

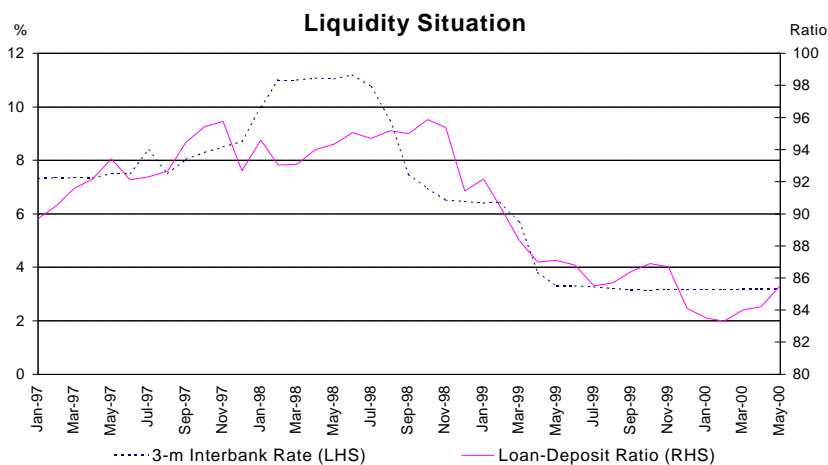
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**PRESS RELEASE ON
MONETARY AND FINANCIAL DEVELOPMENTS
MAY 2000**

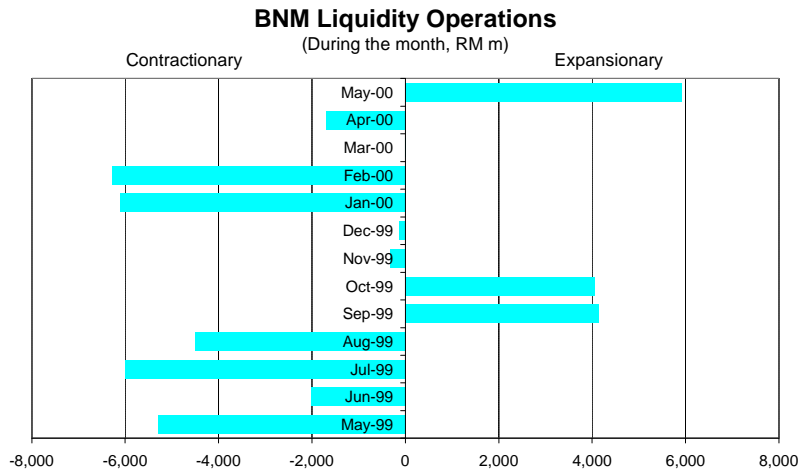
In May, monetary and financial conditions continued to support the strengthening of economic growth. The accommodative monetary stance was reflected in the low interest rate as well as ample liquidity situation. This has resulted in the pick up in outstanding loans since February 2000, driven by higher credit growth of both the household and business sectors. Meanwhile, inflation continued to moderate during the month.

Low interest rates and ample liquidity

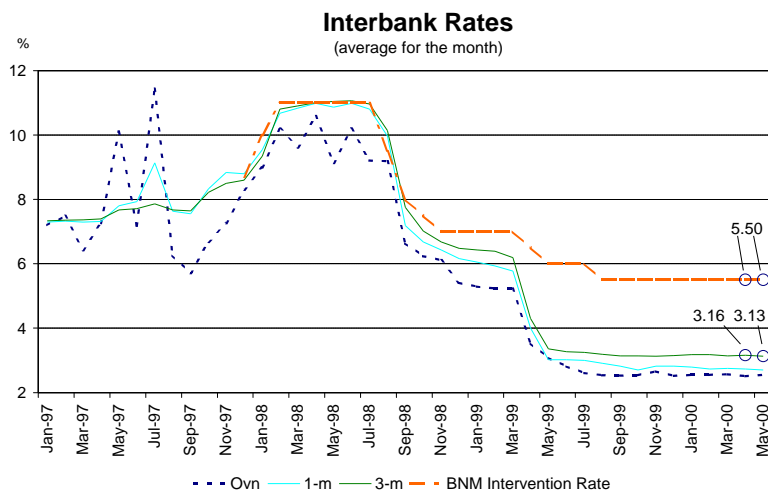
In the **interbank money market**, the accommodative monetary policy stance continued to sustain the ample liquidity situation. Interbank rates remained stable in May and the first three weeks of June.



Liquidity remained ample

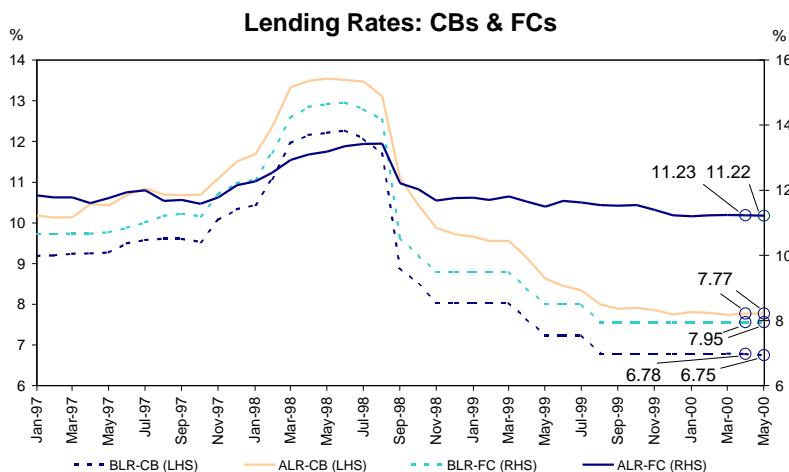


BNM's operations were to achieve stable liquidity conditions



Interbank rates remained relatively stable

The **base lending rates (BLR)** of commercial banks (CBs) eased marginally to 6.75% at end-May. This followed the decline in April, the first since August 1999. On the other hand, the BLR of finance companies remained unchanged at 7.95%. The **average lending rates (ALR)** of both the commercial banks and finance companies (FCs) were relatively stable at 7.77% and 11.22% respectively at end-May.

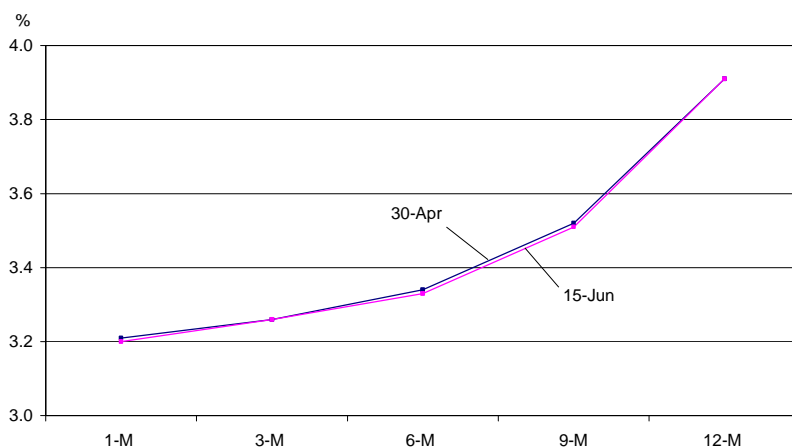


CBs: BLR declined further

FCs: Lending rates remained stable

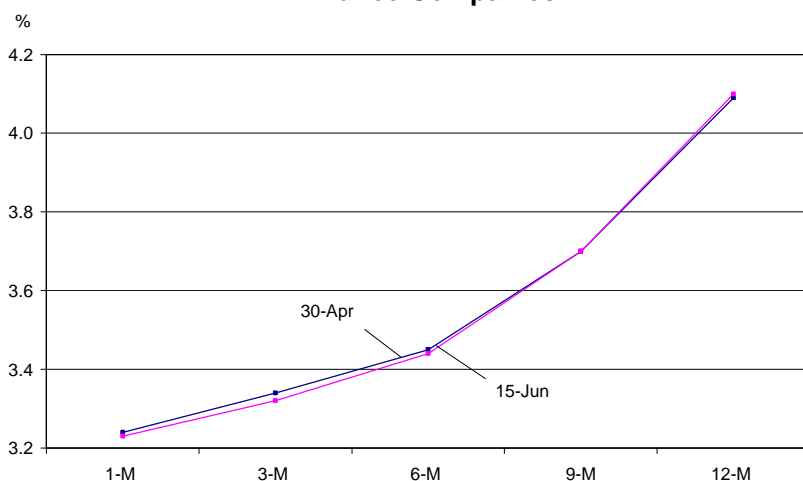
In terms of **fixed deposits (FD) rates**, the ample liquidity situation also led to a further marginal decline in the FD rates by one to two basis points across various maturities. The **interest margin** of CBs remained unchanged at 4.63% as the average cost of funds and lending rates remained unchanged. In the case of FCs, their average cost of funds declined further amidst relatively stable lending rates, causing the interest margin of FCs to widen further to 7.14% at end-May (7.10% at end-April).

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

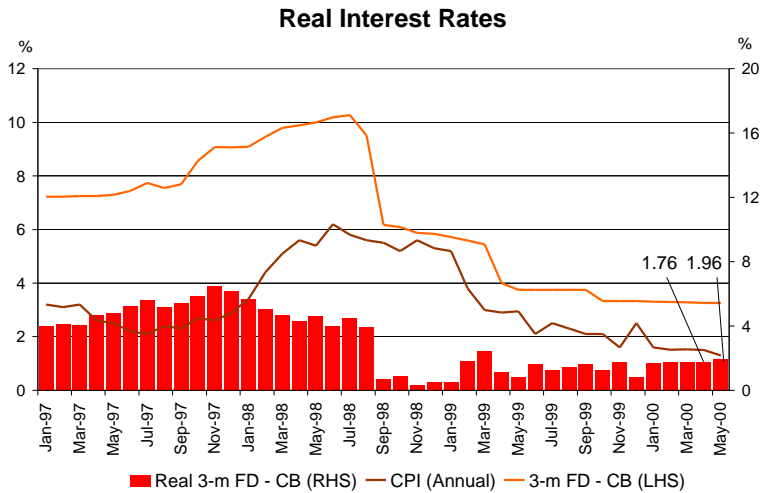


Slight easing of some FD rates

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



FD rates eased slightly especially at the shorter-tenure

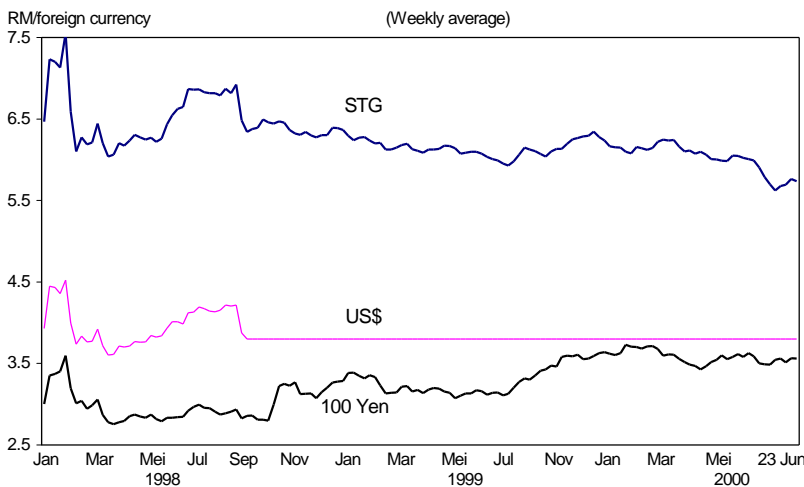


Real rates increased because of lower increase in inflation

Ringgit showed mixed performance

The ringgit showed mixed performance against major currencies in May following the movements of the US dollar in international foreign exchange markets. While the yen was weak during the first half of the month following uncertainties over Japan’s zero interest rate policy, it recovered to close higher against the US dollar towards the end of the month. Meanwhile, statements by Bundesbank officials that the euro was undervalued led the euro to close higher against the dollar. During the month, the ringgit depreciated against the yen (-0.1%) and the euro (-2.2%), but appreciated against the pound sterling (+4.9%).

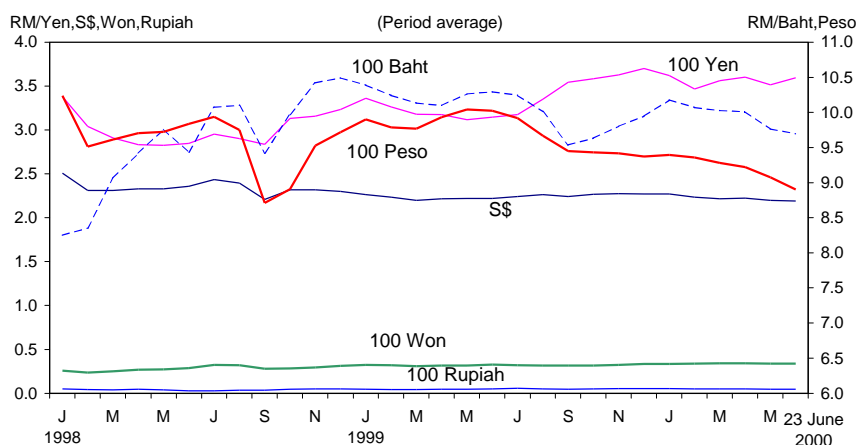
Performance of Ringgit against Major Currencies



The ringgit generally depreciated against the major currencies during the period

Meanwhile, the ringgit traded higher in the range of 1.5% to 8.6% against all regional currencies during the month. The regional currencies were affected by fears of the adverse impact of US interest rate increases on regional economies.

Performance of Ringgit against Regional Currencies



..... while appreciating against the regional currencies

In the first three weeks of June, the ringgit depreciated by 0.5% to 1.5% against all the major currencies in tandem with the movements of the US dollar. The US dollar depreciated as the increasing signs of slowing growth in the US led traders to believe that further interest rate increases were not likely. The ringgit remained fairly stable against most regional currencies, but depreciated by 0.9% against the Korean won which continued to be supported by strong portfolio flows into Korea.

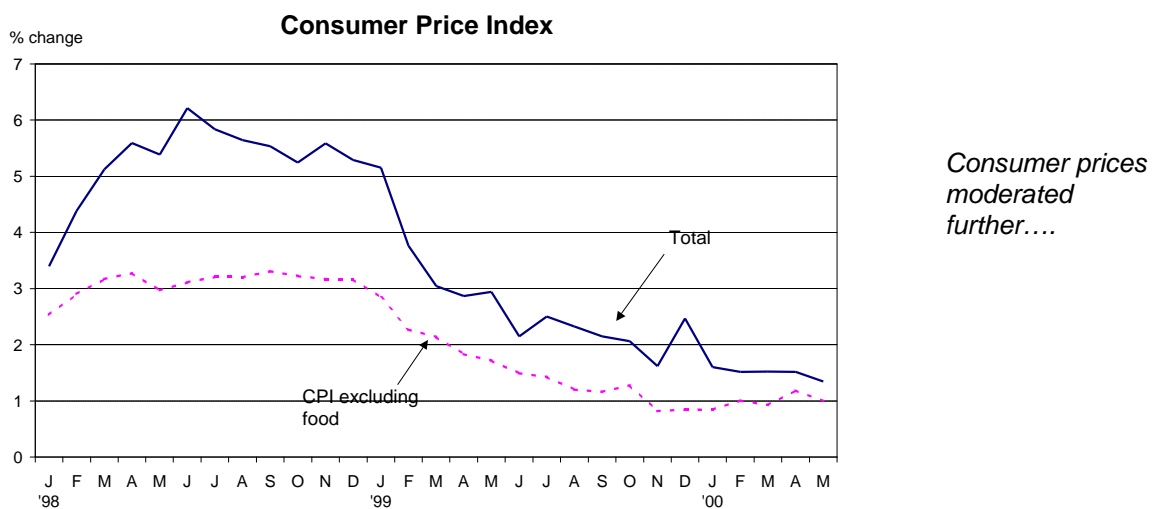
Performance of Ringgit against Selected Currencies

RM per foreign currency	End-June 1997	2 September 1998	23 June 2000	% change		
				Since end-June 1997	Since 2 Sept. 1998	Since end-May 2000
US dollar	2.5235	3.8000	3.8000	-33.6	0.0	0.0
100 Japanese yen	2.2088	2.7742	3.6022	-38.7	-23.0	-0.9
Singapore dollar	1.7647	2.1998	2.1936	-19.6	0.3	0.1
100 Thai baht	9.7470	9.3713	9.7023	0.5	-3.4	0.0
100 Philippine peso	9.5878	8.8302	8.8867	7.9	-0.6	0.3
100 Indonesian Rupiah	0.1038	0.0354	0.0440	135.9	-19.5	0.2
100 Korean won	0.2842	0.2827	0.3395	-16.3	-16.7	-0.9

Domestic prices continued to moderate

The annual rate of inflation as measured by the **Consumer Price Index (CPI)** moderated further to 1.3% in May from 1.5% in April. Excluding food, the CPI moderated to 1% in May from 1.2% in April.

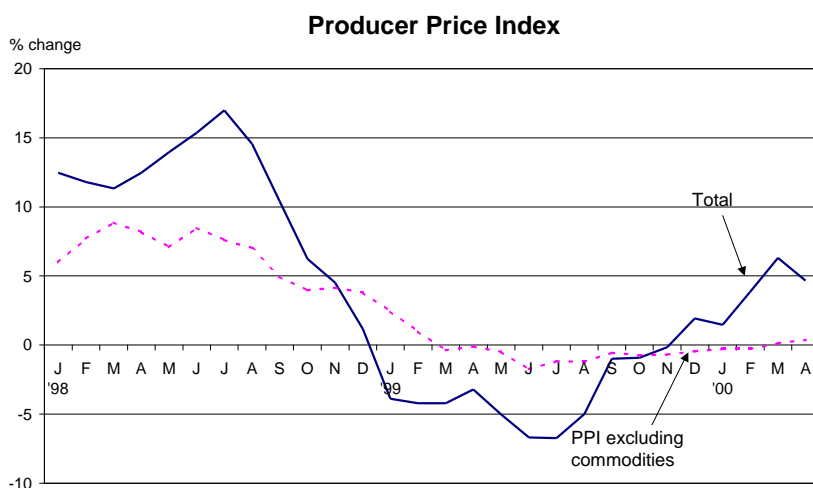
The moderation was mainly the result of two dominant components in the CPI experiencing lower price increases in May. These were **transport and communication**; and **food**; which together account for 52.8% of the weight in the CPI basket. The increase in prices of the transport and communication group was significantly lower by 50%, while for the food group, the price increase was lower by 5%. The lower price increase for the food group was due to price moderation or price declines for all food items, except meat. The combined effect of the lower price increases in these two components more than offset the higher price increase observed for the remaining major component in the CPI basket, that is, **gross rent, fuel and power**, which has a weight of 21.1%. Meanwhile, the clothing and footwear index continued to decline.



At the producer level, the **Producer Price Index (PPI)**, a leading indicator of consumer prices moderated to 4.7% in April (6.3% in March). The moderation was on account of lower increase in prices of items charged by domestic producers (5.5%) as well as those paid by importers (1.2%).

The moderation in the PPI in April was due mainly to the significantly lower price increase for mineral fuels, lubricants and related materials as well as the continued decline in the prices of food and live animals; and animal and vegetable oils and fats. These more than offset the higher price increase for two other major groups, namely inedible crude

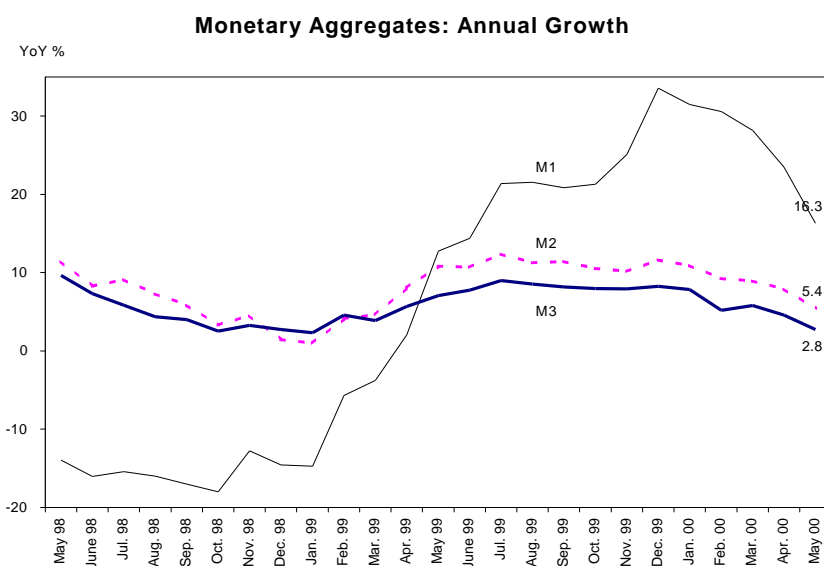
materials and machinery and transport equipment. Excluding commodities (comprising inedible crude materials; mineral fuels, lubricants and related materials; and animal and vegetable oils and fats), the adjusted PPI increased by a marginal 0.4% in April. Hence, the PPI increase was mainly attributed to higher crude petroleum prices and, to some extent, the low base effect (-3.2% in April 1999).



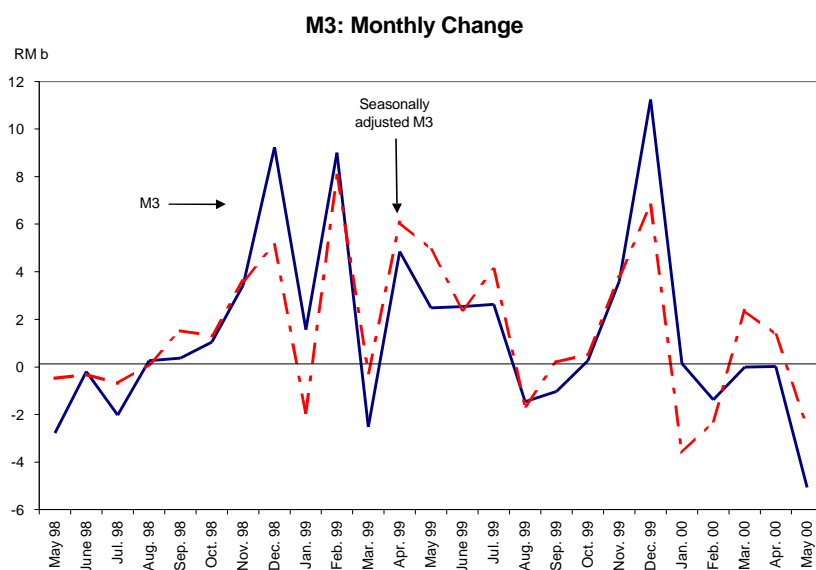
Producer prices also moderated in April

Money supply expanded at a more moderate pace

All three **monetary aggregates** expanded further on a year-on-year basis, albeit at a more moderate pace with M3 recording an annual growth of 2.8% as at end-May. On a month-on-month basis, M3 was lower by 1.2% or RM5.1 billion in May (a smaller seasonally adjusted decline of 0.6% or RM2.5 billion).



Monetary aggregates expanded further, albeit at a more moderate pace



The lower monthly growth of M3 reflected mainly the placement of deposits by a non-bank financial institutions (NBF1) with BNM and to a lesser extent, lower net external assets. Nevertheless, claims on the private sector exerted an expansionary influence on M3 due to higher loans extended by the banking system. In terms of components, with the exception of demand deposits and NIDs, there was a decline in most type of deposits.

**M3 Determinants
(RM billion)**

	Outstanding		Change during the period		
	2000				
	May	Mar.	Apr.	May	Jan.- May
M3	428.3	0.0	0.0	-5.1	-6.3
Claims on Government	-20.9	-2.0	-0.8	-0.1	-2.1
Claims on private sector	448.8	0.8	2.3	1.1	2.9
External operations	135.0	-1.4	1.4	-0.5	11.5
Other influences	-134.6	2.6	-2.9	-5.6	-18.6

Banking system total deposits was lower while loans continued to increase

On a month-on-month basis, **total deposits** were lower by 1% in May due mainly to a large withdrawal by a non-bank financial institution, statutory authorities and State Governments. In addition, there were net withdrawals by individuals for investment in a newly launched unit trust. However, deposits of business enterprises continued to increase in May, albeit by a marginal amount.

Monthly Change in Deposits (RM million)

	2000		
	Mar.	Apr.	May
	Holder		
Federal Government	-474	-557	67
State Governments	-89	-116	-394
Statutory Authorities ^{1/}	-1431	-157	-702
Financial Institutions	-2246	-3477	-2414
Business Enterprises	3023	2600	104
Individuals	-1955	512	-1129
Others ^{2/}	173	627	156
Total	-2998	-569	-4313

Decline due mainly to withdrawals by a NBFIs and individuals for investment in a newly launched unit trust

^{1/} Include local Governments.

^{2/} Include Special Deposits, Housing Development Account deposits and RM Eligible Liabilities (EL) Exempt deposits.

By type, the largest decline was observed in fixed deposits. In addition, there was a decline in repos due to lower funds deposited by business enterprises. Savings deposits was also lower. On the other hand, NIDs issued increased for the first time since December 1999 due to higher interbank placements and net new contracts with business enterprises. Demand deposits also displayed an increase, mainly attributable to placements by business enterprises.

Monthly Change in Deposits (RM million)

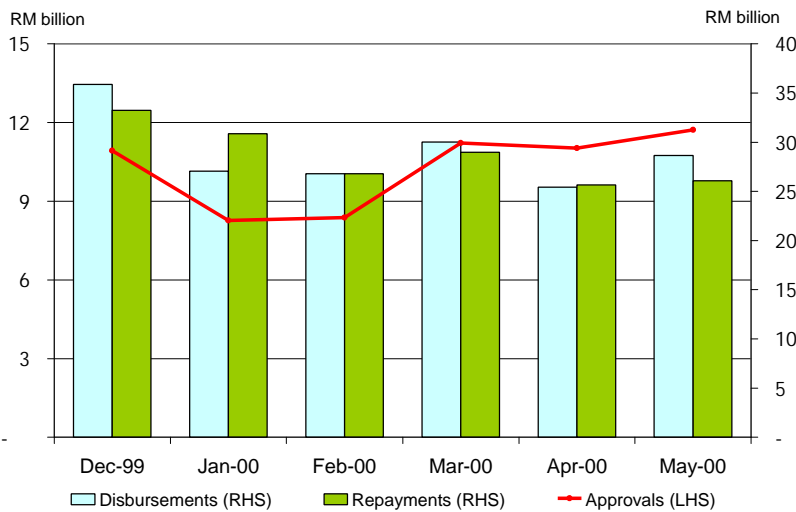
	2000		
	Mar.	Apr.	May
	Type		
Fixed deposits	855	2393	-3013
NIDs issued	-3319	-2310	817
Demand deposits	-2900	-1106	409
Savings deposits	-203	-814	-739
Repos	1732	-131	-1054
FX deposits	-475	1083	-54
SPI deposits	1136	-390	-806
Others ^{1/}	176	706	127
Total	-2998	-569	-4313

Main source of decline in total deposits was net withdrawals of fixed deposits

^{1/} Include Special Deposits, Housing Development Account deposits and RM Eligible Liabilities (EL) Exempt deposits.

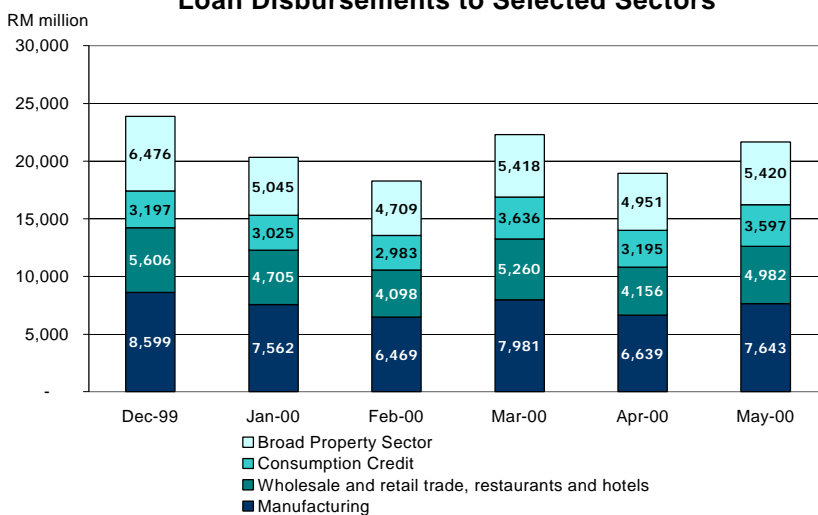
In tandem with the stronger economic activity, **total loans approved** by the banking system was higher at RM11.7 billion in May. The loan approvals were largely for the purchase of residential property (RM2.5 billion), consumption credit (RM2.1 billion) and the financing of manufacturing activities (RM1.9 billion).

Loan Approvals, Disbursements and Repayments



Relatively higher disbursements compared to repayments contributed to increase in total loans outstanding

Loan Disbursements to Selected Sectors



Major portion of disbursements channelled to manufacturing sector

Total loans disbursed was substantially higher in May (RM28.7 billion) with higher disbursements to most sectors. The bulk of disbursements were for manufacturing activities, wholesale trade and the purchase of residential property. Meanwhile, repayment of loans remained high at RM26.1 billion.

Total loans outstanding (including loans sold to Cagamas and Danaharta) extended by the banking system increased further by RM3 billion in May, the highest monthly increase recorded since December 1998. The bulk of the increase was extended for the purchase of residential property and to the manufacturing sector. On an annual basis, total loans outstanding increased by 1.3% at end-May with commercial banks recording an annual growth of 3%.

Banking System: Loans Outstanding by Sector (RM million)

	2000		As at end May
	Monthly change		
	Apr	May	
Agriculture, hunting, forestry and fishing	93	-10	9,476
Mining and quarrying	35	-103	1,657
Manufacturing	506	1,285	66,852
Electricity, gas and water supply	-62	-174	6,625
Wholesale and retail trade, restaurants and hotels	-154	738	37,164
Broad property sector	750	2,153	158,475
Transport, storage and communication	-18	92	15,422
Finance, insurance and business services	-580	-493	31,665
Consumption	913	213	51,796
Purchase of securities	79	-160	33,546
Others	136	-500	19,395
Total Loans^{1/}	1,698	3,041	432,072

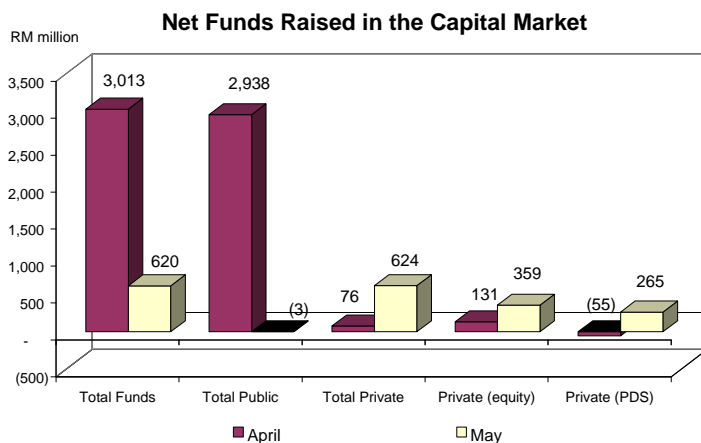
*Highest monthly
increase in total
loans outstanding
since December
1998*

^{1/} Including loans sold to Cagamas and Danaharta.

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

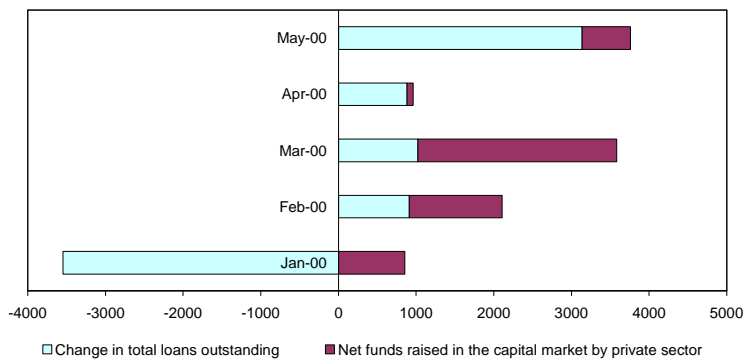
Capital Market

Net funds raised from the capital market were lower in May compared to April. This reflected the absence of a Malaysian Government Securities issue in May, in contrast with the preceding two months. The total amount of funds raised by the private sector in May was through new equity issues and a net issue of private debt securities, with the former being slightly larger than the latter.



Lower net funds raised in the capital market in May

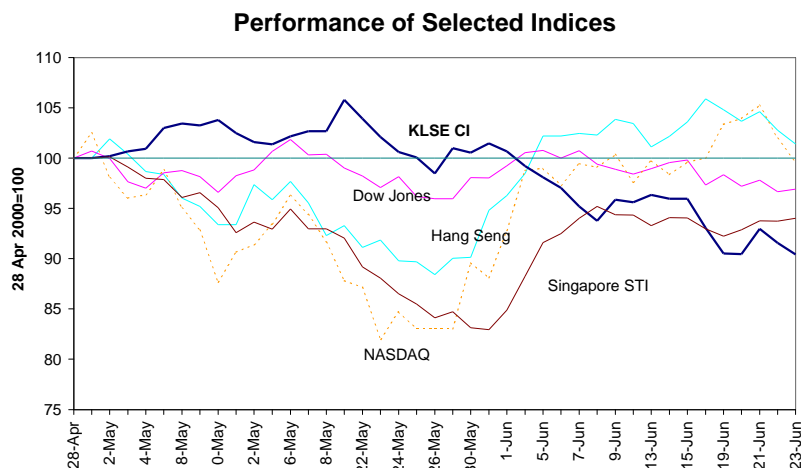
Private Sector Financing by the Capital Market and the Banking System (RM million)



Total private sector financing was higher in May

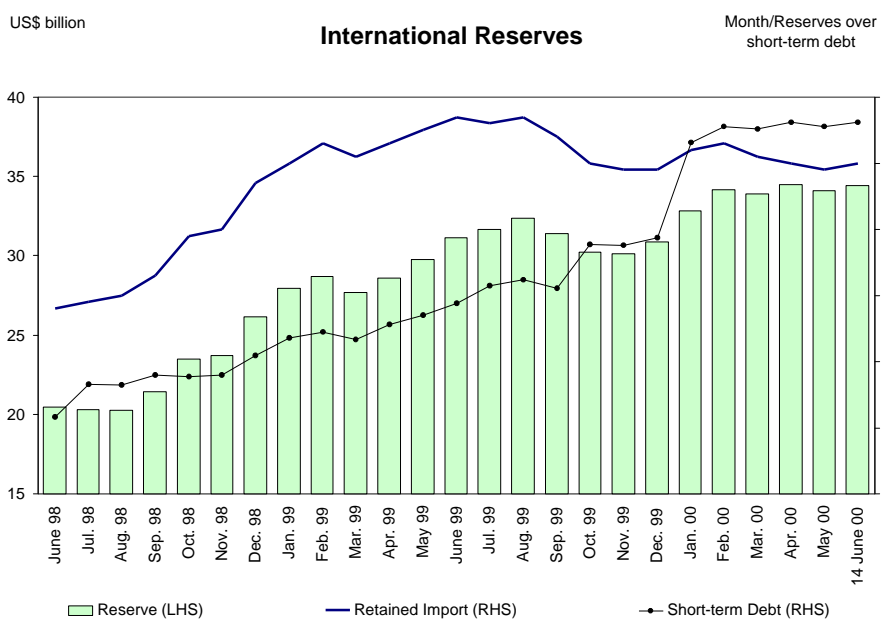
Market sentiment in the **Kuala Lumpur Stock Exchange (KLSE)** was mixed in May. In comparison with other indices, the KLSE Composite Index (KLSE CI) was less affected by the declines in NASDAQ and Dow Jones Industrial Average. As at 31 May, the KLSE CI closed at 911.51 points (+1.5% since end-April), while the market capitalisation stood at RM636.1 billion. Nevertheless, the performance of the KLSE CI was weaker in the period 1-23 June mainly attributable to investors' concerns of the implications of the staggered

release of the Central Limit Order Book International (CLOB) shares over the coming year, beginning 3 July 2000. As at 23 June, the KLSE CI closed at 812.25 points (-10.9% since end-May), while the market capitalisation stood at RM558.52 billion.



International reserves remained strong

The **net international reserves** of BNM remained strong at RM129.6 billion (US\$34.1 billion) at the end of May. In the first two weeks of June, reserves strengthened to increase by RM1.2 billion to RM130.9 billion (US\$34.5 billion), reflecting inflow of portfolio funds as well as the trade surplus. The level of reserves was sufficient to finance 6 months of retained imports and was 6.6 times the short-term external debt.



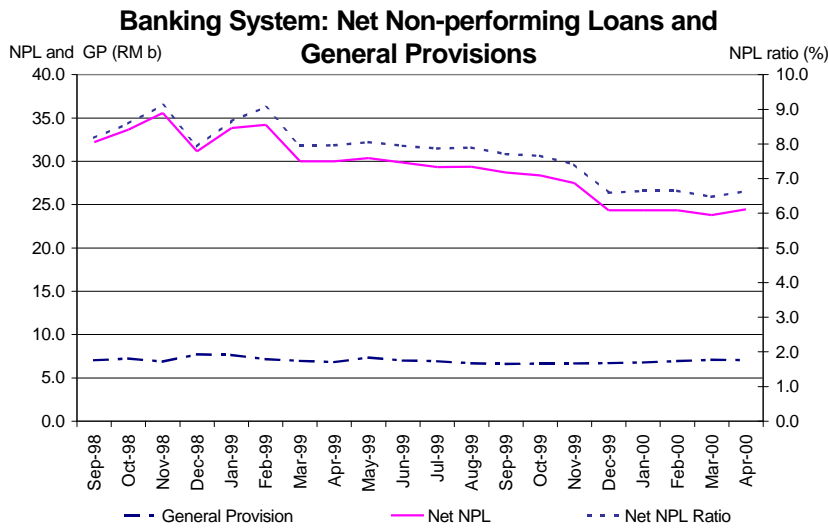
International reserves remained strong

Health of banking system remained robust

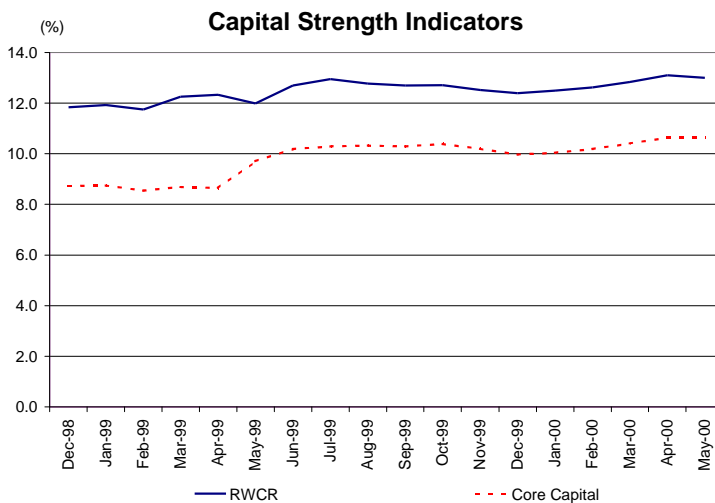
Net non-performing loans ratio of the banking system increased marginally to **6.6%** as at end of April on a six-month classification. **The risk-weighted capital ratio (RWCR)** of the banking system (13.0% as at end-May) remained well above the minimum requirement of 8%.

Banking System Health Indicators									
	1998 Dec.	Mar.	1999 Jun.	Sep.	Dec.	2000			
						Feb.	Mar.	Apr.	May
Capital									
Core-capital ratio (%)	8.7	8.7	10.2	10.3	10.0	10.2	10.4	10.6	10.6
RWCR (%)	11.8	12.3	12.7	12.7	12.3	12.6	12.8	13.1	13.0
Net NPL (6-month classification)									
Banking system (%)	7.5	7.9	7.9	7.7	6.6	6.6	6.5	6.6	n.a
Banking system (RM million)	29,286	29,869	29,696	28,705	24,340	24,356	23,780	24,472	n.a
GP/Net total loans (6-month,%)									
	2.0	1.8	1.8	1.8	1.8	1.9	1.9	1.9	n.a

n.a Not available



Net NPL ratio of banking system increased marginally



Risk-weighted capital ratio continues to remain well above minimum requirement

As at the end of **May 2000**, **Danaharta** had acquired and is managing NPL from the banking system totalling **RM36.6 billion**, representing approximately **42%** of total NPLs in the banking system. Danaharta is now in the loan management phase where acquired NPLs are managed through various mechanisms, such as loan restructuring, foreclosure of collateral and business, special administration, etc.

Capital injection by **Danamodal** into the banking sector remained at RM5.2 billion as at end-April but the amount was reduced to **RM4.9 billion in May** due to partial repayment by a banking institution. **As at 8 June 2000**, **CDRC** has resolved 23 of the 72 applications received with debts totalling RM16.3 billion. Of the balance 49 cases, 16 with debts totalling RM3.8 billion were rejected by CDRC and nine cases with debts totalling RM1.8 billion have been referred to Danaharta.

Bank Negara Malaysia
28 June 2000

Key Monetary and Banking Statistics

	April		May	
	Outstanding (RM billion)	Ann. growth (%)	Outstanding (RM billion)	Ann. growth (%)
Monetary Aggregates				
Reserve money	37.0	4.4	37.1	5.7
M1	67.4	23.5	67.1	16.3
M2	331.4	7.9	328.5	5.4
M3	433.4	4.6	428.3	2.8
Banking System				
Total deposits	445.7	1.4	441.4	0.0
Total loans (including loans sold to Cagamas and Danaharta)	429.0	1.1	432.1	1.3
Total loans (including loans sold to Cagamas and excluding loans sold to Danaharta)	393.7	-1.4	395.5	-1.3
Total loans (excluding loans sold to Cagamas and Danaharta)	375.5	-1.8	377.3	-1.8
Loan-deposit ratio (%)	84.2		85.5	
Loans approved during the month	11.0		11.7	
Loans disbursed during the month	25.4		28.7	
Banking System Health				
	As at end-April		As at end-May	
Risk-weighted Capital Ratio (RWCR)(%)	13.1		13.0	
Net NPLs :6-month classification (%)	6.6		n.a.	
International Reserves of BNM				
	As at end-April		As at end-May	
Reserves in RM (billion)	130.9		129.6	
Reserves in USD (billion)	34.5		34.1	
Months of retained imports	6.0		5.9	
Interest Rates (average rates at end-period)				
Interbank:1-month	2.71		2.70	
3-month	3.19		3.19	
Fixed deposits of commercial banks:				
1-month	3.21		3.21	
3-month	3.26		3.26	
BLR of commercial banks	6.78		6.75	
Exchange Rates of Ringgit against Selected Currencies (end-period)				
	April		May	
Euro	3.4624		3.5401	
Pound Sterling	5.9765		5.6954	
Singapore dollar	2.2294		2.1956	
100 Japanese Yen	3.5691		3.5714	
100 Thai Baht	9.9947		9.7025	
100 Phillippine Peso	9.2082		8.9092	
100 Indonesian Rupiah	0.0479		0.0441	
100 Korean Won	0.3424		0.3364	
Capital Market				
	April		May	
Funds raised by public sector (RM million)	2,998.0		-3.4	
private sector (RM million)	75.7		623.6	
Kuala Lumpur Composite Index (end-period)	898.35		911.51	
KLSE Market Capitalisation (RMb)(end-period)	641.07		636.11	