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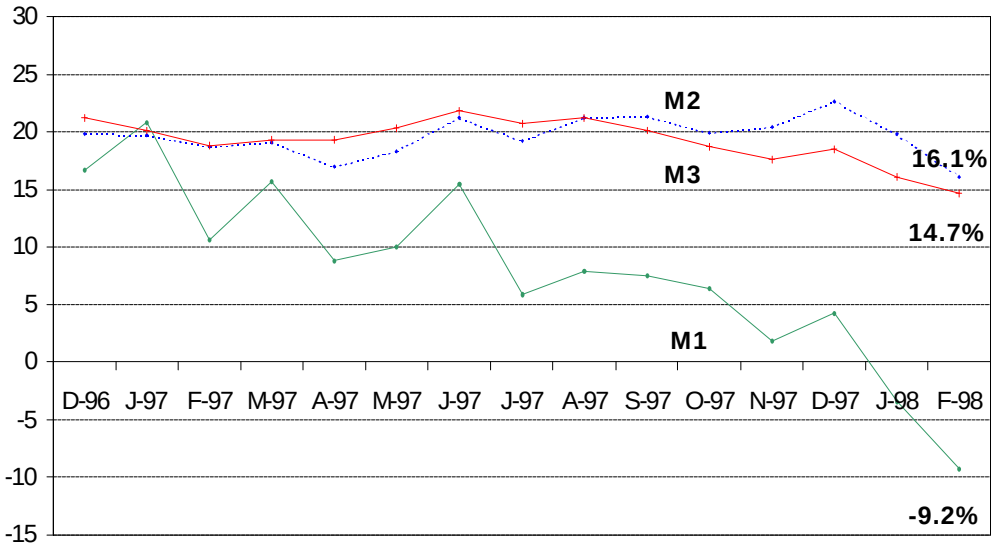
PRESS RELEASE ON MONETARY AND FINANCIAL DEVELOPMENTS FEBRUARY 1998

Monetary Situation

Money supply, M3, recorded a smaller increase of RM245 million in February (+RM3.2 billion in January), causing a further moderation in its annual growth to 14.7% (16.1% in January). In terms of its components, the slowdown reflected a substantial reduction in transaction balances after the festive season. Currency in circulation declined by RM5 billion during the month, almost reversing the pre-festive increase of RM5.2 billion in January. Demand deposits also decreased by RM1.9 billion. There was evidence of some shifting of funds from transaction balances to quasi money with the latter rising by RM7.2 billion.

In term of determinants, claims on the private sector declined by RM4 billion (+RM7 billion in January). Government budgetary operations contracted by RM3.2 billion due mainly to a build-up of Federal Government deposits with BNM. Meanwhile, the external sector was expansionary on M3 by RM6.2 billion. This was attributed to a substantial decline of RM6 billion in the net foreign liabilities of the banking system, mainly resulting from repayment of short-term borrowings.

Annual Growth of Monetary Aggregates (%)



Banking Situation

Total deposits increased by RM2.1 billion in February (-RM4.8 billion in January), with the bulk of the placements being made by individuals (RM5 billion). However, deposits placed by business enterprises recorded a decline of RM3.5 billion. On an annual basis, deposit growth moderated slightly to 15.9% (16.4% at end-January).

Meanwhile, total loans (including loans sold to Cagamas) declined by RM4.4 billion (+RM4.1 billion in January). Consequently, the annual growth rate moderated to 20.1% at the end of the month (23.4% at end-January). The decline in loans during the month reflected the impact of the economic slowdown as well as the large repayment of loans by infrastructure companies and the writing-off of non-performing loans. By sectors, the decline in loans was due mainly to lower hire-purchase loans for commercial vehicles (-RM2.6 billion), and declines in loans channelled to the finance, insurance and business services (-RM1 billion) and construction (-RM0.7 billion) sectors. Loan approvals moderated further during the month to RM3.5 billion, with the bulk being channelled to the productive sectors.

As a result of the increase in deposits and the decline in loans, the banking system recorded a resource surplus of RM6.9 billion in February. Thus, the outstanding resource surplus of the banking system increased to RM30 billion at end-February from RM23.1 billion at end-January. Consequently, the loan-deposit ratio declined to 93% (94.6% at end-January).

Deposits and Loans of the Banking System

	Monthly change		**As at end of**	
	1998		**1998**	
	January	**February**	**January**	**February**
	RM million			
Deposits				
Commercial banks	-5,647	994	294,744	295,738
Finance companies	1,413	992	107,924	108,916
Merchant banks	-536	133	25,854	25,987
Total	-4,770	2,119	428,522	430,641
Loans[1]				
Commercial banks	4,105	-3,354	280,222	276,868
Finance companies	-547	-1,122	101,999	100,877
Merchant banks	156	-279	23,207	22,928
Total	3,714	-4,755	405,428	400,673
Resource surplus (+)/gap (-)	-8,484	6,874	23,094	29,968
Loan-deposit ratio			**94.6**	**93.0**

[1] Excluding housing loans sold to Cagamas Berhad

Loans by the Banking System				
	Monthly change		As at end of	
	1998		1998	
	January	February	January	February
	RM million			
Agriculture	96	-136	7,731	7,595
Mining and quarrying	28	37	1,432	1,469
Manufacturing	2,054	-620	65,321	64,701
Electricity	175	-120	4,637	4,517
Wholesale, retail, restaurant & hotel	412	-372	35,361	34,989
Broad property sector[1]	1,231	-18	140,882	140,864
Transport & storage	207	-215	13,341	13,126
Finance, insurance and Business services	757	-1,018	36,895	35,877
Purchase of securities	262	-360	39,173	38,813
Consumption	637	1,802	54,335	56,137
Others	-1,808	-3,370	25,985	22,615
Total Loans[1]	4,051	-4,390	425,093	420,703

[1] Including housing loans sold to Cagamas.

Interest Rates

The impact of the reduction of the SRR from 13.5% to 10% in mid-February was more than offset by the reduction in BNM direct deposit placements with the banking institutions. As a result, liquidity conditions in the banking system remained relatively tight. The tighter liquidity condition was also accompanied by an increase in BNM's 3-month intervention rate from 10% to 11%. However, there was some easing of pressure on the shorter-term rates. This was in part due to the reduction in the SRR, which allowed a more even distribution of liquidity within the banking system. It also reflected the improvement in overall liquidity as the banking system experienced a resource surplus during the month.

The average 3-month fixed deposit rates of commercial banks and finance companies were revised upwards by 37 and 10 basis points to 9.46% and 10.71% respectively in February. Meanwhile, merchant banks, whose fixed deposit rates were typically at about 12%, revised their 3-month fixed deposit rates downwards to

11.01%. The average base lending rate of the commercial banks increased from 10.44% in January to 11.08% in February.

Capital Market

Net long-term funds raised in the capital market amounted to RM1.7 billion in February (a net redemption of RM378 million in January) due entirely to funds sourced by the private sector from the stock and private debt securities markets.

Funds Raised in the Capital Market [p]

	1997	1998	
	Year	Jan.	Feb.
	RM million		
By Public Sector			
Net Funds Raised by Public Sector	-1,407	-35	-
By Private Sector			
Shares	18,225	48	398
Debt Securities [1]	19,546	704	1,370
Less Redemptions	2,998	1,095	46
Equals Net Issues	16,548	-392	1,324
Net Funds Raised by Private Sector	34,773	-343	1,722
Net Funds Raised from the Capital Market	33,366	-378	1,722
Net Issue of Short-Term Securities [2]	4,946	700	250
Total	38,312	322	1,972

[p] Preliminary.

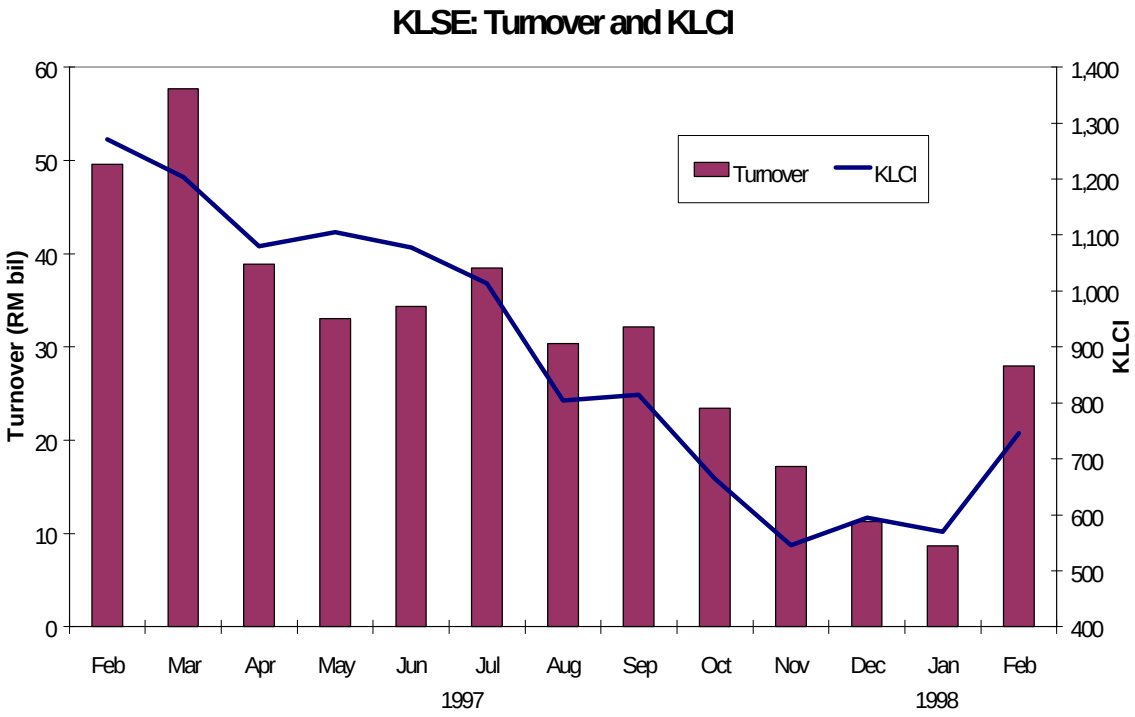
[1] Excludes debt securities issued by banking institutions.

[2] Refers to Cagamas Notes and Commercial Papers. For 1998, it refers to Cagamas Notes only.

Sentiment on the Kuala Lumpur Stock Exchange was generally positive in February compared with January due to a stronger ringgit, a record trade surplus for 1997, the reduction in SRR, news on more financial institution mergers, and various announcements made by the Government, including the stance of not bailing out troubled companies and the liberalisation of foreign equity ownership. Nevertheless,

the improvement in the market was capped by the failure of a merger talk between two banks and continued uncertainties in Indonesia. Reflecting these developments, the Kuala Lumpur Composite Index (KLCI) and market capitalisation rose by 30.9% and 33.5% respectively to close at 745.36 points and RM478 billion respectively at the end of the month.

In March, sentiment showed signs of weakness following the announcement by Bank Negara Malaysia on the need for the recapitalisation of four banking institutions and the continued impasse between the IMF and Indonesia. Subsequently, there was some strong buying interest ahead of the announcement by the Deputy Prime Minister on further measures to facilitate the country's economic adjustment. The KLCI closed at 731.24 points on 20 March while the market capitalisation stood at RM461 billion.



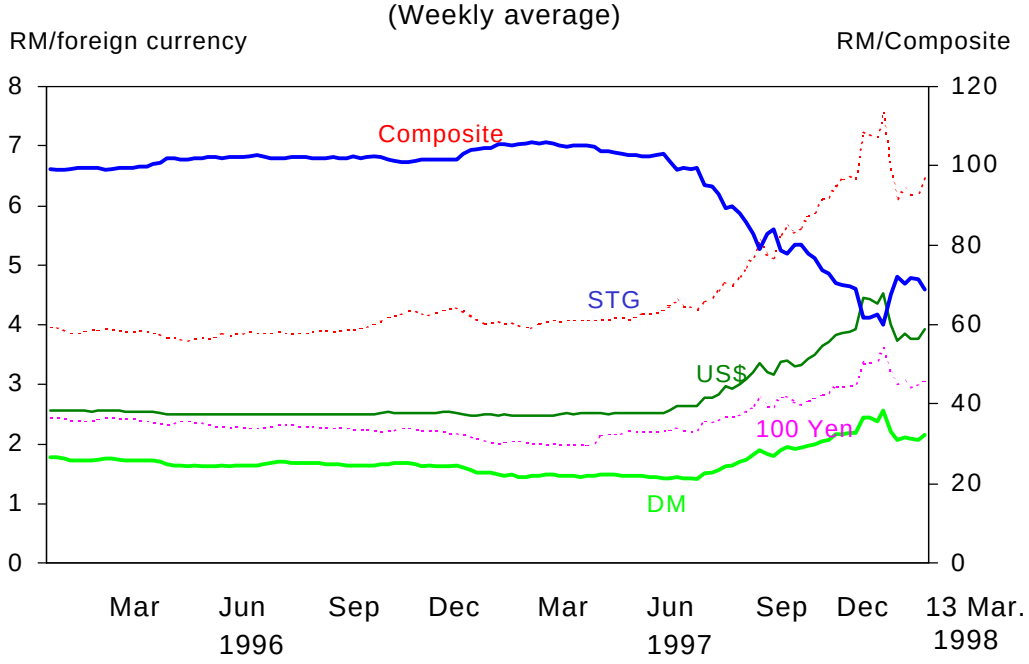
External Reserves

The international reserves held by Bank Negara Malaysia increased by RM148 million from end-January level to RM56.7 billion as at 28 February 1998. The United States dollar equivalent of international reserves was US$20.4 billion, sufficient to finance 3.2 months of retained imports.

Performance of the Ringgit

In February, the ringgit strengthened to close at RM3.6550 against the United States dollar on 27 February, an appreciation of 21.1% against the dollar. Against the composite, the ringgit appreciated by 22.5%.

Exchange Rate of the Malaysian Ringgit against Major Currencies
(Weekly average)



In the period 1-18 March 1998, the ringgit was influenced by domestic and regional developments. The bearish market sentiment amidst concerns over the stability of the Malaysian financial system and fears of a delay in the disbursement of the second IMF tranche of US$3 billion to Indonesia caused the ringgit to decline to US$1= RM4.0600 on 9 March. Thereafter, the ringgit recovered, aided by the liquidation of long dollar positions by offshore funds in expectations of the release of revised data on the economic outlook and easing of contagion from Indonesia because of the adoption of a more flexible approach by IMF in its reform programme. The ringgit closed at US$1=RM3.6900 on 18 March.

Bank Negara Malaysia
25 March 1998

Key Monetary and Banking Statistics

	Jan. 1997		Feb. 1998	
	Outstanding (RM billion)	**Annual growth (%)**	**Outstanding (RM billion)**	**Annual growth (%)**
Monetary Aggregates				
Reserve money	88.5	*25.8*	68.1	*-3.6*
M1	65.2	*-3.4*	58.2	*-9.2*
M2	294.8	*19.8*	290.4	*16.1*
M3	393.8	*16.1*	394.0	*14.7*
By determinants:				
Claims on the private sector	455.3	*23.1*	451.3	*20.0*
Claims on the Government	-5.2		-8.3	
External sector	44.5		50.7	
Other influences	-100.9		-99.6	
Banking System				
Total deposits	428.5	*16.4*	430.6	*15.9*
Total loans (including Cagamas)	425.1	*23.4*	420.7	*20.1*
Of which: Manufacturing	65.3	*22.3*	64.7	*17.3*
Broad property	140.9	*32.1*	140.9	*26.8*
Finance, insurance and business services	36.9	*4.1*	35.9	*2.4*
Consumption	54.3	*25.4*	56.1	*28.6*
Total loans (excluding loans sold to Cagamas)	405.4	*22.7*	400.7	*19.2*
Loan-deposit ratio		*94.6*		*93.0*
Loans approved during the month	5.0		3.5	
International Reserves of BNM	56.6		56.7	
Interest Rates		(percent per annum)		
Interbank: 1-month	10.00		10.90	
3-month	10.00		11.00	
Average fixed deposits of commercial banks:				
1-month	8.86		9.25	
3-month	9.09		9.40	
Average BLR of commercial banks	10.44		11.08	

Bank Negara Malaysia
25 March 1998