BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 05/16/12

EMBARGO: Not for publication or broadcast before 1800 hours on Tuesday, 31 May 2016

MONETARY AND FINANCIAL DEVELOPMENTS APRIL 2016

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), moderated to 2.1% in April (March: 2.6%), due mainly to the lapse in the impact of the Goods and Services Tax (GST), which was implemented in April 2015. The decline in the inflation rate was across all categories, although the *transport* category merely registered a smaller negative inflation (-5.5%; March: -8.2%) due to the increase in domestic fuel prices during the month. The price of RON95 petrol was increased by 10 sen to RM 1.70 per litre in April 2016 (April 2015: RM1.95 per litre).

Monetary Conditions: Interbank rates beyond the 1-month tenure continued to moderate as earlier pressures arising from competition for stable funding and the uneven distribution of liquidity among banks eased in the money market. The weighted average Base Rate (BR) of commercial banks was stable at 3.79% in April, while the weighted average lending rates remained relatively unchanged during the month. Net financing to the private sector registered a growth of 7.4% in April (March: 7.5%), driven by stable growth in net outstanding issuances of private debt securities (PDS) amid a moderation in the growth of loans extended by the banking system and development financial institutions (DFIs). Business loans extended by the banking system grew by 5.0% during the month (March: 5.2%) due to higher loan repayments. The annual growth of loans to households continued to moderate to 6.3% (March: 6.4%). The level of loan applications from both business and household sectors moderated during the month, but the level of loan approvals was sustained. On an annual basis, broad money (M3) growth increased to 1.5% in April (March: 0.9%). The expansion in M3 was driven mainly by the continued extension of

credit to the private sector by the banking system. The expansion, however, was partially offset by the decline in net foreign assets caused by net external capital outflows during the month. Other influences also partially offset the expansion in M3, reflecting the continued issuance of equity by banks, partly for compliance with the Basel capital requirements.

Banking System: The banking system remained well-capitalised with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12.9%, 13.8% and 16.4% respectively. The level of net impaired loans was sustained at 1.2% of net loans, with loan loss coverage ratio stable at 93.9%.

Exchange Rates and International Reserves: In April, the ringgit appreciated against the currencies of Malaysia's major trade partners. During the month, the ringgit, along with most regional currencies, appreciated against the US dollar. This was mainly due to expectations of a delay in the increase of US policy rates and the release of better-than-expected economic data from PR China during the month, which led to increased investment into regional financial markets. The ringgit strength was also supported by the increase in Brent oil price in April. The international reserves of Bank Negara Malaysia amounted to RM382.3 billion (equivalent to USD97.2 billion) as at 15 May 2016, sufficient to finance 7.9 months of retained imports and were 1.2 times the short-term external debt[1].

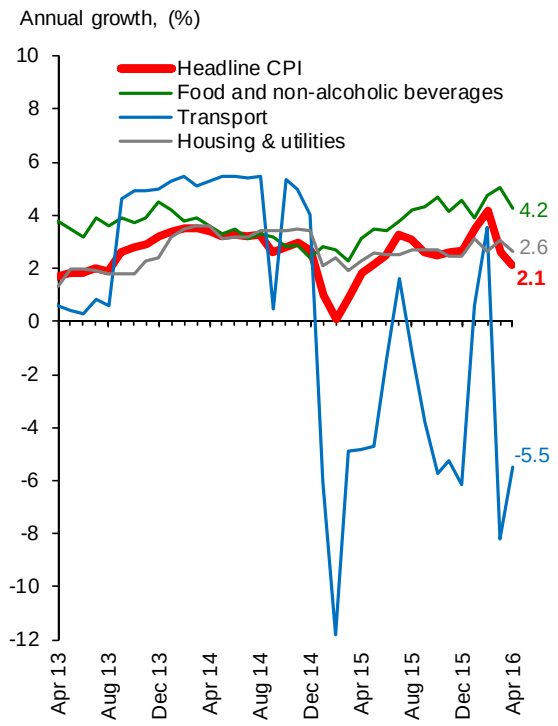
Bank Negara Malaysia
31 May 2016

[1] Refers to the redefined short-term external debt, which includes short-term offshore borrowing, non-resident holdings of short-term ringgit debt securities, non-resident deposits with the banking system and other short-term debt. For more information, please refer to the box article titled 'The Redefinition of External Debt' in the Quarterly Bulletin on Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2014.

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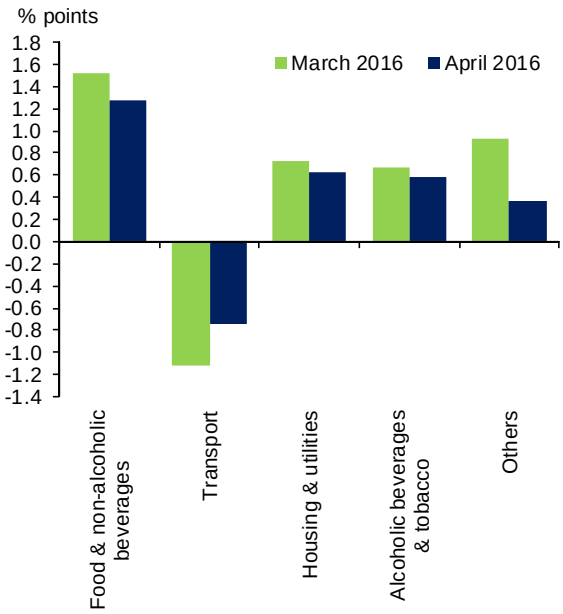
Headline inflation moderated in April

Headline Inflation



Source: Department of Statistics Malaysia

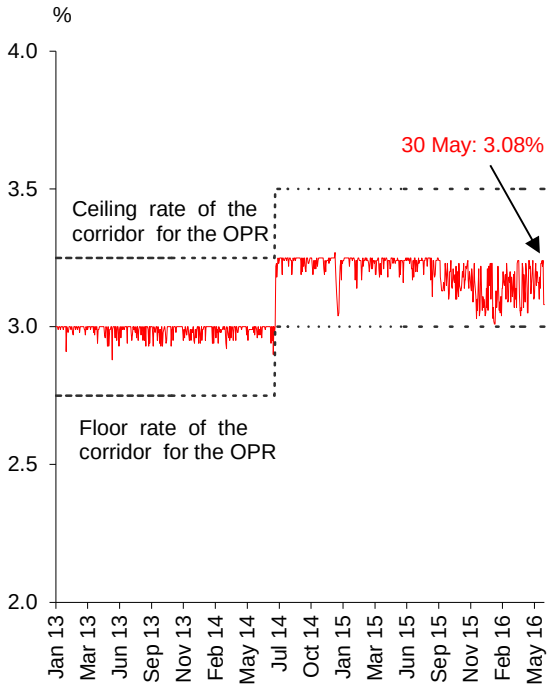
Headline Inflation: Component Contribution



*Others include *restaurants and hotels; recreation services and culture; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear;* and *miscellaneous goods and services*
Source: Bank Negara Malaysia

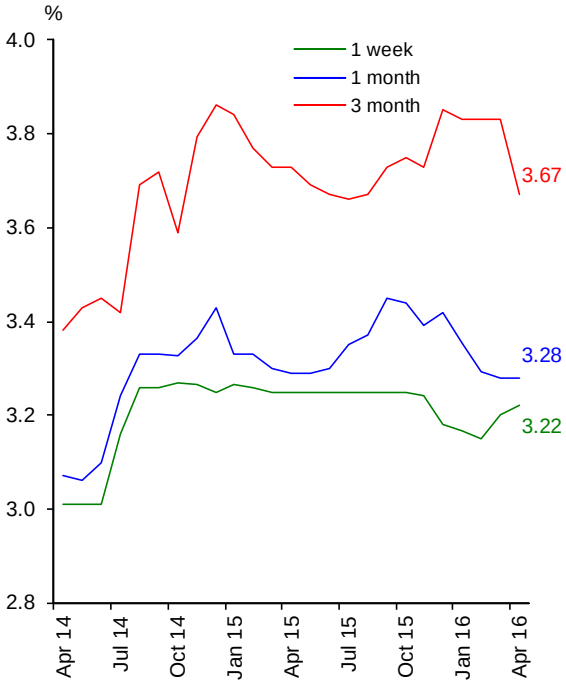
Interbank rates beyond the 1-month tenure continued to moderate in April

Daily Weighted Average Overnight Interbank Rate



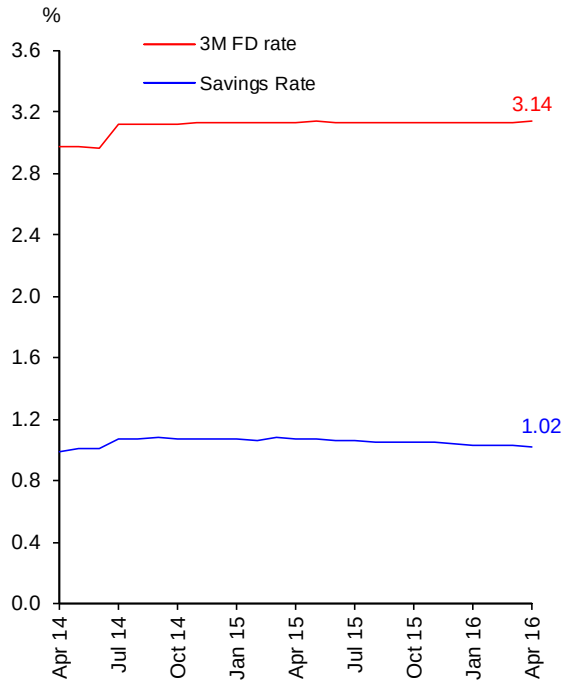
Source: Bank Negara Malaysia

Average Interbank Rate



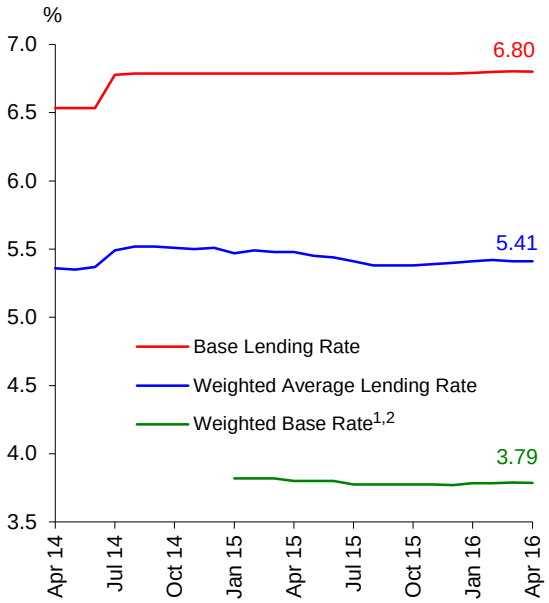
For periods where no trades took place during the month, the last traded interbank rate is used
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

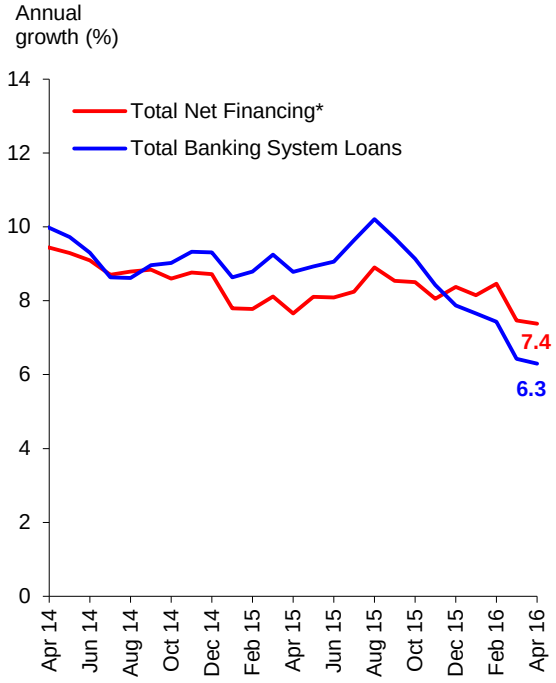
Lending Rates of Commercial Banks



[1] On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the reference rate for new retail floating-rate loans and financing facilities
[2] Weights are based on individual banks' share of all outstanding floating-rate loans
Source: Bank Negara Malaysia

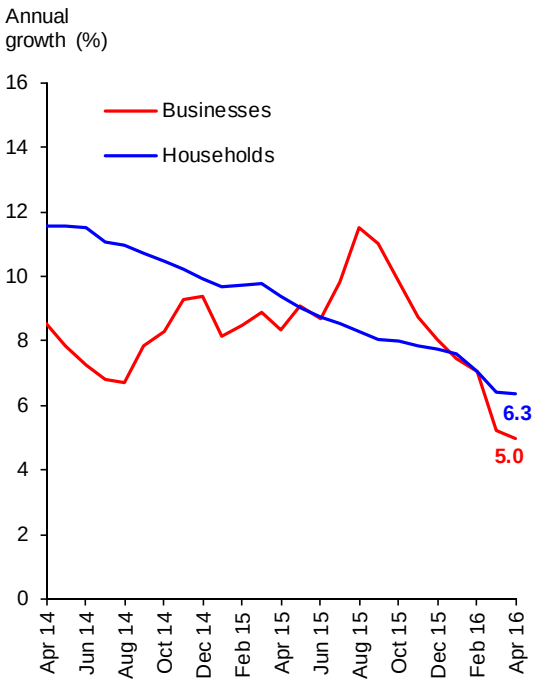
Growth in net financing declined at a slower pace in April

Net Financing and Loan Growth



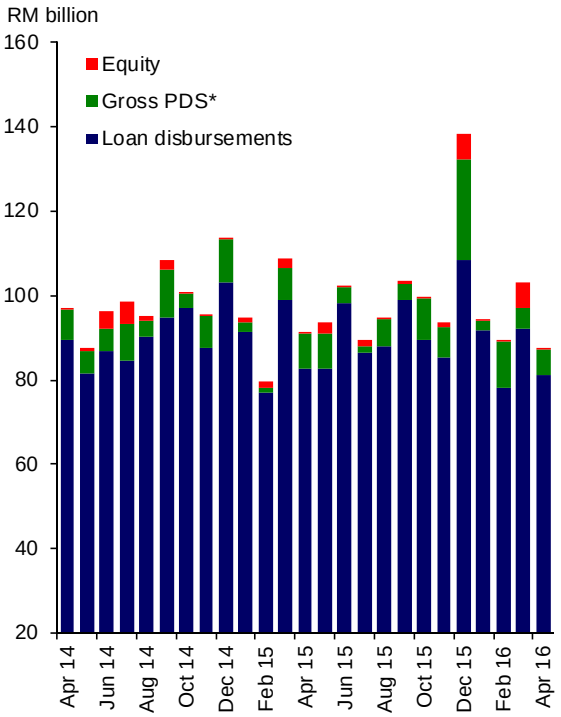
* Net financing comprises banking system and DFI loans, and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



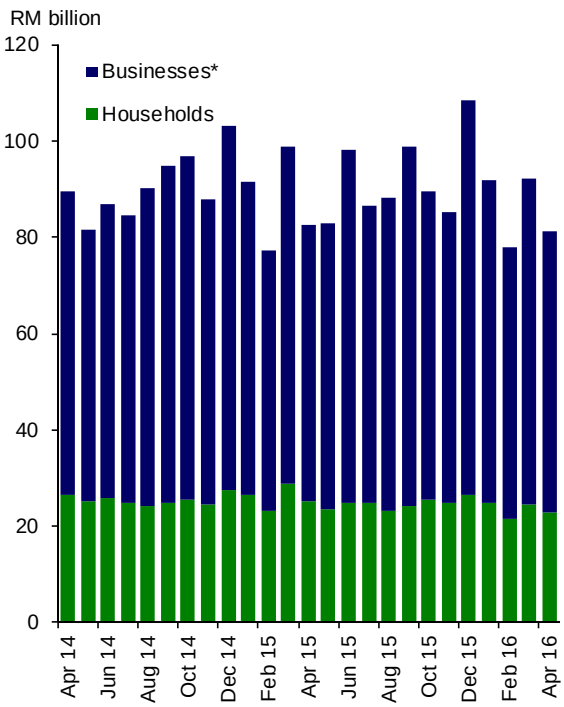
Source: Bank Negara Malaysia

Gross Private Sector Financing



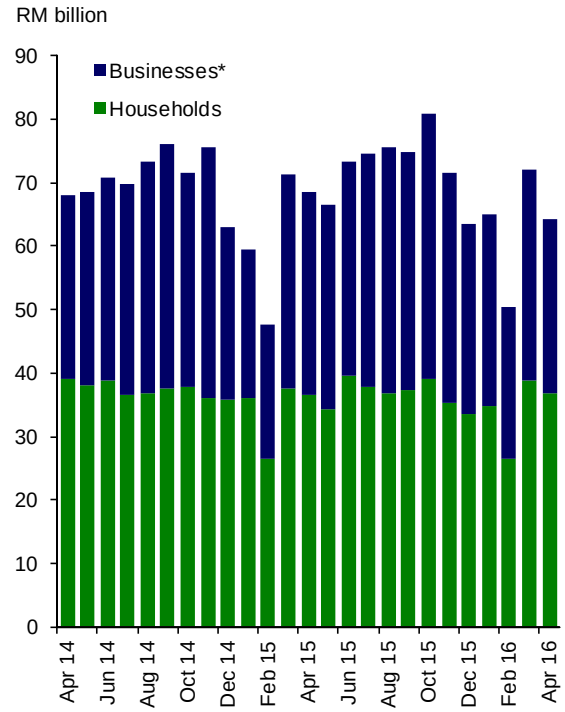
*Excludes foreign issuances
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



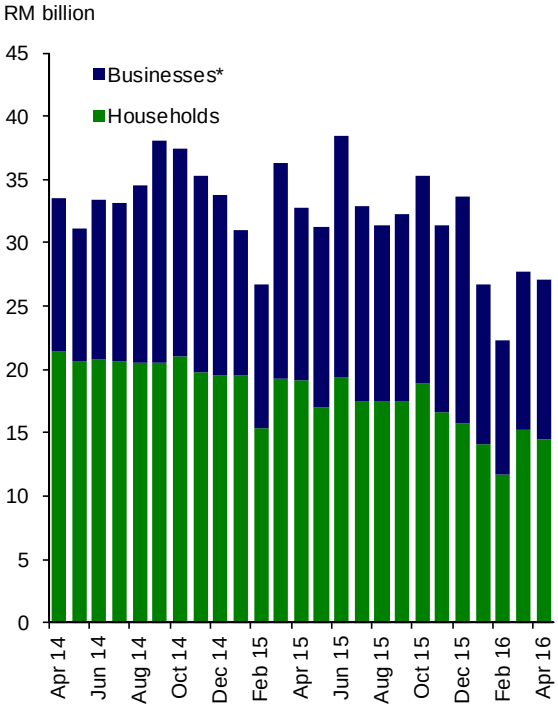
* Includes domestic financial institutions, government, other domestic entities and foreign entities
Source: Bank Negara Malaysia

Loan Applications to the Banking System



* Includes domestic financial institutions, government, other domestic entities and foreign entities
Source: Bank Negara Malaysia

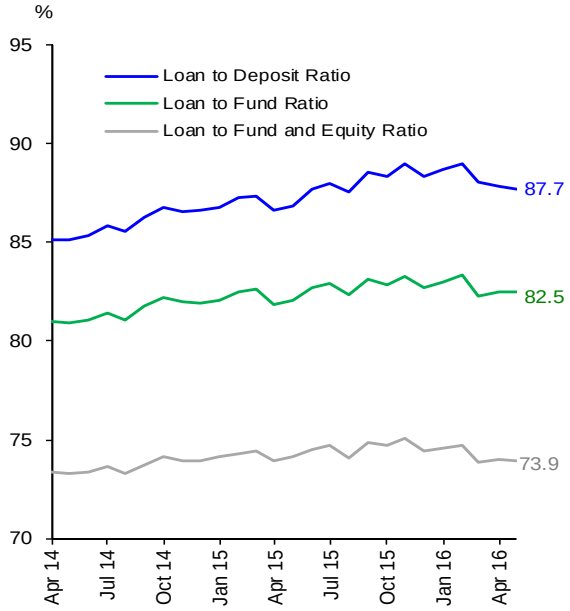
Loan Approvals by the Banking System



* Includes domestic financial institutions, government, other domestic entities and foreign entities
Source: Bank Negara Malaysia

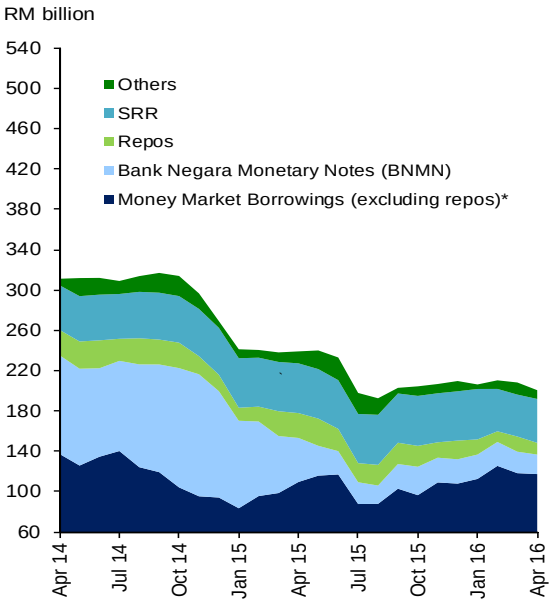
Liquidity in the banking system remained ample

Loan to Deposit, Loan to Fund and Loan to Fund and Equity Ratios



Note: From July 2015 onwards, loans exclude financing funded by Islamic Investment Accounts
Source: Bank Negara Malaysia

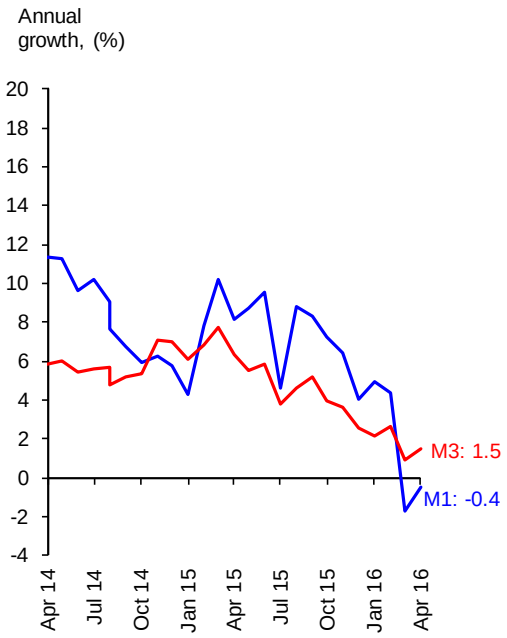
Outstanding Liquidity Placed with Bank Negara Malaysia (at end-period)



* Money Market Borrowings (excluding repos) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)
Source: Bank Negara Malaysia

Broad money growth increased in April

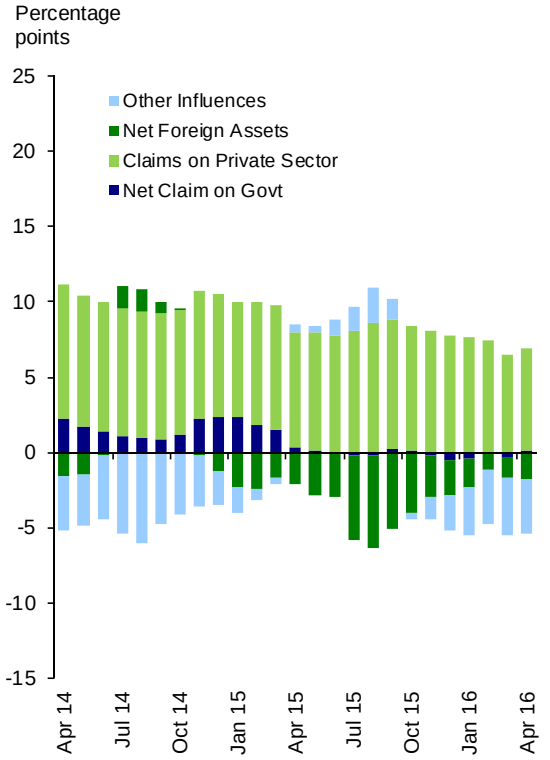
M1 and M3



Note: From July 2015 onwards, the compilation of M3 is adjusted to exclude Islamic Investment Accounts due to a data reclassification exercise. This is reflected as a negative contribution through *'other influences'*.

Source: Bank Negara Malaysia

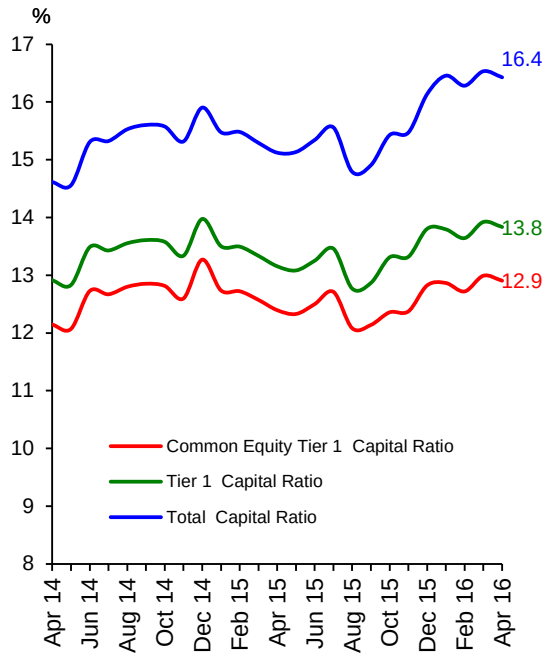
Main Contributors to M3 Annual Growth



Source: Bank Negara Malaysia

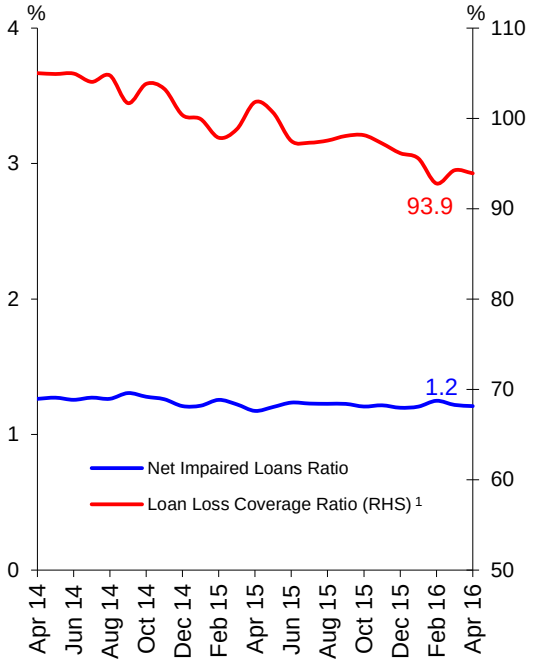
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage Ratio

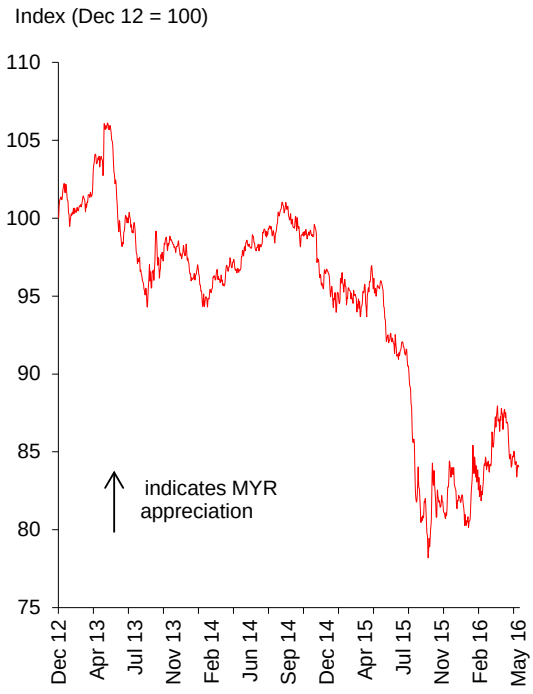


[1] Refers to ratio of individual plus collective impairment provisions to total impaired loans

Source: Bank Negara Malaysia

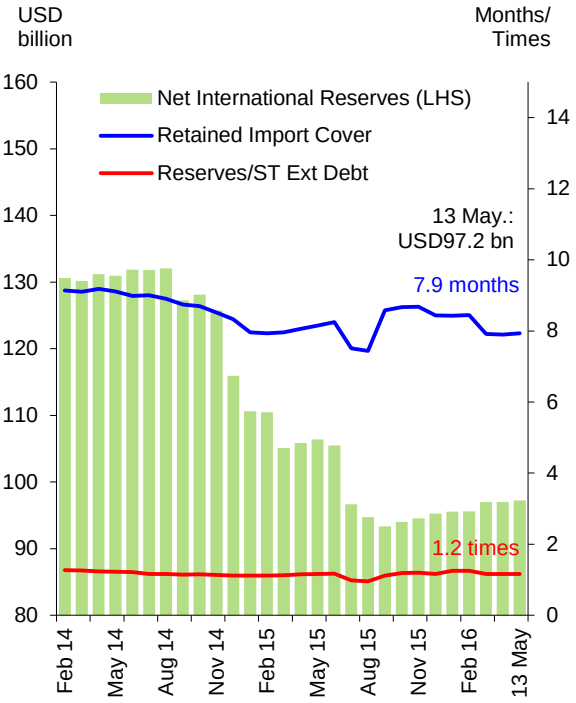
The ringgit appreciated against the currencies of major trade partners

Index of Ringgit Performance against Major Trade Partners*



*Currencies: USD, CNY, SGD, JPY, EUR
Each currency carries equal weight
Source: Bank Negara Malaysia

Net International Reserves



Source: Bank Negara Malaysia

Key Monetary and Financial Statistics

		Feb 16		Mar 16		Apr 16	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		133.5	-0.1	130.0	-1.1	133.2	0.4
M1		366.9	4.4	354.1	-1.7	350.4	-0.4
M2		1,595.7	2.8	1,597.4	0.9	1,595.8	1.5
M3		1,601.7	2.7	1,602.7	0.9	1,601.5	1.5
Banking System							
Net financing[1]		2,082.2	8.5	2,080.8	7.5	2,080.7	7.4
Loan to deposit ratio (%) [2]		88.0		87.8		87.7	
Loan to fund ratio (%) [2&3]		82.3		82.5		82.5	
Loan to fund and equity ratio (%) [2,3&4]		73.8		74.0		73.9	
Loans outstanding in RM billion		1,449.9	7.4	1,449.5	6.4	1,447.8	6.3
Loans applied (during the period)		50.5	6.0	72.1	1.1	64.3	-6.0
Loans approved (during the period)		22.3	-16.8	27.8	-23.4	27.1	-17.2
Loans disbursed (during the period)		78.0	1.1	92.2	-6.7	81.2	-1.8
Loans repaid (during the period)		79.8	6.8	92.3	2.7	84.5	3.8
Banking System Health							
Total capital ratio (%) [5]		16.3		16.5		16.4	
Tier 1 capital ratio (%) [5]		13.6		13.9		13.8	
Common equity tier 1 capital ratio (%) [5]		12.7		13.0		12.9	
Net impaired loans ratio (%)		1.2		1.2		1.2	
BNM International Reserves (end-period)							
Net Reserves in RM billion		410.4		381.5		381.3	
Net Reserves in USD billion (equivalent)		95.6		97.0		97.0	
Months of retained imports		8.4		7.9		7.9	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.25		3.25		3.25	
Interbank:	Overnight	3.19 [3.14]		3.04 [3.15]		3.24 [3.16]	
	1-week	3.16 [3.15]		3.22 [3.20]		3.23 [3.22]	
	1-month	3.41 [3.29]		3.25 [3.28]		3.26 [3.28]	
Fixed deposits of commercial banks:	1-month	3.08		3.08		3.08	
	3-month	3.13		3.13		3.14	
BLR of commercial banks		6.80		6.80		6.80	
Weighted Base Rate [6]		3.79		3.79		3.79	
Weighted ALR of commercial banks		5.42		5.41		5.41	
Prices							
Consumer Price Index (CPI) (2010=100)		114.5	4.2	113.8	2.6	114.3	2.1

[1] Comprises banking system and development financial institutions (DFI) loans outstanding and private debt securities (PDS) outstanding (excludes non-resident and Cagamas issuances)

[2] Deposits exclude deposits accepted from banking institutions. Loans exclude loans sold to Cagamas and loans extended to banking institutions. Beginning July 2015, loans exclude financing funded by Islamic Investment accounts

[3] Funds comprise deposits and all debt instruments (including subordinated debt, debt certificates/sukuk issued, commercial paper and structured notes)

[4] Equity comprise ordinary and preferred shares, share premium and retained earnings

[5] Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework

[6] On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the main reference rate for new retail floating-rate loans and financing facilities. Weights are based on individuals banks' share of all outstanding floating-rate loans

Source: Bank Negara Malaysia