



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

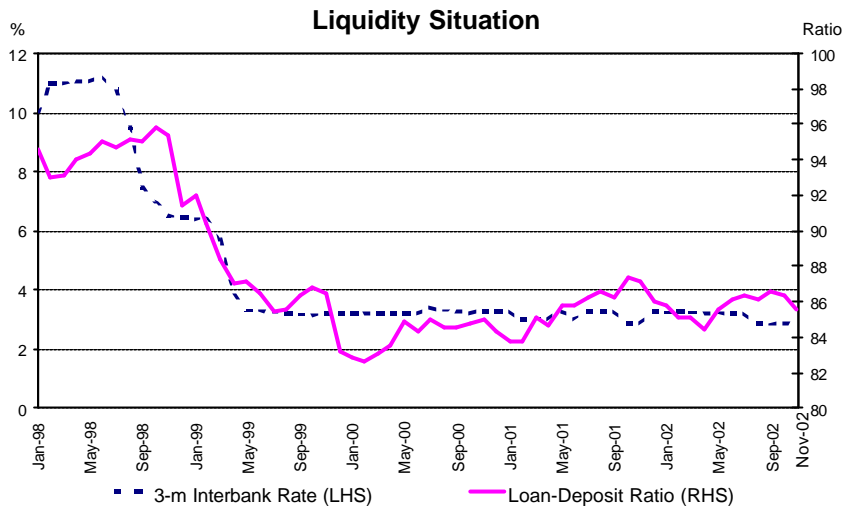
PEN: 12/02/45 (BN)

**EMBARGO: Not for publication or
broadcast before 2030 hours on Monday,
30 December 2002**

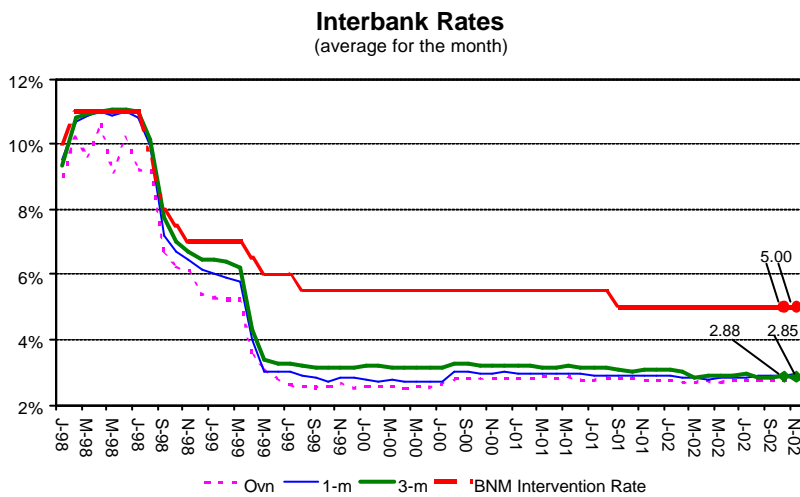
Highlights of the November 2002 Press Release

Significant Increase in the Money Supply Amid Low Interest Rate Environment

Competition for loans among banks led to further downward movement in lending rates, as reflected in the lower average lending rates of commercial banks and finance companies. Amid ample liquidity conditions and accommodative monetary situation, financing to the private sector continued to expand. Total deposits also recorded a significant increase due to festive activities, end-year bonus payments and disbursements by the Government. As a result, there was a marked increase in all three monetary aggregates, M1, M2 and M3 in November.

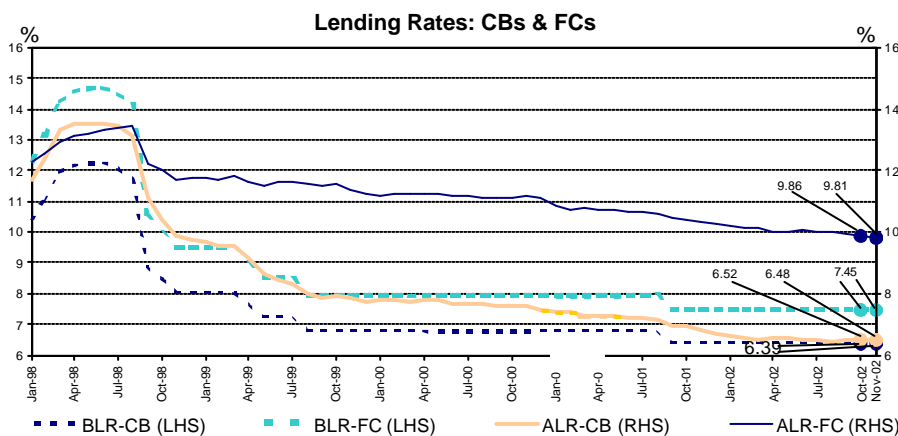


In November, the liquidity situation remained ample.



Interbank rates remained low and steady.

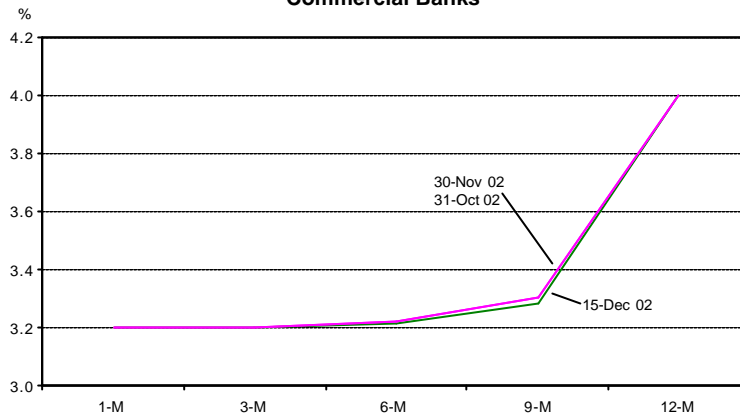
Increased competition for loans led to further declines in the **average lending rates (ALR)** of both CBs and FCs although their **base lending rates (BLR)** remained unchanged. ALR trended downwards in November to 6.48% and 9.81% respectively for CBs and FCs (6.52% and 9.86% at end-October).



BLR and ALR remained low.

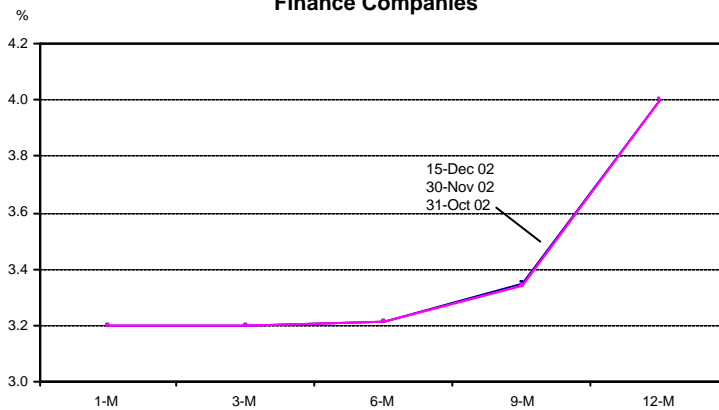
While lending rates declined, the **term structure of average fixed deposit rates** of CB and FC remained unchanged for all maturities.

**Term Structure of FD Rates:
Commercial Banks**



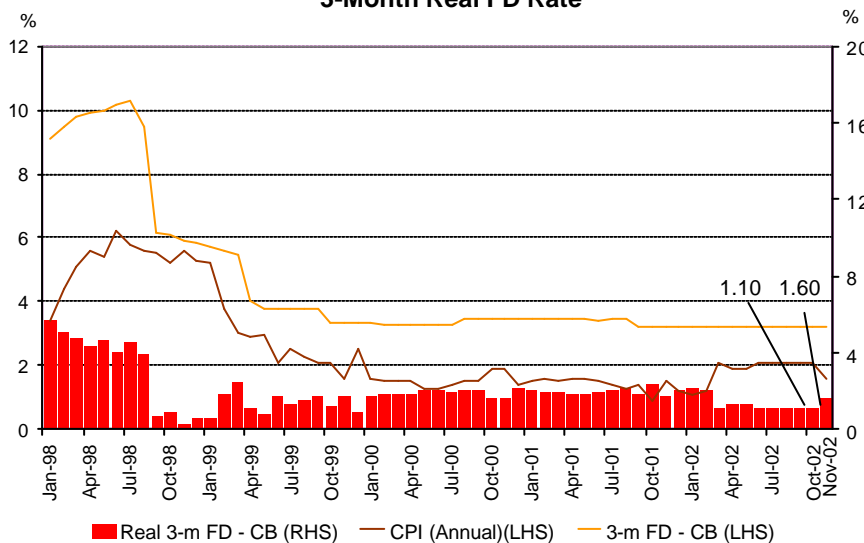
FD rate of CBs remained unchanged.

**Term Structure of FD Rates:
Finance Companies**



...similarly, for FCs.

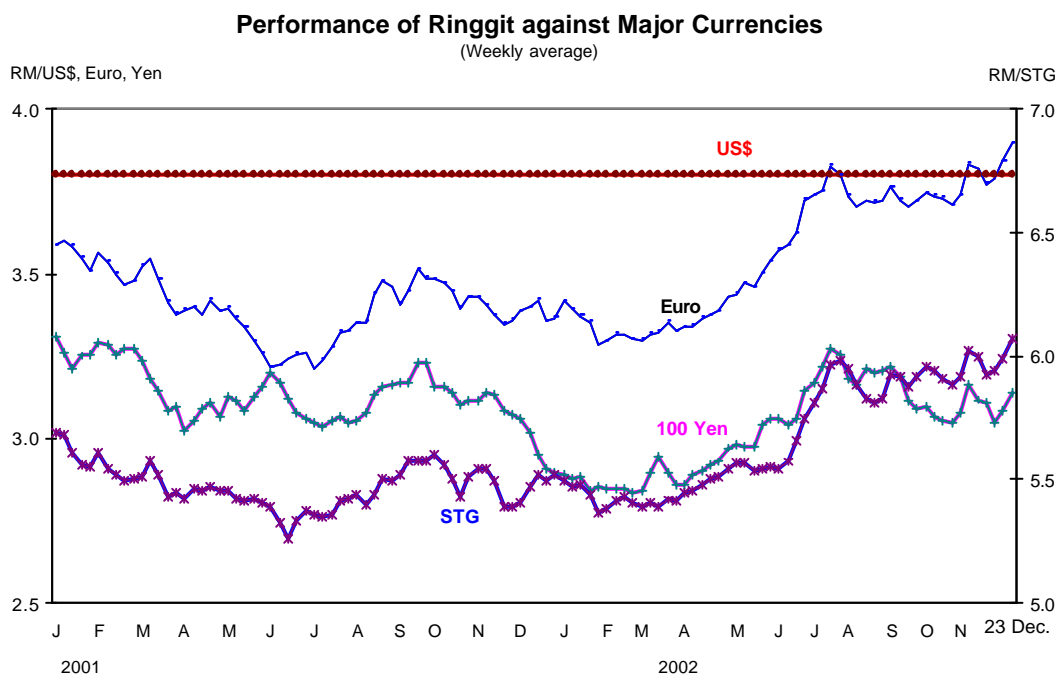
3-Month Real FD Rate



The 3-month real FD rate of the CB was higher due to lower inflation in November.

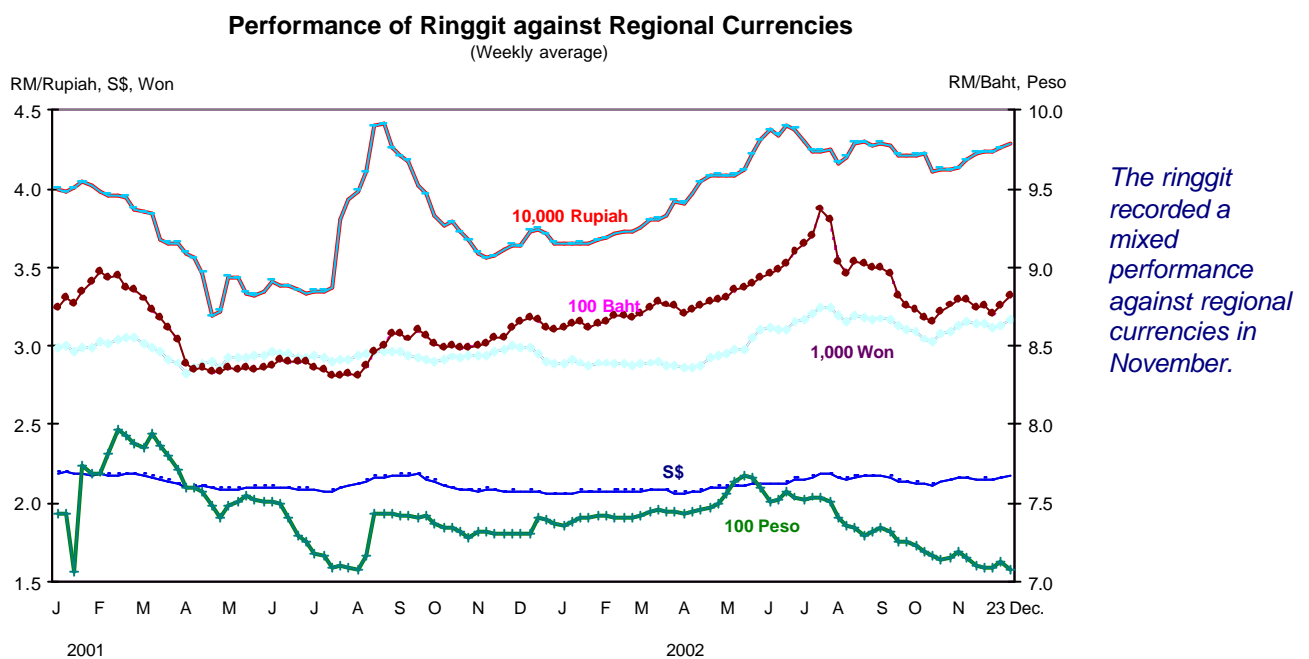
The ringgit recorded a mixed performance against the major and regional currencies in November

In November, **the ringgit recorded a mixed performance against the major currencies.** The ringgit depreciated against the euro and the Japanese yen by 0.6% and 0.3% respectively but appreciated against the pound sterling by 0.7%, in tandem with the movement of the US dollar in the international foreign exchange markets. The US dollar weakened against the euro due to greater short-term interest rate differentials in favour of the euro area following the reduction in US interest rates, and increasing market concerns over tensions in the Middle East and terrorist activities. Following the weakness of the US dollar, the euro temporarily breached the parity level against the US dollar in early November. Apart from the dollar-negative factors, the Japanese yen strengthened against the dollar after the Japanese Government revealed that plans to resolve the bad loans situation in Japan would not lead to the nationalisation of Japanese banks. Meanwhile, the pound sterling depreciated on the back of mergers and acquisitions flows.



The ringgit recorded a mixed performance against major currencies in November.

The ringgit also recorded a mixed performance against the regional currencies. The ringgit depreciated against several regional currencies in the range of 0.2% - 2.6%, while appreciating against the Philippine peso and Thai baht by 0.8% and 0.3% respectively. Indonesian rupiah recovered to the levels prior to the October bombing in Bali, supported by anticipated foreign investments from sales by the Indonesian Bank Restructuring Agency, possible IMF funding and the better-than-forecasted budget deficit. The Korean won strengthened following an upgrade of the ratings outlook, renewed equity-linked inflows and anticipated issuance of overseas bonds. In contrast, the Philippine peso was negatively affected by market concerns over its growing budget deficit.



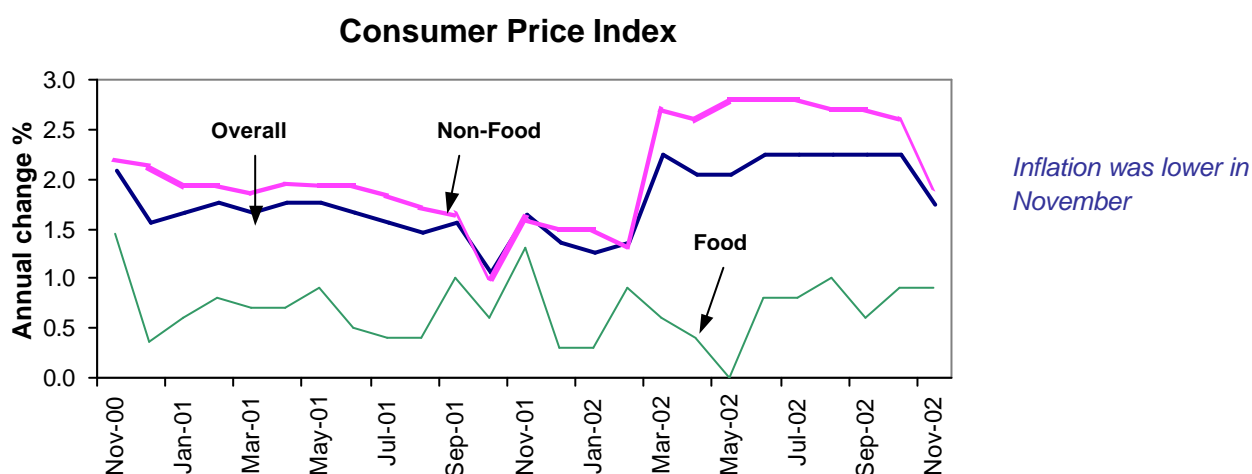
In the period 1 – 23 December, the ringgit depreciated against major currencies and regional currencies. The ringgit depreciated against the pound sterling, euro and Japanese yen by 3.3%, 3.2% and 1.6% respectively, in tandem with the weakening of the US dollar. In early December, the US dollar was adversely affected by the resignation of the US Treasury Secretary. Heightened concern over the possibility of an armed conflict with Iraq was the biggest factor that continued to weigh heavily against the dollar. On 23 December, the dollar fell to a new 3-year low against the euro and weakened across the board against other currencies. Over the same period, the ringgit depreciated by 0.2-1.1% against all regional currencies.

Performance of Ringgit against Selected Currencies

RM per foreign currency	2 September 1998	End-Nov. 2002	23 Dec. 2002	% Change			
				November 2002	End-Nov - 23 Dec. 2002	End-2001 - 23 Dec. 2002	2 Sep. 1998 - 23 Dec. 2002
US dollar	3.8000	3.8000	3.8000	0.0	0.0	0.0	0.0
Euro	-	3.7759	3.9017	-0.6	-3.2	-13.7	-
Pound Sterling	6.3708	5.8919	6.0908	0.7	-3.3	-9.4	4.6
100 Japanese yen	2.7742	3.1067	3.1581	-0.3	-1.6	-8.3	-12.2
Singapore dollar	2.1998	2.1551	2.1798	-0.2	-1.1	-5.8	0.9
100 Thai baht	9.3713	8.7588	8.8157	0.3	-0.6	-2.4	6.3
100 Philippine peso	8.8302	7.0942	7.1055	0.8	-0.2	3.6	24.3
100 Indonesian Rupiah	0.0354	0.0423	0.0428	-2.6	-1.2	-14.7	-17.3
100 Korean won	0.2827	0.3145	0.3159	-1.4	-0.4	-8.7	-10.5

Inflation was lower in November

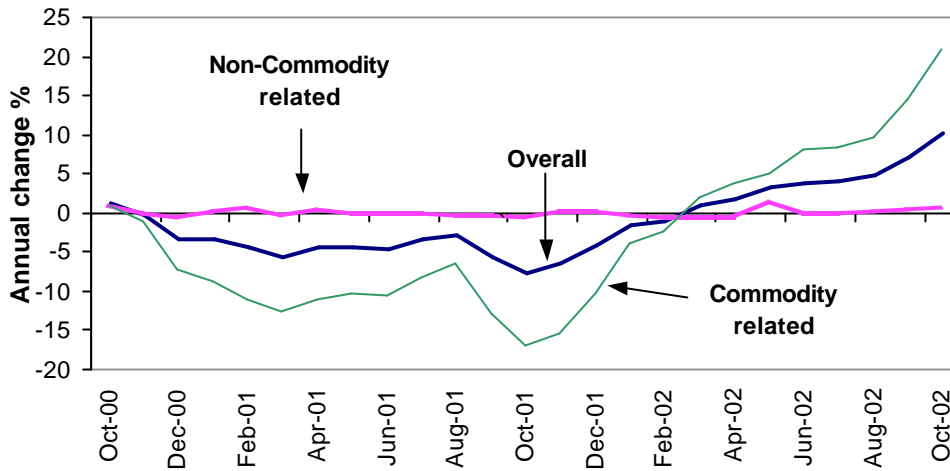
The annual rate of inflation, as measured by the **Consumer Price Index (CPI, 2000=100)**, moderated to 1.6% in November (2.1% in October), accounted mainly by the elapse of the one-off price adjustments on sales tax on tobacco products and higher petrol prices in Budget 2002 in October 2001. The lower inflation rate was due mainly to lower price increases for transport and communication services as well as beverages and tobacco. On a monthly basis, the CPI increased by 0.3%.



Producer prices continued to increase

Producer prices, as measured by the **Producer Price Index (PPI)** increased by 9.9% year-on-year in October (September: 6.8%). The increase in the PPI reflected higher prices of crude palm oil, crude oil and rubber. Meanwhile, excluding commodity-related products, the adjusted PPI increased by 0.7%.

Producer Price Index



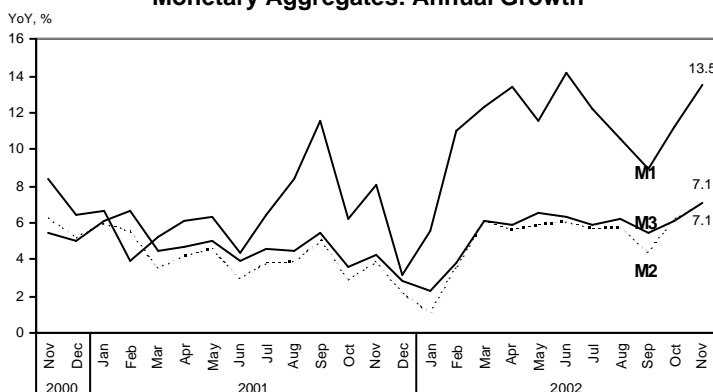
Producer prices continued to increase

Further growth in money supply

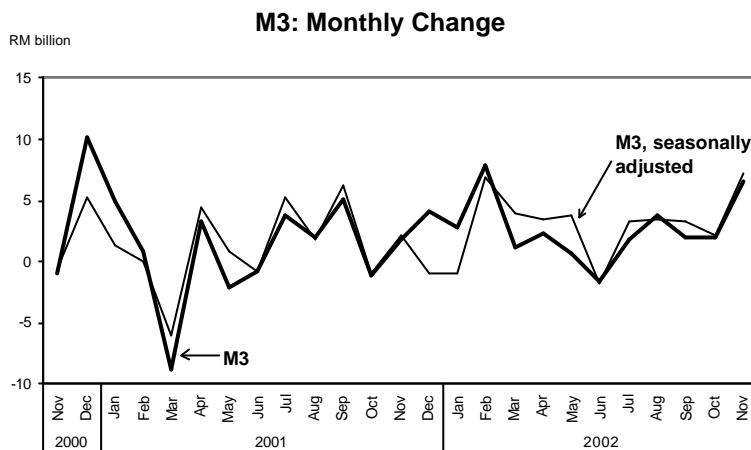
A significant development in November was the large increase in M1 of RM3.3 billion, corresponding to an annual growth rate of 13.5%. This large expansion in narrow money was driven mainly by higher consumer spending in conjunction with the festive season and the inflow of repatriation of export earnings by businesses in Malaysia.

The strong increase in M3 by RM6.5 billion or an annual growth rate of 7.1% was due to continued increase in bank financing activities (RM4.6 billion). Holdings of debt securities by banking institutions rose by RM2.9 billion following an increase in the issuance of corporate bonds during the month. Meanwhile, the Government drew down its placements with BNM to finance its expenditures, which exerted an expansionary impact on the money supply.

Monetary Aggregates: Annual Growth



Significant expansion of all three monetary aggregates on an annual basis....



... while on a monthly basis, M3 rose further

M3 Determinants
(RM billion)

	Change during period			
	2002			
	Sep	Oct	Nov	Jan - Nov
M3	2.0	1.9	6.5	29.1
Net claims on Government	1.0	3.1	1.8	15.3
Claims on private sector	4.5	3.2	4.6	26.2
Net external operations ¹	-2.4	0.3	1.0	3.5
Other influences	-1.1	-4.7	-0.9	-15.9

1/ pre-revaluation

... mainly due to the growth of bank financing activities

Banking system deposits

Total deposits mobilised by the banking system increased significantly by RM6.3 billion or 1.3% in November, due to festive activities, end-year bonus payments and disbursements by the Government. There were higher deposits by the business enterprises, individuals and financial institutions. On an annual basis, total deposits expanded by 5.9% at end-November.

Monthly Change in Deposits (RM million)

Holder	2002		
	Sep.	Oct.	Nov.
Federal Government	944	-857	426
State Governments	-7	-230	-12
Statutory Authorities ^{1/}	-446	-320	-360
Financial Institutions	-1,997	921	1,355
Business Enterprises	1,434	1,767	2,950
Individuals	172	1,869	2,105
Others	-112	46	-122
Total	-11	3,196	6,341

Higher deposit placements by business enterprises and individuals....

^{1/} Include local Governments.

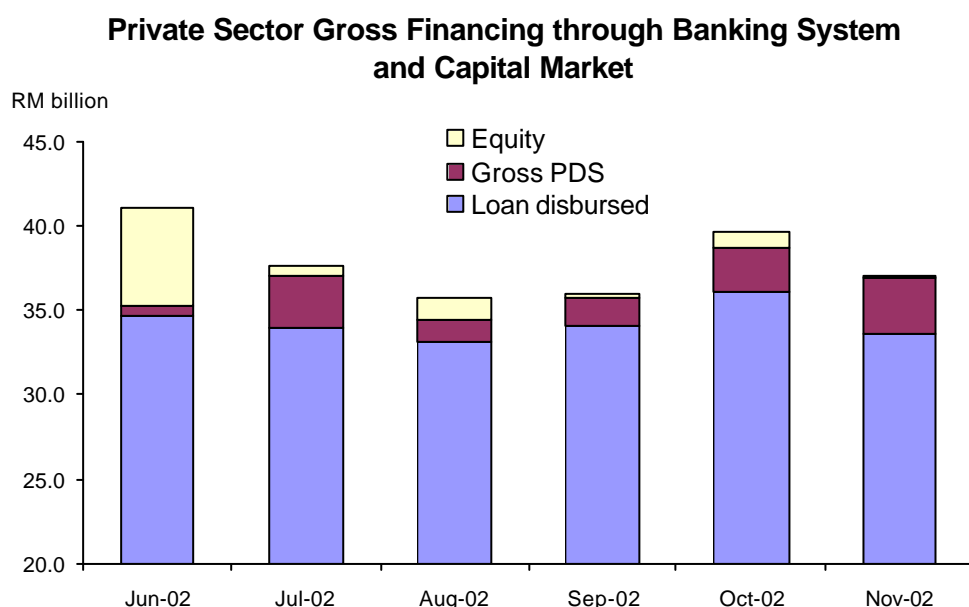
Type	Monthly Change in Deposits (RM million)		
	2002		
	Sep.	Oct.	Nov.
Fixed deposits	2,282	28	346
NIDs	-782	2,514	338
Demand deposits	843	292	1,894
Savings deposits	24	213	467
Repos	-1,610	28	2,665
FX deposits	-143	-302	347
SPI deposits	-512	377	407
Others	-112	46	-122
Total	-11	3,196	6,341

.... which were reflected mainly in repos and demand deposits.

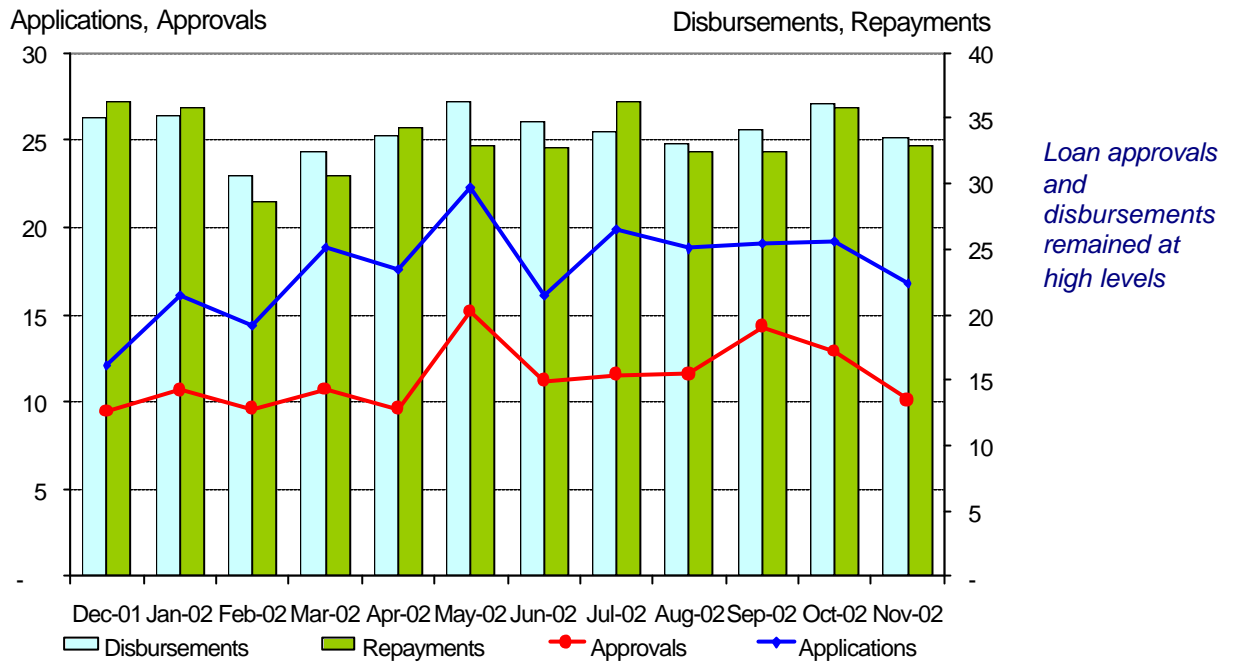
Sustained financing to the private sector

During the month, **total gross private sector financing through the banking system and the capital market remained high at RM37 billion.** Although loan disbursements moderated, bank financing through holdings of private debt securities (PDS) picked up, sustaining the pace of overall financing by the banking system.

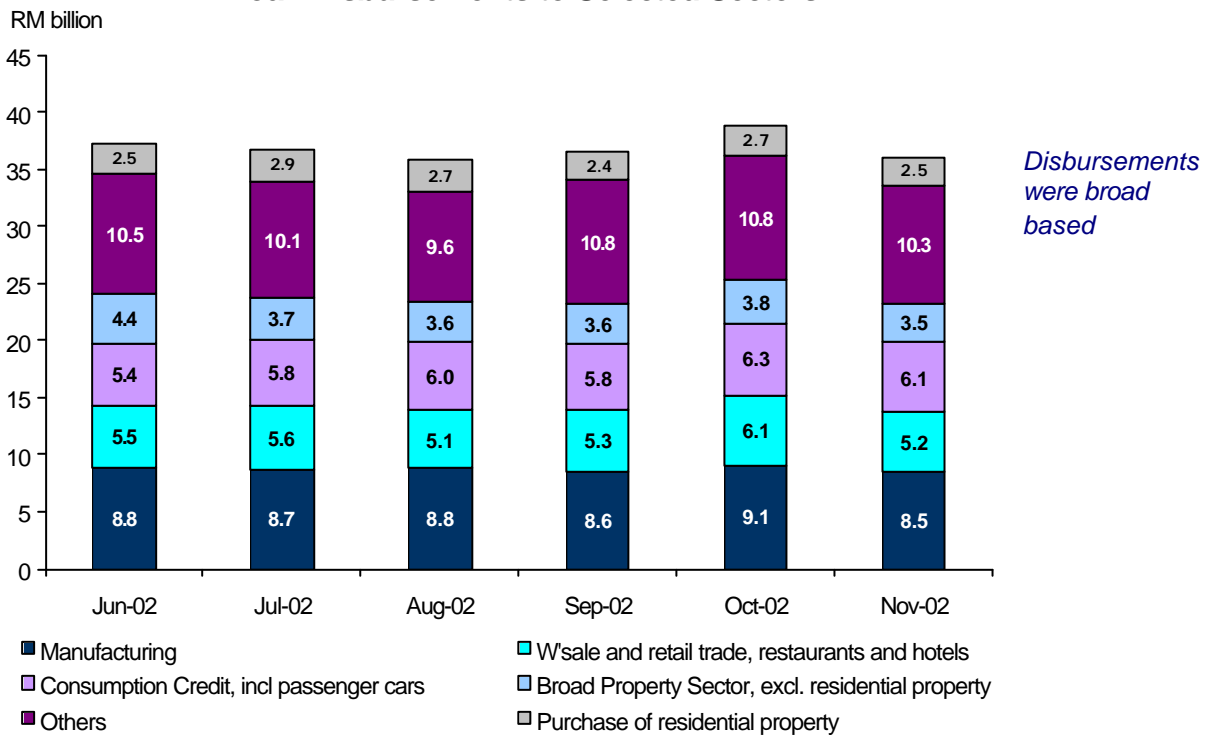
In terms of bank loan activities, loan disbursements amounted to RM33.6 billion, the bulk of which (65%) was channelled to the business sector and was broad based. Together with lower loan repayments, loans outstanding increased further by RM1.9 billion (an annual growth of 4.5% at end-November; 3.7% at end-October). As financing to the business sector from the banking system continued to be for short-term working capital, the expansion in loans outstanding were mainly retail-driven, in particular for the purchase of residential property and passenger cars.



Loan Applications, Approvals, Disbursements and Repayments (RM billion)

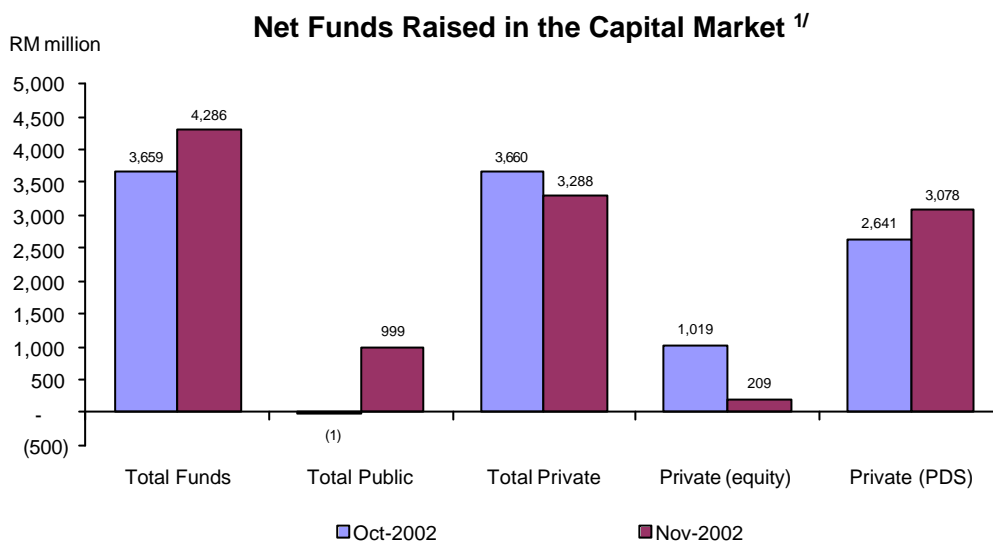


Loan Disbursements to Selected Sectors



Higher net funds raised in the capital market

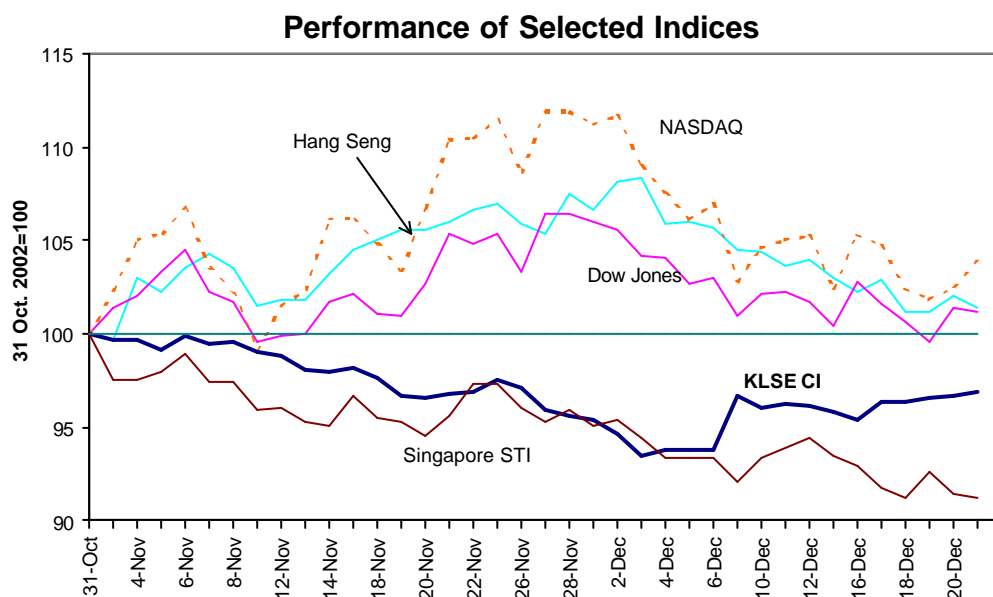
Total net funds raised in the capital market were higher in November, amounting to RM4.3 billion. This arose mainly from new issuance of Malaysian Government Securities and higher funds raised in the private debt securities. Funds raised through the equity market were lower given the prevailing weak sentiments.



Higher net funds raised in the capital market

^{1/} Net funds raised in the capital market by private sector (including Cagamas and Danaharta bonds)

The **Kuala Lumpur Stock Exchange Composite Index (KLSE CI)** trended lower in November due to continued concerns over a slowdown in the US economy and developments in the Middle East. As at 29 November, the KLSE CI closed lower at 629.22 points (-4.6% since end-October), with market capitalisation amounting to RM474.81 billion (-3.1% since end-October). The daily average turnover was at 152.67 million units.

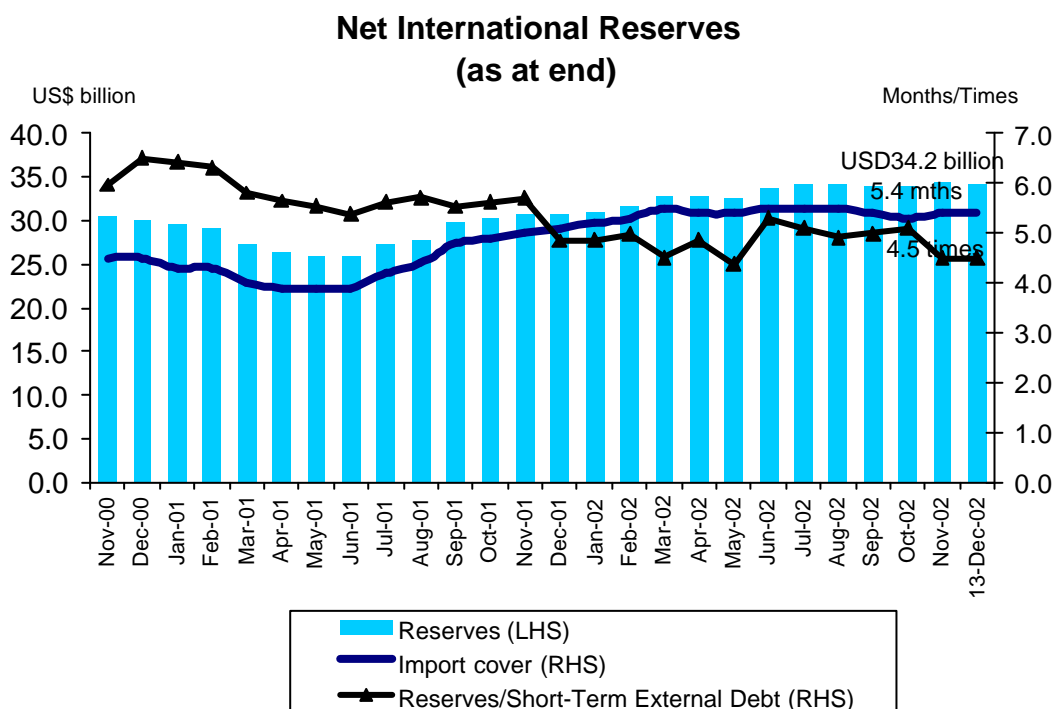


KLSE CI improved in December

Going into December, the KLSE CI's performance improved following buying interests, especially for index-linked stocks. As at 23 December, the KLSE CI closed higher at 639.20 points (+1.6% since end-November) with market capitalisation at RM476.68 billion (+0.2% since end-November). The daily average turnover was at 125.2 million units. In comparison with the regional markets, the KLSE recorded a better performance.

International reserves

The **net international reserves** of Bank Negara Malaysia increased to RM130.8 billion or US\$34.4 billion as at 30 November 2002 and stood at RM130 billion or US\$34.2 billion as at 13 December 2002. Inflows from the repatriation of export earnings continued to remain large in the first half of December. These inflows have partially offset the payments for imports of goods and services, higher external loan repayments, the end of year remittances by residents for repatriation of profits and dividends as well as overseas investment by the private sector. The reserves position is adequate to finance 5.4 months of retained imports and is 4.5 times the short-term external debt.

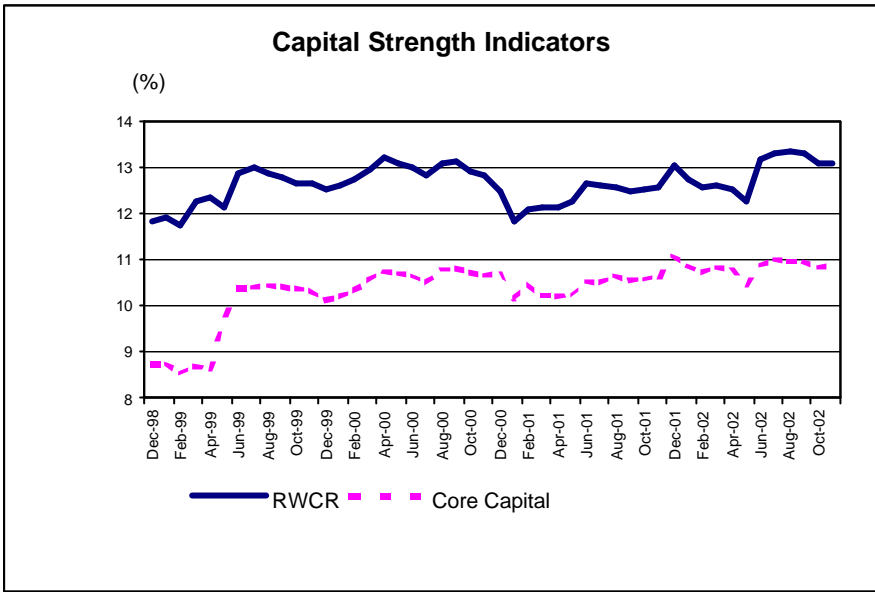


Banking system remained sound

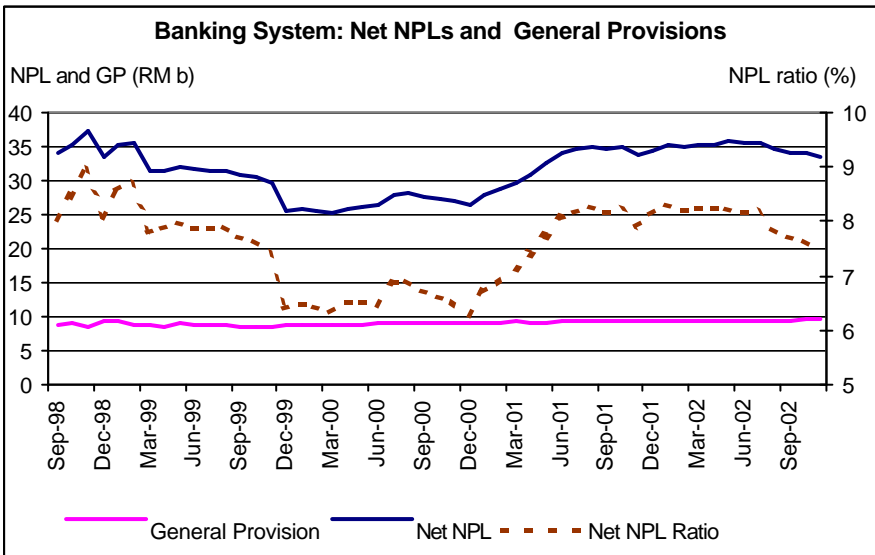
Continued improvement in asset quality combined with strong capital position further reinforced the sound financial position of the banking system in November 2002. The net NPLs (6-month classification) declined to RM31.8 billion or 7.5% of net total loans. The decline in the net NPLs averaged 3.2% on an annual basis throughout 2002. Meanwhile, the risk-weighted capital ratio (RWCR) was sustained at 13.1%.

Banking System Health Indicators*								
	1998	1999	2000	2001		2002		
	Dec.	Dec.	Dec.	Jun.	Dec.	Sep.	Oct.	Nov.
Capital (%)								
Core capital ratio	8.7	10.1	10.7	10.5	11.1	11.0	10.8	10.9
RWCR	11.8	12.5	12.5	12.6	13.0	13.3	13.1	13.1
Net NPL (6-month classification)								
% of net total loans	8.1	6.4	6.3	8	8.1	7.7	7.6	7.5
Amount (RM million)	31,675	23,849	24,700	32,292	32,775	32,489	32,239	31,803
GP/Net total loans (6-month, %)								
	2	1.9	1.9	1.9	1.9	1.9	1.9	1.8

* Beginning June 1999 onwards, the figures include Islamic banks



....capital position remained strong with RWCR and core capital ratio at 13.1% and 10.9% respectively



Lower net NPL ratio moderated to 7.5% in November

Danaharta's seventh nationwide property tender, which offered 178 properties with an indicative value of RM623.5 million, was concluded on 13 November 2002. At the closure of the tender, Danaharta received 93 bids (out of which 53 were successful) on the newly foreclosed properties and 12 successful bids for properties which were unsold in the previous tenders. The value of the successful bids on the newly foreclosed properties amounted to RM118.5 million, representing a 4% surplus over the total indicative value. More than half of the successful bids were received for agricultural and development land, with bids averaging 10% above their indicative value.

As at end-November 2002, the outstanding balance of capital injection by Danamodal remained at RM2.1 billion and Danamodal is expected to cease its operations in 2003.

Bank Negara Malaysia
30 December 2002

Key Monetary and Banking Statistics

	October 2002		November 2002	
	Outstanding	Ann. growth	Outstanding	Ann. growth
	(RM billion)	(%)	(RM billion)	(%)
Monetary Aggregates				
Reserve money	41.3	6.6	48.5	9.4
M1	84.7	11.2	88.0	13.5
M2	375.4	6.2	382.1	7.1
M3	492.1	6.2	498.6	7.1
Banking System				
Total deposits	494.9	4.6	501.2	5.9
Total loans (including loans sold to Cagamas and Danaharta)	489.7	3.7	491.6	4.5
Total loans (excluding loans sold to Cagamas and Danaharta)	427.3	3.3	428.9	4.1
Loan-deposit ratio (%)	86.3		85.6	
Loans approved during the month	12.9		10.1	
Loans disbursed during the month	36.2		33.6	
Banking System Health				
Risk-weighted Capital Ratio (RWCR) (%)	13.1		13.1	
Net NPLs: 6-month classification (%)	7.6		7.5	
International Reserves of BNM (end-period)				
Reserves in RM (billion)	128.9		130.8	
Reserves in USD (billion)	33.9		34.4	
Months of retained imports	5.3		5.4	
Interest Rates at end-period [average for the month]				
Interbank: 1-month	2.98[2.92]		2.99[2.96]	
3-month	2.87[2.88]		2.85[2.85]	
Fixed deposits of commercial banks: 1-month	3.20[3.20]		3.20[3.20]	
3-month	3.20[3.20]		3.20[3.20]	
BLR of commercial banks	6.39[6.39]		6.39[6.39]	
Prices				
Consumer Price Index (CPI) (2000=100)	103.3	2.1	103.6	1.6
Producer Price Index (PPI) (1989=100)	132.7	9.9	-	-
Exchange Rates of Ringgit against Selected Currencies (end-period)				
Euro	3.7527		3.7759	
Pound Sterling	5.9303		5.8919	
Singapore dollar	2.1515		2.1551	
100 Japanese yen	3.0977		3.1067	
100 Thai Baht	8.7811		8.7588	
100 Philippine Peso	7.1530		7.0942	
100 Indonesian Rupiah	0.0412		0.0423	
100 Korean Won	0.3102		0.3145	
Capital Market				
Funds raised by: public sector (RM billion)	0.0		1.0	
private sector (RM billion)	3.7		3.3	
Kuala Lumpur Composite Index (end-period)	659.57		629.22	
KLSE Market Capitalisation (RMb) (end-period)	489.94		474.81	