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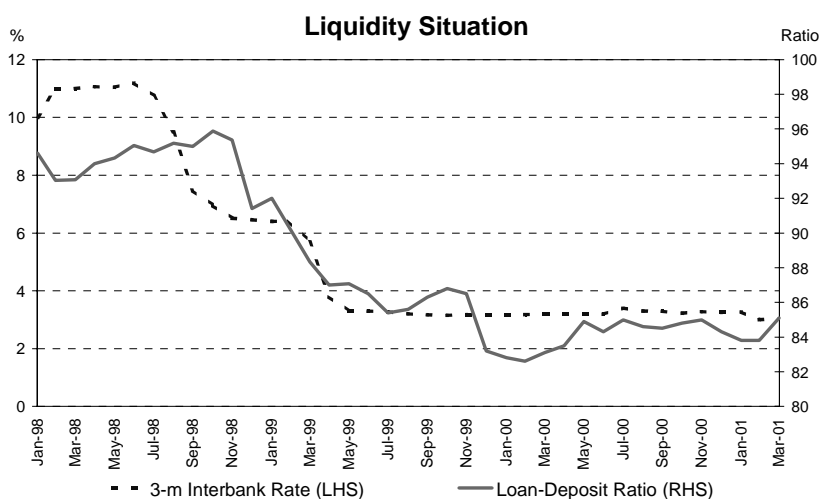
EMBARGO: Not for publication or broadcast before 1700 hours on Monday, 30 April 2001

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

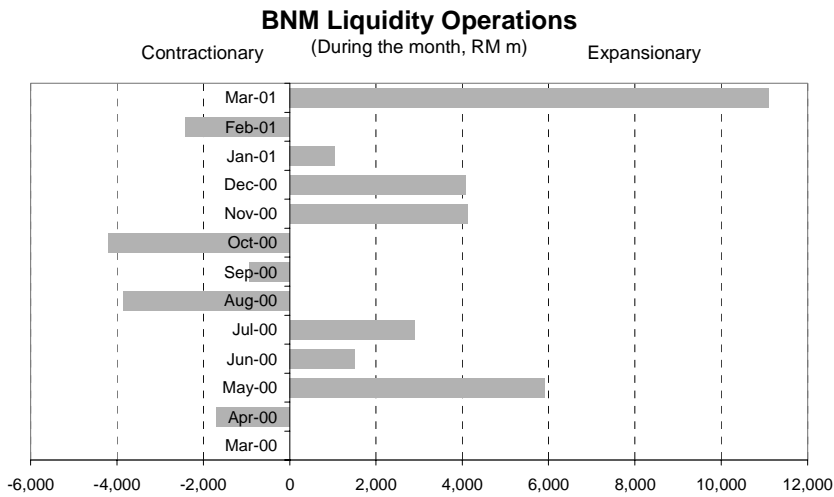
In March, monetary and financial conditions remained supportive of real sector activities. Liquidity remained ample and interest rates were stable. Loan growth in the banking system continued to expand. The more moderate expansion in money supply and deposit growth reflected the temporary one-off effect of the significant build-up of deposits by the Government with BNM following the issuance of MGS at the end of the month.

Interbank rates remained relatively stable

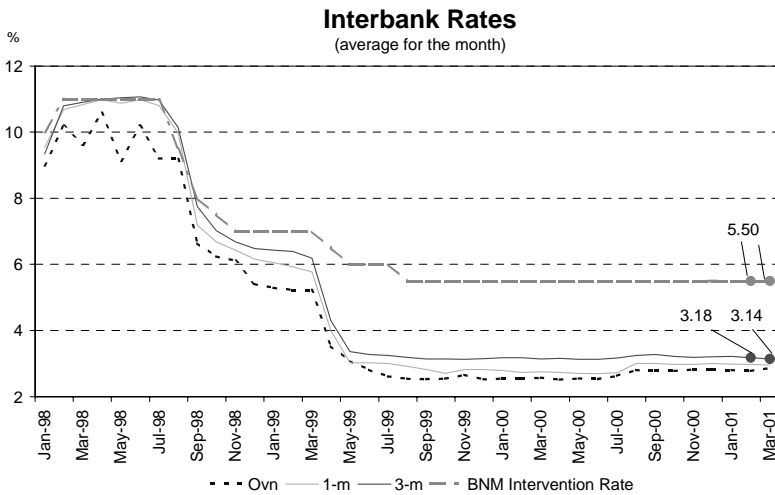
Interest rates in the **interbank money** market remained relatively stable in March and April, amid ample liquidity in the banking system. BNM operations were expansionary so as to offset the contractionary impact due to the Government and external operations.



Liquidity continued to remain ample



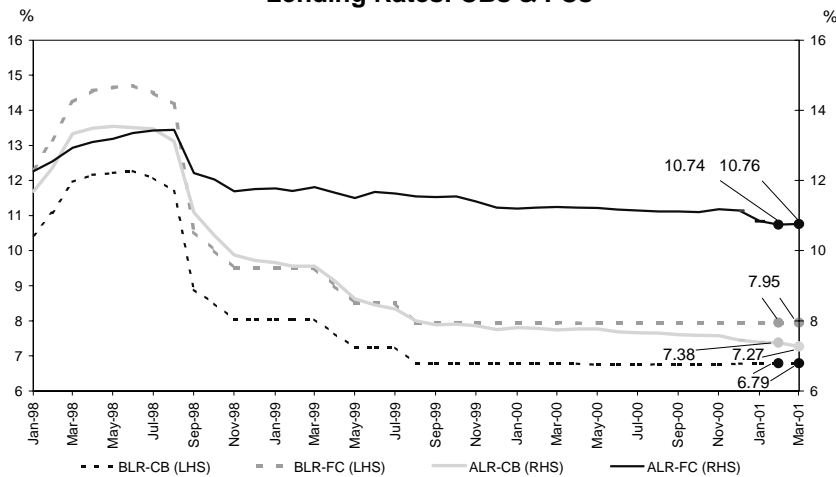
BNM's operations were aimed at achieving stable liquidity conditions



Average interbank rates remained relatively stable in March

The average **base lending rates** (BLRs) of commercial banks (CBs) and finance companies (FCs) remained unchanged at 6.79% and 7.95% respectively. Meanwhile, continued competition among banking institutions in an environment of ample liquidity exerted further downward pressure on the **average lending rates** (ALRs) of the CBs, which declined to 7.27% (7.38% at end-February). However, the ALR for FCs stabilised at 10.76% at end-March (10.74% at end-February).

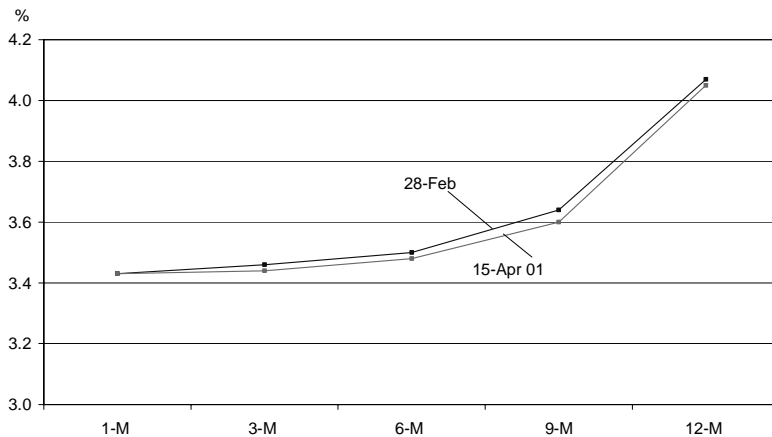
Lending Rates: CBs & FCs



BLRs for CBs & FCs remained relatively stable. CBs' ALR moderated while FCs' ALR stabilised

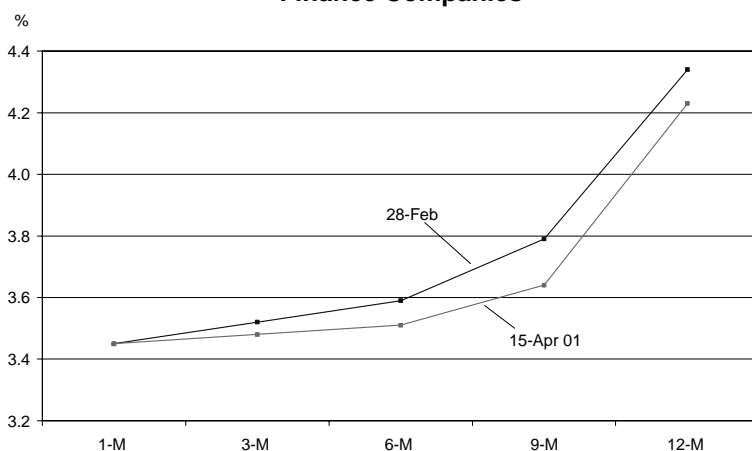
As of 15 April, the **average fixed deposit (FD) rates** of CBs remained relatively stable compared with levels at end-February, while the rates for FCs have declined slightly. The latter reflected to some extent the streamlining of FD rates of a few FCs undergoing the merger process. The average range of 1-month to 12-month FD rates of CBs and FCs stood at 3.43-4.05% and 3.45-4.23% respectively (3.43-4.07% and 3.45-4.34% respectively at end-February). The **interest margin** of CBs was consequently lower at 4.20% (4.31% at end-February), while that of FCs was marginally higher at 6.67% (6.63% at end-February).

Term Structure of FD Rates: Commercial Banks



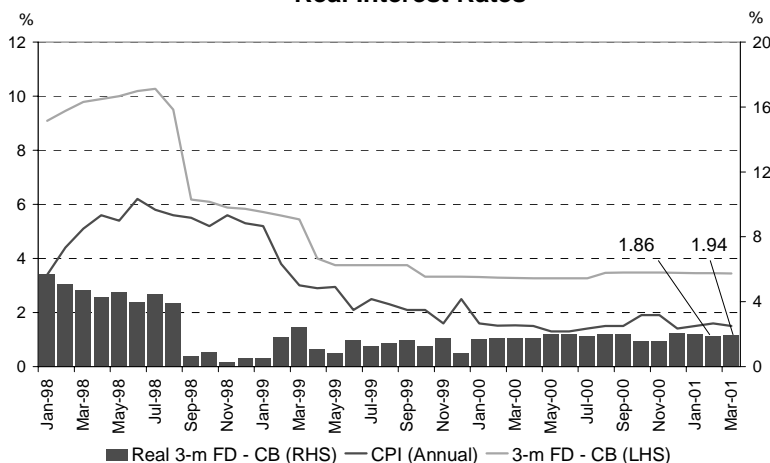
FD rates offered by CBs were relatively stable

Term Structure of FD Rates: Finance Companies



FD rates offered by FCs shifted downwards to some extent, reflecting the streamlining of FD rates arising from the merger process

Real Interest Rates

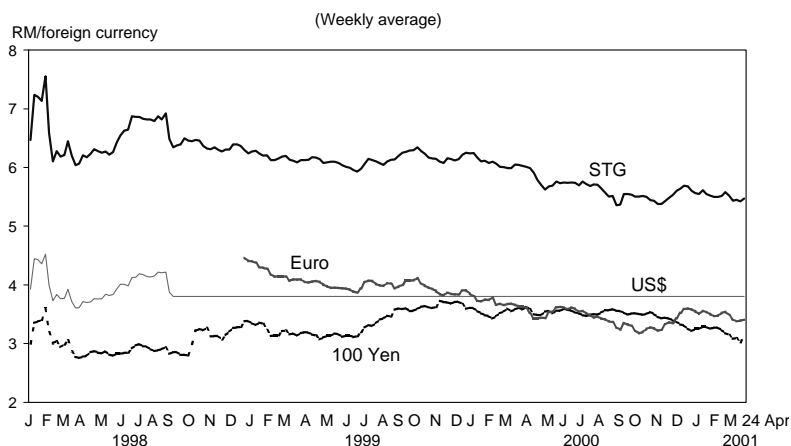


However, real FD rates increased slightly due to marginally lower inflation rate in March

Ringgit recorded an appreciation against major and regional currencies in March

In March, the **ringgit appreciated against the major currencies** in tandem with the movements of the US dollar in the international foreign exchange markets. The ringgit appreciated against the Japanese yen (+6.9%), the euro (+4.3%) and the pound sterling (+1.0). Renewed concerns over Japan's economic prospects as well as the political uncertainty resulted in a sharp fall in the value of the Japanese yen during the month. The yen continued to depreciate towards the end of the month following the release of a survey by the Bank of Japan showing a sharp decline in business sentiment. Meanwhile, the euro recorded a decline against the US dollar following a reassessment by the market regarding the impact of a slowdown in the world economy on Europe.

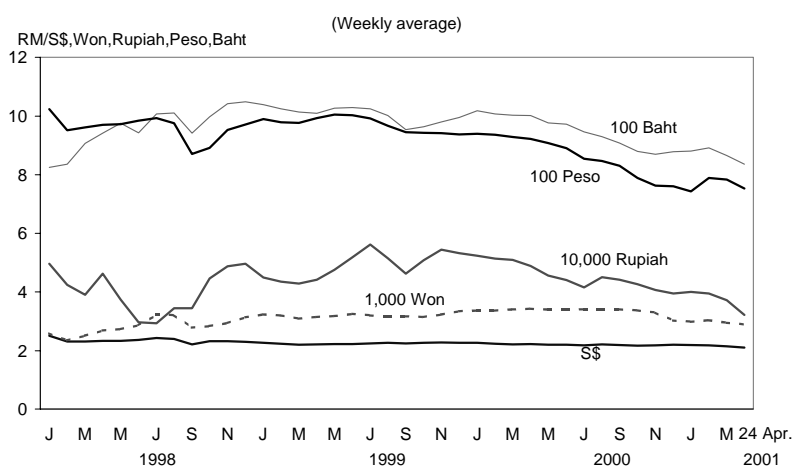
Performance of Ringgit against Major Currencies



Ringgit recorded an appreciation against major currencies in March

On the regional front, the **ringgit recorded an appreciation in the range of 2.4% to 6.5% against regional currencies**. The depreciation of the regional currencies against the US dollar and the ringgit was precipitated by the decline in the Japanese yen. In addition, equity-related flows and domestic developments affected the Korean won, the Singapore dollar and the Indonesian rupiah.

Performance of Ringgit against Regional Currencies



Ringgit recorded an appreciation against regional currencies in March

In the period 1-24 April, the **ringgit recorded a depreciation against the major currencies**. The ringgit depreciated against the Japanese yen (-2.2%), the euro (-2.0%) and the pound sterling (-0.8%). On the regional front, the ringgit appreciated against most regional currencies in the range of 0.5% to 2.2%. The Indonesian rupiah depreciated against the ringgit by 13.8% during this period due to political developments in Indonesia. In the third week of April, most regional currencies began to stabilise against the US dollar. The Korean won, in particular, has been on an appreciating trend following the trend of yen/US dollar rates.

While the depreciation of the Japanese yen and the consequent weakening of regional currencies in March led to expectations of an adjustment in the ringgit exchange rate, it needs to be recognised that competitive depreciation of regional currencies will not benefit the region. In the current environment of a slowdown in global demand, a depreciating currency will not be of benefit to Malaysia. Any competitive advantage derived from such a depreciation is likely to be temporary. Export competitiveness would be more sustainable when it is achieved through lowering the cost of doing business in Malaysia amidst a stable exchange rate environment. The ringgit's exchange rate has to be based on a longer term perspective that is based on fundamentals as well as external developments that have significant implications on our fundamentals.

Recent developments in the regional foreign exchange markets have highlighted the short-term nature of recent currency movements. The earlier trends have reversed and the regional currencies have either stabilised or are on an appreciating trend against the US dollar and ringgit. The stable ringgit exchange rate has also ensured that inflation in Malaysia will remain low. The ringgit continues to remain close to fair value and is consistent with the fundamentals of the economy.

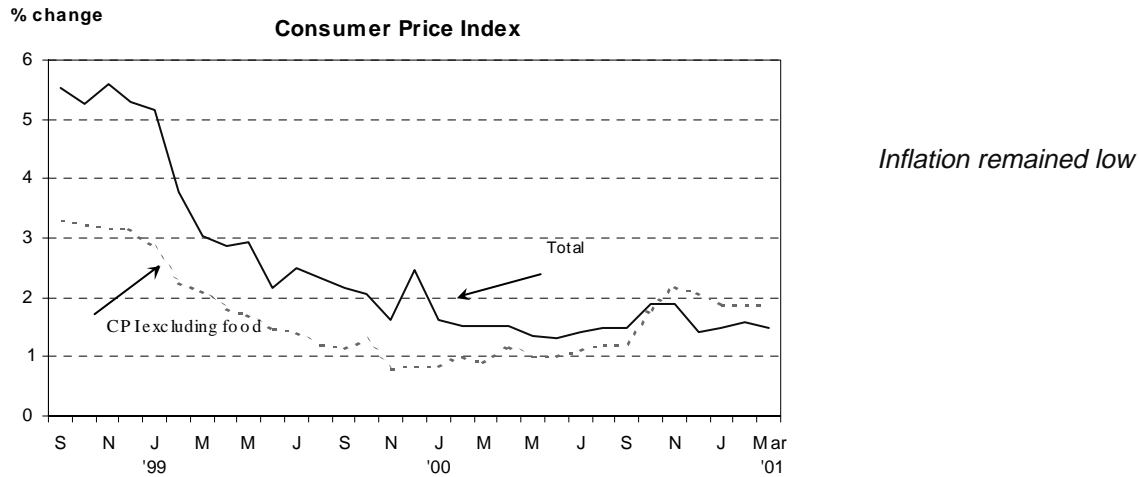
Performance of Ringgit against Selected Currencies

RM per foreign currency	End-June 1997	2 September 1998	24 April 2001	% change		
				Since end-June 1997	Since 2 Sept. 1998	Since end- Mar. 2001
US dollar	2.5235	3.8000	3.8000	-33.6	0.0	0.0
Euro	-	-	3.4103	-	-	-2.0
Pound Sterling	4.1989	6.3708	5.4701	-23.2	16.5	-0.8
100 Japanese yen	2.2088	2.7742	3.1238	-29.3	-11.2	-2.2
Singapore dollar	1.7647	2.1998	2.0994	-15.9	4.8	0.5
100 Thai baht	9.7470	9.3713	8.3572	16.6	12.1	1.4
100 Philippine peso	9.5878	8.8302	7.5296	27.3	17.3	2.2
100 Indonesian Rupiah	0.1038	0.0354	0.0321	223.4	10.3	13.8
100 Korean won	0.2842	0.2827	0.2893	-1.8	-2.3	-1.3

Consumer prices continued to remain low

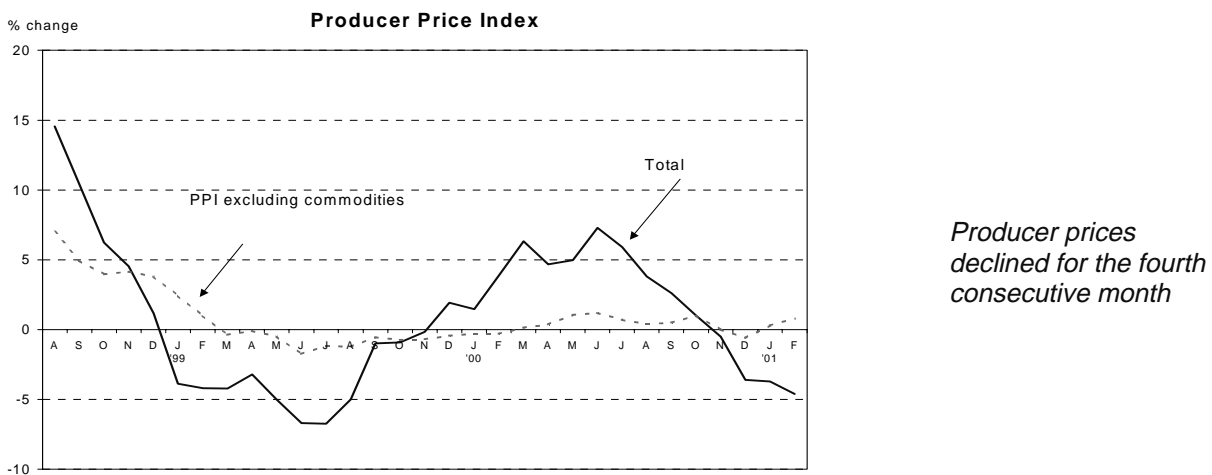
In March, inflation continued to remain low. The inflation rate, measured in terms of the **Consumer Price Index (CPI)** moderated to 1.5% year-on-year. The “medical care and health expenses” was the only main group in the CPI to record a higher rate of increase during the month. This was anticipated since it had been announced that price increases for

certain pharmaceuticals would take effect from 1 March 2001. Nevertheless, the higher rate of increase for this group was more than offset by the larger price decline recorded by the “clothing and footwear” group. All other main groups in the CPI recorded either stable or lower rates of increase.



Producer prices continued to decline

The **Producer Price Index (PPI)**, which measures the average annual rate of change in prices charged by domestic producers of goods and those paid by importers, declined for the fourth consecutive month, by 4.6% in February 2001. The decline was on account of prices charged by domestic producers, while prices paid by importers were stable. Amidst slowing demand and higher supplies, lower prices for inedible crude materials (such as construction materials, rubber and tin), crude oil and palm oil were among the major factors that led to the decline in the PPI. The adjusted PPI, which excludes commodities, increased by 0.8% (January: 0.3%).

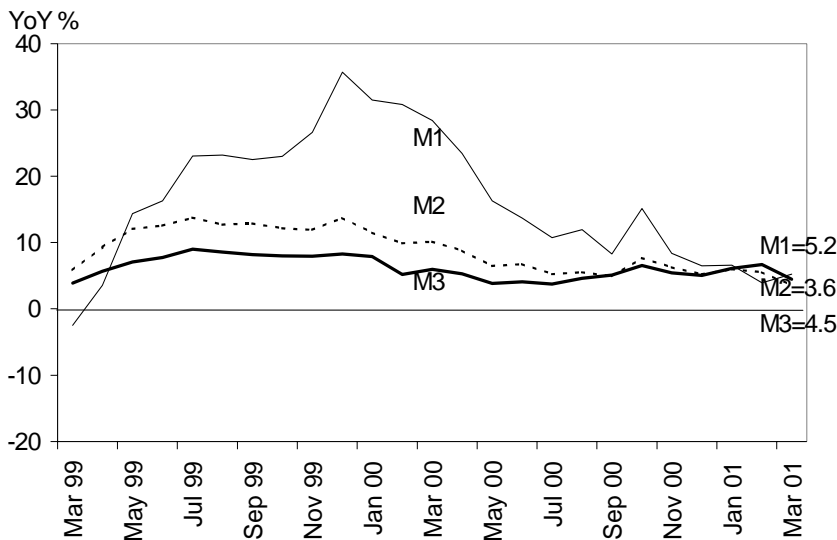


Moderation in money supply deemed temporary as receipts from the issuance of MGS was placed with BNM

On a month-on-month basis, broad money, M3 declined by RM9 billion or 1.9% in March. On an annual basis, however, M3 grew by 4.5% as at end-March.

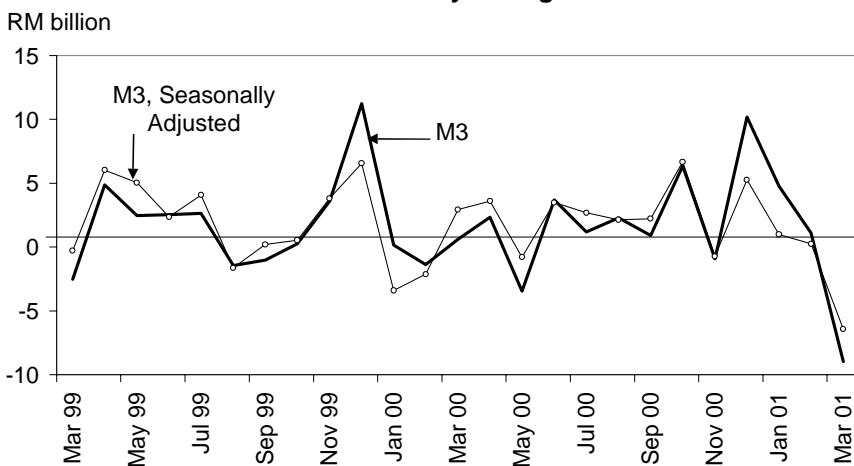
The moderation in money supply during the month was due mainly to the placement of proceeds from the MGS issue with BNM. At the end of March, the Government reopened the MGS issue by RM5 billion. As a result, the Government's deposits with BNM increased by RM8.1 billion in March, contributing significantly to the moderation in money supply during the month. The expected drawdown of these balances by the Government in the coming months to finance its expenditure would cause money supply to revert to its trend line.

Monetary Aggregates: Annual Growth



M2 and M3 expanded at a more moderate pace while M1 edged upwards

M3: Monthly Change



The decline in M3 mainly due to increase in Government deposits with BNM following the issuance of MGS

M3 Determinants

(RM billion)

	Change during the period			
	2001			
	January	February	March	Jan-Mar
M3	4.8	1.1	-9.0	-3.1
Claims on Government	7.8	3.3	-8.0	3.1
Claims on private sector	...	0.8	-0.5	0.3
External operations ^{1/}	1.4	0.8	-1.7	0.5
Other influences	-4.4	-3.8	1.2	-7.0

^{1/} Pre-revaluation

Banking system deposits were lower while loans increased

On a month-on-month basis, total **deposits** declined by RM8.1 billion or 1.7% in March, due mainly to the large net withdrawals by non-bank financial institutions for the purchase of MGS issue of RM5 billion. The proceeds of the issue were placed temporarily by the Government with BNM. Other factors affecting deposits were lower foreign currency deposits (-RM1.4 billion) arising from some withdrawals to finance overseas investments and some portfolio outflows. On an annual basis, total deposits rose by 2.8% as at end-March.

Monthly Change in Deposits (RM million)

	2001		
	Jan.	Feb.	Mar.
Holder			
Federal Government	-285	-888	148
State Governments	-630	2	-157
Statutory Authorities ^{1/}	1,542	-253	-560
Financial Institutions	1,539	507	-4,194
Business Enterprises	-1,400	961	-2,873
Individuals	2,731	973	-491
Others	360	-66	-15
Total	3,858	1,235	-8,141

Decline in deposits was due mainly to withdrawals by the non-bank financial institutions and business enterprises for the purchase of MGS issue and overseas investments

^{1/} Include local Governments.

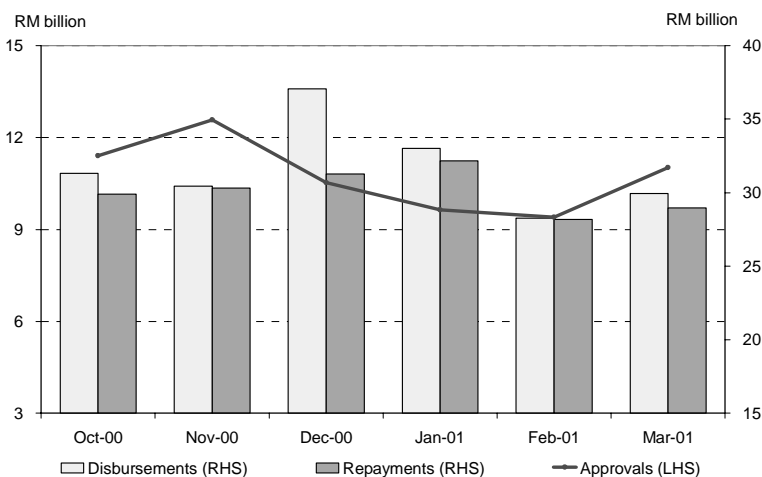
Monthly Change in Deposits (RM million)

Type	2001		
	Jan.	Feb.	Mar.
Fixed deposits	2,157	-489	-4,012
NIDs issued	385	517	266
Demand deposits	-176	-2,347	-2,090
Savings deposits	220	367	54
Repos	-1,606	2,662	-2,215
FX deposits	722	-104	-1,404
SPI deposits	1,797	695	1,275
Others	360	-66	-15
Total	3,858	1,235	-8,141

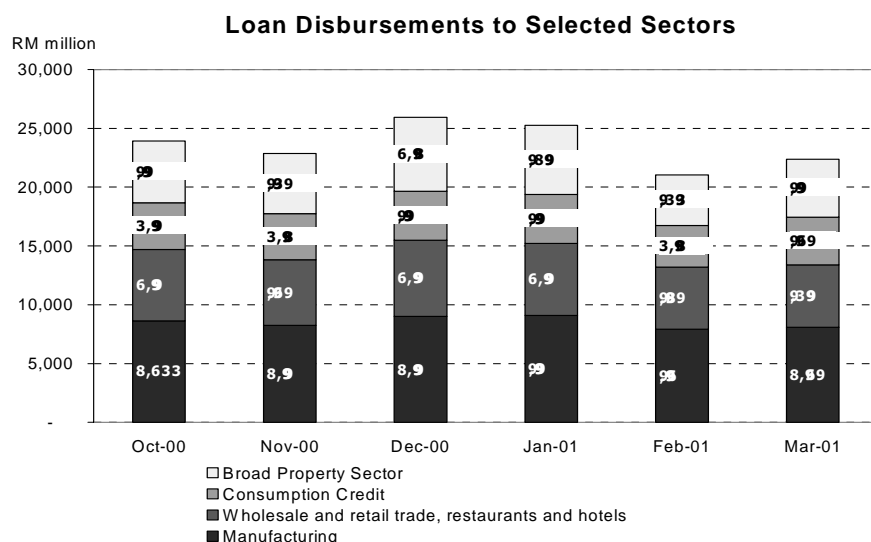
Main sources of decline were fixed, demand, repos and FX deposits

In March, both loan approvals and disbursements were substantially higher. **Loan approvals** rose significantly to RM11.0 billion after registering moderate level of approvals since end 2000 due to seasonal factors. Approvals were granted mainly for the purchase of residential property (RM2.1 billion), purchase of passenger cars (RM1.6 billion) and manufacturing activities (RM1.5 billion). Total **loan disbursed** also increased to RM29.9 billion. Higher disbursements were recorded for a wide range of activities including manufacturing, wholesale trade, purchase of residential properties, financial services and construction.

Loan Approvals, Disbursements and Repayments



Loan approvals and disbursements picked up in March



Higher disbursements were recorded for a wide range of sectors

Total **loans outstanding** extended by the banking system continued to increase, rising by RM538 million in March. The increase was attributed mainly to loans for the purchase of residential property and passenger cars. On an annual basis, loans outstanding increased by 5.4% as at end-March.

Banking System: Loans Outstanding by Sector (RM million)

	2001		As at end Mar.
	Monthly change		
	Feb.	Mar.	
Agriculture, hunting, forestry and fishing	526	128	12,244
Mining and quarrying	-37	-71	1,558
Manufacturing	286	-4	67,957
Electricity, gas and water supply	-388	-600	7,267
Wholesale and retail trade, restaurants and hotels	201	24	37,770
Broad property sector	573	507	165,958
<i>of which:</i>			
<i>Purchase of residential property</i>	660	908	76,685
Transport, storage and communication	-287	-21	13,746
Finance, insurance and business services	-551	254	33,818
Consumption	331	658	61,573
<i>of which:</i>			
<i>Passenger cars</i>	626	562	39,467
<i>Credit cards</i>	-102	33	7,409
Purchase of securities	-398	-185	32,824
Others	179	-151	20,310
Total Loans^{1/}	433	538	455,026

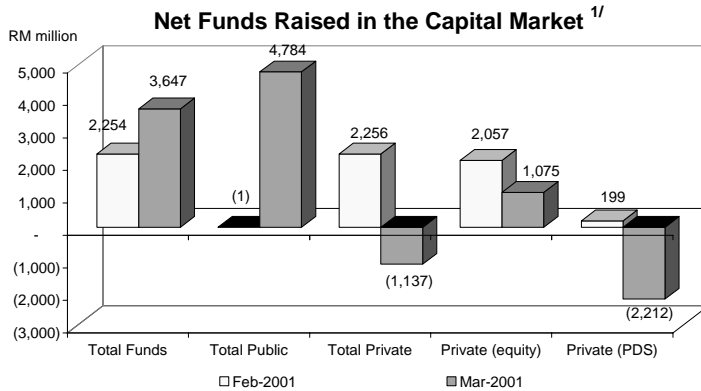
Loans outstanding continued to increase in March

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

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

Higher net funds raised in the capital market

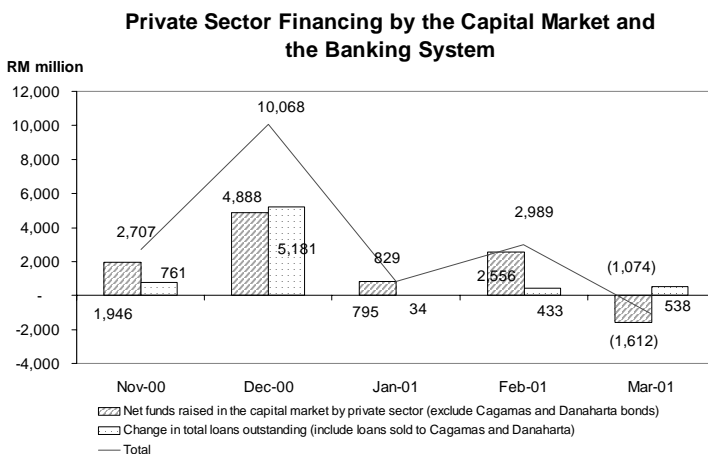
Net funds raised in the capital market were higher in March amounting to RM3.6 billion. The net funds were raised mainly by the public sector through the reopening of the MGS issue by RM5 billion at the end of the month. On a gross basis, total funds raised by the private sector amounted to RM4.2 billion. However, due to higher redemptions during the month, the private sector recorded a net redemption of RM1.1 billion.



Net fund raised in the capital market were higher in March.

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

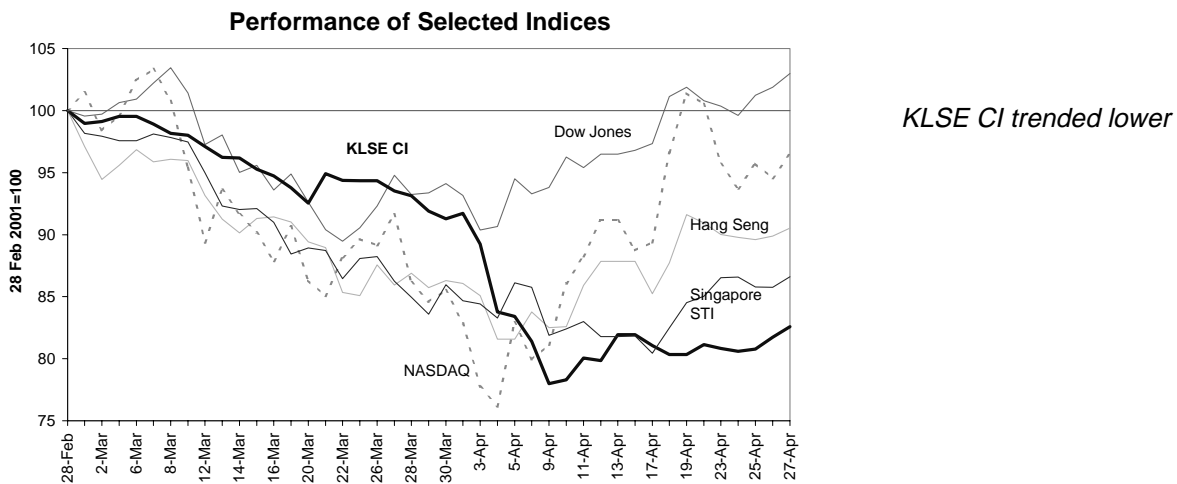
The increase in total loans outstanding extended by the banking system was offset by the decline in the net funds raised by the private sector in the capital market. Consequently, **total private sector domestic financing** from both the capital market and the banking system declined by RM1.1 billion in March.



Net private sector financing was lower in March, reflecting the decline in net funds raised in the capital market

The market sentiment in the **Kuala Lumpur Stock Exchange (KLSE)** remained weak in March. The weak sentiment was largely influenced by external factors such as concerns

over the slower growth in the global economy as well as continued correction in Dow Jones and NASDAQ. On the domestic front, concerns over the slowdown in the domestic economy and lower corporate earnings had dampened market sentiment further. As at 31 March 2001, the KLSE Composite Index (KLSE CI) closed at 647.48 points (-8.7% since end-February), market capitalisation stood at RM418.23 billion (-8.9% since end-February), while daily average turnover was 85.7 million units (103.3 million units in February).



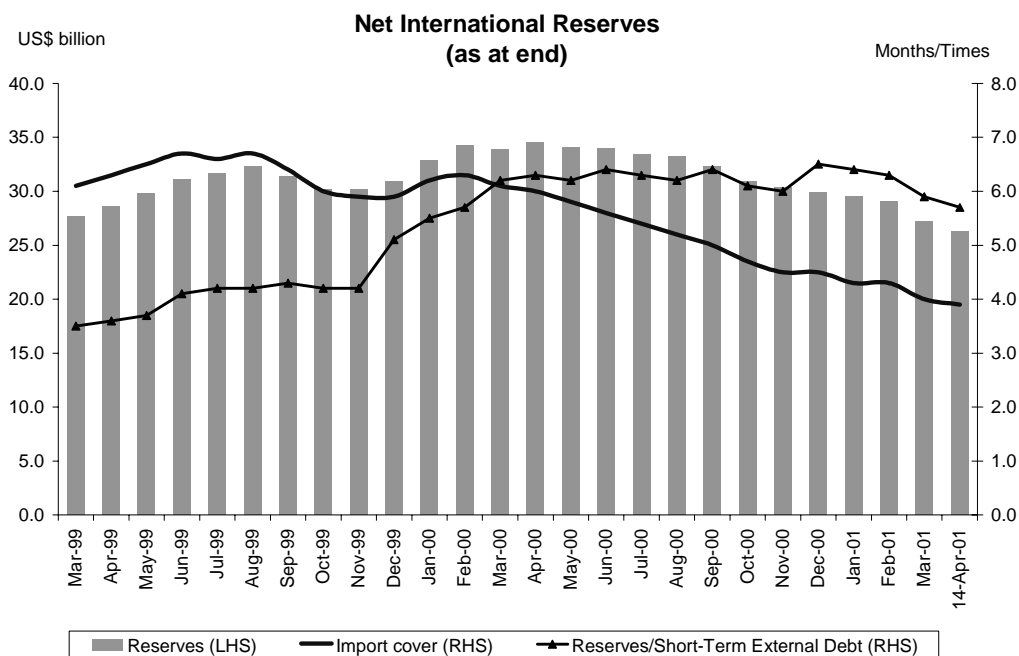
The KLSE CI declined further in the first three weeks of April. The unfavourable market performance was mainly due to continued concerns over the slowdown in the US economy. In addition, the announcement by the Standard and Poor's on 4 April that the outlook for Malaysia was revised from positive to stable had dampened market sentiment further. As at 27 April, the KLSE CI closed at 585.87 points (-9.5% since end-March), market capitalisation stood at RM393.69 billion (-5.9% since end-March), while daily average turnover was 99.4 million units (85.7 million units in March).

International reserves

The net international reserves of BNM amounted to RM103.3 billion (US\$27.2 billion) as at end-March compared with RM110.1 billion (US\$29 billion) at end-February. The lower reserves in March was mainly due to the unrealised revaluation loss following the quarterly exchange rate revaluation of the Central Bank's reserves. In light of the appreciation of the US dollar and the diversified currency composition of the international reserves of Bank Negara Malaysia, the value of the quarterly reserves revaluation resulted in a decline of reserves by RM3.5 billion (US\$0.9 billion). Other factors affecting reserves in March were repayment of external debt and interest servicing, higher payments for goods, services and transfers and portfolio outflows. These accounted for a further decline of US\$0.9 billion.

In the first half of April, there was greater uncertainty and unstable market conditions in both abroad and at home. These developments created expectations of a downward revision of the ringgit exchange rate. Developments in the global equity markets further dampened sentiments with the Nasdaq Composite Index and the Dow Jones Industrial Average Index declining by 6.5% and 0.9% respectively in the first week of April. The announcement by the Standard and Poor's on 4 April 2001 that the outlook for Malaysia was revised from positive to stable contributed to further volatility in the domestic financial markets. These developments had an adverse impact on domestic market sentiment.

Over reaction by the market to these external developments resulted in an increase in gross outflows in the first half of April, compared with trend seen previously. In particular, gross outflows reflected mainly forward purchases for imports of goods and services, and loan repayments. The net outflows of portfolio funds amounted to US\$176 million. Consequently, the international reserves of BNM declined by RM3.4 billion or US\$0.9 billion during this period to RM99.9 billion or US\$26.3 billion as at 14 April 2001. Reserves remain sufficient to finance about 4 months of retained imports and is 5.7 times the short-term external debt. The reserves remain useable and unencumbered.



Banking system remains strong

The banking system remained strong in March 2001. The risk-weighted capital ratio increased by 10 basis points to 12.2% whilst the core capital ratio eased by the same level to 10.3%.

Net NPL of the banking system rose by RM636 million in February 2001, largely due to the expiry of indulgence granted to certain borrowers and the reclassification of previously restructured and rescheduled facilities to NPL. On an aggregate basis, such facilities accounted for 70% of the total increase in gross NPL. As a result, the net NPL ratio increased by 20 basis points from 6.5% in January 2001 to 6.7% at the end of February.

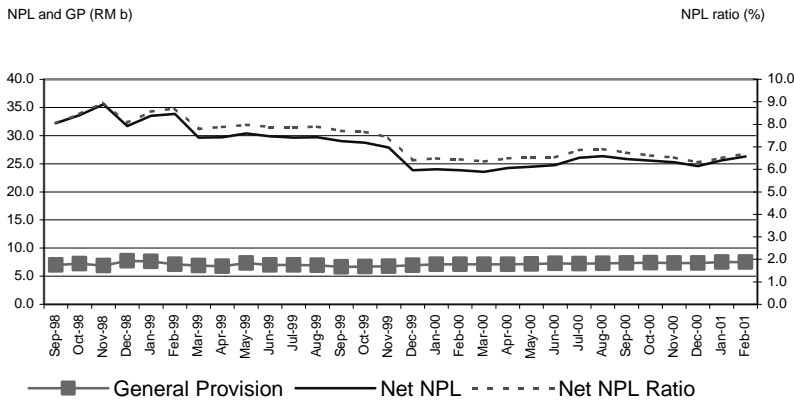
Banking System Health Indicators

	1998		1999		2000		2001	
	Dec.	Jun.	Dec.	Jun.	Dec.	Jan.	Feb.	Mar.
Capital								
Core-capital ratio (%)	8.7	10.4	10.1	10.7	10.5	10.1	10.4	10.3
RWCR (%)	11.8	12.9	12.5	13.0	12.4	11.8	12.1	12.2
Net NPL								
(6-month classification)								
Banking system (%)	8.1	7.9	6.4	6.5	6.3	6.5	6.7	n.a.
Banking system (RM million)	31,675	29,889	23,849	24,736	24,605	25,662	26,298	n.a.
GP/Net total loans								
(6-month, %)	2.0	1.9	1.9	1.9	1.9	1.9	1.9	n.a.

n.a. Not available

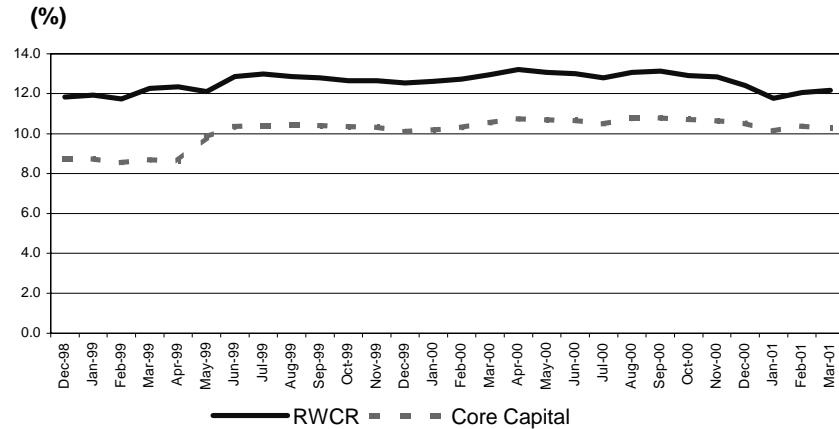
** Beginning June 1999 onwards, the figures include Islamic Banks*

Banking System: Net NPL and General Provisions



....Net NPL ratio at 6.7%

Capital Strength Indicators



....RWCR improves to 12.2%

Danaharta has been actively managing the NPLs acquired through loan restructuring, foreclosure of collateral and businesses and asset management through the appointment of special administrators. As at 31 December 2000, loan rights acquired and managed by Danaharta stood at RM47.5 billion, of which RM37.7 billion have been removed from the banking system representing 43.1% of total NPLs of the banking system

Capital injection by Danamodal remained at RM3.7 billion at the end of March 2001. As of the same date, 44 cases have been resolved by CDRC with debts totalling RM27.6 billion. The remaining 10 cases that are outstanding have a total loan value of RM11.8 billion.

Key Monetary and Banking Statistics

	February 2001		March 2001	
	Outstanding (RM billion)	Ann. Growth (%)	Outstanding (RM billion)	Ann. growth (%)
Monetary Aggregates				
Reserve money	39.4	0.3	39.1	5.5
M1	75.7	3.9	72.6	5.2
M2	355.1	5.5	348.4	3.6
M3	462.4	6.7	453.4	4.5
Banking System				
Total deposits	475.5	4.2	467.4	2.8
Total loans (including loans sold to Cagamas and Danaharta)	454.5	5.8	455.0	5.4
Total loans (excluding loans sold to Cagamas and Danaharta)	398.5	5.8	397.8	5.3
Loan-deposit ratio (%)	83.8		85.1	
Loans approved during the month	9.4		11.0	
Loans disbursed during the month	28.3		29.9	
Banking System Health				
Risk-weighted Capital Ratio (RWCR) (%)	12.1		12.2	
Net NPLs: 6-month classification (%)	6.7		n.a.	
International Reserves of BNM (end-period)				
Reserves in RM (billion)	110.1		103.3	
Reserves in USD (billion)	29.0		27.2	
Months of retained imports	4.3		4.0	
Interest Rates (average rates at end-period)				
Interbank: 1-month	2.99		2.99	
3-month	3.00		3.04	
Fixed deposits of commercial banks: 1-month	3.43		3.43	
3-month	3.46		3.44	
BLR of commercial banks	6.79		6.79	
Exchange Rates of Ringgit against Selected Currencies (end-period)				
Euro	3.4835		3.3413	
Pound Sterling	5.4792		5.4274	
Singapore dollar	2.1827		2.1105	
100 Japanese yen	3.2660		3.0544	
100 Thai Baht	8.8650		8.4774	
100 Philippine Peso	7.8781		7.6970	
100 Indonesian Rupiah	0.0387		0.0365	
100 Korean Won	0.3041		0.2856	
Capital Market				
Funds raised by: public sector (RM million)	-1.1		4,783.8	
private sector (RM million)	2,255.5		-1,137.1	
Kuala Lumpur Composite Index (end-period)	709.39		647.48	
KLSE Market Capitalisation (RMb) (end-period)	459.26		418.23	