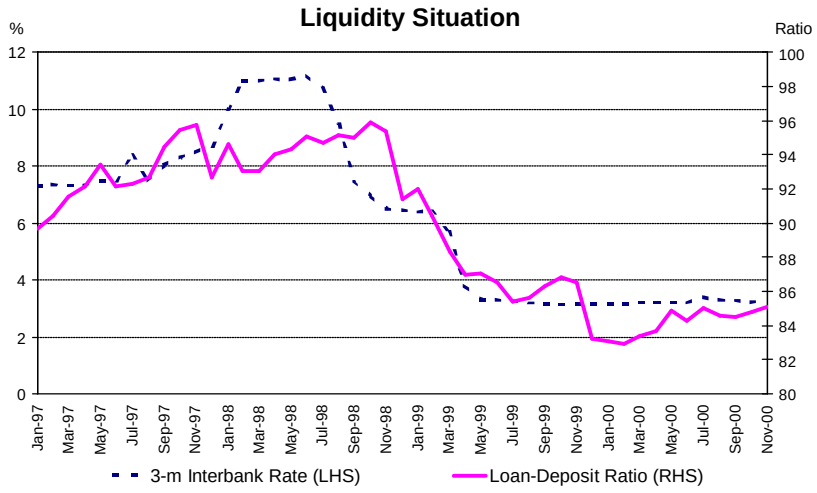
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PRESS RELEASE ON MONETARY AND FINANCIAL DEVELOPMENTS NOVEMBER 2000

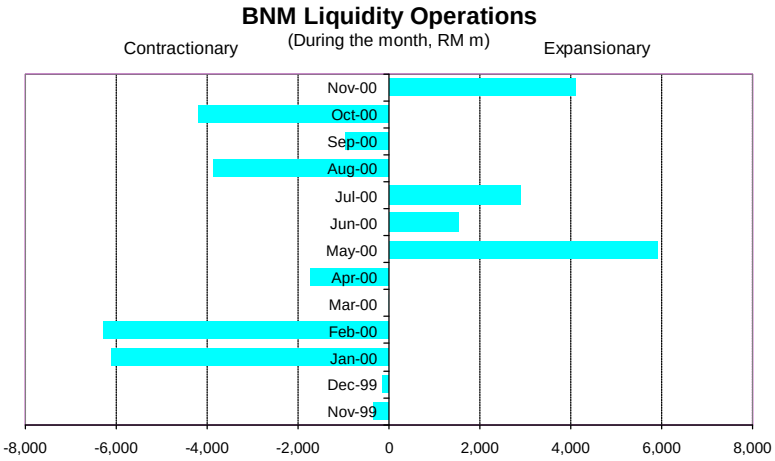
In November, monetary and financial conditions continued to be supportive of economic growth. Inflation remained subdued at the October level, notwithstanding the higher prices of petroleum products and bus fares. Given the low inflation environment, monetary policy remained accommodative. Interest rates were relatively unchanged amidst ample liquidity. Loans extended to households and business sectors remain on the up-trend.

Interbank rates remained relatively stable

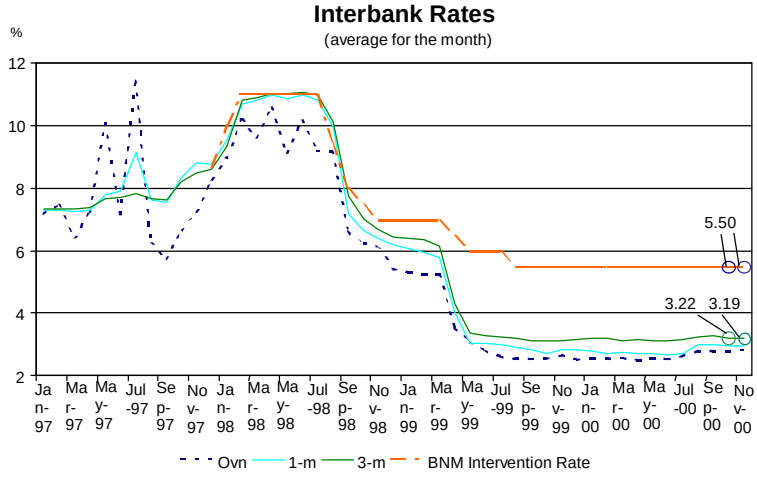
Interbank rates in November and the first two weeks of December remained relatively stable. To ensure stable liquidity conditions, BNM operations were expansionary on the system to mitigate the contractionary impact of the Government operations and external reserves. Meanwhile, liquidity remained ample in the banking system.



Liquidity remained ample

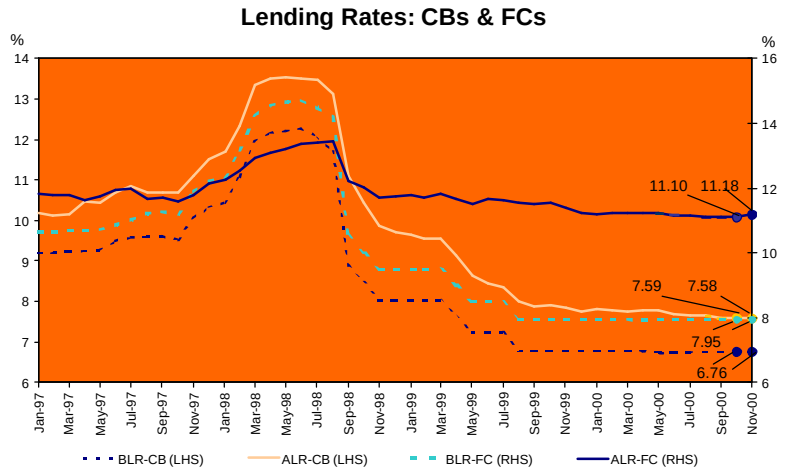


BNM's operations aimed to achieve stable liquidity conditions



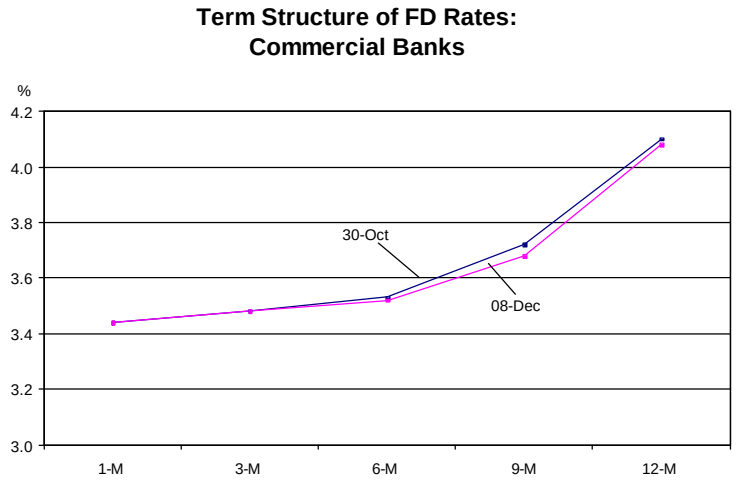
Average interbank rates remained relatively stable in November

The **base lending rates** (BLRs) of commercial banks (CBs) and finance companies (FCs) remained unchanged at end-November. Meanwhile, continued competition among banking institutions in an environment of ample liquidity saw the **average lending rates** (ALRs) of the CBs stabilising at 7.58% at end-November (7.59% at end-October). In the case of the finance companies, the slight increase in their ALR (11.18%; 11.10% at end-October) was a result of a technical adjustment arising from the merger of two finance companies. Adjusting for this, the ALR of FCs was also relatively stable in November.

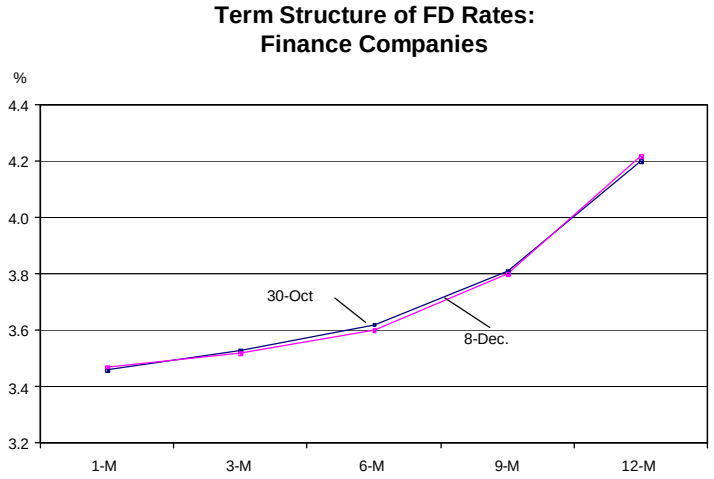


CBs & FCs: BLR and ALR remained relatively stable

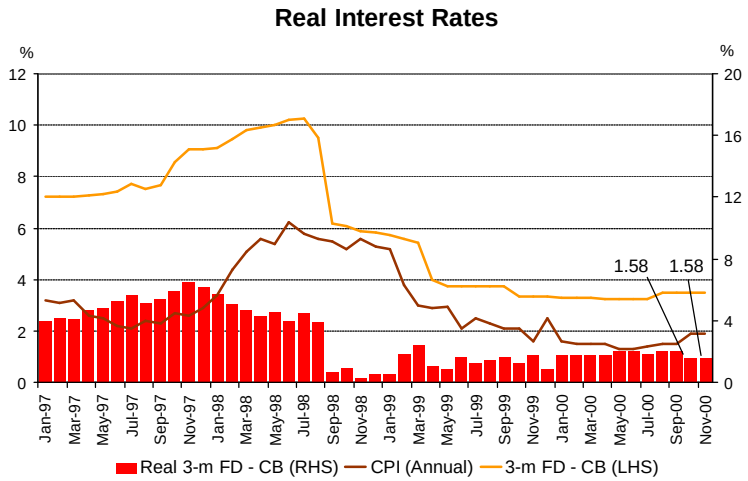
As at 8 December, the **average fixed deposit (FD) rates** of CBs remained unchanged except for those at the longer-maturities which declined somewhat from levels at end-October. On the other hand, for FCs, the average FD rates of 3 to 9-month maturities declined slightly, while that of 1 and 12-month maturities increased slightly. Hence, as at 8 December, the average 1-month to 12-month FD rates of CBs and FCs ranged from 3.44-4.08% and 3.47-4.22% respectively (3.44-4.10% and 3.46-4.20% respectively at end-October). In terms of **interest margin**, the margin of both CBs and FCs declined slightly to 4.30% and 7.11% respectively at end-November (4.31% and 7.13% at end-October).



FD rates declined somewhat especially at the longer-maturities



The FD rates of the 1 and 12-month maturities edged upwards, while that of 3 to 9-month maturities eased somewhat

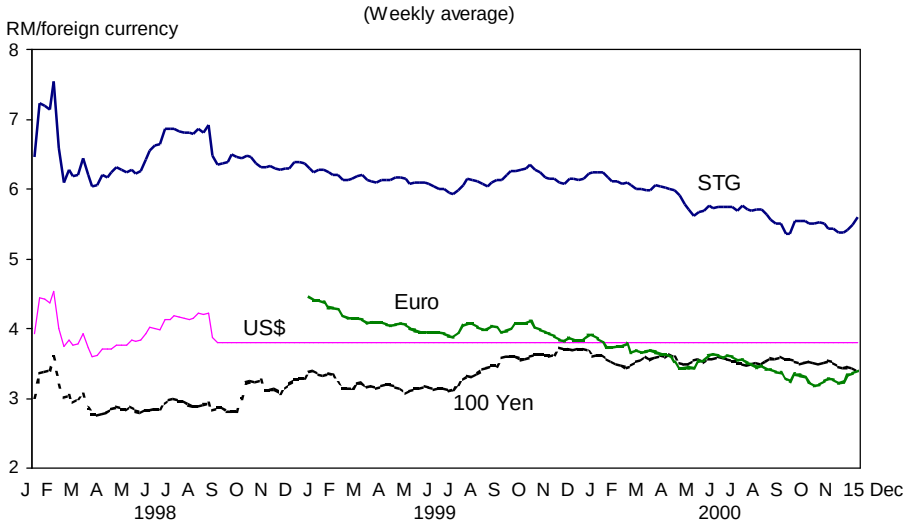


Real FD rates stabilised as both the nominal FD rates and inflation remained unchanged

Ringgit recorded a mixed performance against major currencies and regional currencies

In November, ringgit recorded a mixed performance against most major as well as regional currencies in tandem with the movements of the US dollar in the international foreign exchange markets. The ringgit appreciated by 2.0% against both the euro and the yen, while depreciating against the pound sterling by –2.0%. During the month, the US dollar depreciated against the euro following several unilateral interventions by the European Central Bank in early November to support the euro. Meanwhile, the pound sterling depreciated against the US dollar due to the market perception that there would be no further increase in interest rates in the UK.

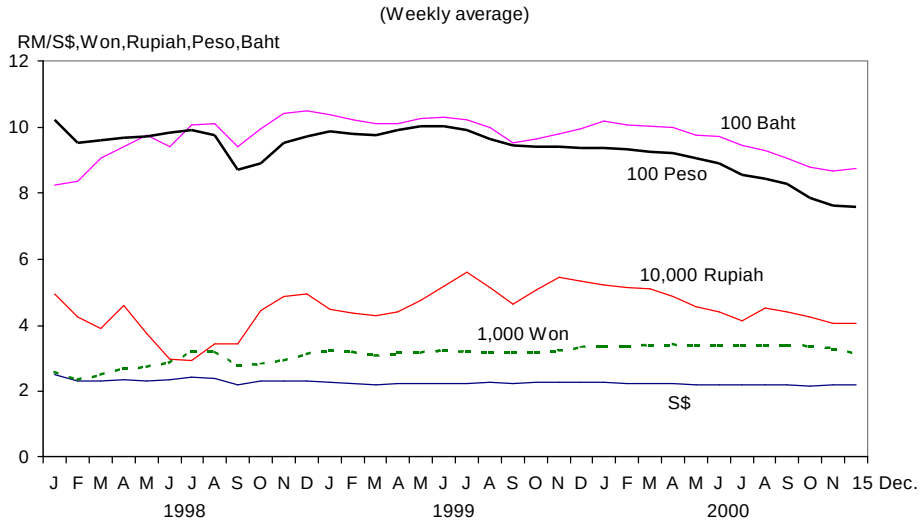
Performance of Ringgit against Major Currencies



The ringgit recorded a mixed performance against major currencies in November

During the same period, the ringgit recorded an appreciation against the Indonesian rupiah and the Korean won by 1.1% and 6.1% respectively. The Korean won depreciated due to concerns over the health of the Korean corporate sector. Meanwhile, the ringgit depreciated against the Philippine peso (-2.6%) following signs of favourable domestic developments in the Philippines. The ringgit remained relatively unchanged against the Thai baht and the Singapore dollar.

Performance of Ringgit against Regional Currencies



Ringgit recorded a mixed performance against regional currencies in November

In the first two weeks of December**, the ringgit depreciated against most major as well as regional currencies.** The ringgit depreciated against the euro and the pound sterling by 3.8% and 3.5% respectively, but appreciated against the yen by 1.3%. Signs of slowing growth in the US combined with volatility in the US equity markets led the dollar to depreciate

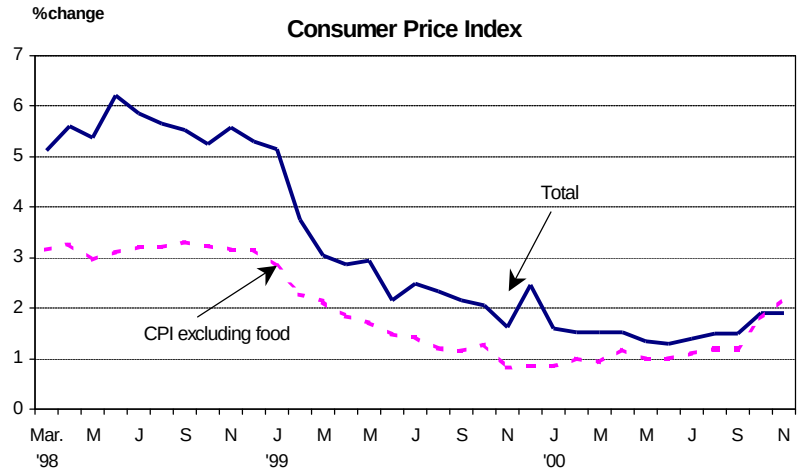
against the euro and the pound sterling. Meanwhile, the yen depreciated against the US dollar following the release of survey results showing that investor confidence in Japan was slowing. During the same period, the ringgit recorded a depreciation against most regional currencies in the range of –0.6% to –1.7%. The regional currencies appreciated against the US dollar following indications that the tightening cycle in the US had ended. Meanwhile, the Philippine peso depreciated against the dollar as a result of domestic developments.

Performance of Ringgit against Selected Currencies

RM per foreign currency	End-June 1997	2 September 1998	15 December 2000	% change		
				Since end-June 1997	Since 2 Sept. 1998	Since end-Nov. 2000
US dollar	2.5235	3.8000	3.8000	-33.6	0.0	0.0
Euro	-	-	3.3921	-	-	-3.8
Pound Sterling	4.1989	6.3708	5.6003	-25.0	13.8	-3.5
100 Japanese yen	2.2088	2.7742	3.3742	-34.5	-17.8	1.3
Singapore dollar	1.7647	2.1998	2.1873	-19.3	0.6	-1.2
100 Thai baht	9.7470	9.3713	8.7467	11.4	7.1	-1.1
100 Philippine peso	9.5878	8.8302	7.5985	26.2	16.2	0.6
100 Indonesian Rupiah	0.1038	0.0354	0.0406	155.7	-12.8	-1.7
100 Korean won	0.2842	0.2827	0.3155	-9.9	-10.4	-0.6

Consumer prices remained stable

In November, the inflation rate, measured by the **Consumer Price Index (CPI)**, remained stable at **1.9%** on an annual basis. Lower or stable prices for most of the sub-indices (51.8% of basket) had offset the higher price increases in four sub-indices, namely, **gross rent, fuel and power; transport and communication; beverages and tobacco; and miscellaneous goods and services**. For the first eleven months of 2000, the overall CPI and CPI excluding food rose by 1.6% and 1.2% respectively compared with 2.8% and 1.6% respectively in the corresponding period of 1999.

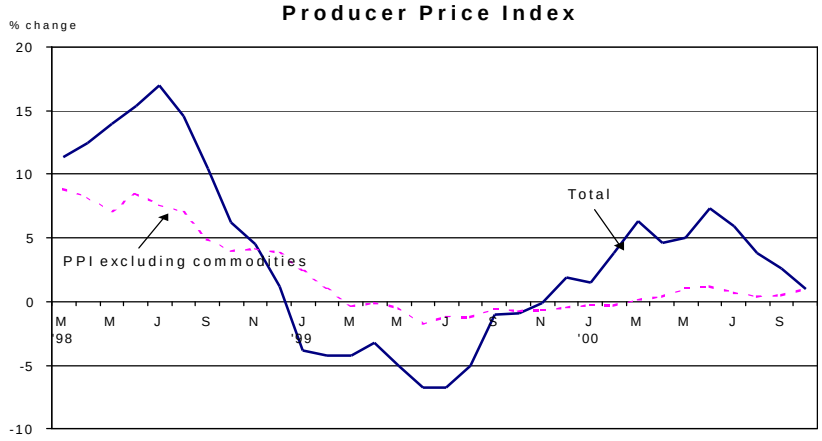


Inflation remained stable

Producer prices moderated further

At the producer level, the annual rate of increase in the Producer Price Index (PPI), moderated further to 1% in October (2.6% in September). The moderation was due entirely to the lower rate of increase in prices of goods charged by domestic producers (1.1% in October compared with 2.8% in September). However, prices paid by importers increased at a higher rate of 1.4% (1.2% in September). Excluding commodities (comprising inedible crude materials; mineral fuels, lubricants and related materials; and animal and vegetable oils and fats), the adjusted PPI rose marginally at an annual rate of 1% in October.

In terms of components, the moderation in the increase in the PPI in October was due to the continued and large price decline recorded by both the "animal and vegetable oil and fats" and "inedible crude materials" groups. The higher rate of increase in prices paid by importers was due to three main groups recording marginally higher price increases, that is, "mineral fuels, lubricants and related materials"; "machinery and transport equipment" and "inedible crude materials except fuels".



Producer prices moderated further

Monetary aggregates expanded further

All **monetary aggregates** expanded in November on a year-on-year basis, with M3 increasing by 5.4% at end-November (6.5% at end-October). On a month-on-month basis, M1 and M2 increased by RM120 million and RM100 million respectively, while broad money, M3, was lower by RM0.9 billion or 0.2% (seasonally adjusted M3 declined by RM0.7 billion).

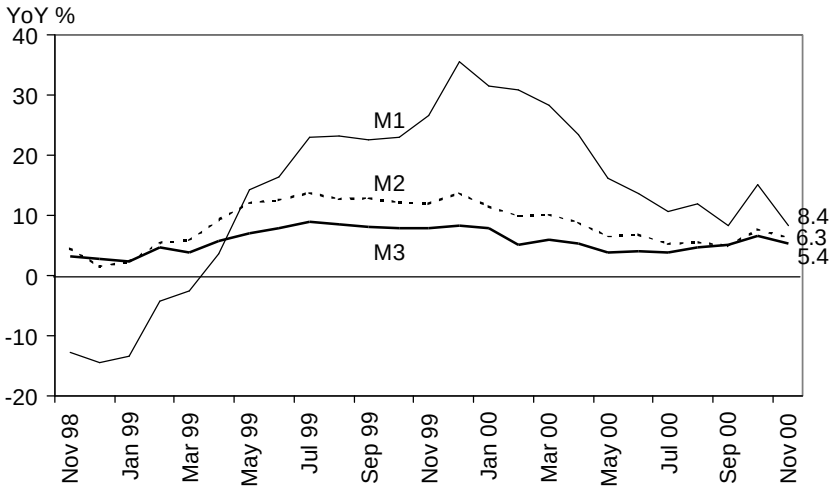
The moderation in M3 growth in November reflected mainly the placement of deposits by a non-bank financial institution (NBFI) with BNM as well as lower net claims on the

Government, which was contractionary on money supply (-RM1.5 billion). The latter reflected largely the increase in Government deposits with BNM arising from the proceeds from the issuance of the Malaysia Euro 650 million Notes due 2005, as well as lower claims on the Government by the banking system due to the sales of Government securities by the banks.

The contractionary impact was offset by the expansionary external operations. While BNM external reserves declined by RM2 billion, net external assets of the banking institutions increased by RM3.9 billion. Claims on the private sector also continued to register an increase, with higher holdings of securities by the banks (RM1.1 billion).

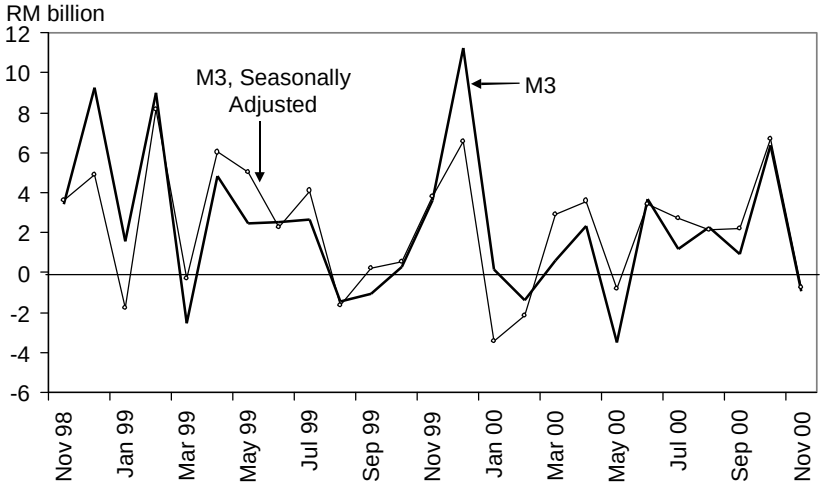
In terms of components, there was an increase in repurchase transactions and savings deposits by the non-bank private sector in November, but these were offset by withdrawals in fixed deposits. The latter is partly attributable to the repayment of debt, year-end repatriation of profits and dividends, as well as income-tax payments by business enterprises.

Monetary Aggregates: Annual Growth



All monetary aggregates continued to expand on a YOY basis in November

M3: Monthly Change



Placement of deposits by a NBFI with BNM and lower net claims on the Government resulted in a lower M3 in November

M3 Determinants

(RM billion)

	Outstanding	Change during the period			
		2000			
	November	September	October	November	Jan. - Nov.
M3	446.3	0.9	6.4	-0.9	11.7
Claims on Government	-16.0	-5.5	8.1	-1.5	2.8
Claims on private sector	464.0	0.1	5.4	1.0	19.1
External operations	128.5	-1.7	-6.6	2.0	3.9
Other influences	-130.2	8.0	-0.5	-2.4	-14.1

Banking system deposits were lower while loans continued on the up-trend

On an annual basis, **total deposits** increased by 3.8% as at end-November (5.2% at end-October). In the first eleven months of the year, deposits increased by RM4.8 billion. Meanwhile, on a month-on-month basis, total deposits declined by RM2 billion or 0.4% in November. The decline reflected net withdrawals by the public sector, as year-end spending picked up, and by a non-bank financial institution. Excluding these withdrawals, deposits would have increased by RM0.2 billion. While deposits by business enterprises recorded a net withdrawal, there was a significant increase in deposits by individuals. The withdrawals by business enterprises were partly for the repayment of debt, year-end repatriation of profits and dividends, as well as income-tax payments.

Monthly Change in Deposits			(RM million)
	2000		
	Sep.	Oct.	Nov.
Holder			
Federal Government	1222	-1438	-269
State Governments	377	-389	-42
Statutory Authorities[1/]	-840	377	-1260
Financial Institutions	1392	697	-805
Business Enterprises	-946	3892	-2089
Individuals	241	436	2716
Others	307	311	-299
Total	**1752**	**3887**	**-2048**

[1/] Include local Governments.

The strong increase in deposits by individuals was more than offset by net withdrawals by business enterprises, statutory authorities and a non-bank financial institution

By type, most deposits rose in November. However, there was a decline in fixed deposits placed mainly by business enterprises, which more than offset the higher placements of other deposits. SPI deposits and repos were higher primarily due to higher placements by business enterprises, reflecting, to some extent, a shift from fixed deposits. Meanwhile, the increase in deposits by individuals was apparent in terms of savings, demand and fixed deposits.

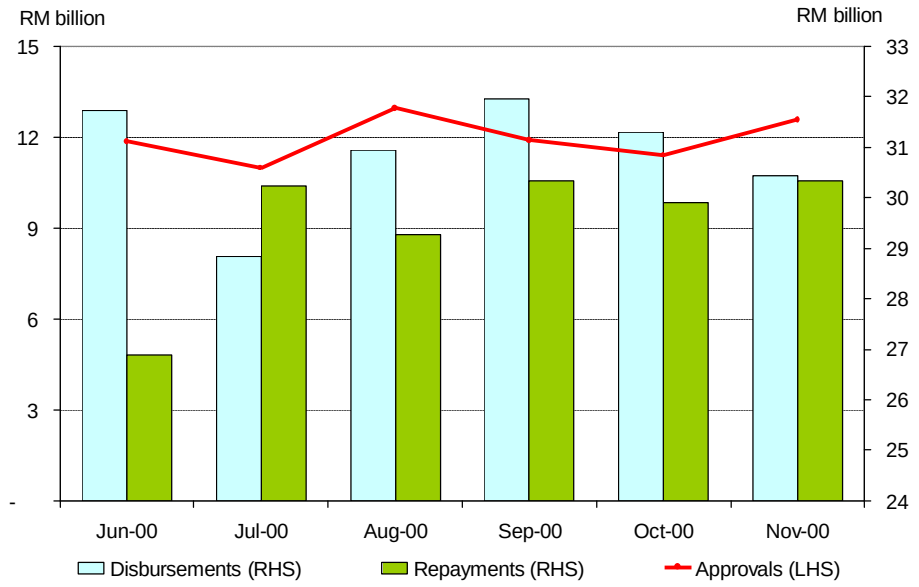
Monthly Change in Deposits			(RM million)
	2000		
	Sep.	Oct.	Nov.
Type			
Fixed deposits	3680	2208	-6224
NIDs issued	-254	-906	292
Demand deposits	14	1954	47
Savings deposits	71	29	782
Repos	-2460	-393	1535
FX deposits	120	581	-127
SPI deposits	272	101	1947
Others	307	311	-299
Total	**1752**	**3887**	**-2048**

Decline in fixed deposits more than offset higher placements of other types of deposits

Loan approvals continued to increase, being higher at RM12.6 billion in November (average of RM11 billion in the first ten months). The loan approvals were largely for the purchase of residential property (RM2 billion), manufacturing activities (RM1.9 billion) as well as for the purchase of passenger cars (RM1.6 billion).

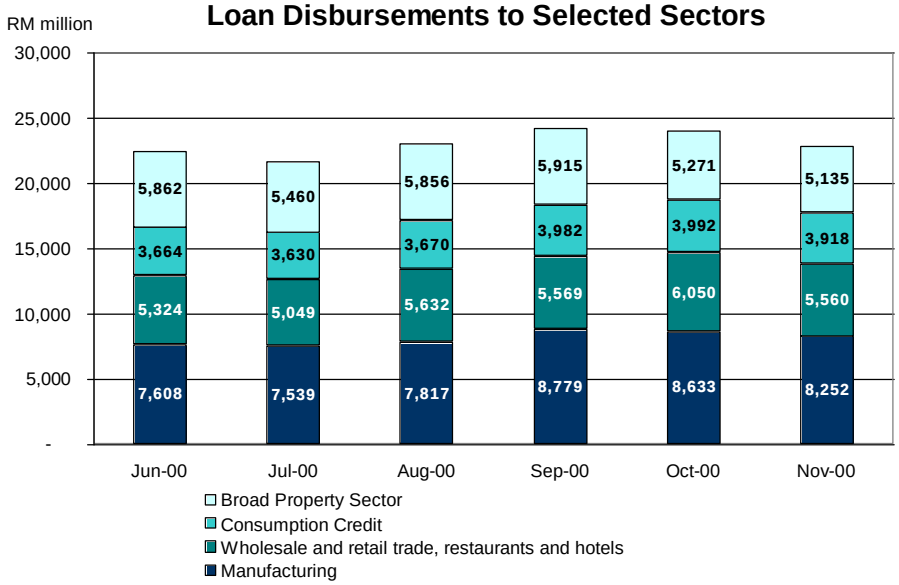
Loans disbursed remained high, amounting to RM30.4 billion in November. The bulk of the disbursements were mainly for manufacturing activities, wholesale trade and the purchase of residential property.

Loan Approvals, Disbursements and Repayments



Approvals were higher while disbursements were sustained in November

Loan Disbursements to Selected Sectors



Most of the disbursements were for manufacturing activities, wholesale trade and the purchase of residential property

On an annual basis, growth in **total loans outstanding** remained stable at 4.2% at end-November with commercial banks recording a growth rate of 4.9%. In November, total loans outstanding increased by RM0.9 billion. The bulk of the increase was due to higher loans extended for the purchase of passenger cars and residential property as well as to the finance, insurance and business services sector, and the agriculture sector.

Banking System: Loans Outstanding by Sector **(RM million)**

	2000		
	Monthly change		As at end
	Oct.	Nov.	Nov.
Agriculture, hunting, forestry and fishing	134	192	10,540
Mining and quarrying	269	-211	1,625
Manufacturing	582	-561	68,577
Electricity, gas and water supply	-212	33	7,051
Wholesale and retail trade, restaurants and hotels	300	-379	37,837
Broad property sector	360	45	161,756
of which:			
Purchase of residential property	*1,098*	*548*	*72,529*
Transport, storage and communication	-92	-168	14,033
Finance, insurance and business services	81	233	33,146
Consumption	1,240	1,118	58,956
of which:			
Passenger cars	*970*	*960*	*37,190*
Credit cards	*138*	*177*	*7,126*
Purchase of securities	711	9	33,359
Others	31	565	20,812
Total Loans[1/]	**3,404**	**876**	**447,690**

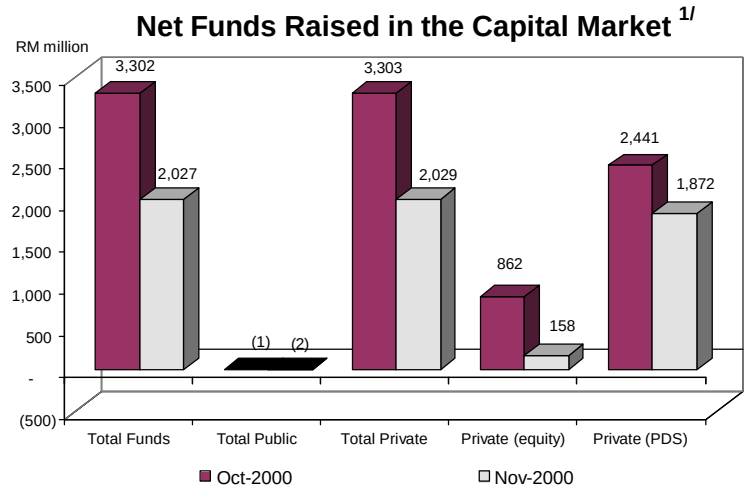
[1/] Including loans sold to Danaharta and Cagamas (inclusive of property loans and hire purchase receivables).

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

Loans outstanding increased further

Lower net funds raised in the capital market

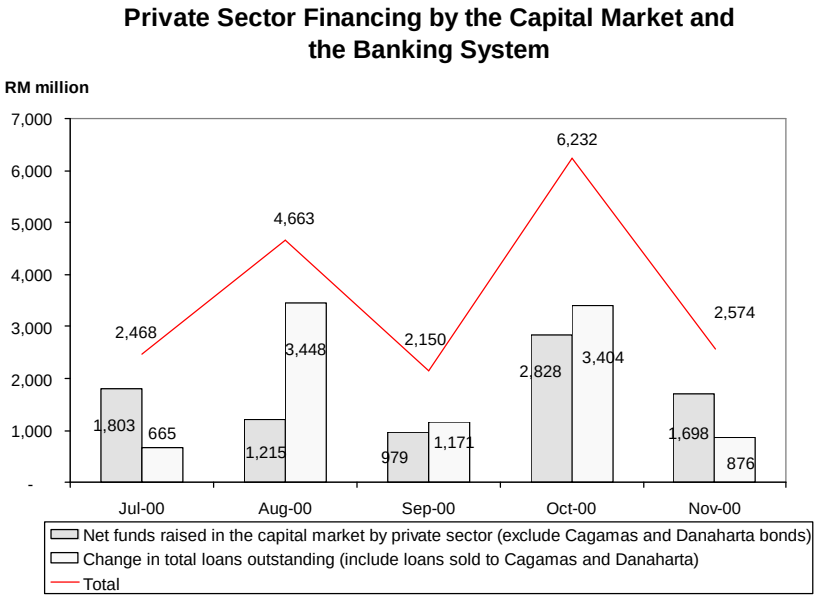
Net funds raised in the capital market was lower in November compared to October. The total amount of funds were raised by the private sector, with the bulk of the funds raised through the issuance of new private debt securities. The public sector did not raise any financing from the capital market during the month.



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

Net funds raised in the capital market was lower in November

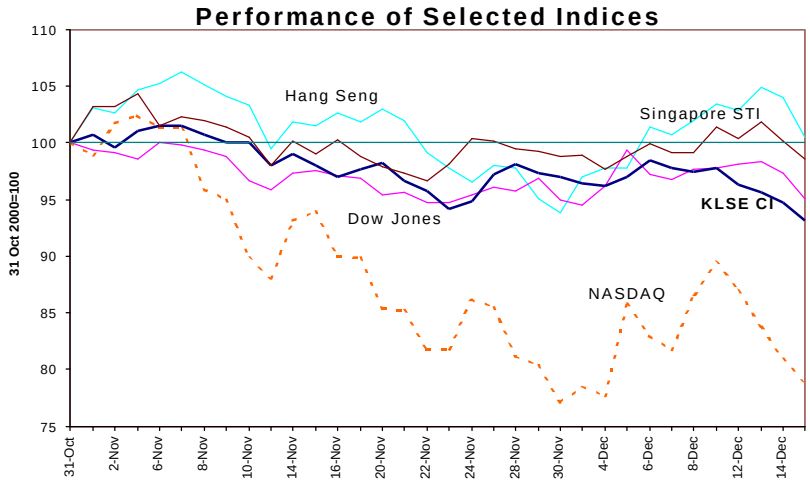
Net private sector domestic financing from the capital market and the banking system totalled RM2.6 billion in November. For the month of November, the capital market was the major source of financing for the private sector.



The capital market was the major source of financing for the private sector in November

The KLSE Composite Index (KLSE CI) continued to trend downwards in November due to profit taking activities early in the month. The weak performance of the KLSE CI was as with developments in regional and global bourses which remained volatile with concerns over the uncertainty of the outcome of the US presidential election and continued earnings downgrade for major technology companies. In the KLSE, there were also concerns over corporate issues, and delays in the listing of two major IPOs. As at 30 November, KLSE CI

closed at 729.95 points (-3% since end-October), while the market capitalisation stood at RM487.1 billion (-3% since end-October).

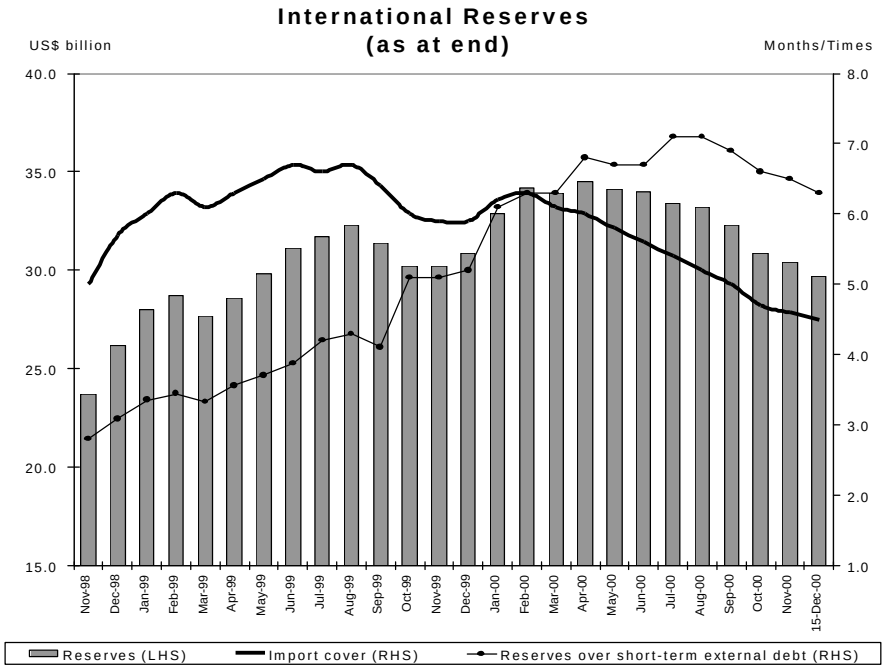


The KLSE CI trended lower in November

Market sentiment in the first two weeks of December continued to be weak with continued concerns over corporate issues. Market sentiment was mainly dampened by the continued volatility of global bourses and the uncertainty over the US economy. As at 18 December 2000, the KLSE CI closed at 711.1 points (-2.6% since end-November), while market capitalisation stood at RM463.7 billion (-4.8% since end-November).

International reserves

The **international reserves of BNM** amounted to RM115.4 billion (US$30.4 billion) as at end-November. As at 15 December, reserves were lower at RM112.7 billion (US$ 29.7 billion). The lower reserves reflected foreign debt repayment; portfolio outflows; overseas investment by Malaysian companies, including a non-financial public enterprise (NFPE); and repatriation of profits and dividends at the end of the year. The level of reserves nevertheless remains strong, sufficient to finance 4.5 months of retained imports and was 6.3 times the short-term external debt.



International reserves remain strong

Banking system remained strong

The banking system remained strong as at the end of November 2000 with the risk weighted capital ratio (RWCR) and the core capital ratio remaining at the previous levels of 12.9% and 10.7% respectively. The inclusion of the half-yearly audited profit after providing for tax liabilities for the purpose of computing the RWCR and core capital ratios did not result in further strengthening of the respective ratios due to a concurrent expansion in the risk weighted assets of the banking system. The net NPL ratio of the banking system has improved from 6.7% to 6.6% at the end of October 2000 following a reduction in net NPL as well as the increase in loans extended.

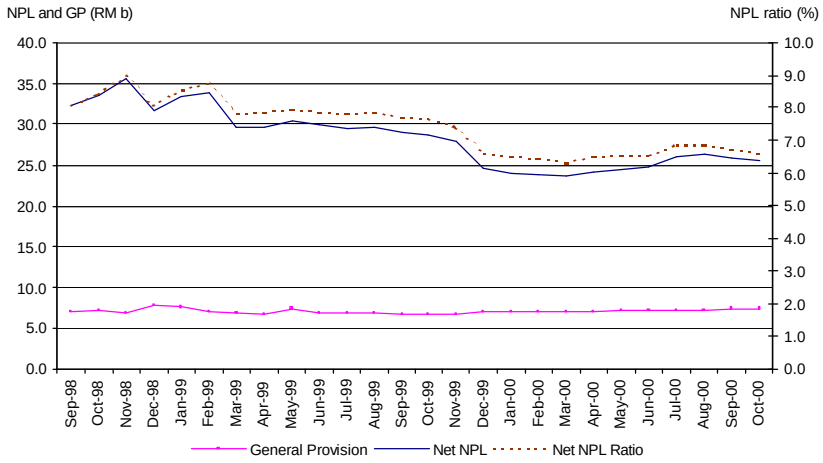
Banking System Health Indicators

	1998	1999				2000			
	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Sep.	Oct.	Nov.
Capital									
Core-capital ratio (%)	8.7	8.7	10.4	10.4	10.1	10.6	10.8	10.7	10.7
RWCR (%)	11.8	12.3	12.9	12.8	12.5	13.0	13.1	12.9	12.9
Net NPL (6-month classification)									
Banking system (%)	8.1	7.8	7.9	7.7	6.4	6.3	6.7	6.6	n.a.
Banking system (RM million)	31,675	29,636	29,889	29,005	23,849	23,553	25,858	25,541	n.a.
GP/Net total loans (6-month,%)	2.0	1.8	1.9	1.8	1.9	1.9	1.9	1.9	n.a.

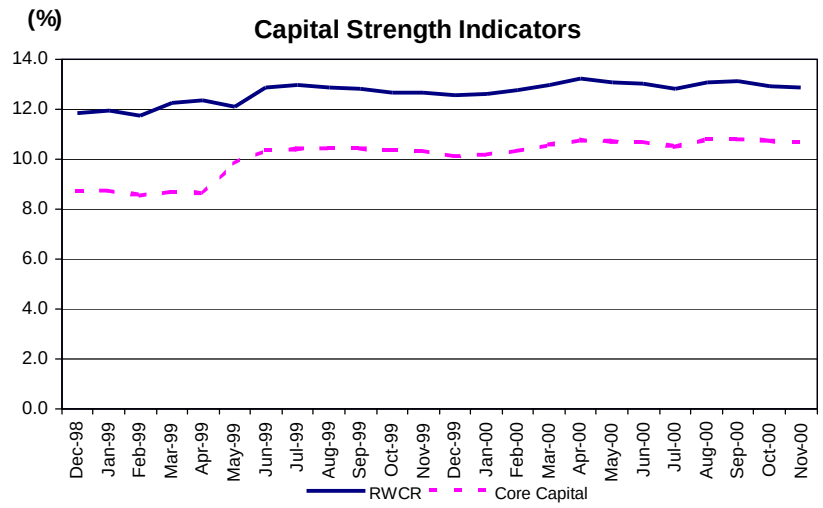
n.a. Not available

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

Banking System: Net Non-Performing Loans and General Provisions



Net NPL ratio of banking system improved to 6.6%



….. risk-weighted capital ratio remained strong at 12.9%

As at 31 October 2000, NPLs acquired and managed by Danaharta remained at RM47.0 billion, of which RM37 billion were removed from the banking system. This represented approximately 42.2% of the total NPLs in the banking system. Danaharta is currently managing the NPLs acquired through loan restructuring, and asset restructuring which involves the sale of collateral via foreclosure; and sale of business through appointment of Special Administrators. Up to 31 October 2000, Danaharta has restructured or disposed of loans and assets with a gross value of RM35.3 billion where 17.0% has been fully settled and another 6.7% has turned performing. Under its disposal exercise, Danaharta had launched its fourth property tender involving 197 properties with a total indicative value of RM555.1 million on 7 November 2000. This tender closed on 13 December 2000.

As at 30 November 2000, capital injection by Danamodal into the banking sector remained at RM4.9 billion. The number of cases CDRC resolved has increased to 41 cases with debts totalling RM26 billion from the 54 cases (total debts of RM38.1 billion) received and eligible for restructuring. Consequently, the number of cases remaining with CDRC was reduced to 13 cases with a loan value of RM12.1 billion.

Bank Negara Malaysia
29 December 2000

Key Monetary and Banking Statistics

	October		November	
	Outstanding (RM billion)	Ann. Growth (%)	Outstanding (RM billion)	Ann. growth (%)
Monetary Aggregates				
Reserve money	38.1	5.8	37.4	0.1
M1	71.6	15.1	71.8	8.4
M2	343.5	7.7	343.6	6.3
M3	447.2	6.5	446.3	5.4
Banking System				
Total deposits	462.7	5.2	460.6	3.8
Total loans (including loans sold to Cagamas and Danaharta)	446.8	4.3	447.7	4.2
Total loans (excluding loans sold to Cagamas and Danaharta)	392.3	2.8	392.0	2.2
Loan-deposit ratio (%)	84.8		85.1	
Loans approved during the month	11.4		12.6	
Loans disbursed during the month	31.3		30.4	
Banking System Health				
Risk-weighted Capital Ratio (RWCR) (%)	12.9		12.9	
Net NPLs: 6-month classification (%)	6.6		n.a.	
International Reserves of BNM (end-period)				
Reserves in RM (billion)	117.4		115.4	
Reserves in USD (billion)	30.9		30.4	
Months of retained imports	4.7		4.6	
Interest Rates (average rates at end-period)				
Interbank: 1-month	2.97		2.96	
3-month	3.22		3.28	
Fixed deposits of commercial banks: 1-month	3.44		3.44	
3-month	3.48		3.48	
BLR of commercial banks	6.76		6.76	
Exchange Rates of Ringgit against Selected Currencies (end-period)				
Euro	3.1969		3.2627	
Pound Sterling	5.5104		5.4025	
Singapore dollar	2.1630		2.1613	
100 Japanese yen	3.4866		3.4182	
100 Thai Baht	8.6373		8.6472	
100 Philippine Peso	7.4437		7.6459	
100 Indonesian Rupiah	0.0403		0.0399	
100 Korean Won	0.3329		0.3137	
Capital Market				
Funds raised by: public sector (RM million)	-0.7		-2.4	
private sector (RM million)	3302.9		2029.3	
Kuala Lumpur Composite Index (end-period)	752.4		730.0	
KLSE Market Capitalisation (RMb) (end-period)	502.0		487.1	