



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

**Ref. No.: 05/07/10**

**EMBARGO: For Immediate Release**

**Monetary and Financial Developments April 2007**  
**Highlights of the Press Release**

- During the period 1 April - 28 May 2007, the ringgit appreciated against the US dollar and the Japanese yen, and had a relatively stable relationship against most of the regional currencies.
- Headline inflation remained stable at 1.5% in April.
- Overall loan applications and approvals continued to increase on an annual basis, particularly applications and approvals of business loans.



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

**Ref. No.: 05/07/10**

**EMBARGO: For Immediate Release**

## **MONETARY AND FINANCIAL DEVELOPMENTS APRIL 2007**

---

Financing of the private sector through banking system loans and private debt securities (PDS) outstanding expanded at a combined annual rate of 6.7% in April. The growth in total loans outstanding was stable at 6.2%, with loans outstanding to businesses and households increasing by 5.8% and 7.9% respectively. Overall loan applications and approvals continued to increase on an annual basis, particularly applications and approvals of business loans.

Total net funds raised in the capital market increased significantly to RM9.5 billion in April. The bulk of the funds were raised by the private sector through the issuance of PDS, particularly for the financing of a merger and acquisition (M&A) deal in the electricity, gas and water sector.

Both the fixed deposit rates and lending rates of commercial banks were relatively stable in April and May. Similarly, interbank rates for all maturities remained relatively steady during the period.

During the period 1 April - 28 May 2007, the ringgit appreciated against the US dollar and the Japanese yen, and had a relatively stable relationship against most of the regional currencies.

Headline inflation, as measured by the annual change in the Consumer Price Index (CPI), remained at 1.5% in April. The main contributor to inflation continues to be the prices of food, housing and utilities, and transportation charges.

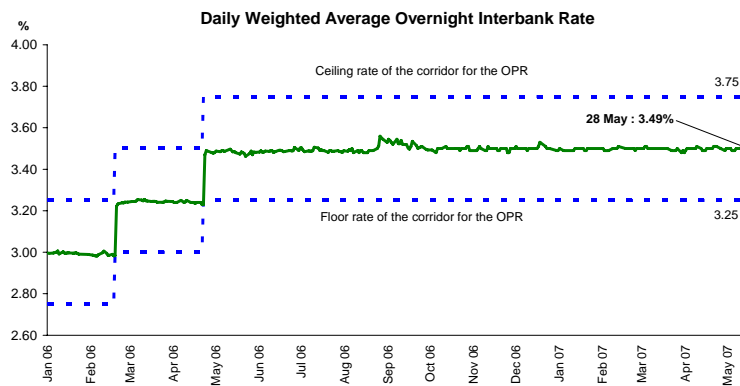
Narrow money, or M1, rose at a steady pace of 17.9% in April, due to higher placements of demand deposits by business enterprises. Broad money, or M3, expanded by 14.2%. The increase in M3 reflected the increase in net foreign assets, as well as the higher loans outstanding and holdings of securities by the banking institutions.

The banking system's capitalisation remained strong with the risk-weighted capital ratio (RWCR) at 13.1%. The net NPL ratio improved further to 4.4%. The improvement was mainly due to recoveries and continued write-offs by banking institutions.

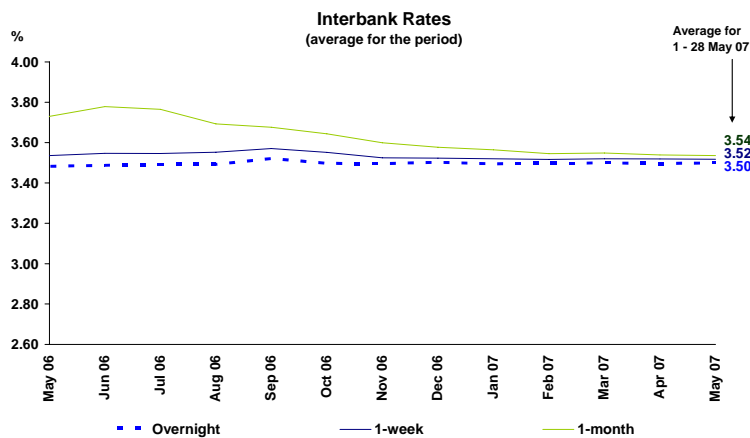
**Interest rates remained stable**

During the period 1 April – 28 May, the daily weighted average overnight interbank rate moved within a narrow range of 3.48% - 3.51%. Interbank rates of other maturities also remained relatively stable.

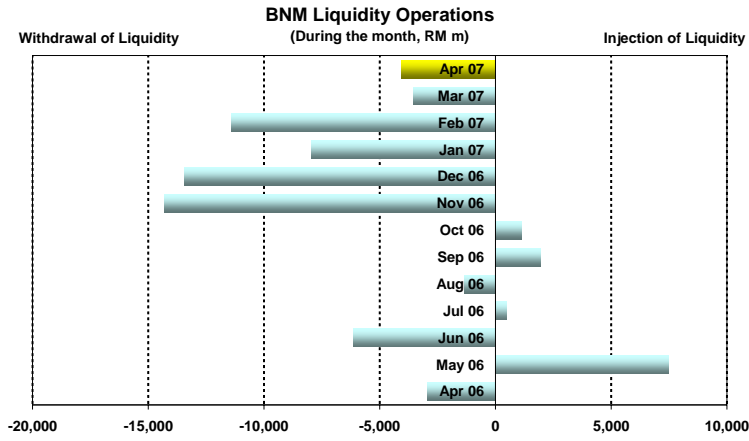
The average fixed deposit (FD) rates of commercial banks (CBs) remained relatively unchanged in April and May. As at 15 May 2007, the average quoted FD rates for tenures between 1 and 12 months were 3.10% and 3.71% respectively. In terms of CBs' lending rates, the average base lending rate (BLR) was unchanged at 6.72%, and the average lending rate (ALR) was marginally lower at 6.48% in April (6.54% in March).



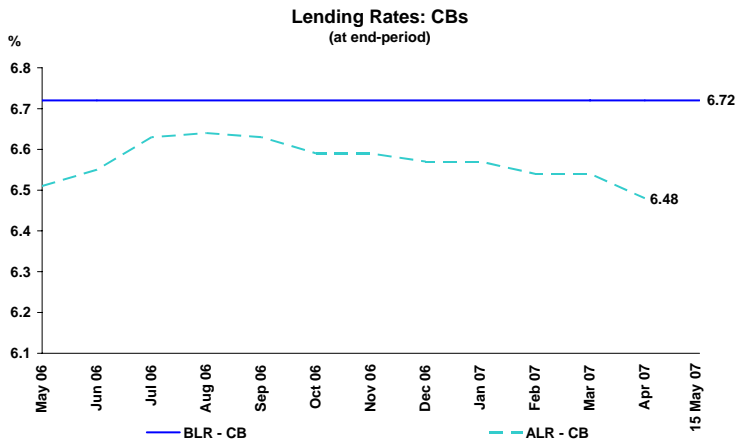
*The average overnight interbank rate moved within a narrow range*



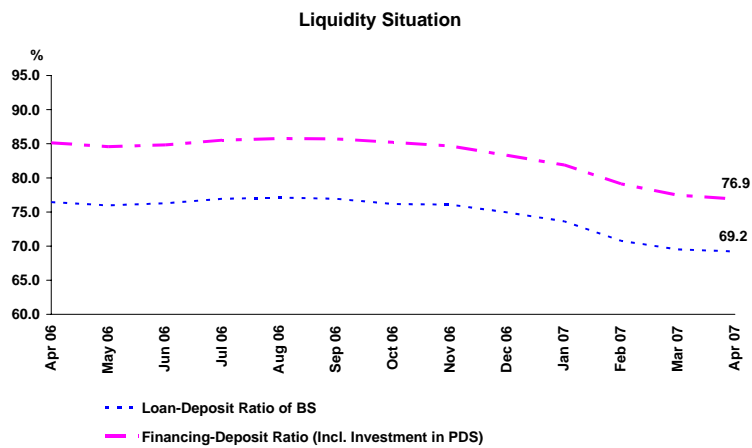
*Other interbank rates remained relatively stable*



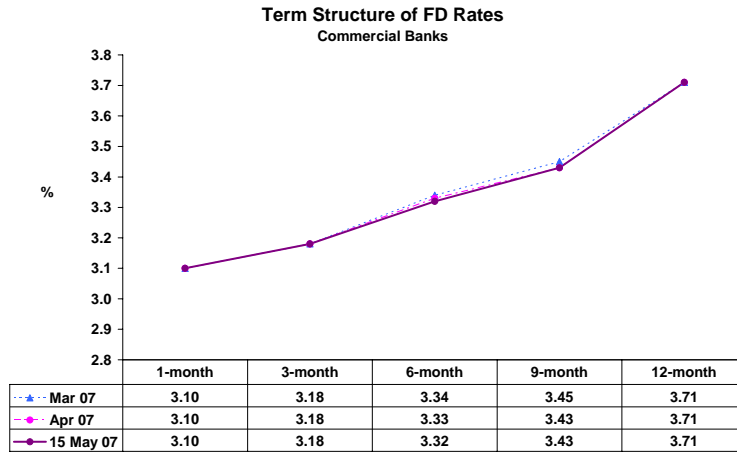
*The Central Bank absorbed liquidity from the system in April*



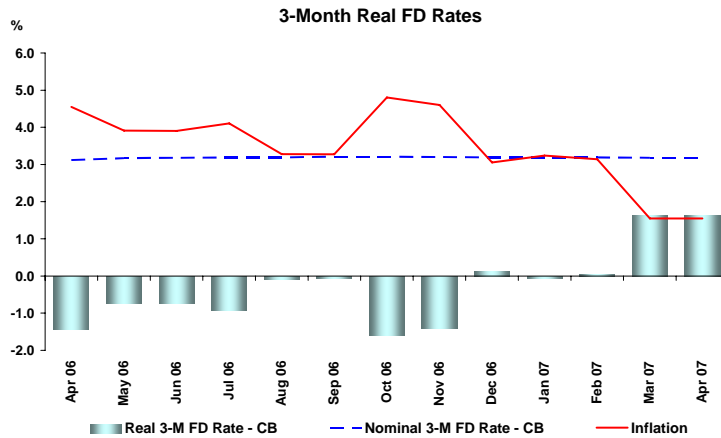
*CB's average lending rates continued their downward trend*



*The financing-deposit ratio declined further as the growth in deposits continues to remain high*



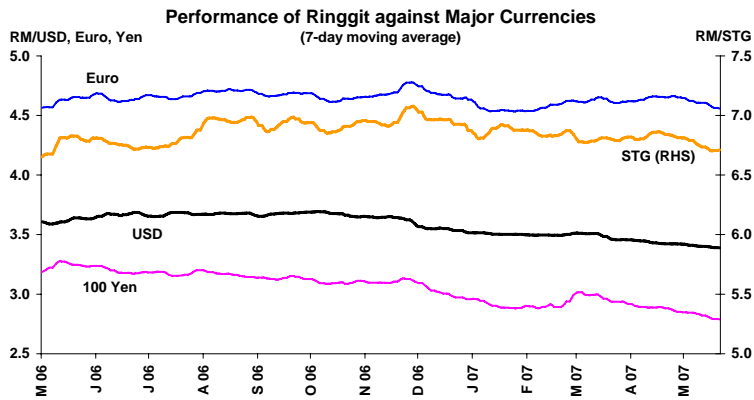
*FD rates were relatively unchanged*



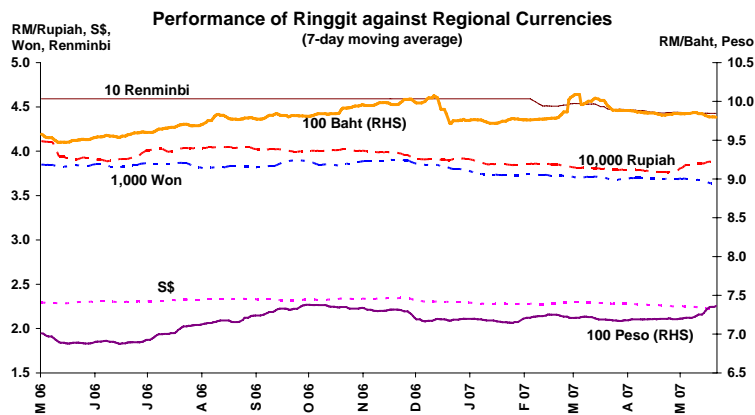
*The real 3-month FD rate was unchanged.*

### ***Ringgit appreciated against the major currencies***

During the period 1 April – 28 May 2007, the ringgit appreciated against the US dollar (2.0%), the Japanese yen (5.3%) and the euro (1.1%). The ringgit also appreciated against most regional currencies in the range of 0.9% - 2.7%, the exception being depreciations against the Philippine peso (2.9%) and Indonesian rupiah (2.7%).



*Ringgit appreciated against the major currencies*



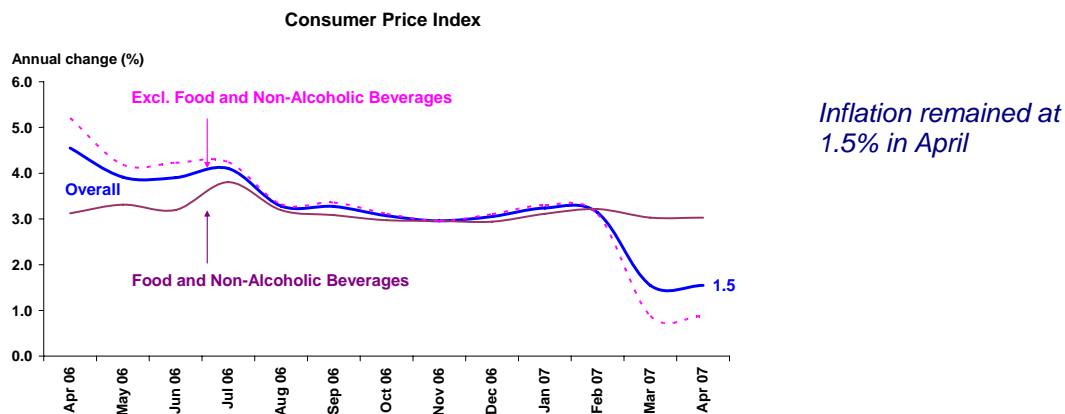
*Ringgit had a relatively stable relationship against most regional currencies*

**Performance of Ringgit against Selected Currencies**

RM per foreign currency	End-period				% Change	
	Dec 06	Mar 07	Apr 07	28 May 07	End Dec 06 - 28 May 07	End Mar 07 - 28 May 07
US dollar	3.5315	3.4560	3.4230	3.3880	4.2	2.0
Euro	4.6460	4.6105	4.6709	4.5596	1.9	1.1
Pound sterling	6.9315	6.7867	6.8332	6.7240	3.1	0.9
100 Japanese yen	2.9675	2.9339	2.8635	2.7854	6.5	5.3
Singapore dollar	2.3028	2.2781	2.2524	2.2182	3.8	2.7
100 Thai baht	9.8111	9.8785	9.8461	9.7905	0.2	0.9
100 Philippine peso	7.2027	7.1649	7.2014	7.3805	-2.4	-2.9
100 Indonesian rupiah	0.0393	0.0379	0.0377	0.0389	0.9	-2.7
100 Korean won	0.3797	0.3674	0.3678	0.3642	4.3	0.9
Chinese renminbi	0.4523	0.4471	0.4442	0.4429	2.1	0.9

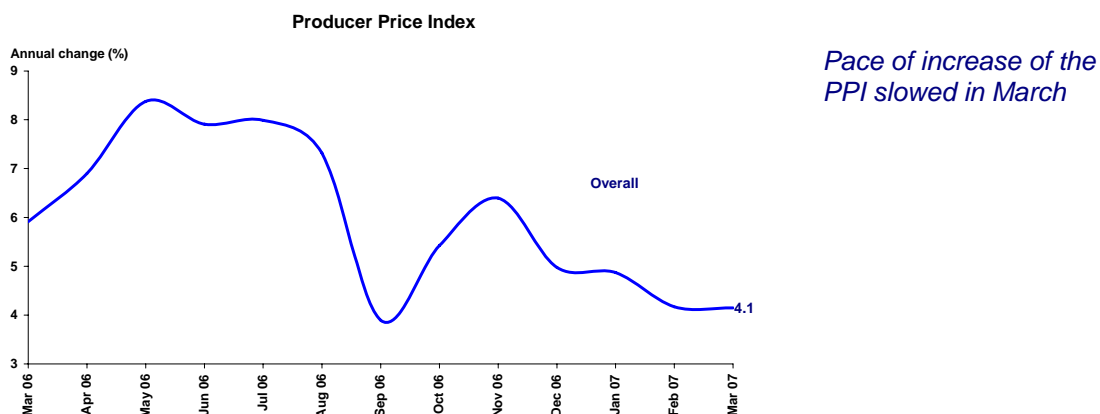
### ***Inflation remained at 1.5% in April***

Headline inflation, as measured by the annual change in the Consumer Price Index (CPI), remained at 1.5% in April. The main contributor to inflation continues to be the prices of food, housing and utilities, and transportation charges. In the *food and non-alcoholic beverages* category, the highest price increases were recorded for meat, vegetables, and fish and seafood. The *clothing and footwear* and *communication* sectors continued to experience declining prices, thereby moderating the overall increase in the CPI.



### ***Rate of increase in producer prices slowed in March***

The rate of increase of the Producer Price Index (PPI) slowed to 4.1% in March (February: 4.2%), reflecting the lower inflation rate in the non-commodity-related sector following slower price increases in *the machinery and transport equipment* and *manufactured goods* categories. The inflation rate in the commodity-related sector, however, was higher due to higher crude palm oil and crude oil prices during the month.





## Sustained growth in monetary aggregates

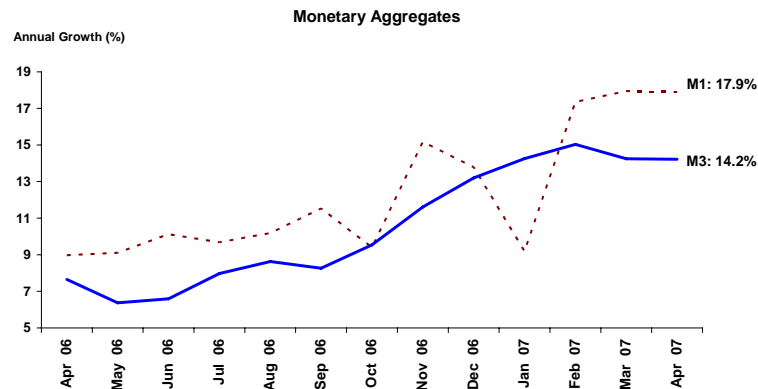
Narrow money, or M1, rose at a steady pace of 17.9% in April, due to higher placements of demand deposits by business enterprises. Broad money, or M3, expanded by 14.2%. On a month-on-month basis, the increase in net foreign assets was the major contributor to the expansion in M3, reflecting higher international reserves and net foreign assets of the banking institutions. Claims on the private sector were also expansionary on account of higher loans outstanding and holdings of securities by the banking institutions. Government operations, however, were contractionary on M3 as the Government deposited the proceeds from the issuance of Malaysian Government Securities (MGS) with Bank Negara Malaysia.

**M3 Determinants**  
(RM billion)

	Change during period			
	Jan 07	Feb 07	Mar 07	Apr 07
M3	15.8	13.0	0.1	7.2
Net claims on Government	5.5	-1.7	-2.8	-5.4
Claims on the private sector	-2.0	2.5	4.8	5.7
Loans	2.7	2.1	3.3	3.1
Securities	-4.7	0.3	1.5	2.6
Net external operations *	12.4	20.3	4.6	22.2
Other influences	-0.1	-8.0	-6.5	-15.2

\* 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.



*M3 expanded further*

### ***Further expansion in banking system deposits***

Total deposits with the banking system increased by RM4.3 billion in April (March: RM3.8 billion), or 18.3% on an annual basis (March: 18%). The expansion mainly reflected higher deposit placements by businesses and individuals, which was partly offset by lower deposits among financial institutions (FIs). The decline in the deposits of FIs was mainly among banking institutions and, to a lesser degree, domestic non-bank financial institutions. This, to some extent, reflected the participation of these institutions in a merger and acquisition (M&A) activity during the month. Concomitantly, the payment and receipt of funds related to the M&A activity also caused notable shifts between NIDs and repos into other short-term deposits.

#### **Deposits by Holder** (RM million)

	Change during period			
	Jan 07	Feb 07	Mar 07	Apr 07
Federal Government	-528	68	-24	407
State Governments	-46	132	993	364
Statutory Authorities <sup>1</sup>	47	106	653	-326
Financial Institutions	1,620	1,334	6,658	-7,177
Business Enterprises	15,685	2,497	-7,506	6,962
Individuals	2,391	4,494	1,927	3,339
Others <sup>2</sup>	1,018	511	1,096	726
<b>Total</b>	<b>20,188</b>	<b>9,142</b>	<b>3,798</b>	<b>4,295</b>

1/ Include local Governments

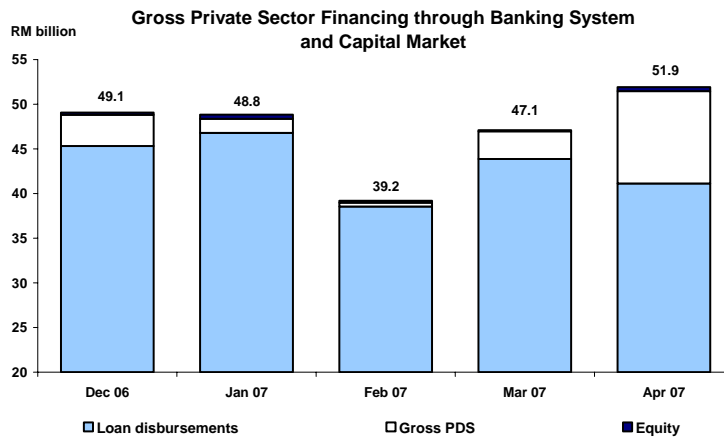
2/ Consist of domestic other entities and foreign non-bank entities

#### **Deposits by Type** (RM million)

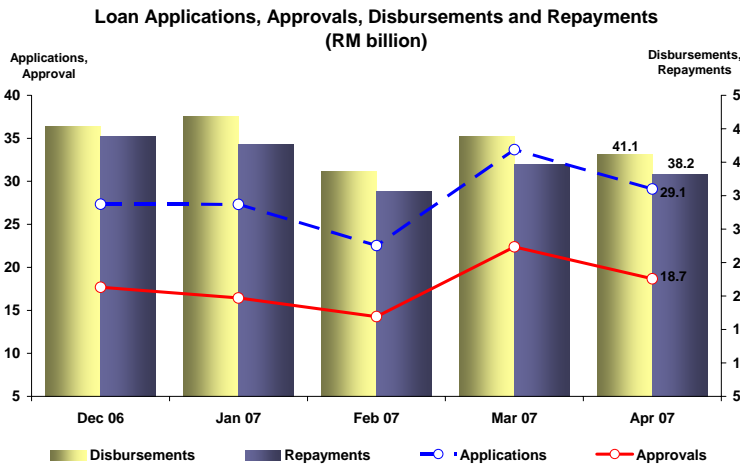
	Change during period			
	Jan 07	Feb 07	Mar 07	Apr 07
Fixed deposits	5,666	5,227	-366	1,316
NIDs	11,107	-5,071	-4,155	-2,133
Demand deposits	4,194	3,078	-3,849	3,091
Savings deposits	766	1,661	-135	734
Repos	-2,752	1,640	6,485	-13,368
FX deposits	289	-1,174	690	965
SPI deposits	-418	557	2,222	3,047
Others	1,335	3,224	2,905	10,642
<b>Total</b>	<b>20,188</b>	<b>9,142</b>	<b>3,798</b>	<b>4,295</b>

**Gross private sector financing rose in April**

Gross private sector financing rose to RM51.9 billion in April (March: RM47.1 billion), on account of the notably higher issuance of private debt securities (PDS). The higher PDS issuance was also related to the higher M&A activity during the month. On a net basis, financing of the private sector through banking system loans and PDS outstanding expanded at a higher combined annual rate of 6.7% (March: 6.1%).



*Higher issuance of PDS raised the overall gross private sector financing*



*Major loan indicators were slightly lower*

Bank lending indicators				
	RM billion		Annual Growth (%)	
	Mar	Apr	Mar	Apr
<b>Overall</b>				
Loan applications	33.7	29.1	19.3	28.6
Loan approvals	22.4	18.7	26.8	31.2
Loan disbursements	43.9	41.1	-3.9	-13.8
Chg in Loans Outstanding <sup>1/</sup>	2.8	3.0	6.2	6.2
<b>Businesses<sup>2/</sup></b>				
Loan applications	19.3	14.7	26.7	20.4
Loan approvals	13.9	10.3	60.4	76.8
Loan disbursements	30.3	28.5	-5.8	-11.2
Chg in Loans Outstanding <sup>1/</sup>	1.9	0.8	6.3	5.8
<b>SMEs</b>				
Loan applications	7.2	6.9	n.a. <sup>3/</sup>	22.6
Loan approvals	4.1	4.0	n.a.	34.8
Loan disbursements	12.0	11.1	n.a.	-22.6
Chg in Loans Outstanding <sup>1/</sup>	3.0	-0.3	n.a.	3.7
<b>Households</b>				
Loan applications	14.3	14.4	10.5	38.1
Loan approvals	8.4	8.3	-5.7	-0.6
Loan disbursements	13.6	12.6	0.5	-19.2
Chg in Loans Outstanding <sup>1/</sup>	1.2	2.3	7.8	7.9

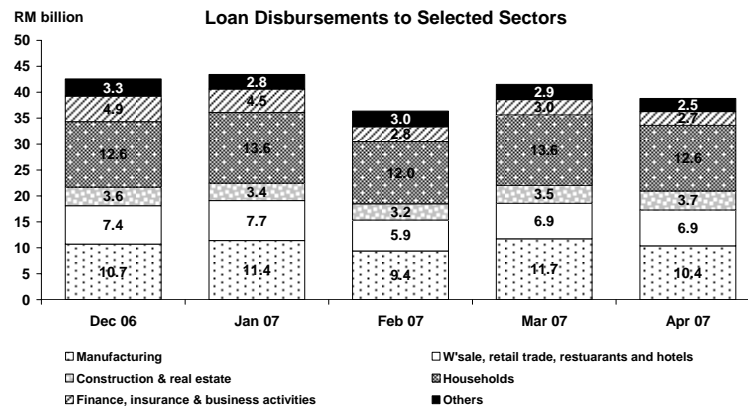
n.a. not applicable

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

<sup>2/</sup> Following reclassifications under the Financial Institutions Statistical System (FISS) effective April 2006, in order to maintain comparability on an annual basis for loan applications, approvals, and disbursements, the category business enterprises has been expanded to include loans to other customers, namely non-bank financial institutions, Government, domestic non-business entities and foreign entities. These loans account for a relatively small share of the total compared with business enterprises. Trend wise, growth rates remain similar to those under the previous definition.

<sup>3/</sup> From March 2006 to March 2007, annual growth data is not applicable, arising from the adoption of the Standard SME Definitions, as approved by the National SME Development Council, resulting in some reclassification between SMEs and large corporations.

*Overall loan applications and approvals were higher on an annual basis*



*Loan disbursements remained broad-based*

Loan applications by businesses and households registered higher annual growth rates. In the business sector, growth was observed across SMEs and large businesses, with the demand for financing emanating primarily from the manufacturing and construction sectors. In the household sector, the stronger growth in loan applications was mainly on account of loans for the purchase of residential property. While loan approvals to the business sector was higher across all economic sectors, growth in loans

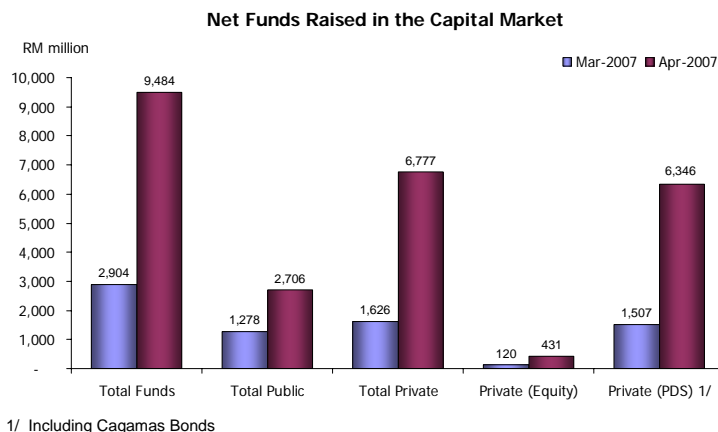
approved to the household sector was marginally lower on an annual basis, reflecting lower approvals for the purchase of consumer durables. Loan disbursements across the business and household sectors were lower on an annual basis in part, due to the exceptionally high level of disbursements in April 2006.

Total loans outstanding expanded by 6.2% on an annual basis as at end-April (end-March: 6.2%). Loans outstanding to businesses and households expanded at annual growth rates of 5.8% and 7.9% respectively (March: 6.3% and 7.8% respectively).

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

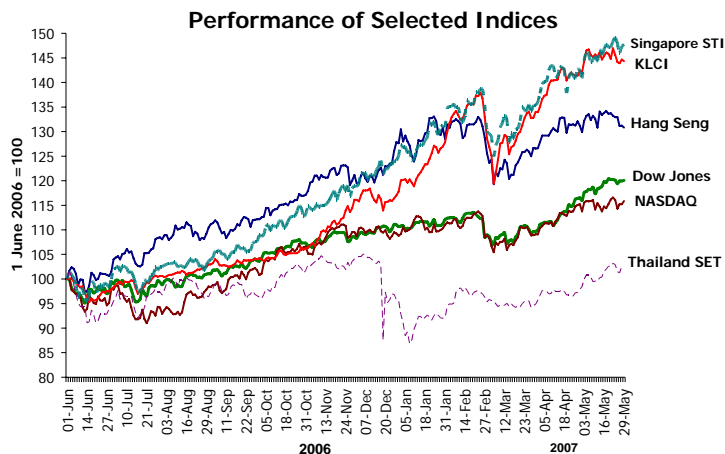
Total net funds raised in the capital market increased significantly to RM9.5 billion in April, from RM2.9 billion in March. The private sector raised the bulk of the funds, mainly through the issuance of PDS, particularly for the financing of a M&A deal in the electricity, gas and water sector. In total, the net funds raised by the private sector amounted to RM6.8 billion.

In the public sector, total gross funds amounting to RM3.1 billion were raised through the reopening of the 5-year MGS. After adjusting for redemption, the net funds raised amounted to RM2.7 billion during the month, an increase from the RM1.3 billion raised last month.



### ***KLCI performed strongly***

Following the strong performance in March, the KLCI strengthened further to 1,322.25 points or 6.1% higher in April. Positive developments within both the plantation and property sectors, due to government measures and record high crude palm oil prices, drove the KLCI higher. Market capitalisation rose to RM1,056.1 billion (+7.2% since end-March), while the daily average turnover declined to 1,841.3 million units (March: 1,980.9 million units).

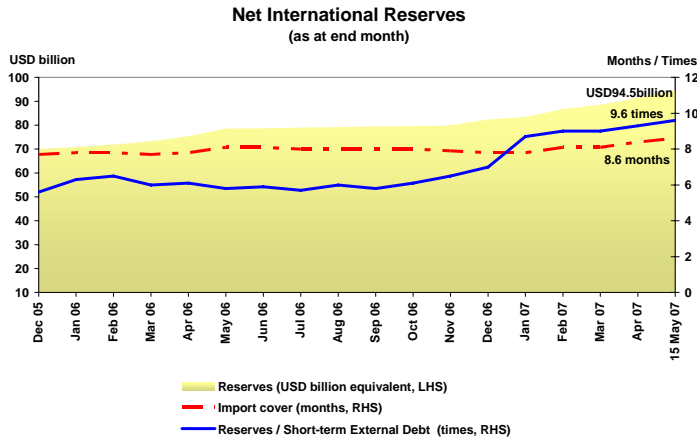


*The KLCI performed strongly*

As at 29 May 2007, the KLCI closed higher at 1,343 points (+1.6% since end-April). Overall market capitalisation was higher at RM1,067.3 billion (+1% since end-April), while trading activities were lower with the daily average turnover at 1,195.3 million units.

### ***International reserves***

The net international reserves of Bank Negara Malaysia amounted to RM316.2 billion, or equivalent to USD91.6 billion, as at 30 April 2007. The reserves increased to RM326.5 billion, or equivalent to USD94.5 billion, as at 15 May 2007. The reserves position is sufficient to finance 8.6 months of retained imports and is 9.6 times the short-term external debt.



### ***Strong capitalisation level amidst improving non-performing loans***

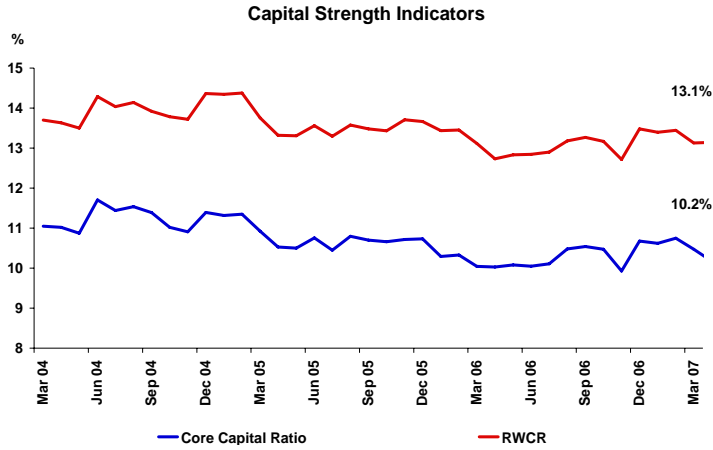
The banking system's capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio at 13.1% and 10.2% respectively as at end-April 2007. Net non-performing loans (NPLs) improved further to RM25.5 billion, resulting in the net NPL ratio declining further to 4.4%. The improvement was mainly due to recoveries and continued write-offs by banking institutions.

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

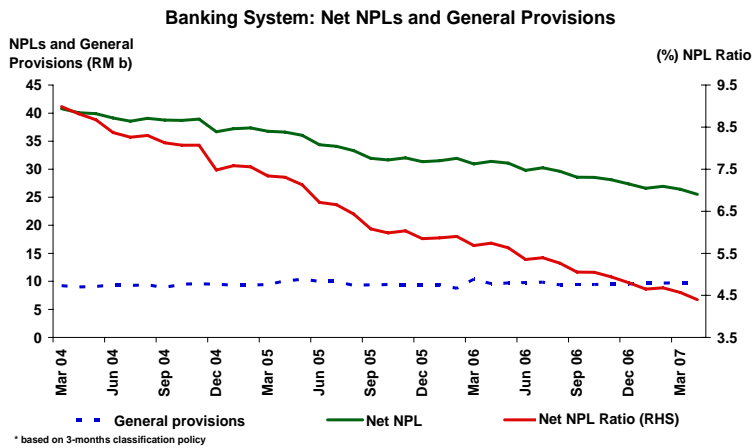
	2000	2001	2002	2003	2004	2005	2006	Feb 07	Mar 07	Apr 07
<b>Capital (%)</b>										
Core capital ratio	10.7	11.1	11.1	11.1	11.4	10.7	10.7	10.8	10.5	10.2
RWCR	12.5	13.0	13.2	13.8	14.4	13.7	13.5	13.4	13.1	13.1
<b>Net NPLs (3-month classification)</b>										
% of net total loans	9.7	11.5	10.2	8.9	7.5	5.8	4.8	4.7	4.6	4.4
Amount (RM million)	37,678	46,254	43,110	40,013	36,668	31,332	27,360	26,940	26,420	25,510
<b>GP / Net total loans (3-month, %)</b>										
	2.2	2.1	2.1	2.0	1.9	1.8	1.7	1.7	1.7	1.7

<sup>\*</sup> Beginning June 1999, the figures include Islamic banks.

<sup>\*</sup> Beginning April 2005, RWCR and CCR include market risk factor



*The banking system remains well-capitalised...*



*...whilst the level of NPLs declined further*

**Bank Negara Malaysia**  
**30 May 2007**



### Key Monetary and Financial Statistics

	Feb 07		Mar 07		Apr 07	
	Outs.	Ann. growth	Outs.	Ann. growth	Outs.	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
<b>Monetary Aggregates</b>						
Reserve money	59.7	8.9	58.7	8.5	59.7	9.5
M1	149.4	17.1	144.6	17.8	147.1	17.9
M2	756.2	17.8	754.2	17.3	753.6	16.4
M3	789.1	15.0	789.2	14.2	796.5	14.2
<b>Banking System</b>						
Total deposits	838.0	19.0	841.8	18.0	846.1	18.3
Total loans (including loans sold to Cagamas)	598.8	6.2	601.5	6.2	604.6	6.2
Loan-deposit ratio (%)	69.2		68.9		69.0	
Financing-deposit ratio <sup>1</sup> (%)	76.9		77.1		77.5	
Loans applied (during the period)	22.5	3.0	33.7	19.3	29.1	28.6
Loans approved (during the period)	14.3	4.2	22.4	26.8	18.7	31.2
Loans disbursed (during the period)	38.6	-2.0	43.9	-3.9	41.1	-13.8
Loans repaid (during the period)	35.7	-0.5	39.6	-5.0	38.2	-16.2
<b>Banking System Health</b>						
Risk-weighted Capital Ratio (RWCR) (%)	13.4		13.1		13.1	
Net NPLs: 3-month classification (%)	4.7		4.6		4.4	
<b>International Reserves of BNM (end-period)</b>						
Net Reserves in RM billion	305.9		305.9		316.2	
Net Reserves in USD billion (equivalent)	86.9		88.6		91.6	
Months of retained imports	8.1		8.1		8.4	
<b>Interest Rates at end-period [average for the month]</b>						
Overnight Policy Rate (OPR)	3.50		3.50		3.50	
Interbank:						
Overnight	3.49 [3.50]		3.50 [3.50]		3.50 [3.50]	
1-week	3.51 [3.52]		3.52 [3.52]		3.52 [3.52]	
1-month	3.55 [3.55]		3.56 [3.55]		3.54 [3.54]	
Fixed deposits of commercial banks:						
1-month	3.11		3.10		3.10	
3-month	3.19		3.18		3.18	
BLR of commercial banks	6.72		6.72		6.72	
ALR of commercial banks	6.54		6.54		6.48	
<b>Prices</b>						
Consumer Price Index (CPI) (2005=100)	105.1	3.1	105.0	1.5	105.0	1.5
Producer Price Index (PPI) (2000=100)	129.9	4.2	130.6	4.1	n.a.	n.a.
<b>Exchange Rates of Ringgit against Selected Currencies (end-period)</b>						
US dollar	3.5060		3.4560		3.4230	
Euro	4.6332		4.6105		4.6709	
Pound Sterling	6.8830		6.7867		6.8332	
100 Japanese yen	2.9595		2.9339		2.8635	
Singapore dollar	2.2920		2.2781		2.2524	
100 Thai Baht	9.9012		9.8785		9.8461	
100 Philippine Peso	7.2110		7.1649		7.2014	
100 Indonesian Rupiah	0.0382		0.0379		0.0377	
100 Korean Won	0.3728		0.3674		0.3678	
<b>Capital Market</b>						
Net funds raised (in RMb) by:						
public	3.0		1.3		2.7	
private	0.8		1.6		6.8	
Bursa Malaysia Composite Index (end-period)	1,196.5		1,246.9		1,322.3	
Bursa Malaysia Market Capitalisation (RMb, end-period)	943.4		985.1		1,056.1	

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