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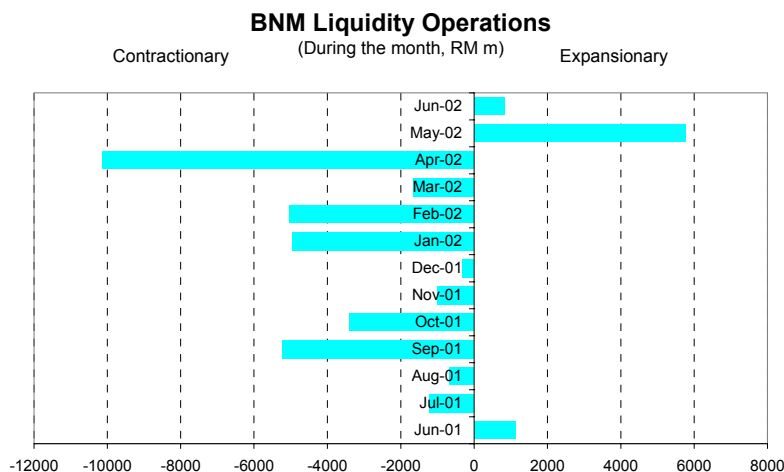
PRESS RELEASE

MONETARY AND FINANCIAL DEVELOPMENTS June 2002

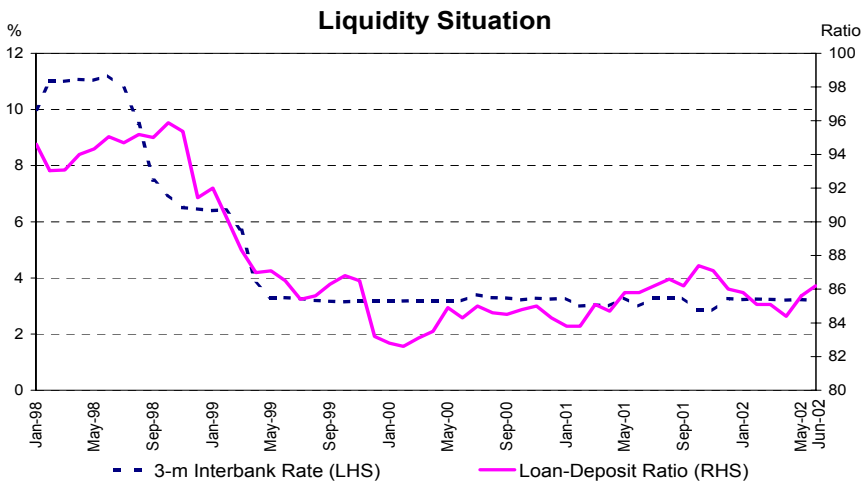
In June, overall monetary conditions remained stable. There was some volatility in the equity market towards end-June following adverse developments in the United States. The prevailing low and stable interest rates, and ample liquidity situation led to higher bank lending activities, especially to the household sector. While inflation rose marginally in June, it remained at low level. Under this environment, the current accommodative monetary policy stance continues to support economic recovery.

In June, interest rates remained low and stable

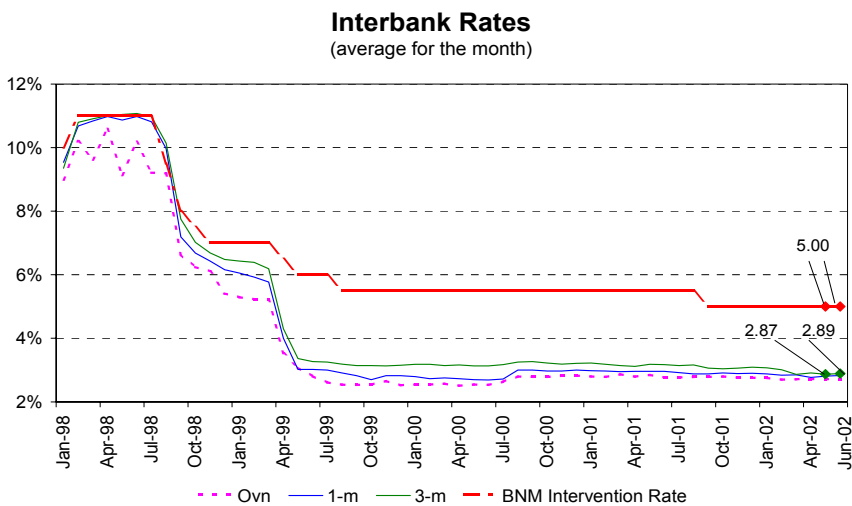
The **interbank money market rates** remained low and stable during the month due to BNM liquidity operations to inject RM0.8 billion into the money market to offset the contractionary impact of Government deposits placed with BNM.



*BNM liquidity operations
were expansionary to
stabilize interest rates*

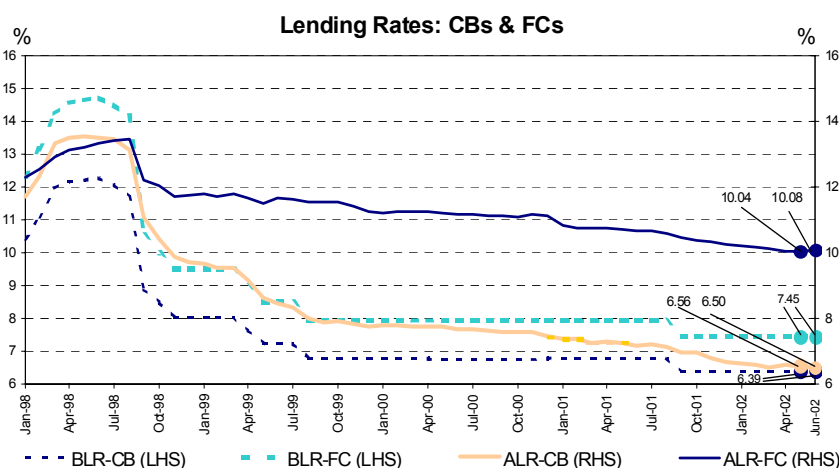


Liquidity remained ample



Interbank money market rates remained low and stable

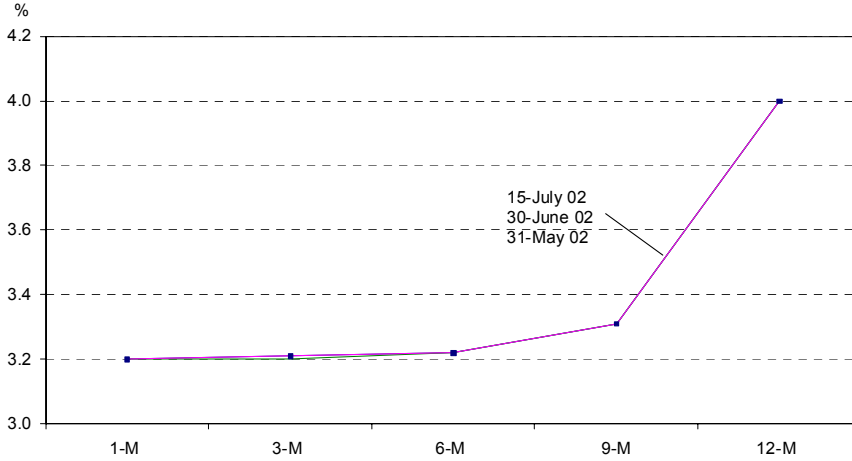
The **average base lending rates (BLRs)** of commercial banks (CBs) and finance companies' (FCs) were unchanged at 6.39% and 7.45% respectively as at end-June. Similarly, the **average lending rates (ALRs)** of CBs and FCs also remained relatively unchanged at 6.50% and 10.08% respectively (6.56% and 10.04% respectively as at end-May).



BLRs were unchanged. The ALR for CBs and FCs were also relatively unchanged

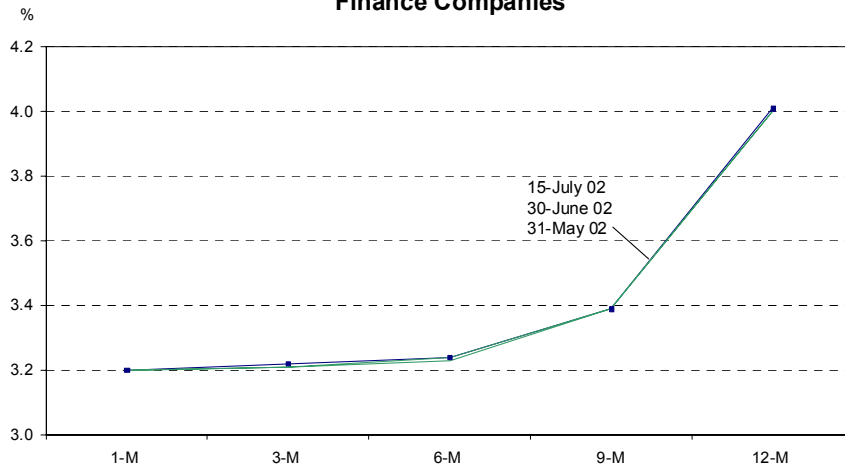
As at 15 July the term structure of average fixed deposit rates for the 1-month to 12-month maturities of both CBs and FCs remained unchanged at 3.20% - 4.00% respectively.

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



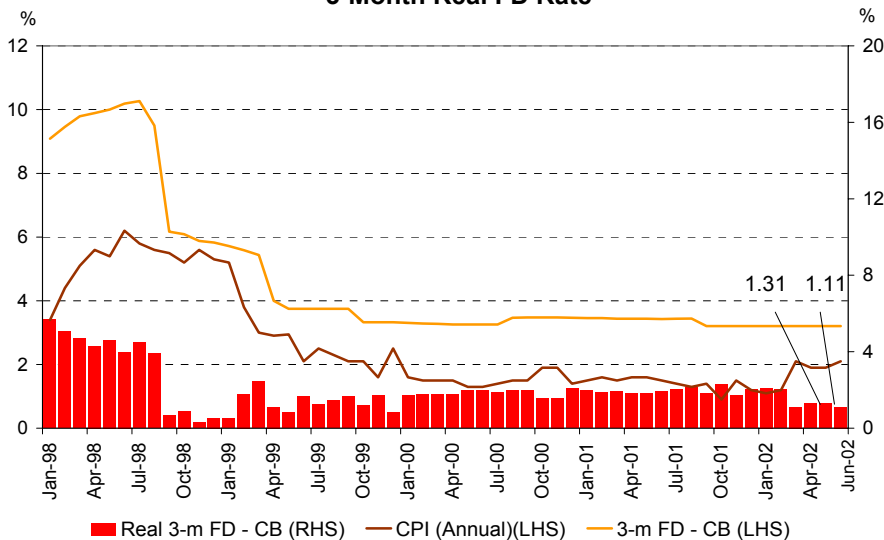
FD rate of CBs remained unchanged

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



...similarly, for FCs

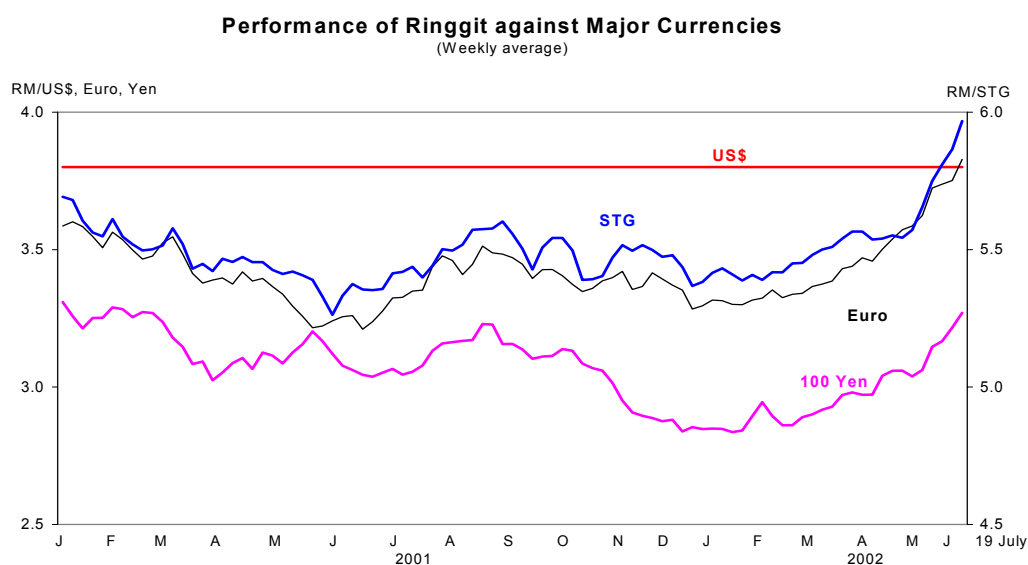
3-Month Real FD Rate



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

The ringgit depreciated against major and most regional currencies in June

In June, the **ringgit depreciated against major currencies**. The ringgit depreciated against the euro (4.7%), the pound sterling (3.9%) and the Japanese yen (2.6%), in tandem with the movements of the US dollar in the international foreign exchange markets. The US dollar weakened following the release of weaker than expected US retail sales data for May and the stronger than expected decline in consumer sentiment for June. Pressure on the US dollar mounted following revelations over unhealthy US corporate governance and accounting practices, heightened security concerns and market concerns over the widening first quarter current account deficit.

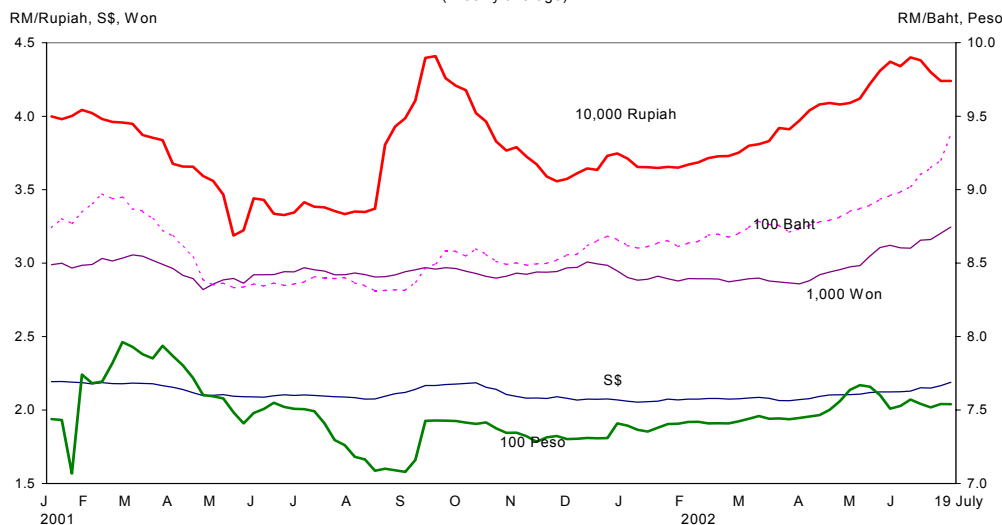


The ringgit depreciated against major currencies

In line with developments in the United States dollar exchange rates, **ringgit depreciated against most regional currencies** in the range of 1.0% - 1.7%. In addition to the weak US dollar, appreciation of regional currencies was also due to capital inflows following market optimism over more favourable growth prospects for regional economies. The Indonesian rupiah appreciated following the signing of a Letter of Intent with the IMF, for further disbursement under the IMF program. Meanwhile, the Thai baht was supported by the release of stronger economic data for April and strong consumer confidence data for May. Subsequently, the Government revised the economic growth outlook for 2002.

Performance of Ringgit against Regional Currencies

(Weekly average)



The ringgit depreciated against most regional currencies

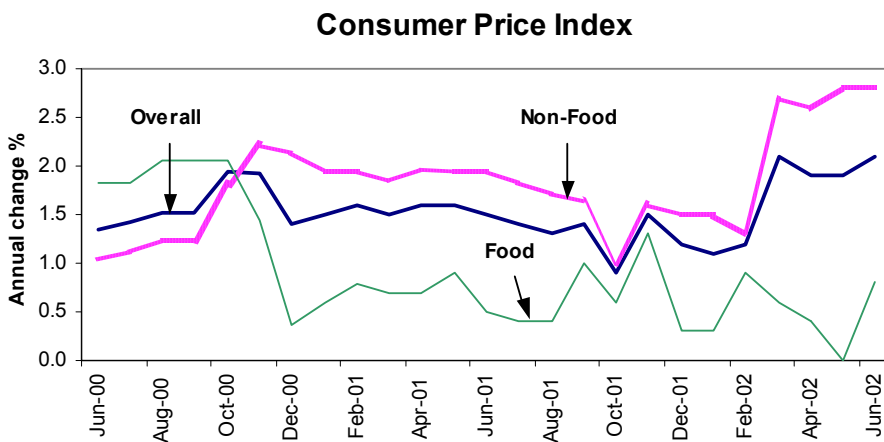
During the period **1 – 19 July 2002**, the ringgit continued to depreciate against major currencies. The ringgit depreciated against the euro by 3.0%, the pound sterling by 3.6% and the Japanese yen by 3.5%. The US dollar continued to be adversely affected by market concerns over US corporate governance and accounting practices, as well as the overall corporate performance. The release of economic data indicating a widening of the US trade deficit in May and the weaker than expected consumer sentiment for July also contributed to the dollar weakness. Over the same period, the ringgit recorded a mixed performance against regional currencies, depreciating against the Singapore dollar, Thai baht and Korean won in the range of 1.9% - 2.9%, while appreciating against the Indonesian rupiah by 1.4%. The ringgit was relatively unchanged against the Philippine peso.

Performance of Ringgit against Selected Currencies

RM per foreign currency	2 September 1998	End-June. 2002	19 July 2002	% Change			
				June 2002	End-June - 19 July 2002	End-2001 - 19 July 2002	2 Sep. 1998 - 19 July 2002
US dollar	3.8000	3.8000	3.8000	0.0	0.0	0.0	0.0
Euro	-	3.7421	3.8597	-4.7	-3.0	-12.8	-
Pound Sterling	6.3708	5.7971	6.0114	-3.9	-3.6	-8.2	6.0
100 Japanese yen	2.7742	3.1613	3.2766	-2.6	-3.5	-11.6	-15.3
Singapore dollar	2.1998	2.1509	2.1918	-1.0	-1.9	-6.3	0.4
100 Thai baht	9.3713	9.1182	9.3908	-1.7	-2.9	-8.4	-0.2
100 Philippine peso	8.8302	7.5386	7.5397	0.5	0.0	-2.3	17.1
100 Indonesian Rupiah	0.0354	0.0437	0.0431	-1.1	1.4	-15.3	-17.9
100 Korean won	0.2827	0.3156	0.3245	-1.1	-2.7	-11.2	-12.9

Inflation increased marginally in June

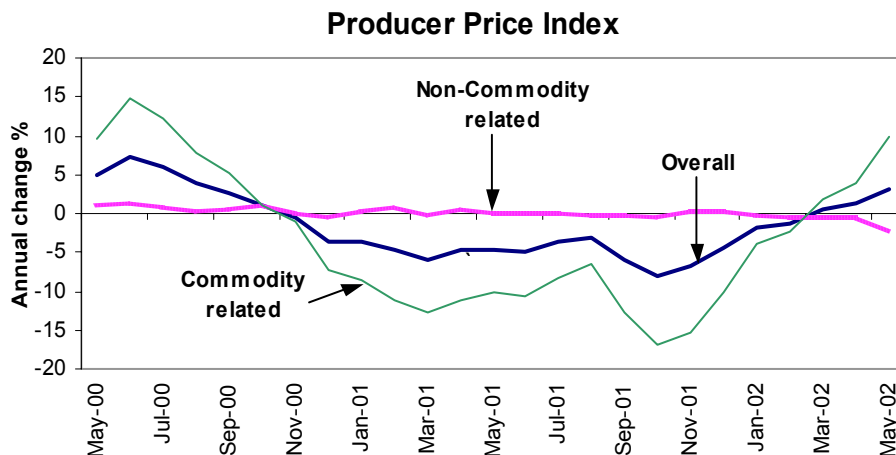
The annual rate of inflation, as measured by the **Consumer Price Index (CPI, 2000=100)**, increased to 2.1% in June (May: 1.9%). The increase in the CPI was contributed largely by higher prices for transport and communication; food; and beverages and tobacco. Prices for food, which account for 33.8% of the total CPI basket, increased by 0.8% year-on-year in June compared with 0.5% and 0.0% in June 2001 and May 2002 respectively. This was due mainly to the higher prices for food taken at home. On a monthly basis, the CPI increased marginally by 0.1%.



Inflation increased marginally in June

Producer prices continued to increase in May

Producer prices, as measured by the **Producer Price Index (PPI, 1989=100)**, increased by 3.1% year-on-year in May (April: 1.4%). The increase in the PPI was due mainly to the stronger recovery in prices of crude palm oil and rubber. Excluding commodity related products, the adjusted PPI declined by 2.4%.

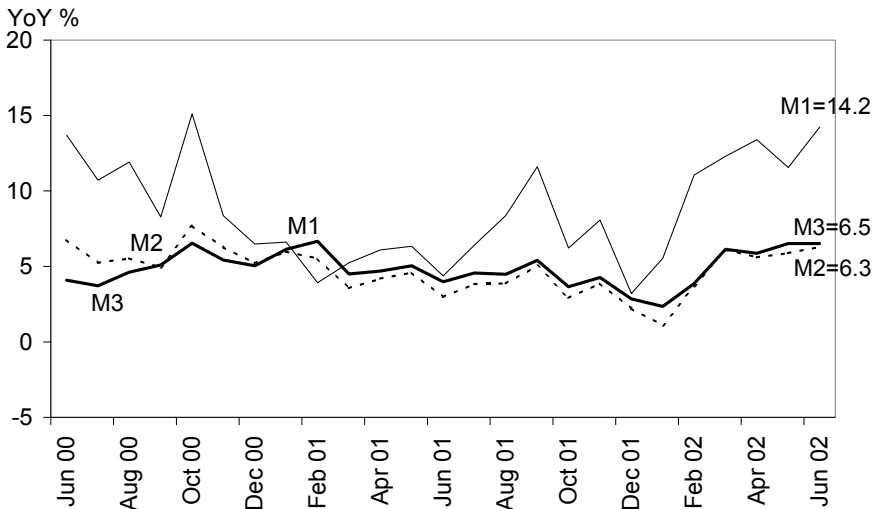


Producer prices continued to increase in May

Growth in money supply was sustained

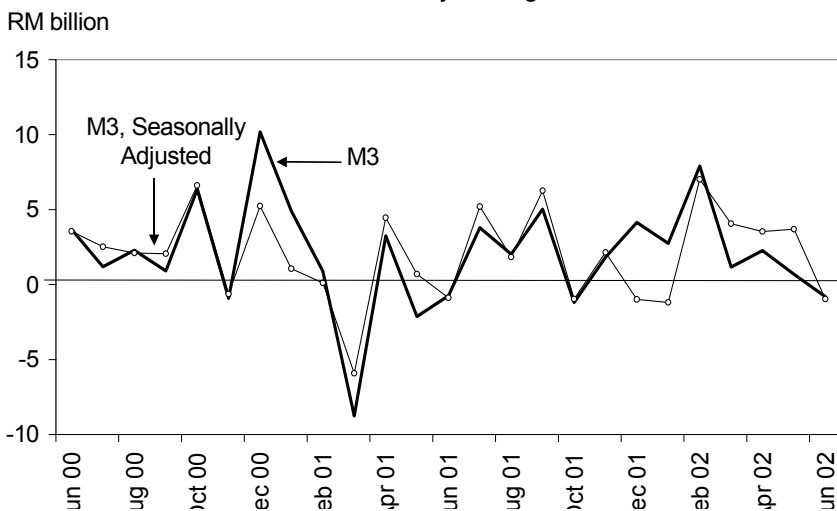
Growth in money supply was sustained with broad money, M3 growing by 6.5% year-on-year as at end-June (6.5% as at end-May). On a month-on-month basis, M3 was lower by RM0.8 billion. During the month, Government operations and financing activities by banking institutions were expansionary on money supply by RM2.2 billion. However, these were partly offset by the decline in net external operations (-RM1.8 billion).

Monetary Aggregates: Annual Growth



All three monetary aggregates continued to grow on an annual basis...

M3: Monthly Change



...on a monthly basis, M3 declined

M3 Determinants
(RM billion)

	Change during period			
	2002			
	Apr	May	Jun	Jan-Jun
M3	2.3	0.7	-0.8	13.9
Net claims on Government	4.6	-2.0	1.7	6.2
Claims on private sector	1.6	3.6	0.5	12.7
Net external operations ^{1/}	-0.5	0.6	-1.8	4.3
Other influences	-3.5	-1.6	-1.2	-9.3

1/ pre-revaluation

...notwithstanding expansionary Government operations and bank financing activities

Banking system deposits were relatively stable while loans increased further

Total deposits were relatively stable, recording only a small decline of RM400 million or -0.1% in June reflecting net withdrawals of deposits by financial institutions and Federal Government. Meanwhile, deposits placed by business enterprises and state governments increased. On an annual basis, total deposits continued to expand by 3.2% as at end-June.

Monthly Change in Deposits (RM million)

	2002		
	Apr.	May.	Jun.
Holder			
Federal Government	643	-853	-741
State Governments	-68	62	335
Statutory Authorities ^{1/}	-168	447	-131
Financial Institutions	-758	374	-1,002
Business Enterprises	956	-2,454	1,032
Individuals	1,670	954	162
Others	64	56	-54
Total	2,340	-1,414	-400

^{1/} Include local Governments.

Financial institutions and Federal Government recorded lower deposits, while business enterprises and state governments increased their deposits

Monthly Change in Deposits (RM million)

	2002		
	Apr.	May.	Jun.
Type			
Fixed deposits	-567	-223	-1,182
NIDs issued	-518	302	-152
Demand deposits	1,222	-1,782	1,628
Savings deposits	735	77	-230
Repos	635	1,271	-2,238
FX deposits	-13	416	-367
SPI deposits	781	-1,531	2,196
Others	64	56	-54
Total	2,340	-1,414	-400

Lower deposits mainly in fixed deposits and repos, while demand and SPI deposits increased

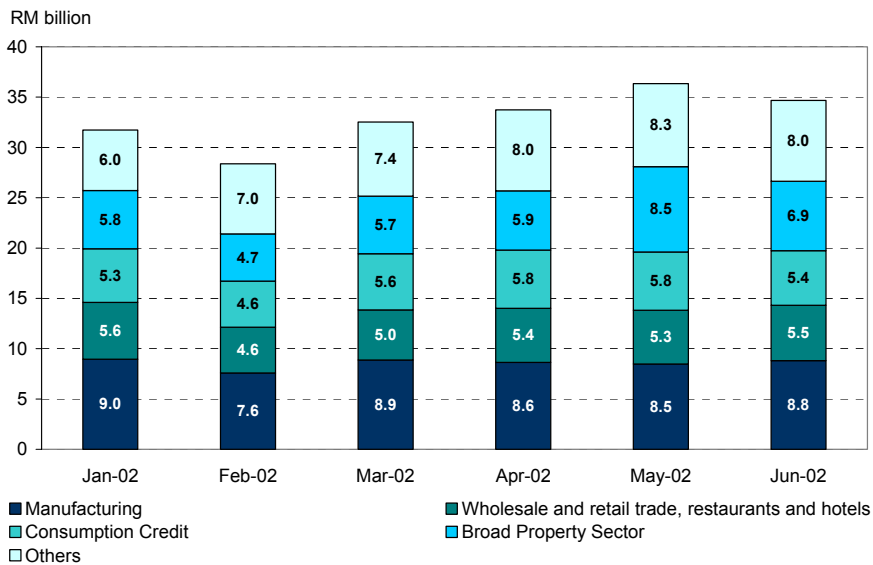
All loan indicators showed sustained lending activity. Loan disbursements and approvals continued to be channelled to a wide range of economic sectors.

Loan Approvals, Disbursements and Repayments



Loan approval moderated in June, but remained high. Repayments were sustained with slightly lower disbursements

Loan Disbursements to Selected Sectors



Loan disbursements were relatively broad-based to a wide range of economic sectors

Loans outstanding extended by the banking system increased by RM2.5 billion in June. The increase in loans was extended mainly for the purchase of residential properties and passenger cars, as well as for the electricity, gas and water supply sector. On an annual basis, loans outstanding grew by 4 % at end-June.

Banking System: Loans Outstanding by Sector (RM million)

	2002		As at end Jun.
	Monthly change		
	May.	Jun.	
Agriculture, hunting, forestry and fishing	-44	-101	12,064
Mining and quarrying	-49	-12	1,286
Manufacturing	-458	10	68,167
Electricity, gas and water supply	630	533	5,981
Wholesale and retail trade, restaurants and hotels	176	322	39,674
Broad property sector	2,778	988	182,388
<i>of which:</i>			
<i>Purchase of residential property</i>	1,070	1,132	93,630
Transport, storage and communication	489	-363	12,937
Finance, insurance and business services	85	-19	35,274
Consumption	1,172	1,123	75,673
<i>of which:</i>			
<i>Passenger cars</i>	879	797	50,749
<i>Credit cards</i>	176	187	9,494
Purchase of securities	-41	150	30,189
Others	-174	-86	20,530
Total Loans^{1/}	4,564	2,545	484,164

Increase in loans outstanding were stronger for consumption credit, residential purchases and loans to services industries

^{1/} Including loans sold to Danaharta and Cagamas (inclusive of property loans and hire purchase receivables).

Note: Sub-total may not add up to grand total due to rounding.

Higher aggregate financing through banking system loans and PDS

Total financing through loans extended by the banking system and PDS issued by the private sector increased by RM1.2 billion in June, or 4% year-on-year at end-June (end-May: 4.6%).

Financing through banking system loans and PDS

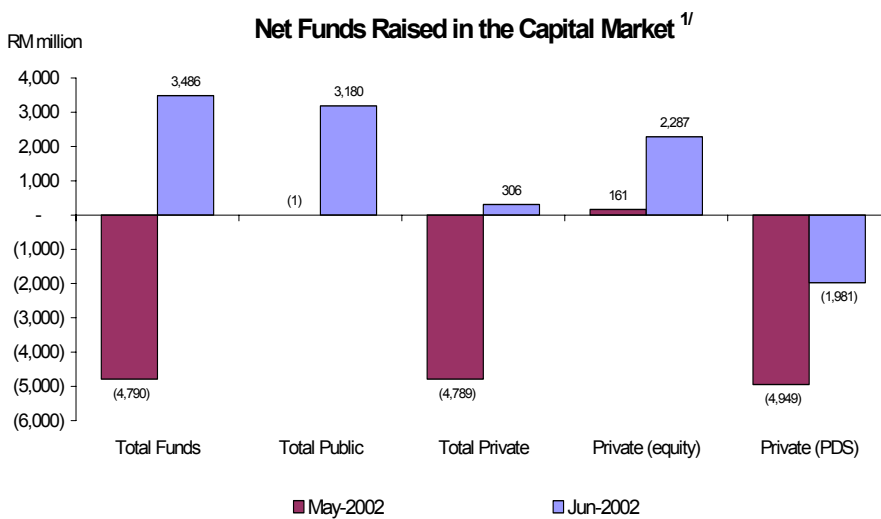
	Change			Annual growth	
	2002			2002	
	May	June	Jan-June	May	June
	RM billion			%	
Financing by Banking System	2.9	1.9	10.5	5.1	4.8
Loans outstanding (1)	4.6	2.5	13.6	4.1	4.0
Holdings of PDS	-1.7	-0.6	-3.1	30.9	25.6
Total PDS outstanding * (2)	-7.0	-1.3	-10.5	7.1	4.4
Total (1) + (2)	-2.4	1.2	3.1	4.6	4.0

* Refers to total PDS issued by the private sector with original maturity period of more than one year. Exclude debt securities issued by banking institutions, Khazanah, BNM, Cagamas, Danaharta and Danamodal.

Note: Total may not add-up due to rounding.

Higher net funds raised in the capital market

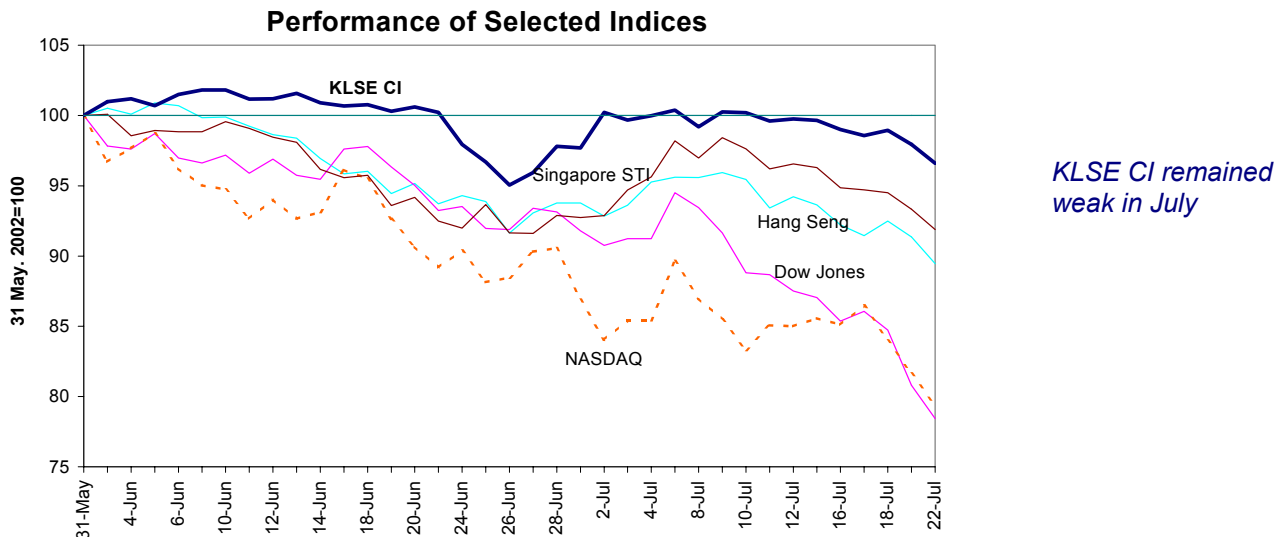
Total net funds raised in the capital market were higher in June, amounting to RM3.5 billion. This was due to the issuance of the Malaysian Government Securities and the higher funds raised by the private sector in the equity market, mainly through initial public offerings of a major corporation. Meanwhile, the private debt securities market continued to experience net redemptions, albeit lower than in the previous month.



Higher net funds raised in the capital market

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

The performance of the **Kuala Lumpur Stock Exchange Composite Index (KLSE CI)** improved slightly in the first three weeks of June, due to buying interests in selected bluechip stocks. However, heavy selling occurred towards the end of the month following the adverse corporate developments in the US. As at 28 June, the KLSE CI closed at 725.44 points (-2.2% since end-May) with market capitalisation at RM506 billion (-2.4% since end-May). Meanwhile, the daily average turnover was at 156 million units (245.5 million units in May).

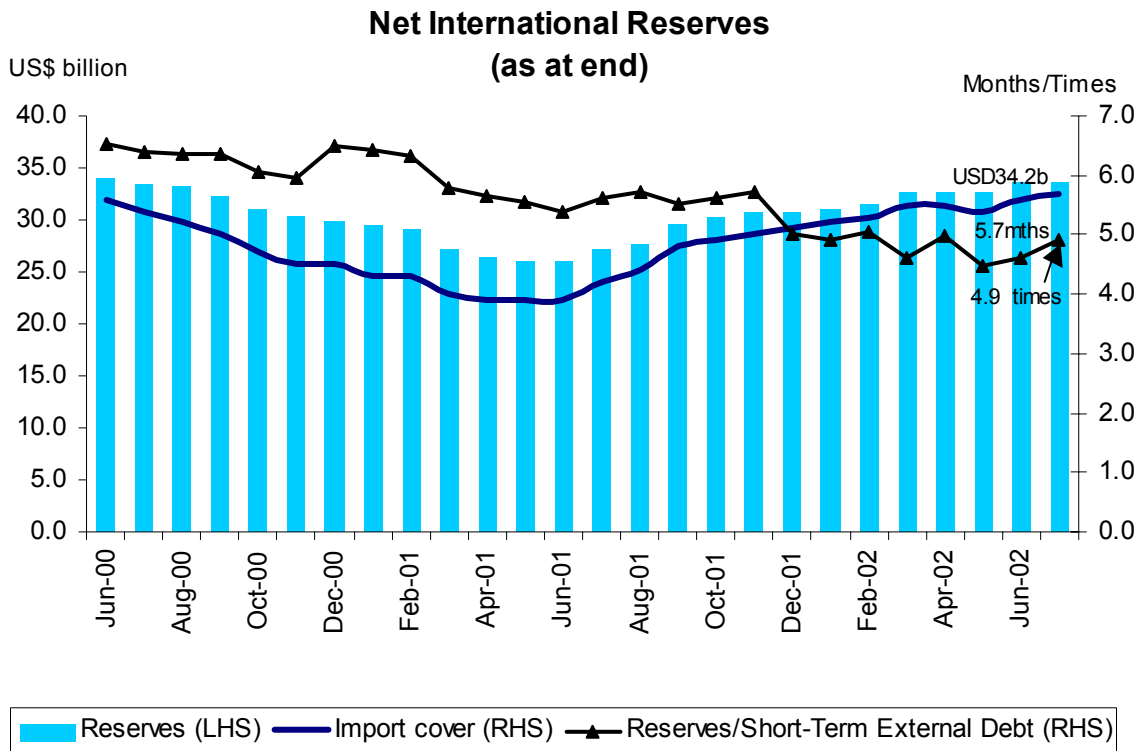


Thus far in July, the KLSE CI remained weak as sentiment was still driven by external factors, in particular, the weak US market. As at 23 July, the KLSE CI closed at 724.32 points (-0.2% since end-June) with market capitalisation at RM535 billion (+5.7% since end-June). Meanwhile, the daily turnover averaged 204 million units.

International reserves

The **net international reserves of BNM** increased by RM4 billion (US\$1.1 billion) in the month of June to RM127.7 billion or US\$33.6 billion as at 29 June 2002 and increased further to RM130 billion or US\$34.2 billion as at 15 July 2002. The reserves position is adequate to finance 5.7 months of retained imports and is 4.9 times the short-term external debt.

In June, inflows from the repatriation of export earnings were sustained. These inflows had partially offset the repayment of external loans by the private sector, payments for rising imports of goods and services and higher remittances by multinational corporations for mid-year repatriation of profits and dividends. The diversified currency composition of the international reserves of Bank Negara Malaysia contributed to a revaluation gain of US\$1.4 billion following the quarterly revaluation of reserves outstanding as at 29 June 2002, resulting in a net revaluation gain of US\$1.2 billion for the first half-year. This revaluation gain has also offset the revaluation loss of US\$1.1 billion in 2001. Meanwhile, the increase in reserves during the first half of July reflected the continued inflow of export proceeds and net portfolio inflows. While there was the drawdown of the proceeds from the US\$600 million Global Islamic Trust Certificates issued by the Federal Government, there was also the repayment of external debt amounting to US\$520 million.



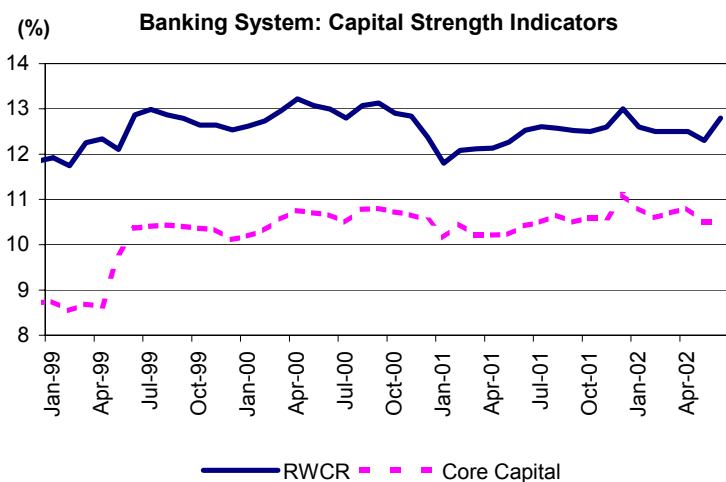
Banking system strengthened further

The health of the banking system strengthened further in June as asset quality and the capital position of the banking institutions improved. Riding on recoveries and write-offs, net NPL ratio fell to 8.1% while risk-weighted capital ratio (RWCR) rose to 12.8%. The issuance of subordinated debt capital by a commercial bank during the month contributed to the improved capital ratio.

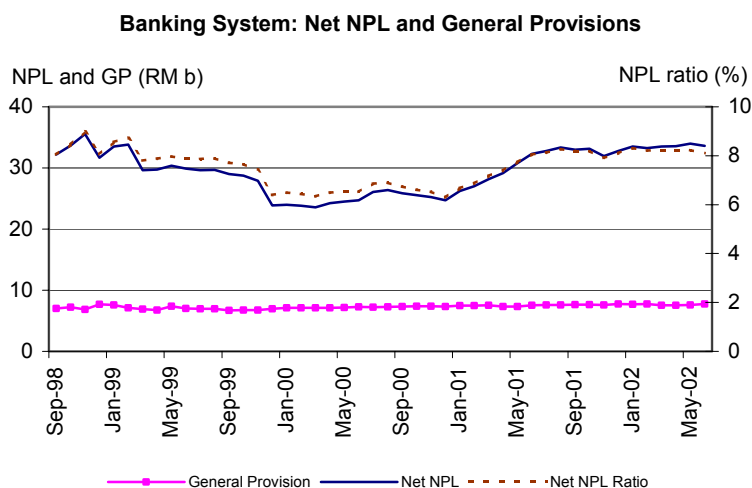
Banking System Health Indicators

	1998	1999	2000	2001		2002	
	Dec.	Dec.	Dec.	Jun.	Dec.	May	Jun.
Capital							
Core-capital ratio (%)	8.7	10.1	10.7	10.5	11.1	10.5	10.5
RWCR (%)	11.8	12.5	12.5	12.6	13.0	12.3	12.8
Net NPL (6-month classification)							
Banking system (%)	8.1	6.4	6.3	8.0	8.1	8.2	8.1
Banking system (RM million)	31,675	23,849	24,700	32,292	32,775	33,993	33,616
GP/Net total loans (6-month, %)	2.0	1.9	1.9	1.9	1.9	1.8	1.9

* Beginning June 1999 onwards, the figures include Islamic banks



....RWCR strengthened to 12.8%



...Net NPL improved to 8.1%

Danaharta achieved commendable progress in its recovery efforts. It successfully sold a 121/2-storey building in Kuala Lumpur via a specific tender exercise, for a total consideration of RM24.11 million. This represented a 105% recovery over the property's indicative value of RM23 million. Its 6th nationwide property tender which was completed on 2 May 2002 recorded the highest sales level achieved, both in terms of number and sales value of properties sold in the six property tenders that have been held so far. A total of 141 (or 53%) of 265 properties offered for sale for a total consideration of RM326 million were sold. The tender achieved a 12% surplus over the sold properties' total indicative value of RM290.1 million.

Capital injection by Danamodal into the banking institutions remained at RM2.1 billion as at end-June 2002. CDRC resolve another two debt restructuring cases during the month while one case was discharged. There are only four outstanding cases with outstanding debts amounting to RM11.1 billion.

Statistics of CDRC cases as at 19 July 2002

	Total debt outstanding* (RM million)	Number of accounts
Received	67,644	87
Withdrawn / Rejected	10,736	26
Transferred to Danaharta	2,470	11
Cases accepted	54,438	50
Resolved	43,303	46
<i>Implemented</i>	29,991	26
<i>Pending implementation</i>	13,312	20
Outstanding	11,135	4

* Including non-banking and offshore institutions

Key Monetary and Banking Statistics

	May 2002		June 2002	
	Outstanding (RM billion)	Ann. growth (%)	Outstanding (RM billion)	Ann. growth (%)
Monetary Aggregates				
Reserve money	41.0	6.8	40.9	6.3
M1	80.7	11.6	82.3	14.2
M2	371.4	5.9	370.7	6.3
M3	484.3	6.5	483.5	6.5
Banking System				
Total deposits	489.1	3.8	488.7	3.2
Total loans (including loans sold to Cagamas and Danaharta)	481.6	4.1	484.2	4.0
Total loans (excluding loans sold to Cagamas and Danaharta)	418.7	3.7	421.5	3.7
Loan-deposit ratio (%)	85.6		86.3	
Loans approved during the month	15.2		11.2	
Loans disbursed during the month	36.3		34.7	
Banking System Health				
Risk-weighted Capital Ratio (RWCR) (%)	12.3		12.8	
Net NPLs: 6-month classification (%)	8.2		8.1	
International Reserves of BNM (end-period)				
Reserves in RM (billion)	123.7		127.7	
Reserves in USD (billion)	32.6		33.6	
Months of retained imports	5.4		5.6	
Interest Rates at end-period [average for the month]				
Interbank: 1-month	2.97 [2.81]		2.97[2.83]	
3-month	3.23 [2.87]		3.21[2.89]	
Fixed deposits of commercial banks: 1-month	3.20 [3.20]		3.20[3.20]	
3-month	3.21 [3.21]		3.21[3.21]	
BLR of commercial banks	6.39 [6.39]		6.39[6.39]	
Prices				
Consumer price Index (CPI) (2000=100)	103.3	1.9	103.4	2.1
Producer price Index (PPI) (1989=100)	130.5	3.1	-	-
Exchange Rates of Ringgit against Selected Currencies (end-period)				
Euro	3.5665		3.7421	
Pound Sterling	5.5727		5.7971	
Singapore dollar	2.1295		2.1509	
100 Japanese yen	3.0801		3.1613	
100 Thai Baht	8.9623		9.1182	
100 Philippine Peso	7.5773		7.5386	
100 Indonesian Rupiah	0.0432		0.0437	
100 Korean Won	0.3121		0.3156	
Capital Market				
Funds raised by: public sector (RM billion)	0.0		3.2	
private sector (RM billion)	-4.8		0.3	
Kuala Lumpur Composite Index (end-period)	741.76		725.44	
KLSE Market Capitalisation (RMb) (end-period)	518.41		505.89	