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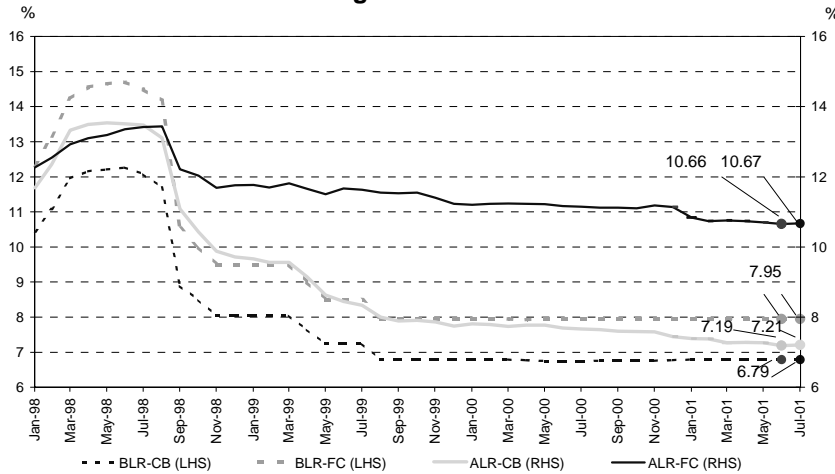
**PRESS RELEASE ON
MONETARY AND FINANCIAL DEVELOPMENTS
July 2001**

In July, BNM's liquidity operations continued to aim at stabilising liquidity conditions to keep interest rates low and stable amid a low inflation environment. The low interest rates together with ample liquidity contributed towards strong loan growth, thereby boosting domestic economic activity and cushioning the effects of a less favourable external environment. The robust performance in bank lending further supported the expansion in monetary aggregates during the month. There was also a significant improvement in the international reserves position in July and the first half of August. Meanwhile, the performance of the Kuala Lumpur Stock Exchange improved further in July.

Interbank rates remained relatively stable

The **interbank money market rates** continued to remain low and stable during the month. BNM absorbed excess liquidity amounting to RM1.2 billion in July, following an increase in inflow of funds to Malaysia. As at end-July, total liquidity locked-in through direct borrowing, Bank Negara bills and Malaysia Savings Bond amounted to RM35.7 billion.

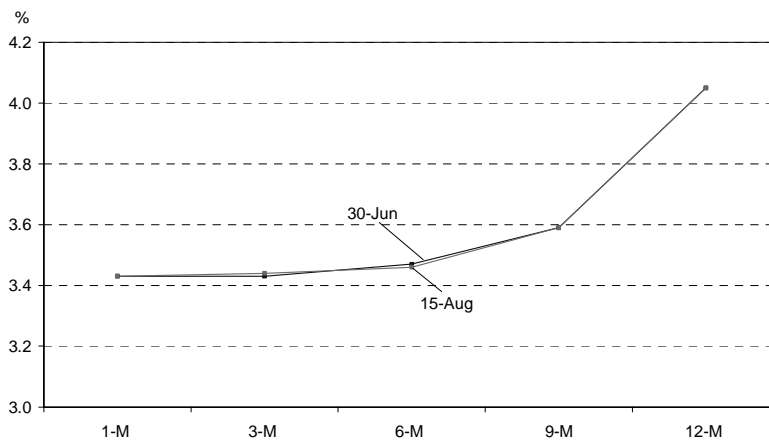
Lending Rates: CBs & FCs



CBs' and FCs' BLRs remained unchanged, while ALRs stabilised

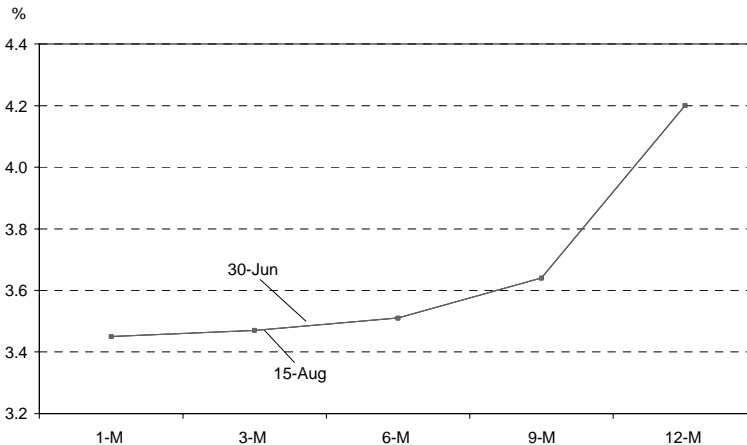
As at 15 August, the **average fixed deposit (FD) rates** of CBs and FCs for 1-month to 12-month maturities remained stable ranging from 3.43-4.05% and 3.45-4.20% respectively (virtually similar rates as at end-June).

Term Structure of FD Rates: Commercial Banks

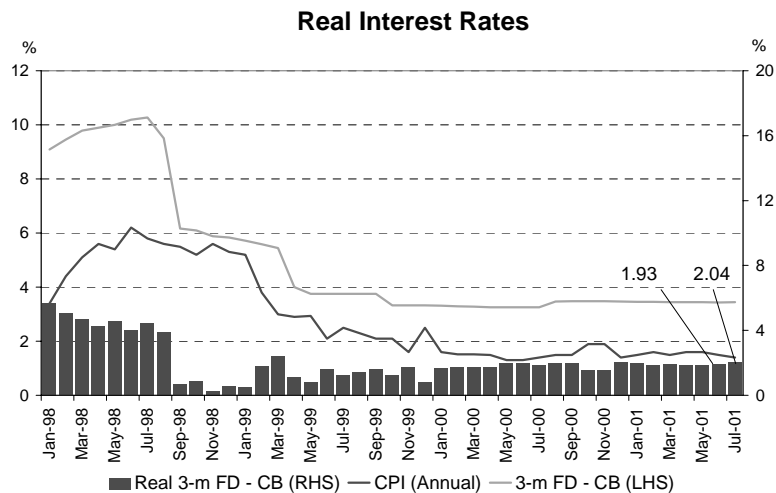


The average FD rates of CBs remained relatively stable...

Term Structure of FD Rates: Finance Companies



...similarly, FCs' average FD rates also remained relatively stable

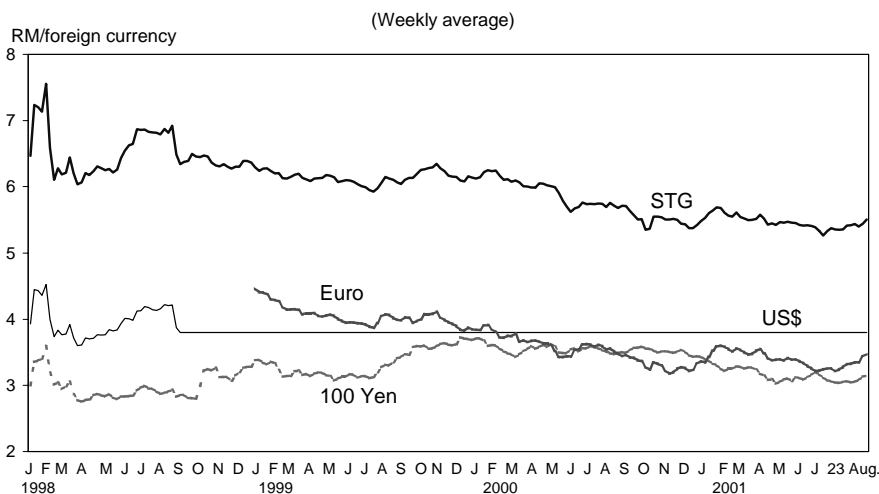


As a result of slightly lower inflation, the 3-month real FD rate was higher

The Ringgit recorded a mixed performance against major and regional currencies in July

In July, the ringgit recorded a mixed performance against major currencies. The ringgit appreciated against the Japanese yen (0.6%), while depreciating against the euro (3.4%) and the pound sterling (1.4%), in tandem with movements of the US dollar in the international foreign exchange markets. The euro strengthened against the US dollar following the release of favorable inflation data and the prospect of easier monetary policy supporting economic growth. Meanwhile, the Japanese yen depreciated against the US dollar on the back of unfavorable data, indicating continued weakness of the Japanese economy.

Performance of Ringgit against Major Currencies

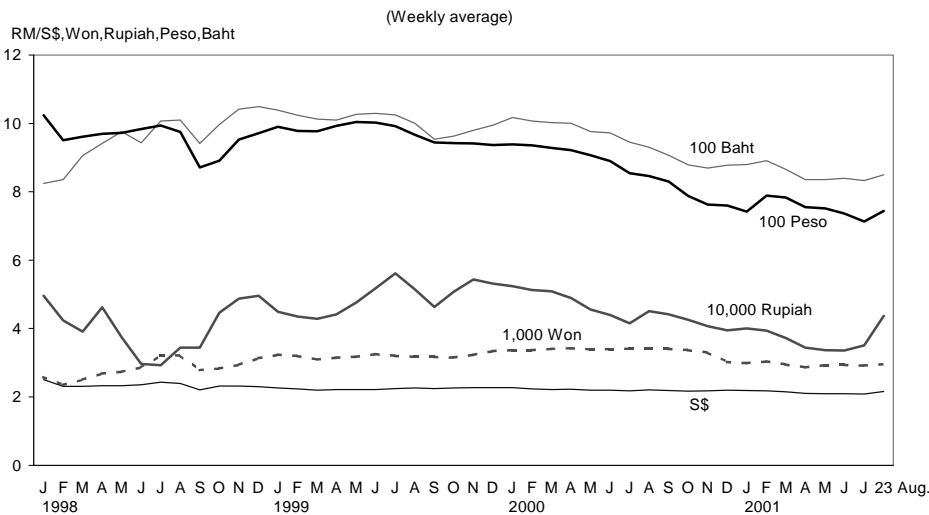


The ringgit recorded a mixed performance against major currencies in July

The ringgit also recorded a mixed performance against regional currencies. The ringgit appreciated against the Korean won, New Taiwan dollar, Thai Baht and Philippine

peso in the range of 0.2% - 2.1%, and depreciated against the Indonesian rupiah by 17.1% and against the Singapore dollar by 1.0%. The Indonesian rupiah appreciated against the US dollar following the appointment of the new Indonesian administration. The Singapore dollar also gained ground against the US dollar.

Performance of Ringgit against Regional Currencies



The ringgit recorded a mixed performance against regional currencies in July

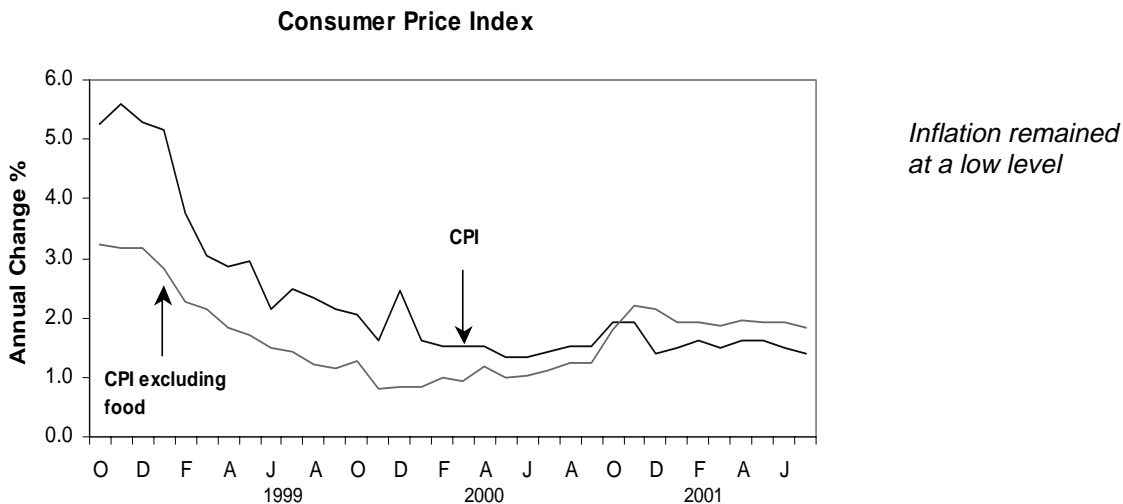
However, in August, weaker economic data in the United States caused the US dollar to depreciate against the major and regional currencies. As a result, the ringgit depreciated against the major and regional currencies. During the period 1 – 23 August, the ringgit depreciated against the Japanese yen by 3.4%, the euro by 4.1% and the pound sterling by 1.4%. Against the regional currencies, the ringgit depreciated in the range of 0.3% - 8.3%.

Performance of Ringgit against Selected Currencies

RM per foreign currency	2 September 1998	End-July 2001	23 August 2001	% Change		
				July 2001	Jan.-23 Aug. 2001	2 Sep. 1998-23 Aug. 2001
US dollar	3.8000	3.8000	3.8000	0.0	0.0	0.0
Euro	-	3.3275	3.4715	-3.4	1.8	-
Pound Sterling	6.3708	5.4293	5.5054	-1.4	2.9	15.7
100 Japanese yen	2.7742	3.0439	3.1497	0.6	5.2	-11.9
Singapore dollar	2.1998	2.1094	2.1622	-1.0	1.5	1.7
100 Thai baht	9.3713	8.3151	8.5002	1.0	3.3	10.2
100 Philippine peso	8.8302	7.0942	7.4437	2.1	2.2	18.6
100 Indonesian Rupiah	0.0354	0.0401	0.0437	-17.2	-9.6	-19.0
100 Korean won	0.2827	0.2917	0.2958	0.2	2.2	-4.4

Inflation moderated slightly in July

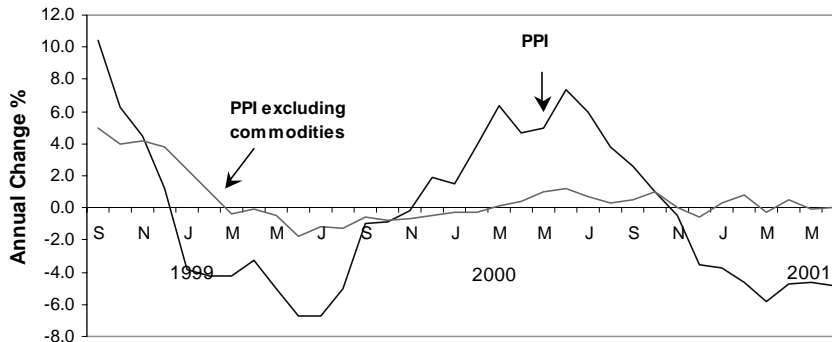
Inflation, as measured by the **Consumer Price Index (CPI)**, moderated further in July 2001 to 1.4% year-on-year (June 2001: 1.5%). For the first seven months of 2001, the average annual change in the CPI was 1.5%, the same as in the corresponding period of 2000. Excluding food, the adjusted inflation rate also moderated to 1.8% in July (June 2001: 1.9%). On a monthly basis, the overall CPI remained stable, amid stable prices across all sub-groups. Nonetheless, prices for food declined further by 0.1%. This reduction was largely on account of lower prices for food at home, as prices for food away from home remained relatively stable.



Producer prices continued to decline

On an annual basis, the **Producer Price Index (PPI)** declined by 4.8% in June 2001 (May 2001: -4.7%). The decline was due mainly to lower prices charged by local producers (-5.6%) amid a slight reduction in prices paid by importers (-0.1%). This decline was driven primarily by lower prices of inedible crude materials; mineral fuels, lubricants and other related materials; as well as animal and vegetable oils and fats. Excluding commodities, the adjusted PPI in June, however, remained stable. On a monthly basis, the overall PPI rose by 0.1% in June, mainly due to higher increase in prices for animals and vegetable oils and fats amid relatively stable prices for other sub-groups. To a large extent, the higher prices for this sub-group reflected the increase in crude palm oil prices during the month.

Producer Price Index



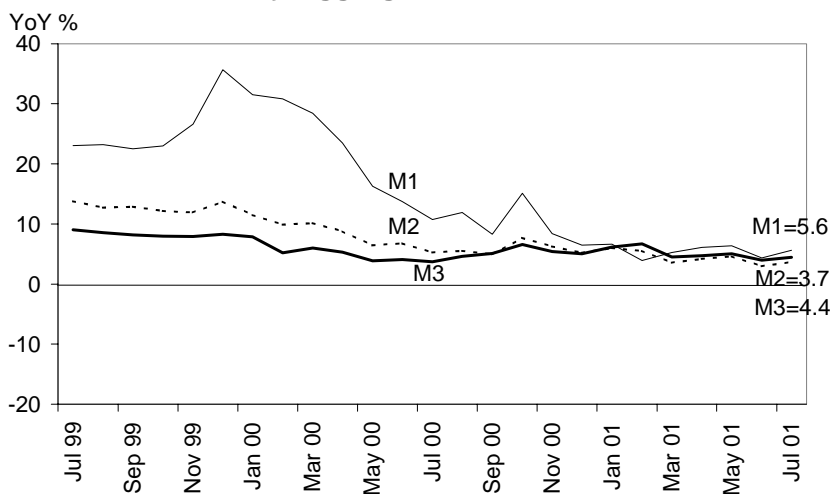
Producer prices continued to decline

Money supply continued to expand on the back of strong growth in bank financing

All three monetary aggregates increased in July, with **broad money**, M3, rising by RM3.3 billion or 0.7%. On an annual basis, M3 rose by 4.4% as at end-July (4% as at end-June).

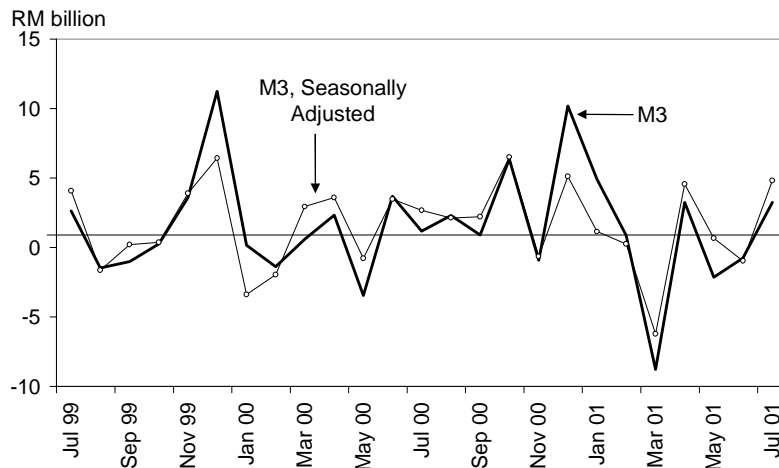
During the month, the increase in M3 reflected mainly the expansionary impact of higher claims on the private sector (RM4.5 billion), on account of the increase in bank lending and bank holdings of PDS. External operations were also expansionary (RM3.4 billion), due to the increase in the net international reserves of BNM. Meanwhile, net claims on the Government exerted a contractionary impact on money supply as the Government placed the proceeds from the US\$1 billion 10-year Notes as deposits with BNM for the time being. These deposits are expected to be drawn down subsequently to finance its outlays.

Monetary Aggregates: Annual Growth



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

M3: Monthly Change



...on a monthly basis, M3 increased mainly on account of strong growth in bank financing

M3 Determinants

(RM billion)

	Change during period			
	2001			
	May	June	July	Jan-July
M3	-2.1	-0.8	3.3	0.6
Claims on Government	-1.5	-5.9	-2.4	-5.1
Claims on private sector	2.7	2.0	4.5	10.0
External operations ^{1/}	-1.1	0.2	3.4	5.0
Other influences	-2.2	2.9	-2.2	-9.2

^{1/} pre-revaluation

Banking system deposits continued to increase

On a month-on-month basis, **total deposits** continued to increase by RM0.9 billion or 0.2% in July. This reflected mainly higher deposit placements by individuals, which more than offset the decline in deposits of the Federal Government, financial institutions and state governments. After registering higher deposits in recent months, placements by financial institutions were lower, reflecting the non-roll over of maturing deposits. On an annual basis, total deposits mobilised by the banking system rose by 4.5% as at end-July 2001.

Monthly Change in Deposits (RM million)

Holder	2001		
	May	Jun.	Jul.
	Federal Government	225	1,019
State Governments	31	510	-131
Statutory Authorities ^{1/}	-800	-232	376
Financial Institutions	294	1,206	-562
Business Enterprises	-915	-371	282
Individuals	666	434	1,602
Others	298	-233	31
Total	-201	2,333	929

The increase in deposits was due mainly to higher placements by individuals

^{1/} Include local

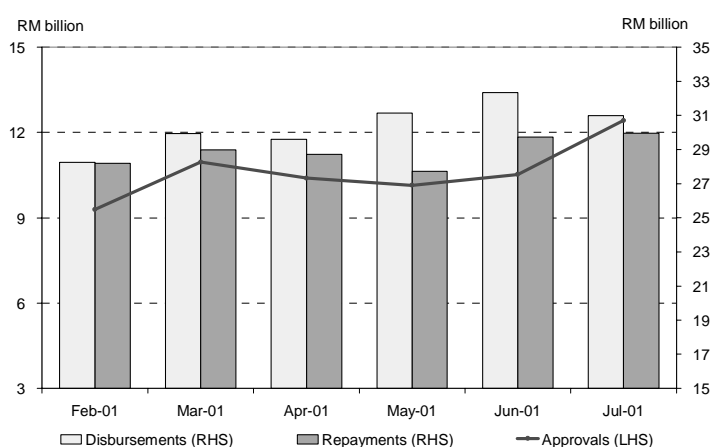
Type	Monthly Change in Deposits (RM million)		
	2001		
	May	Jun.	Jul.
Fixed deposits	-210	-1,326	-1,754
NIDs issued	986	951	-602
Demand deposits	422	654	317
Savings deposits	-238	586	83
Repos	-1,896	-80	1,899
FX deposits	1,186	618	-207
SPI deposits	-748	1,163	1,162
Others	298	-233	31
Total	-201	2,333	929

Repos and SPI deposits accounted for the bulk of the increase in deposits

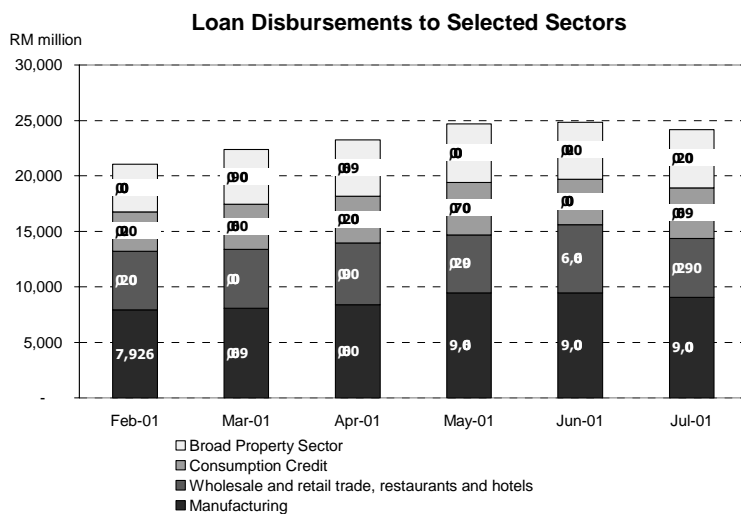
Strong increase in bank lending

The steady upward momentum in loan performance of the banking system was further augmented by a substantial rise of RM12.2 billion in **loan approvals** in July. Approvals were granted mainly for the purchase of residential property and passenger cars (RM2.7 billion and RM1.9 billion respectively) as well as for manufacturing activities (RM1.9 billion). This development presents an encouraging outlook for loan performance. Meanwhile, **loan disbursements** remained high, amounting to RM31 billion in July and continued to be channelled to a wide range of activities including manufacturing, wholesale trade, construction activities and financial services as well as for the purchase of residential property and passenger cars.

Loan Approvals, Disbursements and Repayments



Loan approvals rose substantially in July, augmenting the steady upward trend in the first half-year



Disbursements continued to be channelled to a wide range of activities, indicating sustained demand for loans across many sectors of the economy

Notwithstanding higher **loan repayments**, total **loans outstanding** extended by the banking system continued to show an upward trend, rising further by RM2.6 billion in July. Higher loans outstanding was accounted mostly by loans for the purchase of residential property and passenger cars, as well as for the transport, storage and communication sector. On an annual basis, loans outstanding rose by 6.4% as at end-July.

Banking System: Loans Outstanding by Sector (RM million)

	2001		As at end Jul.
	Monthly change Jun.	Jul.	
Agriculture, hunting, forestry and fishing	-179	47	12,059
Mining and quarrying	-25	65	1,654
Manufacturing	352	16	70,706
Electricity, gas and water supply	427	-17	7,514
Wholesale and retail trade, restaurants and hotels	497	-507	37,951
Broad property sector	920	1,427	171,208
<i>of which:</i>			
<i>Purchase of residential property</i>	662	1,464	81,180
Transport, storage and communication	387	562	14,720
Finance, insurance and business services	852	341	35,504
Consumption	798	626	64,145
<i>of which:</i>			
<i>Passenger cars</i>	582	380	41,309
<i>Credit cards</i>	154	115	7,932
Purchase of securities	-563	-140	31,586
Others	-372	161	21,084
Total Loans^{1/}	3,093	2,581	468,131

Loans outstanding continued its upward momentum

^{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.

Financing through banking system loans and PDS remained robust

Financing through loans extended by the banking system and PDS issued by the private sector rose by RM4.3 billion in July. On an annual basis, it increased by 7.9% (end-June: 7.6%). Meanwhile, the banking institutions had increased their holdings of PDS substantially by RM1.2 billion. Together with the strong lending activities, the **overall financing provided by the banking system rose by RM3.8 billion**. On an annual basis, financing by the banking system grew by 7.3% at end-July (6.6% at end-June).

Financing Through Banking System Loans and PDS

	Change			Annual growth	
	2001			2001	
	Jun.	Jul.	Jan.-Jul.	Jun.	Jul.
	RM billion			%	
Financing by Banking System	3.4	3.8	15.6	6.6	7.3
Loans outstanding (1)	3.1	2.6	14.1	6.0	6.4
Holdings of PDS	0.3	1.2	1.5	26.9	33.6
Total PDS outstanding ^{1/} (2)	1.1	1.8	4.1	15.5	15.3
Total (1) + (2)	4.2	4.3	18.2	7.6	7.9

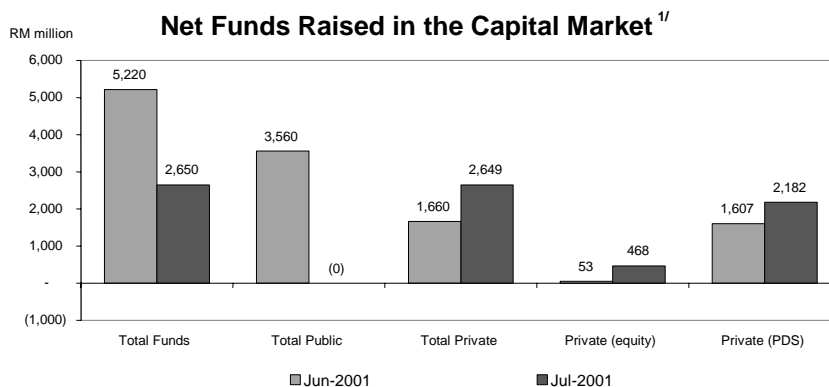
^{1/} Refers to total PDS issued by the private sector with original maturity period of more than one year.

Exclude debt securities issued by banking institutions, Khazanah, BNM, Cagamas, Danaharta and Danamodal.

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

Lower net funds raised in the capital market

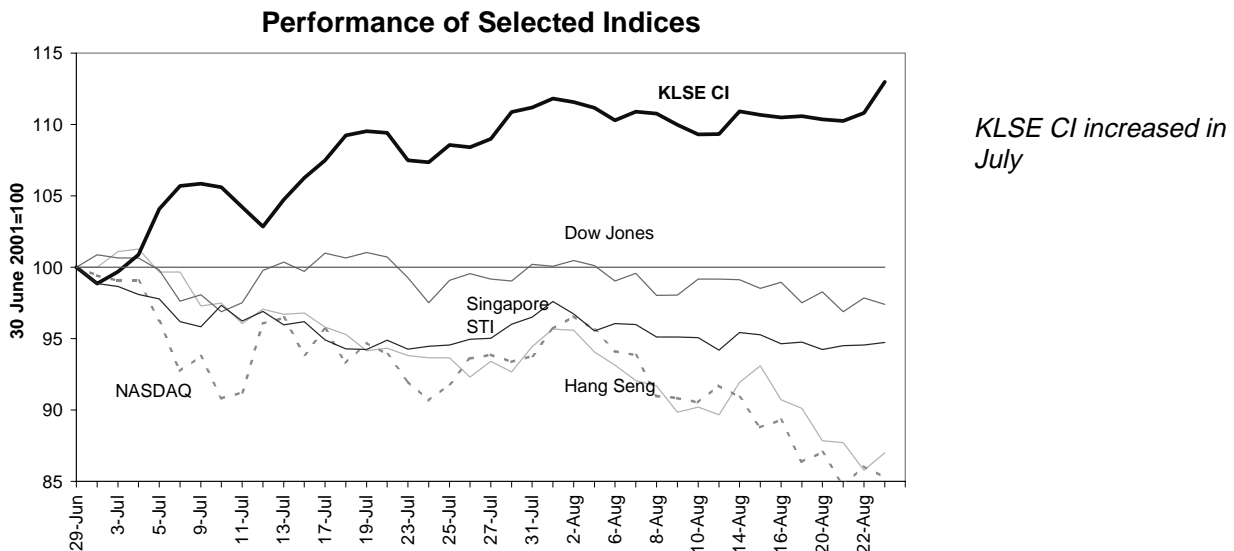
With an absence of new issuance of securities by the public sector, **net funds raised in the capital market** were lower in July, amounting to RM2.6 billion. The net funds raised by the private sector were through both the issuance of private debt securities and shares.



Net funds raised in the capital market were lower in July

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

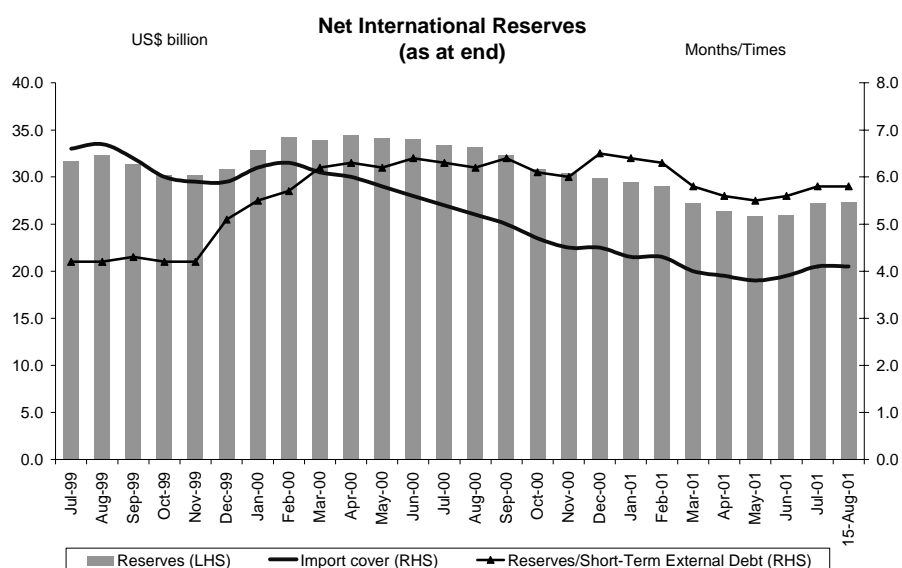
The **Kuala Lumpur Stock Exchange Composite Index (KLSE CI)** improved further in July following positive reports on the Malaysian economy by some foreign research houses. The success of the Government in raising the US\$1 billion 10-year Notes had also contributed to the confidence in the stock market. As at 31 July, the KLSE CI ended at 659.4 points (+11.2% since end-June). The daily average turnover rose markedly to 309.9 million units (130.6 million units in June), while market capitalisation was higher at RM451.61 billion (+11.9% since end-June).



In August, the KLSE CI continued to improve with local buying interests. As at 23 August, the KLSE CI ended at 669.86 points (+1.6% since end-July). Market capitalisation was higher at RM454.31 billion (+0.6% since end-July), while daily average turnover was 272 million units (309.9 million units in July).

International reserves

In July, the **net international reserves of BNM** increased to RM103.5 billion (US\$27.2 billion) as at end-July 2001, compared with RM98.8 billion (US\$26 billion) as at end-June 2001. The reserves level increased further to RM104.3 billion or US\$27.4 billion as at 15 August 2001. This level of reserves is adequate to cover 5.8 times the short-term external debt and to finance 4.1 months of retained imports. The increase reflected the drawdown of the proceeds from the US\$1 billion 10-year Notes issued by the Federal Government, continued inflows from trade and foreign direct investment as well as net inflow of portfolio funds. The inflows were more than adequate to finance the payments for services, overseas investments by Malaysian corporations and external loan repayment.



Banking system remains strong

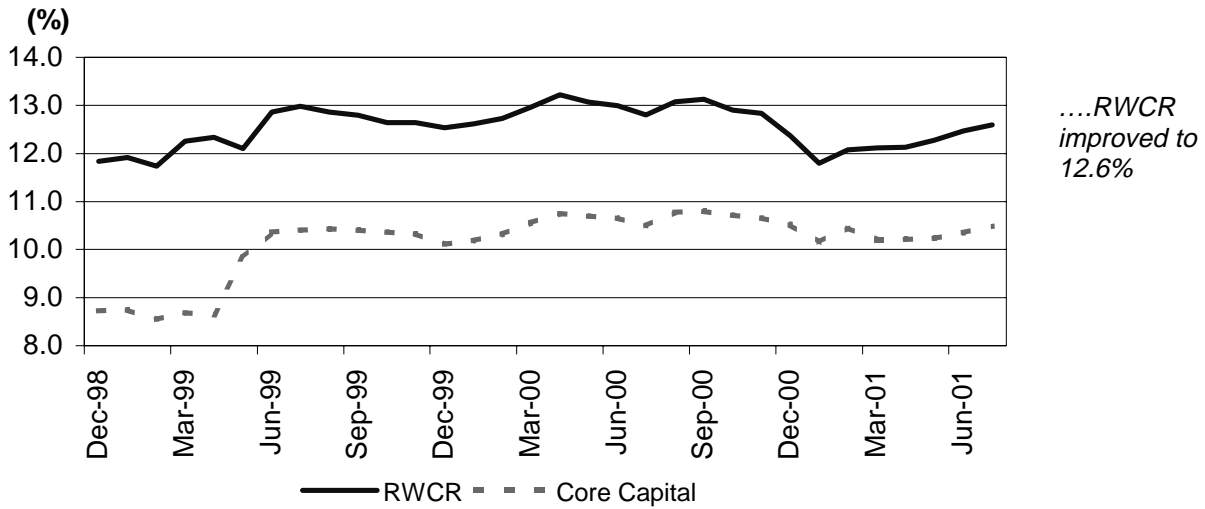
The banking system's capital position strengthened further for the month of July with the risk-weighted capital ratio increasing by 10 basis points to 12.6% following the inclusion of audited half-year profits. Similarly, core capital strengthen further to 10.5%. The net NPL ratio as at end July 2001 was 8.1%.

Banking System Health Indicators

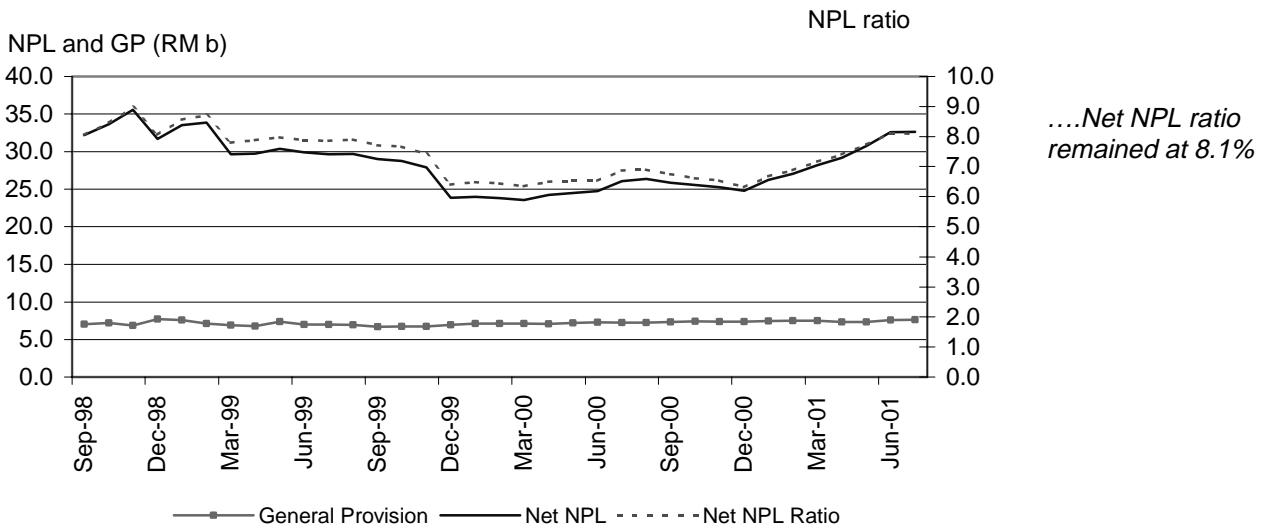
	1998		1999		2000		2001		
	Dec.	Jun.	Dec.	Jun.	Dec.	Jun.	May.	Jun.	Jul.
Capital									
Core-capital ratio (%)	8.7	10.4	10.1	10.7	10.5	10.2	10.4	10.5	
RWCR (%)	11.8	12.9	12.5	13.0	12.4	12.3	12.5	12.6	
Net NPL (6-month classification)									
Banking system (%)	8.1	7.9	6.4	6.5	6.3	7.7	8.1	8.1	
Banking system (RM million)	31,675	29,889	23,849	24,736	24,605	30,764	32,573	32,641	
GP/Net total loans (6-month, %)	2.0	1.9	1.9	1.9	1.9	1.8	1.9	1.9	

* Beginning June 1999 onwards, the figures include Islamic banks

Capital Strength Indicators



Banking System Net NPL and General Provisions



Danaharta has continued to actively manage the NPLs within its portfolio. As at 30 June 2001, Danaharta was managing loan rights amounting to RM48 billion (value of loan rights acquired), of which RM39.8 billion or 82.9% were acquired from the banking system. The acquired loans accounted for 40.5% of the total NPLs of the banking system. The fifth property tender, which was held between 5th June to 4th July 2001 received a total of 131 (49%) successful bids for the total properties offered. The properties will be sold to successful bidders for a total consideration of RM283.4 million, representing a 17% surplus over their total indicative value of RM242.3 million.

Capital injection by Danamodal remained at RM3.7 billion at the end of July 2001. The capital injection is expected to reduce further as Danamodal had recently signed the sales

and purchase agreement for the divestment of its 100% equity interest in MBf Finance to Arab Malaysian Banking Group.

With regards to debt restructuring process, the outstanding cases have increased to 27 with outstanding debts of RM29 billion. This includes the restructuring of 7 previously completed cases which are currently being revised and 6 cases being restructured by Danaharta with debts totalling RM1.6 billion.

	Total debt outstanding (including non-banking and offshore institutions) RM million	Number of accounts
Withdrawn / Rejected	9,516	22
Transferred to Danaharta	2,470	11
Resolved	26,482	30
Revised	3,391	7
Outstanding	24,040	14
TOTAL	65,899	84

The debt restructuring process by CDRC is expected to be accelerated with the new framework put in place recently. CDRC has also modified the criteria for acceptance of cases and will only accept cases from a borrower with a minimum loan amount of RM100 million and with an exposure to five creditor bank as opposed to a minimum amount of RM50 million and two creditor banks previously.

Bank Negara Malaysia

28 August 2001

Key Monetary and Banking Statistics

	June		July	
	Outstanding (RM billion)	Ann. growth (%)	Outstanding (RM billion)	Ann. growth (%)
Monetary Aggregates				
Reserve money	38.5	4.2	38.8	3.4
M1	72.0	4.4	72.9	5.6
M2	348.7	3.0	350.5	3.7
M3	453.9	4.0	457.1	4.4
Banking System				
Total deposits	473.3	3.6	474.3	4.5
Total loans (including loans sold to Cagamas and Danaharta)	465.5	6.0	468.1	6.4
Total loans (excluding loans sold to Cagamas and Danaharta)	406.3	5.5	408.8	6.0
Loan-deposit ratio (%)	85.8		86.2	
Loans approved during the month	10.5		12.2	
Loans disbursed during the month	32.3		31.0	
Banking System Health				
Risk-weighted Capital Ratio (RWCR) (%)	12.5		12.6	
Net NPLs: 6-month classification (%)	8.1		8.1	
International Reserves of BNM (end-period)				
Reserves in RM (billion)	98.8		103.5	
Reserves in USD (billion)	26.0		27.2	
Months of retained imports	3.9		4.1	
Interest Rates (average rates at end-period)				
Interbank: 1-month	2.99		2.97	
3-month	3.00		3.28	
Fixed deposits of commercial banks: 1-month	3.43		3.42	
3-month	3.43		3.44	
BLR of commercial banks	6.79		6.79	
Exchange Rates of Ringgit against Selected Currencies (end-period)				
Euro	3.2142		3.3275	
Pound Sterling	5.3555		5.4293	
Singapore dollar	2.0877		2.1094	
100 Japanese yen	3.0627		3.0439	
100 Thai Baht	8.3950		8.3151	
100 Philippine Peso	7.2460		7.0942	
100 Indonesian Rupiah	0.0332		0.0401	
100 Korean Won	0.2923		0.2917	
Capital Market				
Funds raised by: public sector (RM billion)	3.6		...	
private sector (RM billion)	1.7		2.6	
Kuala Lumpur Composite Index (end-period)	592.99		659.40	
KLSE Market Capitalisation (RMb) (end-period)	403.49		451.61	