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

Monetary growth continued to reflect the robust economic performance and continued strong external demand in April. The period was characterised by strong growth in domestic consumption as well as resumption in private investment activities, and pick up in lending by financial institutions. There was also ample liquidity in the banking system and inflation remained low.

**Monetary Developments**

The monetary situation improved in April with **broad money, M3**, turning around to increase by RM189 million (-RM10 million in March). On an annual basis, M3 increased by 4.6% at end-April (5.8% at end-March).

In terms of **components**, transaction balances (comprising currency in circulation and demand deposits) was lower by RM0.6 billion, due solely to the decline in demand deposits (-RM0.8 billion) while currency in circulation increased by RM161 million. Broad quasi-money recorded an increase of RM0.8 billion (RM3.5 billion in March), reflecting mainly an increase in NIDs, repos, foreign currency deposits and fixed deposits. Savings deposits declined.

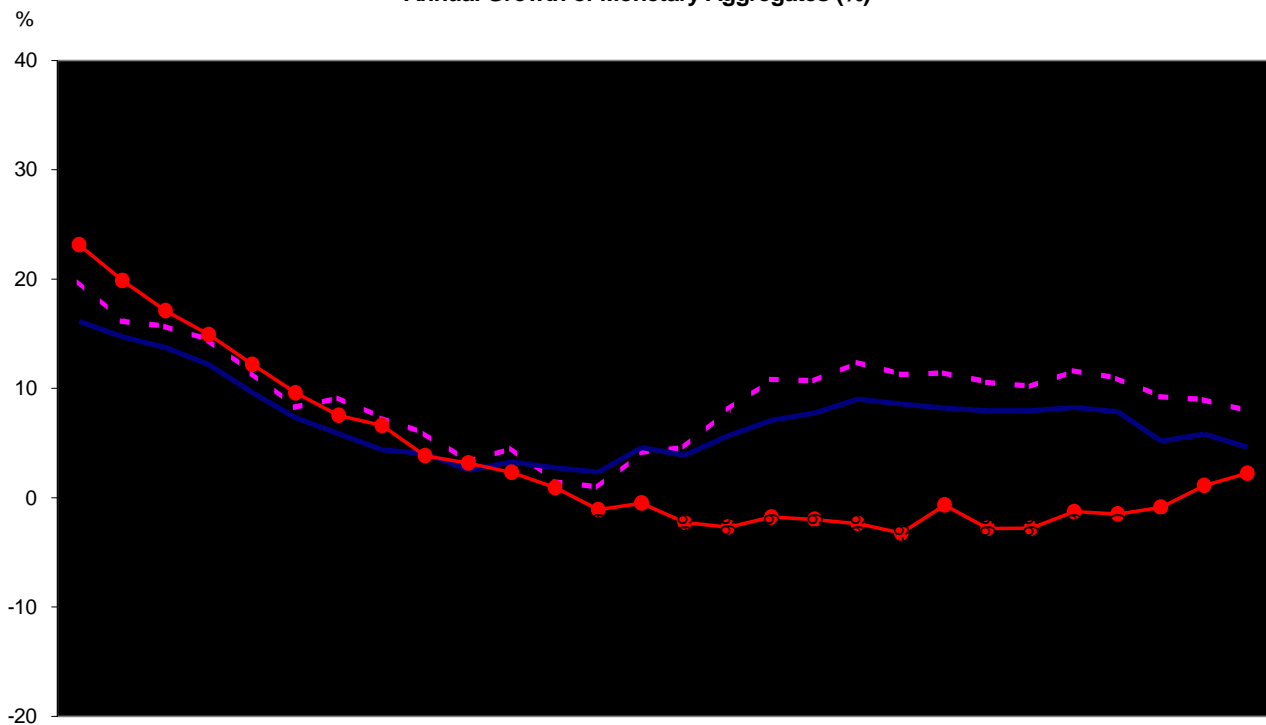
In terms of **determinants**, the increase in M3 emanated mainly from higher claims on the private sector and external operations. Claims on the private sector increased by RM2.2 billion due to higher loans extended by the banking institutions (RM0.9 billion) as well as increased holdings of securities by the banking system (RM1.3 billion). At the same time, net external assets increased by RM1.3 billion reflecting the large trade surplus. On the other hand, the Government sector exerted a contractionary impact of RM0.8 billion reflecting largely the placement of deposits with BNM (RM1.4 billion) following the issuance of MGS during the month.

**M3 Determinants**  
(change during the period in RM billion)

	1999 <sup>1/</sup>		2000		
	Dec.	Jan.	Feb.	Mar.	Apr.
M3	11.2	0.1	-1.4	...	0.2
Of which:					
Claims on Government	1.1	1.8	-1.0	-2.0	-0.8
Claims on private sector	0.7	-2.4	1.0	0.8	2.2
External operations	6.1	6.5	5.4	-1.4	1.3
Other influences	3.4	-5.8	-6.8	2.6	-2.6

1/ Effective 1 January 1999, all foreign currency assets and liabilities are only revalued at the end of each quarter.

**Annual Growth of Monetary Aggregates (%)**



## Banking System

On an annual basis, **total deposits** mobilised by the banking system rose by 1.4% as at end-April. On a month-on-month basis, total deposits was slightly lower by 0.1% or RM0.5 billion (-0.7% or -RM3 billion in March) due to lower placement of deposits among the financial institutions and net withdrawals by the Government and statutory authorities. However, deposits of business enterprises were higher by RM2.6 billion.

By type, there was a decline in NIDs (-RM2.5 billion), partly reflecting the non-renewal of maturing contracts issued between banking institutions amid an ample liquidity situation and relatively lower NID rates, especially at the shorter end of the market. In addition, there was a decline in demand deposits (-RM1.1 billion), mainly attributable to net withdrawals by business enterprises, non-bank financial institutions and the Federal Government. A decline of RM0.8 billion was also recorded in savings deposits. These declines were partially offset by higher fixed deposits (+RM2.5 billion) due mainly to placements by business enterprises as well as an increase in foreign currency deposits (+RM1.1 billion).

**Deposits and Loans of the Banking System (RM million)**

	Monthly change 2000		As at end of 2000	
	Mar	Apr.	Mar.	Apr.
Deposits				
Commercial banks	-1,916	1,997	334,326	336,322
Finance companies	-1,306	-2,713	86,962	84,249
Merchant banks	224	168	24,970	25,138
Banking system	-2,998	-549	446,258	445,709
Loans <sup>1</sup>				
Commercial banks	1,938	1,069	322,034	323,103
Finance companies	-360	773	84,264	85,037
Merchant banks	-22	-90	21,036	20,946
Banking system	1,555	1,753	427,333	429,086
Loans <sup>2</sup>				
Commercial banks	1,379	844	282,952	283,796
Finance companies	-552	-74	74,104	74,030
Merchant banks	-59	-90	17,777	17,687
Banking system	768	680	374,833	375,513
Resource surplus (+)/gap(-) <sup>2</sup>	-3,766	-1,229	71,425	70,196
<b>Loan-deposit ratio (%)<sup>2</sup></b>			<b>84.0</b>	<b>84.3</b>

<sup>1</sup> Including loans sold to Cagamas and Danaharta.

<sup>2</sup> Excluding loans sold to Cagamas and Danaharta.

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

Consistent with the robust economic activities, **total loans approved** by the banking system remained high at RM11 billion in April (RM11.2 billion in March). The loan approvals was for the purchase of residential property (RM2.8 billion), consumption credit (RM1.9 billion), and financing manufacturing activities (RM1.5 billion) and wholesale trade (RM0.9 billion). Of significance were the progressive larger amounts of loans approved for manufacturing activities and for the purchase of residential property, since the beginning of the year, in tandem with the strong performance of these sectors. **Total loans disbursed** amounted to RM25.6 billion in April (RM30 billion in March) with the disbursements to the manufacturing sector amounting to RM6.7 billion, the wholesale and retail trade, RM3.9 billion, for consumption credit, RM3.2 billion, and for the purchase of residential property, RM2 billion.

**Total loans outstanding** (including loans sold to Cagamas and Danaharta) extended by the banking system increased further for the third consecutive month by RM1.8 billion or 0.4% in April (+RM1.6 billion or 0.4% in March). On an annual basis, total loans outstanding increased by 1.1% at end-April with commercial banks recording an annual growth of 3.3%. The bulk of the increase was extended for the purchase of residential property, consumption credit and to the manufacturing sector.

As there was an increase in total loans outstanding (excluding loans sold to Cagamas and Danaharta) while deposits were lower, the banking system recorded a **resource gap** of RM1.2 billion in April. Consequently **loan-deposit ratio** increased marginally to 84.3% (84% at end-March).

#### Banking System: Loans by Sector (RM million)

	Monthly change 2000		As at end of 2000	
	Mar.	Apr.	Mar.	Apr.
Agriculture	231	93	9,394	9,486
Mining and quarrying	-64	34	1,725	1,759
Manufacturing	-90	521	65,061	65,582
Electricity	327	-62	6,861	6,799
Wholesale, retail, restaurant & hotel	354	-158	36,579	36,422
Broad property sector	1,249	756	155,572	156,329
<i>Construction</i>	111	-266	42,318	42,052
<i>Residential property</i>	1,092	962	66,454	67,415
<i>Non-residential property</i>	-87	73	28,541	28,614
<i>Real estate</i>	133	-12	18,260	18,247
Transport, storage and communications	-217	-19	15,347	15,328
Finance, insurance and business services	-1,141	-472	32,661	32,189
Consumption	456	839	50,746	51,586
Purchase of securities	137	82	33,628	33,709
Others	311	138	19,758	19,896
<b>Total loans outstanding<sup>1</sup></b>	<b>1,555</b>	<b>1,753</b>	<b>427,333</b>	<b>429,086</b>

<sup>1</sup> Including loans sold to Cagamas and Danaharta.

## Interest Rates

The ample liquidity in the interbank money market continued to keep interbank rates low in April and May.

**Movement of Interbank Rates**  
(average rates during period, % per annum)

Tenure	March	Direction of Change	April	Direction of Change	1-26 May	Tenure
3-Mth	3.14	↘	3.16	↘	3.12	3-Mth
1-Mth	2.75	↘	2.73	↘	2.70	1-Mth
1-Wk	2.63	↘	2.59	↘	2.59	1-Wk
O/night	2.57	↘	2.51	↘	2.55	O/night

The **base lending rates** (BLR) of commercial banks eased slightly for the first time since August 1999 to 6.78% at end-April (6.79% previously) as two commercial banks reduced their BLR marginally during the month. However, the BLR of finance companies remained unchanged at 7.95%. The **average lending rates** (ALR) of both the commercial banks and finance companies were relatively stable at 7.77% and 11.23% respectively at end-April (7.74% and 11.24% respectively at end-March).

In terms of **fixed deposits (FD) rates**, the ample liquidity situation resulted in a slight easing in FD rates of maturities between one to nine months. However, the 12-month FD rates remained unchanged. Hence, the one to nine-month FD rates of commercial banks and finance companies as at 15 May were in the range of 3.20-3.51% and 3.24-3.70% respectively (3.22-3.55% and 3.28-3.74% respectively at end-March). The **interest margins** of the commercial banks and finance companies widened further to 4.63% and 7.10% respectively at end-April (4.54% and 6.99% respectively at end-March) due to the fall in their average cost of funds vis-à-vis the average lending rates.

## Developments in the Banking System

The **banking system** recorded a higher risk-weighted capital ratio of 13.1% at the end of April, well above the minimum requirement of 8%, with the core capital ratio improving by 0.2 percentage point to 10.6%. Net non-performing loans ratio of the banking system continued to decline marginally to 6.5% as at end of March on a six-month classification.

Banking System Health Indicators									
	1998		1999			2000			
	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.	Feb.	Mar.	Apr.
<b>Capital</b>									
Core-capital ratio (%)	8.7	8.7	10.2	10.3	10.0	10.0	10.2	10.4	10.6
RWCR (%)	11.8	12.3	12.7	12.7	12.3	12.5	12.6	12.8	13.1
<b>Net NPL (6-month classification)</b>									
Banking system (%)	7.5	7.9	7.9	7.7	6.6	6.7	6.6	6.5	n.a
Banking system (RM million)	29,286	29,869	29,696	28,705	24,340	24,384	24,356	23,780	n.a
<b>GP/Net total loans (6-month,%)</b>	2.0	1.8	1.8	1.8	1.8	1.9	1.9	1.9	n.a

n.a Not available

With regard to the financial sector restructuring, as at the end of April, Danaharta had acquired and is managing a total of RM35.3 billion worth of NPLs from the banking system, representing approximately 43% of total NPLs in the banking system. Following the success of the first tender exercise in December 1999, Danaharta launched its second sale of assets, involving 123 properties with a combined indicative value of RM276.43 million. Out of the 123 properties tendered, Danaharta received successful bids for 69 properties for a total consideration of RM106.43 million, 2% higher than their total indicative value of RM104.23 million.

Capital injection by Danamodal remained at RM5.2 billion as at end-April. To date, CDRC has received 69 applications with debts totalling RM36.9 billion, of which 21 debt restructuring schemes amounting to RM15.9 billion have been completed and are in various stages of implementation. Nine cases amounting to RM1.8 billion are being resolved by Danaharta. Fourteen cases involving debts worth RM2.9 billion have been rejected and the debt restructuring schemes for the remaining 25 cases amounting to RM16.2 billion are currently being worked out and are expected to be completed by the third quarter of this year.

## International Reserves

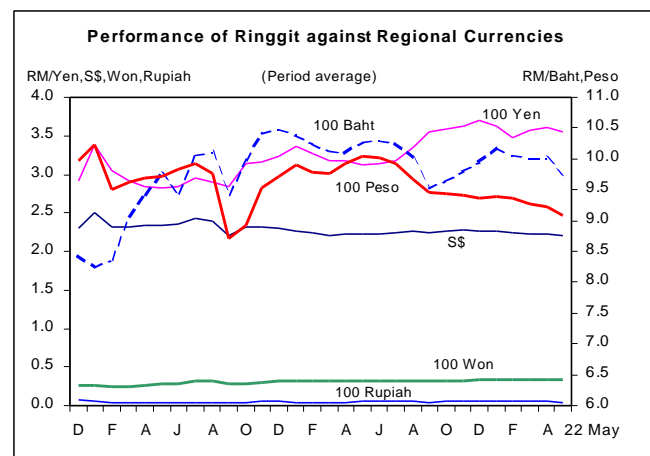
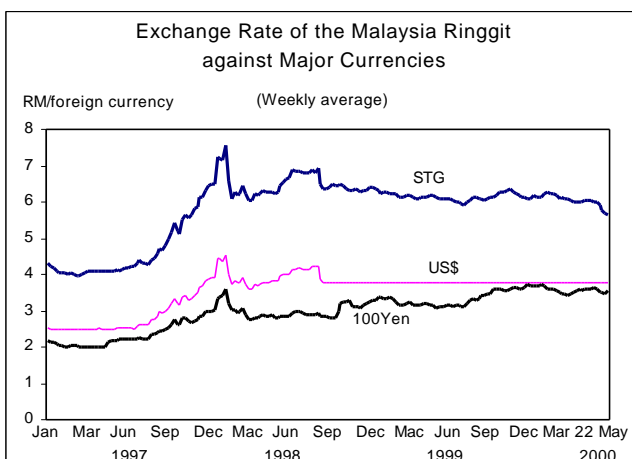
The **international reserves** of BNM increased by RM2 billion to RM130.9 billion (US\$34.5 billion) at the end of April due to strong trade inflows. As at 15 May, reserves was sustained at RM129.8 billion (US\$34.2 billion), equivalent to 6.1 months of retained imports and was 6.6 times the short-term external debt.

## Exchange Rates

The ringgit appreciated against the **major currencies** in April, in tandem with the movements of the US dollar in the international foreign exchange markets. The continued strong performance of the US economy supported the dollar during the month. Meanwhile, speculation on a possible downgrade of Japan's sovereign debt ratings by Moody's undermined the movements in the yen. As a result, the ringgit appreciated against the Japanese yen (+0.8%), pound sterling (+1.4%) and the Euro (+5.3%).

The ringgit also registered an appreciation against **most regional currencies** with the exception of the Singapore dollar. The ringgit appreciated against the Thai baht (+0.4%), Philippine peso (+0.5%) and the Indonesian rupiah (+4.4%), but depreciated against the Singapore dollar (-0.8%).

In the period 1-26 May, the ringgit continued to appreciate against most of the major currencies in tandem with the movements of the US dollar during the period. The ringgit appreciated against the Japanese yen and the pound sterling, while depreciating against the euro. Meanwhile, the ringgit appreciated against the regional currencies in the range of 1.6 – 2.2%.



### Performance of Ringgit against Selected Currencies <sup>1</sup>

RM per foreign currency	End-June 1997	2 September 1998	26 May 2000	% change Since end-June 1997	% change Since 2 Sept. 1998
US dollar	2.5235	3.8000	3.8000	-33.6	0.0
100 Japanese yen	2.2088	2.7742	3.5250	-37.3	-21.3
Singapore dollar	1.7647	2.1998	2.1934	-19.5	0.3
100 Thai baht	9.7470	9.3713	9.7199	0.3	-3.6
100 Philippine peso	9.5878	8.8302	8.8547	8.3	-0.3
100 Indonesian Rupiah	0.1038	0.0354	0.0448	131.7	-21.0
100 Korean won	0.2842	0.2827	0.3349	-15.1	-15.6

<sup>1</sup> Rates quoted are the average of buying and selling in the Kuala Lumpur interbank foreign exchange market at noon.

## Inflation

The annual rate of **inflation** as measured by the Consumer Price Index (CPI) remained stable at 1.5% in April. Most sub-indices recorded lower or stable price increases. Higher price increases occurred in the transport and communication; gross rent, fuel and power; and medical care and health expenses sub-sectors. The clothing and footwear sub-index continued to record a price decline, albeit at a slower rate. For the first four months of 2000, the CPI rose by 1.5% compared with 3.8% in the corresponding period of 1999. Excluding food, the CPI rose by 1% in the first four months of 2000 (2.3% in the corresponding period of 1999).

## Capital Market

**Net funds raised in the capital market** were lower in April, amounting to RM3 billion (March: RM6.1 billion), reflecting mainly the lower net funds raised by the private sector. The private sector raised a net amount of RM38 million (RM2.5 billion in March), reflecting the net redemptions of private debt securities and lower issuance of shares. Meanwhile, the public sector raised a net amount of RM2.9 billion (RM3.6 billion in March) through the re-opening of an earlier Malaysian Government Securities issue.



**Funds Raised in the Capital Market <sup>P</sup> (RM million)**

	1999	2000	
		Mar.	Apr.
<b>By Public Sector</b>			
Net Funds Raised	6,297	3,579	2,938
<b>By Private Sector</b>			
Shares	6,087	613	43
Debt Securities <sup>1</sup>	17,553	1,937	580
Less Redemptions	12,750	14	585
<i>Equals</i> Net Issues	4,803	1,923	-5
Net Funds Raised	10,890	2,536	38
<b>Net Funds Raised in the Capital Market</b>	<b>17,187</b>	<b>6,115</b>	<b>2,976</b>

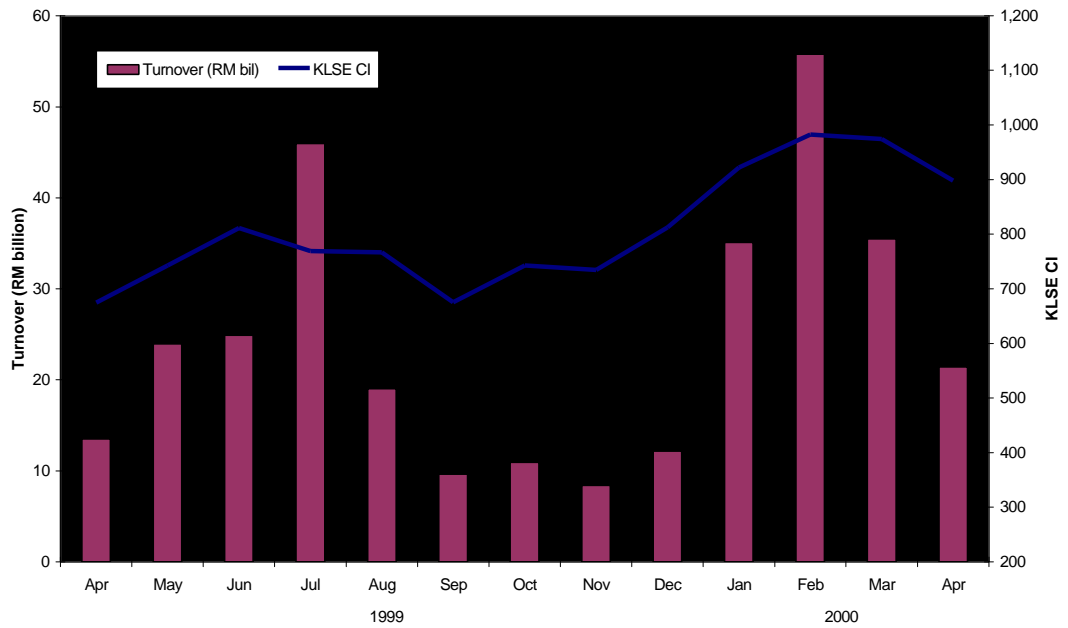
<sup>P</sup> Preliminary.

<sup>1</sup> Excludes debt securities issued by banking institutions.

Market sentiment on the **Kuala Lumpur Stock Exchange (KLSE)** was weak in April. The KLSE Composite Index (KLSE CI) declined by 7.8% during the month following declines in the United States and regional stock markets. Of significance, was the sharp decline (-5.8%) of the KLSE CI on 17 April to 874.97 points. This was due to the significant fall in the U.S. stock markets on 14 April subsequent to the release of higher-than-expected U.S. CPI data and fear of U.S. interest rate increases. Market sentiment recovered subsequently following the recovery in the U.S. stock markets. Nevertheless, trading remained thin. As at 28 April, the KLSE CI closed at 898.35 points while the KLSE market capitalisation amounted to RM641.1 billion.

Market sentiment on the KLSE was mixed in the period 1 - 26 May. The KLSE CI rose in early May following position taking ahead of Malaysia's impending reinstatement into the Morgan Stanley Capital International (MSCI) indices. The KLSE CI then declined following declines in other regional indices following expectations of a hike in U.S. interest rates. The KLSE CI recovered to 950.62 points on 19 May with the confirmation of Malaysia's reinstatement into the MSCI indices. However, the KLSE CI declined subsequently following the US and other regional stock markets. As at 26 May, the KLSE CI closed at 884.6 points (-1.5% since end-April), while the KLSE market capitalisation amounted to RM620.7 billion (-3.2% since end-April).

KLSE: Turnover and KLSE CI



Bank Negara Malaysia  
29 May 2000

## Key Monetary and Banking Statistics

	March		April	
	Outstanding (RM billion)	Annual growth (%)	Outstanding (RM billion)	Annual growth (%)
<b>Monetary Aggregates</b>				
Reserve money	37.1	3.3	37.0	4.4
M1	68.0	28.2	67.4	23.5
M2	329.0	9.0	331.5	7.9
M3	433.4	5.8	433.5	4.6
By determinants:				
Claims on the private sector	445.3	1.1	447.5	2.2
Claims on the Government	-19.9	4.0	-20.7	5.4
External sector	134.1	34.4	135.4	27.1
Other influences	-126.1	13.2	-128.7	16.8
<b>Banking System</b>				
Total deposits	446.3	2.3	445.7	1.4
Total loans (including loans sold to Cagamas and Danaharta)	427.3	0.4	429.1	1.1
Of which:				
Manufacturing	65.1	2.3	65.6	2.6
Broad property	155.6	3.0	156.3	3.8
Construction	42.3	-6.1	42.1	-6.5
Residential property	66.5	15.9	67.4	16.9
Non-residential property	28.5	-8.4	28.6	-6.2
Real estate	18.3	4.2	18.2	4.7
Finance, insurance and business services	32.7	-14.7	32.2	-15.3
Consumption	50.7	2.8	51.6	4.0
Total loans (including loans sold to Cagamas and excluding loans sold to Danaharta)	392.3	-2.5	393.8	-1.4
Total loans (excluding loans sold to Cagamas and Danaharta)	374.8	-2.7	375.5	-1.8
Loan-deposit ratio (%)	84.0		84.3	
Loans approved during the month	11.2		11.0	
Loans disbursed during the month	30.0		25.6	
<b>International Reserves of BNM</b>				
	<b>As at end-March</b>		<b>As at end-April</b>	
Reserves in RM (billion)	128.9		130.9	
Reserves in USD (billion)	33.9		34.5	
Months of retained imports	6.1		6.2	
<b>Interest Rates</b> <span style="float: right;">(average rates at end-period)</span>				
Interbank: 1-month	2.75		2.71	
3-month	3.19		3.19	
Fixed deposits of commercial banks:				
1-month	3.22		3.21	
3-month	3.28		3.26	
BLR of commercial banks	6.79		6.78	
<b>Banking System Health</b>				
	<b>As at end-March</b>		<b>As at end-April</b>	
Risk-weighted Capital Ratio (RWCR) (%)	12.8		13.1	
Net NPLs (%): 6-Month	6.5		n.a.	
<b>Capital Market</b>				
	<b>As at end-March</b>	<b>Monthly (%)</b>	<b>As at end-April</b>	<b>Monthly (%)</b>
Kuala Lumpur Composite Index (KLSE CI)	974.38	-0.8	898.35	-7.8
KLSE Market Capitalisation (RM billion)	707.34	1.1	641.07	-9.4

