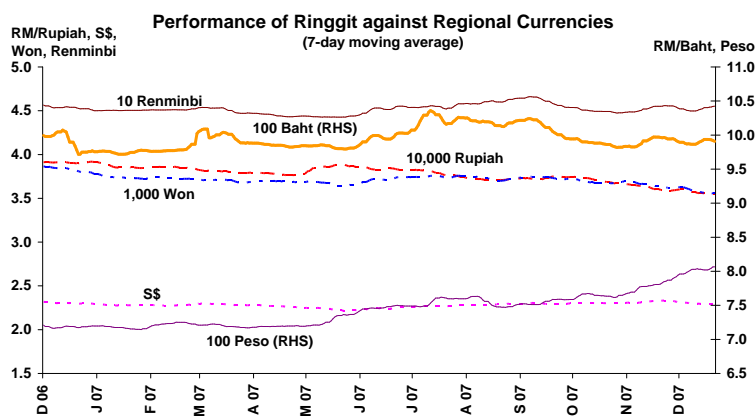
The ringgit recorded a mixed performance against major currencies during the period 1 November – 27 December. The ringgit depreciated against the US dollar early in the period as global investors became cautious following renewed uncertainty over the extent of subprime related losses in major international banks. The ringgit however reversed its trend in late November, and appreciated following the announcement of strong third quarter Malaysian economic growth performance. Externally, the ringgit was also supported by the broad improvement in investor sentiment on reports of the US government's plan to freeze interest rates of subprime mortgages, and following the concerted effort by major central banks to ease tight liquidity conditions. The ringgit reached a post-crisis high of

RM3.31 per US dollar on 13 December before depreciating slightly as market expectations for further US policy rate reductions receded.

For the period 1 November – 27 December as a whole, the ringgit was relatively unchanged against the US dollar. Against other major currencies, the ringgit appreciated against the British pound by 4.3%, and depreciated against the Japanese yen and the euro by 0.4% and 0.2% respectively. The ringgit also recorded a mixed performance against regional currencies, appreciating against the Korean won (4.1%), Indonesian rupiah (3.5%) and Singapore dollar (0.3%), but depreciating against the Philippine peso (-5.2%), Chinese renminbi (-1.9%) and Thai baht (-0.5%).



Ringgit recorded a mixed performance against major currencies



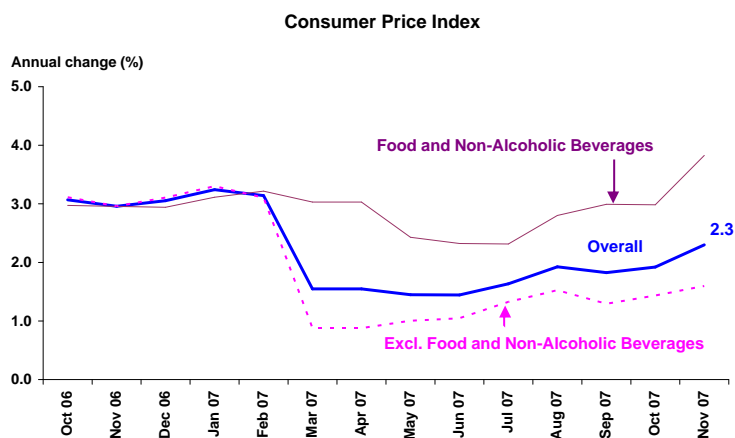
Ringgit exhibited a mixed performance against regional currencies

Performance of Ringgit against Selected Currencies

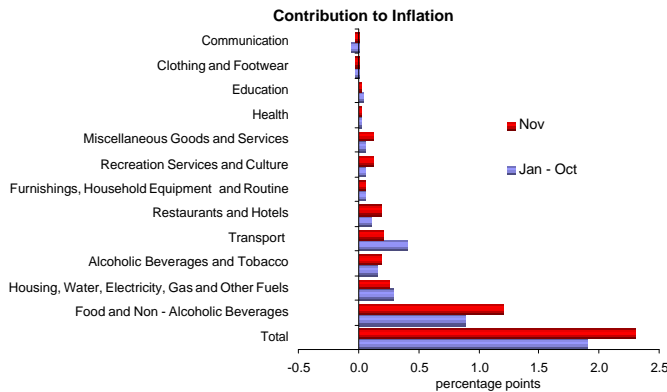
RM per foreign currency	End-period				% Change	
	Dec 06	Oct 07	Nov 07	27 Dec 07	End Dec 06 - 27 Dec 07	End Oct 07 - 27 Dec 07
US dollar	3.5315	3.3418	3.3585	3.3390	5.8	0.1
Euro	4.6460	4.8257	4.9508	4.8360	-3.9	-0.2
Pound sterling	6.9315	6.9156	6.9251	6.6326	4.5	4.3
100 Japanese yen	2.9675	2.9119	3.0434	2.9225	1.5	-0.4
Singapore dollar	2.3028	2.3059	2.3225	2.2997	0.1	0.3
100 Thai baht	9.8111	9.8272	9.9202	9.8729	-0.6	-0.5
100 Philippine peso	7.2027	7.6418	7.8977	8.0642	-10.7	-5.2
100 Indonesian rupiah	0.0393	0.0367	0.0358	0.0355	10.6	3.5
100 Korean won	0.3797	0.3703	0.3632	0.3556	6.8	4.1
Chinese renminbi	0.4523	0.4477	0.4547	0.4562	-0.8	-1.9

Headline inflation was higher in November

Headline inflation rose to 2.3% in November 2007 (October: 1.9%), primarily on account of higher prices in the *food and non-alcoholic beverages* category, which increased by 3.8%. Specifically, higher food price increases were observed in the *food at home* category, namely for flour and other cereal grains, bread, meat, milk, cheese, eggs, fresh vegetables; and in the *food away from home* category. The rate of increase in prices of items in the *restaurants and hotels* and *recreation services and culture* categories also rose to 5.6% and 2.4% respectively (October: 4.6% and 2.2%). Nevertheless, the impact on overall inflation was partly mitigated by declining prices in the *clothing and footwear* and *communication* categories.

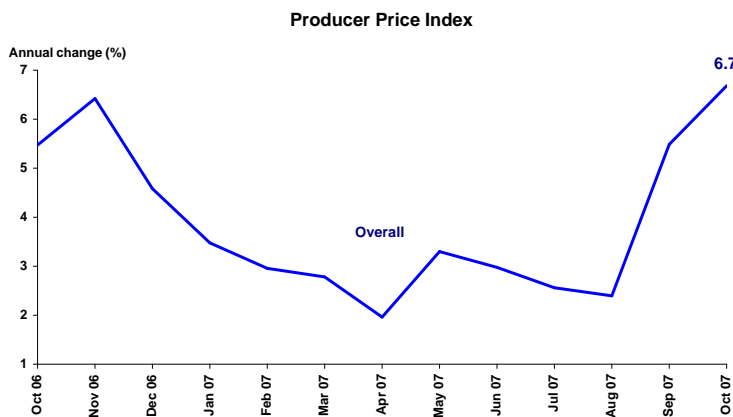


Inflation rose in November



Producer price inflation increased in October

In October, PPI inflation rose to 6.7% (September: 5.5%) due mainly to higher price increases in the commodity sector. In particular, continued higher world prices in October for natural rubber, crude oil and crude palm oil led to price increases in the *animal and vegetable oils and fats, crude material, inedible except fuels* and *mineral fuels, lubricants and related material* categories. Meanwhile, price inflation in the non-commodity sector rose at a slower pace.



Producer price inflation rose in October

Note: In July 2007, the PPI has been revised by the Department of Statistics, Malaysia.

Money supply expanded at a slower pace

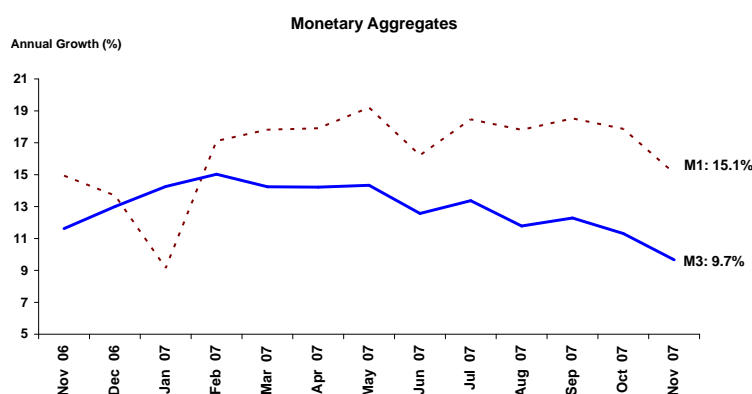
In November, M1 expanded at a slower pace of 15.1% (October: 17.9%) due to a decline in demand deposits. Broad money, M3 increased at an annual rate of 9.7% (October: 11.3%). On a monthly basis, M3 increased moderately

reflecting higher bank financing activities and the sustained repatriation of export earnings. This, however, was mitigated somewhat by the contractionary impact of net claims on Government.

M3 Determinants				
(RM billion)				
	Change during period			
	Aug 07	Sep 07	Oct 07	Nov 07
M3	1.7	2.6	3.2	1.0
Net claims on Government	6.6	-1.8	-4.1	-0.4
Claims on the private sector	7.3	9.2	4.7	3.3
Loans	5.4	8.1	3.3	3.8
Securities	1.9	1.0	1.4	-0.5
Net external operations *	-23.0	5.1	13.4	0.8
Other influences	10.8	-9.9	-10.8	-2.7

* 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 lower in November

After registering large increases in September and October, total deposits with the banking system declined by RM3.2 billion, resulting in a marginally slower pace of growth of 8% on an annual basis (October: +11.1%). The lower deposits mainly reflected withdrawals by financial institutions, State Governments and to a lesser extent, the Federal Government. By type, the decline in deposits was mainly in the form of NIDs, fixed deposits and demand deposits.

Deposits by Holder (RM million)

	Change during period			
	Aug 07	Sep 07	Oct 07	Nov 07
Federal Government	-381	1,183	-395	-599
State Governments	779	-458	1,396	-1,199
Statutory Authorities ¹	-291	372	477	298
Financial Institutions	-10,140	6,767	1,680	-4,753
Business Enterprises	2,404	-5,242	1,832	-82
Individuals	2,506	2,694	2,169	2,294
Others ²	118	-455	788	815
Total	-5,004	4,860	7,946	-3,226

1/ Include local Governments

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

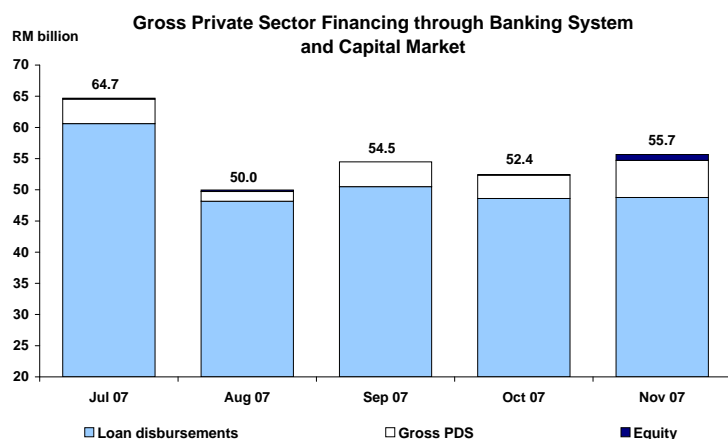
Deposits by Type (RM million)

	Change during period			
	Aug 07	Sep 07	Oct 07	Nov 07
Fixed deposits	-5,243	-1,929	-1,967	-3,503
NIDs	-7,179	-1,935	1,301	-5,468
Demand deposits	781	-17	4,454	-2,339
Savings deposits	63	7	650	132
Repos	-2,495	956	1,376	77
FX deposits	418	-598	1,183	1,445
SPI deposits	2,011	-1,218	797	1,594
Others ¹	6,640	9,595	153	4,835
Total	-5,004	4,860	7,946	-3,226

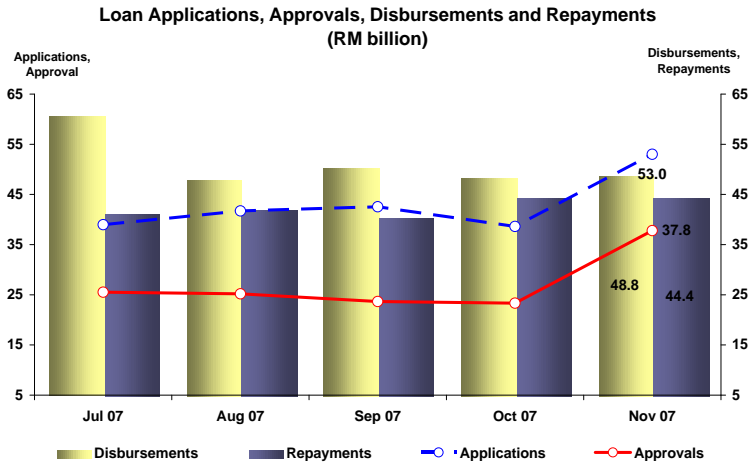
1/ Other deposit comprise of mainly short-term deposits

Gross private sector financing was higher

In November, gross financing to the private sector was higher at RM55.7 billion (October: RM52.4 billion), and was accounted mainly by higher issuances of private debt securities (PDS) by the finance sector. On a net basis, financing of the private sector through banking system loans and PDS outstanding continued to increase at a combined annual rate of 7.5% (October: 9.2%).



The increase in gross private sector financing was due to new issuances of PDS



Key loan indicators remained strong

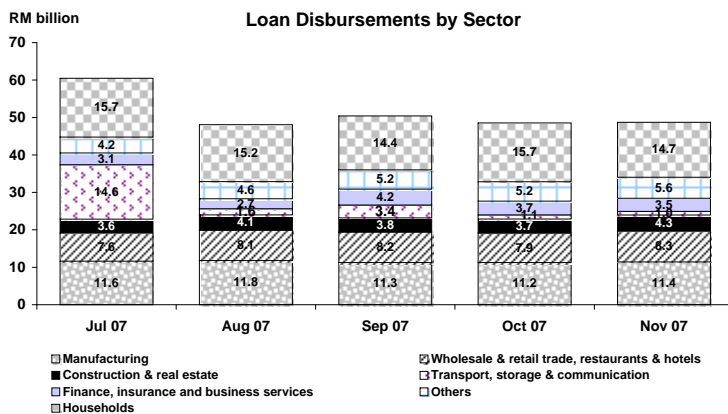
Bank lending indicators

	RM billion		Annual Growth (%)	
	October	November	October	November
Overall				
Loan applications	38.6	53.0	70.7	97.9
Loan approvals	23.3	37.8	58.2	119.3
Loan disbursements	48.6	48.8	23.2	15.0
Chg in Loans Outstanding ^{1/}	3.4	4.9	10.1	10.2
Businesses				
Loan applications	19.2	34.5	66.9	144.9
Loan approvals	12.4	26.9	57.1	179.1
Loan disbursements	32.9	34.1	21.2	14.5
Chg in Loans Outstanding ^{1/}	1.5	1.8	16.4	16.4
SMEs^{2/}				
Loan applications	8.0	10.8	31.8	40.1
Loan approvals	4.3	6.0	4.6	38.1
Loan disbursements	12.1	13.2	11.4	31.3
Chg in Loans Outstanding ^{1/}	0.8	0.7	8.4	8.8
Households				
Loan applications	19.4	18.5	74.7	45.6
Loan approvals	10.9	10.8	59.6	43.1
Loan disbursements	15.7	14.7	27.7	16.2
Chg in Loans Outstanding ^{1/}	1.8	2.5	7.1	7.2

Higher loan applications and approvals observed within the business sector

^{1/} The annual growth in outstanding amount as at end-period.

^{2/} Include loans to individual businesses.



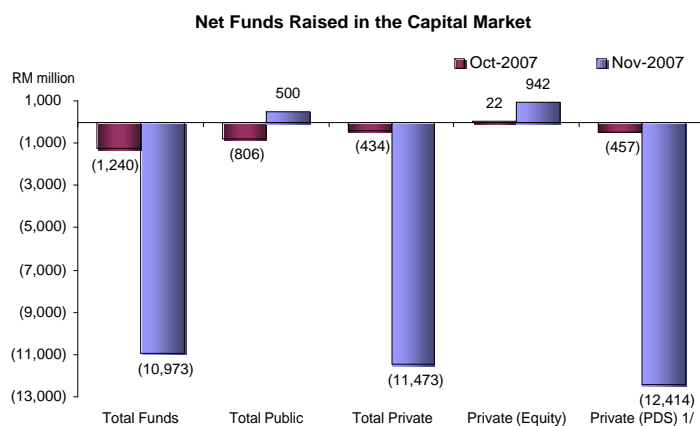
Loan disbursements remained broad-based with the household and manufacturing sectors being the main beneficiaries

Loan applications and approvals in November were particularly strong, with higher loans applied and approved within the business sector for the purchase of securities as well as merger and acquisition activities. By sector, the increase was registered in the finance, insurance and business services; and primary agriculture sectors, and to a lesser extent, in the transport, storage, and communication sector. For the households sector, loan approvals were mainly for the purchase of residential property and passenger cars.

Loan disbursements also remained high and broad-based. Loans outstanding continued to expand at a strong annual growth rate of 10.2% as at end-November.

Higher net redemption of funds in the capital market

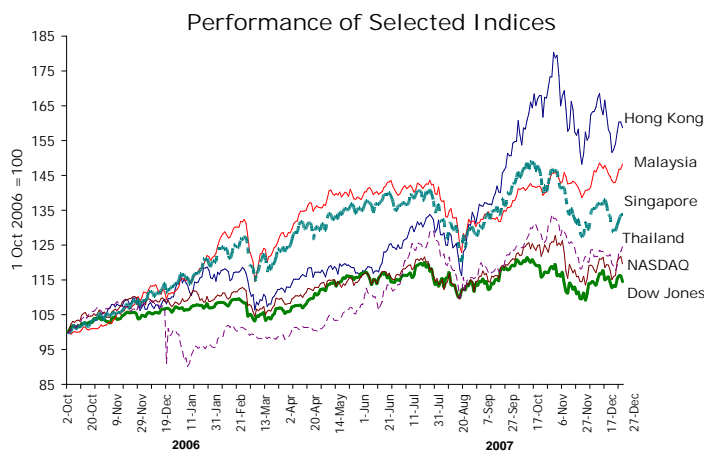
In November, net funds raised in the capital market recorded a net redemption of RM10.9 billion, higher than the net redemption recorded in the previous month of RM1.2 billion. In the public sector, gross funds raised amounted to RM3.5 billion, following the issuance of a 5-year Malaysian Government Securities (MGS) and the MGS Switch bond. After adjusting for redemptions, net funds raised in the public sector amounted to RM500 million. In the private sector, gross funds raised amounted to RM6.9 billion. The bulk of the issuance came from the finance sector, mainly to finance new activity. However, due to the high amount of redemptions in November, funds raised in the private sector recorded a net redemption of RM12.4 billion.



1/ Including Cagamas Bonds

KLCI's decline in line with major equity markets

In November 2007, the KLCI declined by 1.2% from the previous month to close at 1,397. The KLCI reached a record high of 1,413.9 on 7 November following rising crude palm oil prices that lifted plantation stocks higher. However, negative sentiment arising from concerns of slower US economic growth caused Bursa Malaysia and most Asian equity markets to decline. Thereafter, market capitalisation declined to RM1,065.3 billion (since end-October: -2.4%), while the daily average turnover decreased to 1,160.3 million units (October: 1754.3 million units).

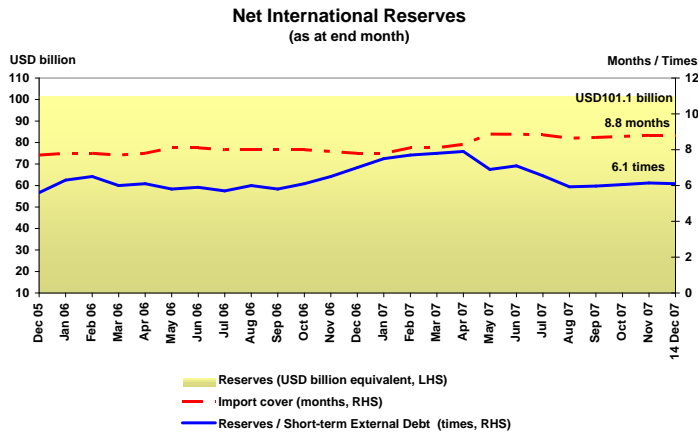


*Global financial
markets declined
in November*

In the period 1-27 December 2007, the KLCI reached a new high of 1,440.4 on 6 December, but eased to 1,424 on 27 December (since end-November: 1.9%). Overall market capitalisation increased to RM1,086.6 billion (since end-November: 2.0%) and trading activity was lower with a daily average turnover of 822.9 million units.

International reserves

As at 14 December 2007, the international reserves of Bank Negara Malaysia amounted to RM345.2 billion (equivalent to USD101.1 billion). The reserves position is sufficient to finance 8.8 months of retained imports and is 6.1 times the short-term external debt.



Strong capitalisation with further improvements in non-performing loans

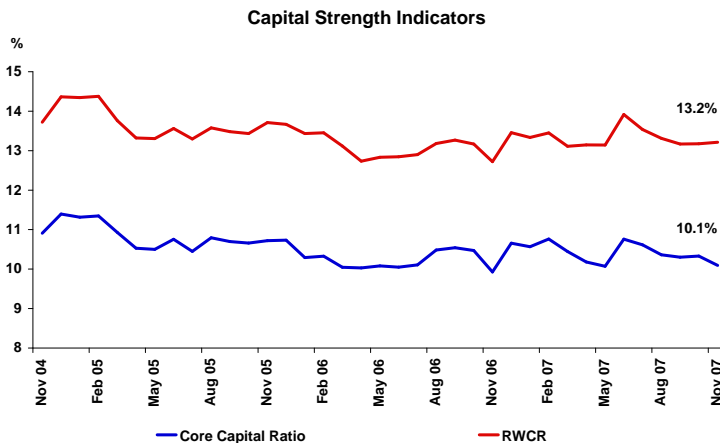
The banking system remained well capitalised, with risk-weighted capital ratio (RWCR) and core capital ratio of 13.2% and 10.1% respectively as at end-November 2007 despite the distribution of profits by banking institutions. Meanwhile, the net non-performing loans (NPLs) ratio improved further to 3.3% underpinned by higher recoveries, as well as continued write-offs by banking institutions.

Banking System Health Indicators *

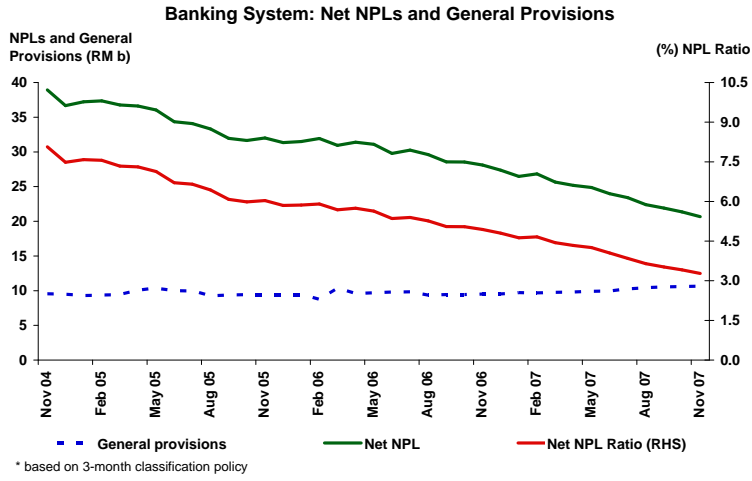
	2000	2001	2002	2003	2004	2005	2006	Sep 07	Oct 07	Nov 07
Capital (%)										
Core capital ratio	10.7	11.1	11.1	11.1	11.4	10.7	10.7	10.3	10.3	10.1
RWCR	12.5	13.0	13.2	13.8	14.4	13.7	13.5	13.2	13.2	13.2
Net NPLs (3-month classification)										
% of net total loans	9.7	11.5	10.2	8.9	7.5	5.8	4.8	3.5	3.4	3.3
Amount (RM million)	37,678	46,254	43,110	40,013	36,668	31,332	27,360	21,900	21,350	20,666
GP / Net total loans (3-month, %)	2.2	2.1	2.1	2.0	1.9	1.8	1.7	1.7	1.7	1.7

* Beginning June 1999, the figures include Islamic banks.

* Beginning April 2005, RWCR and CCR include market risk factor.



Banking system capitalisation level remained healthy



NPLs decline further

Bank Negara Malaysia
28 December 2007

Key Monetary and Financial Statistics

	Sep 07		Oct 07		Nov 07	
	Outs.	Ann. growth	Outs.	Ann. growth	Outs.	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
Monetary Aggregates						
Reserve money	62.9	14.5	59.9	5.4	62.7	15.5
M1	156.3	18.5	159.0	17.9	158.6	15.1
M2	764.5	12.2	768.3	11.4	769.8	9.5
M3	804.2	12.3	807.4	11.3	808.4	9.7
Banking System						
Total deposits	834.0	12.0	842.0	11.1	838.7	8.0
Total loans (including loans sold to Cagamas)	645.0	9.5	648.3	10.1	653.2	10.2
Loan-deposit ratio (%)		75.2		75.0		75.8
Financing-deposit ratio ¹ (%)		83.5		83.1		84.0
Loans applied (during the period)	42.5	58.3	38.6	70.7	53.0	97.9
Loans approved (during the period)	23.7	45.2	23.3	58.2	37.8	119.3
Loans disbursed (during the period)	50.5	18.0	48.6	23.2	48.8	15.0
Loans repaid (during the period)	40.5	3.3	44.3	12.6	44.4	13.3
Banking System Health						
Risk-weighted Capital Ratio (RWCR) (%)		13.2		13.2		13.2
Net NPLs: 3-month classification (%)		3.5		3.4		3.3
International Reserves of BNM (end-period)						
Net Reserves in RM billion		335.4		340.2		345.1
Net Reserves in USD billion (equivalent)		98.2		99.6		101.1
Months of retained imports		8.7		8.7		8.8
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)		3.50		3.50		3.50
Interbank:	Overnight	3.50 [3.50]		3.50 [3.50]		3.50 [3.50]
	1-week	3.53 [3.52]		3.52 [3.52]		3.52 [3.52]
	1-month	3.54 [3.54]		3.54 [3.54]		3.54 [3.54]
Fixed deposits of commercial banks	1-month	3.08		3.08		3.08
	3-month	3.15		3.15		3.15
BLR of commercial banks		6.72		6.72		6.72
ALR of commercial banks		6.30		6.26		6.31
Prices						
Consumer Price Index (CPI) (2005=100)		106.0	1.8	106.1	1.9	106.8
Producer Price Index (PPI) (2000=100)		134.6	5.5	135.7	6.7	n.a.
Exchange Rates of Ringgit against Selected Currencies (end-period)						
US dollar		3.4170		3.3418		3.3585
Euro		4.8410		4.8257		4.9508
Pound Sterling		6.9167		6.9156		6.9251
100 Japanese yen		2.9649		2.9119		3.0434
Singapore dollar		2.2916		2.3059		2.3225
100 Thai Baht		9.9723		9.8272		9.9202
100 Philippine Peso		7.5992		7.6418		7.8977
100 Indonesian Rupiah		0.0373		0.3670		0.0358
100 Korean Won		0.3726		0.3703		0.3632
Capital Market						
Net funds raised (in RMb) by:	public	6.2		-0.8		0.5
	private	0.7		-0.4		-12.4
Bursa Malaysia Composite Index (end-period)		1,336.3		1,413.7		1,397.0
Bursa Malaysia Market Capitalisation (RMb, end-period)		1,031.3		1,091.4		1,065.3

¹ Refers to the ratio of loans and holdings of PDS by the banking system to deposits of the banking system.