BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 04/12/05

EMBARGO: Not for publication or broadcast before 1700 hours on Friday, 27 April 2012

MONETARY AND FINANCIAL DEVELOPMENTS
March 2012

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI) moderated slightly to 2.1% in March. In terms of components, the lower inflation was driven mainly by slower price increases in the *housing, water, electricity, gas and other fuels* and *transport* categories. Inflation in the *food and non-alcoholic beverages* category was unchanged at 2.9% in March. Food inflation was held down by the continued decline in the prices of *meat* and *vegetables* categories arising from an oversupply of chicken as well as higher production and the cheaper imports of vegetables. However, there were other food categories such as *fish and seafood*, and *rice, bread and other cereals*, where prices continued to rise, but at a slower pace.

Monetary Conditions: Interbank rates were stable in March. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.53%. Retail deposit rates were also stable during the month. Broad money expanded at an annual rate of 15.0% in March. During the month, the increase in credit extended by banks to the private sector was partially offset by capital outflows. Net financing to the private sector expanded by RM18.7 billion in March, due to an increase in outstanding banking system loans and higher net issuances of private debt securities (PDS). There was a continued expansion in banking system loans to businesses, mainly to the *wholesale and retail, restaurants and hotels*; *transport, storage and communication* and *real estate* sectors. Loans to households expanded during the month, driven mainly by loans for the *purchase of residential property*, *securities* and *passenger cars*. Loan demand increased significantly with higher loan applications from both businesses and households.

Banking System: The banking system remained well-capitalised with risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.7% and 13% respectively. The level of net impaired loans improved, amounting to 1.7% of net loans due to write-off exercise by a number of banks as part of the balance sheet strengthening exercise. Loan loss coverage was sustained above 90%.

Exchange Rates and International Reserves: In March, the ringgit depreciated against the currencies of Malaysia's key trading partners. The ringgit's depreciation followed weaker than expected data releases amongst some advanced and regional economies, which prompted the unwinding of holdings of assets in several of the emerging markets. In April, the ringgit posted a stronger performance against the currencies of Malaysia's major trading partners, with the exception of the Japanese yen and Singapore dollar. The international reserves of Bank Negara Malaysia stood at RM416.6 billion (equivalent to USD135.8 billion) as at 13 April 2012, sufficient to finance 9.5 months of retained imports and is 4 times the short-term external debt.

Bank Negara Malaysia
27 April 2012

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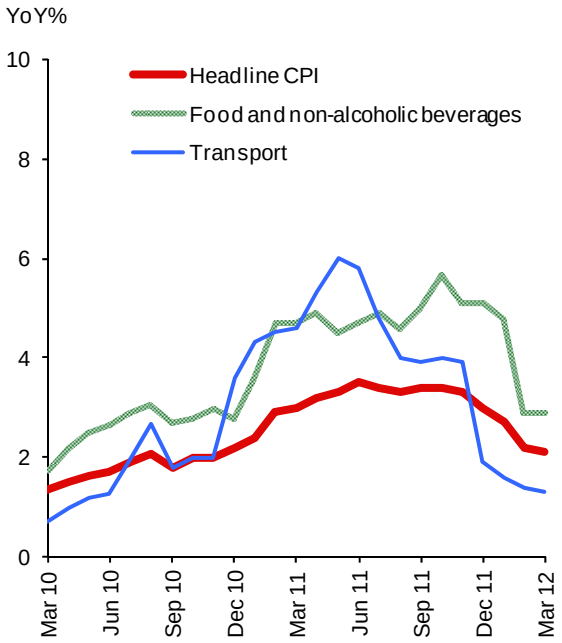
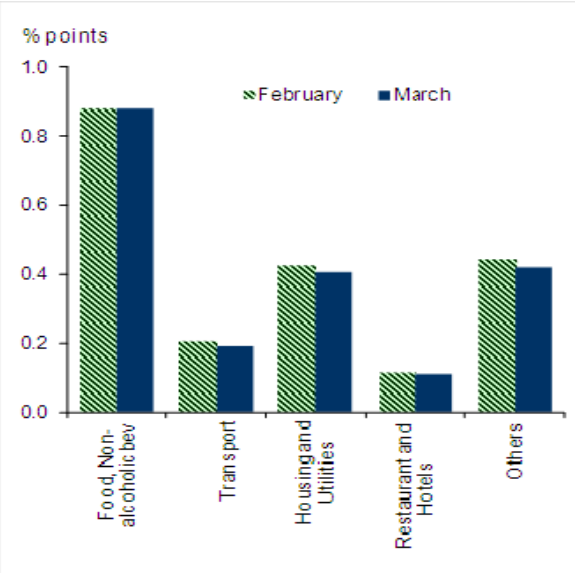
Inflation continued it moderating trend in March

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

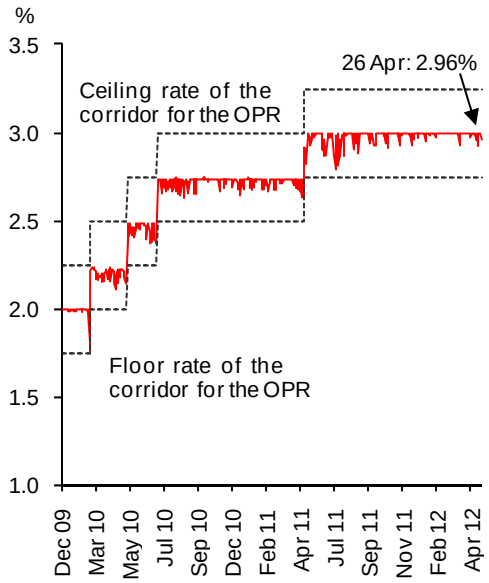


* Others include *recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services*

Source: Bank Negara Malaysia

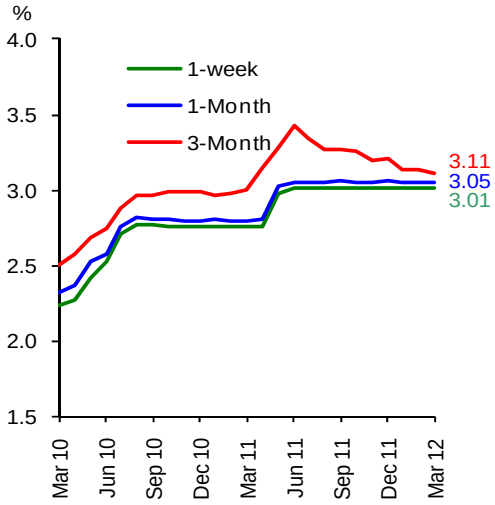
Interest rates remained stable

Average Overnight Interbank Rate



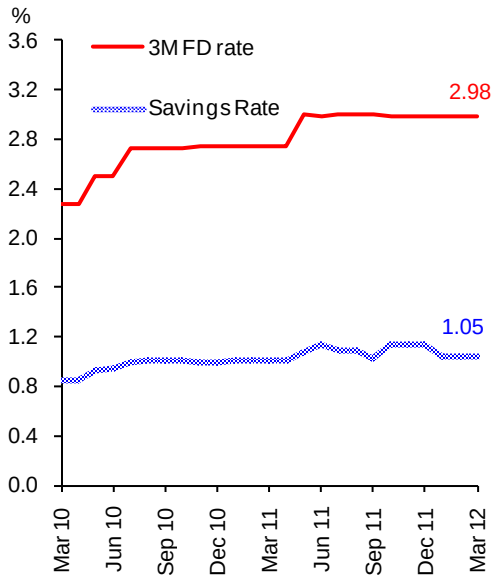
Source: Bank Negara Malaysia

Average Interbank Rates



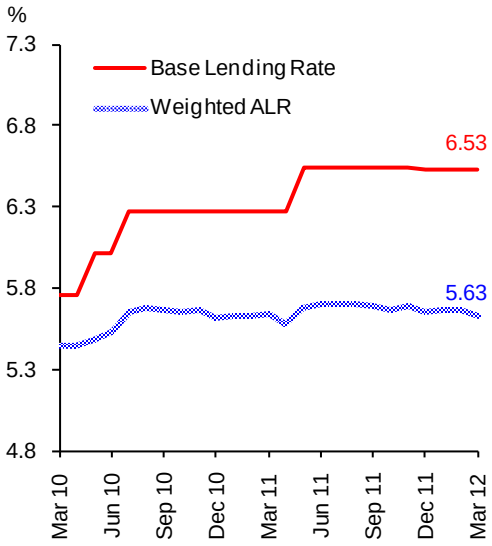
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

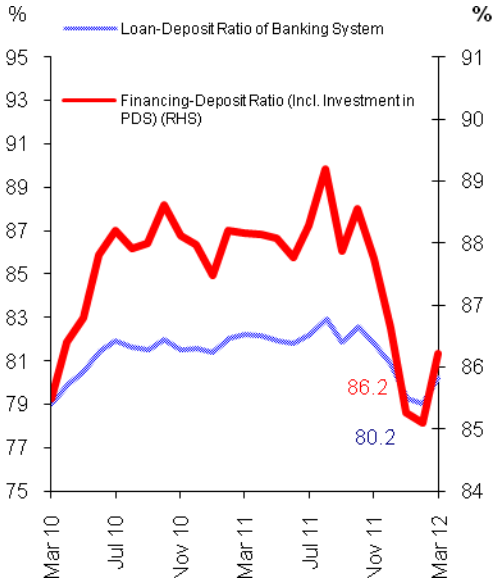
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

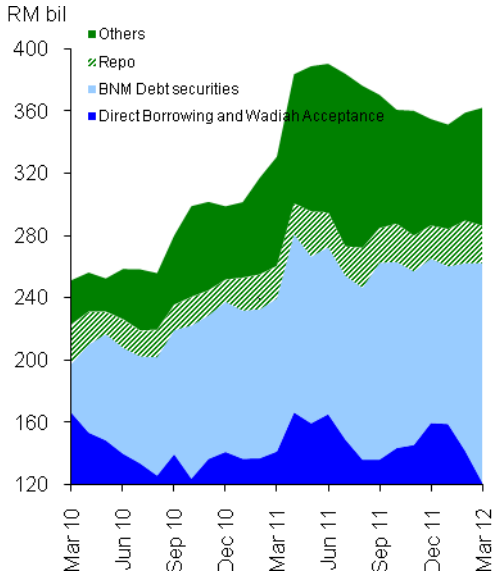
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

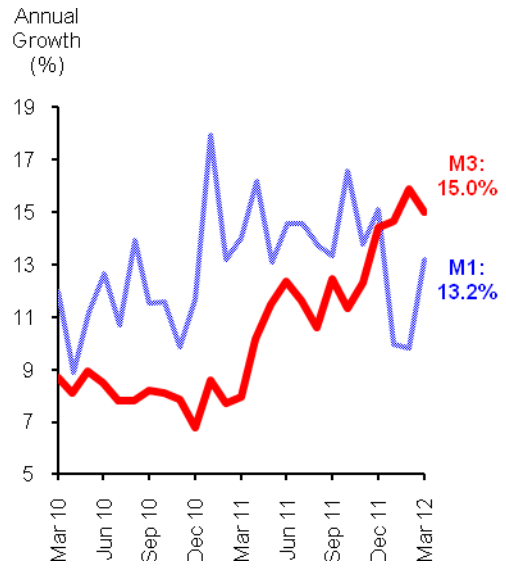
Outstanding Liquidity Placed With Bank Negara Malaysia



Source: Bank Negara Malaysia

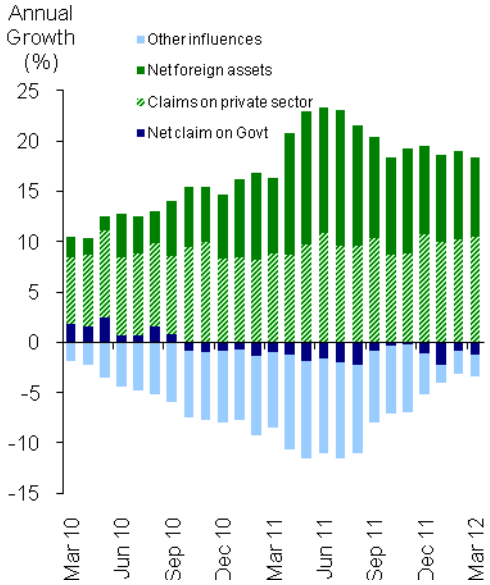
Broad money continued to expand

M1 and M3



Source: Bank Negara Malaysia

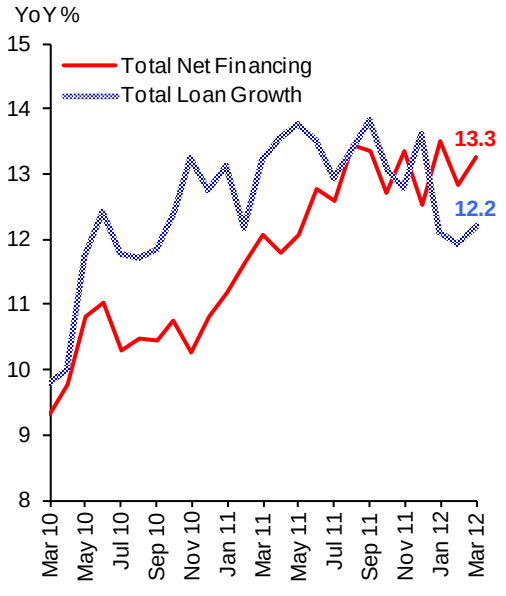
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity remained strong in March

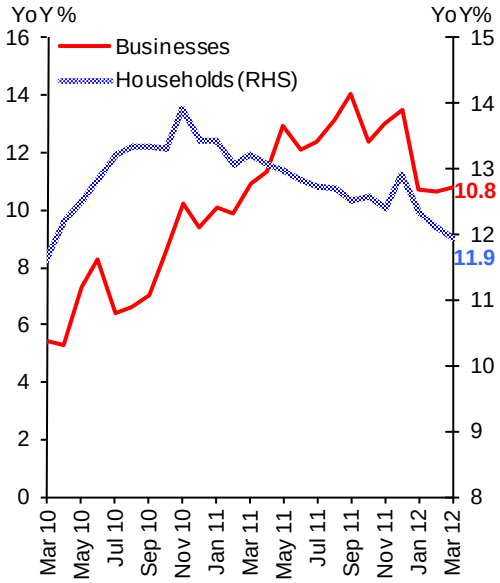
Net Financing and Loan Growth



* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

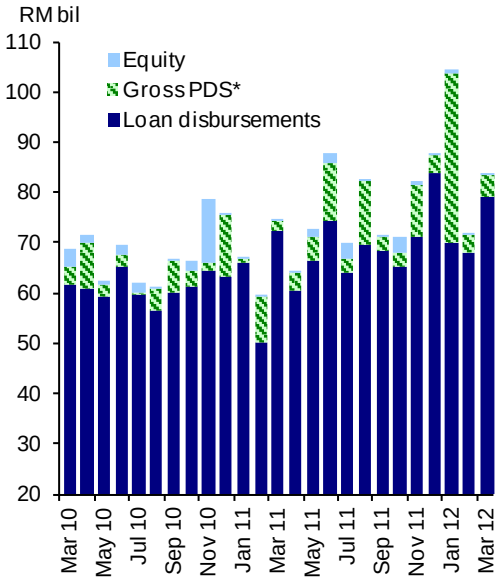
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

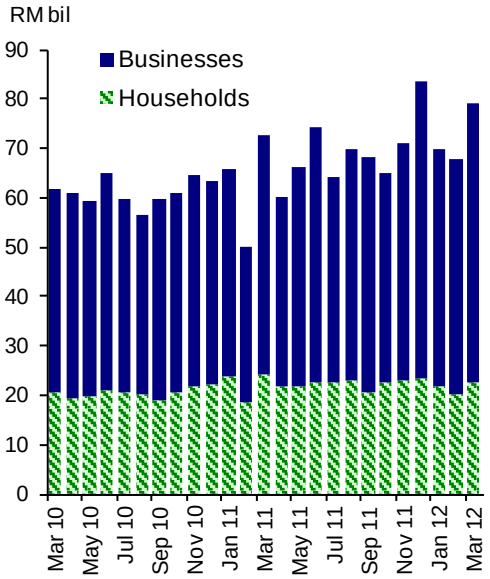
Gross Private Sector Financing



* Excludes foreign issuances

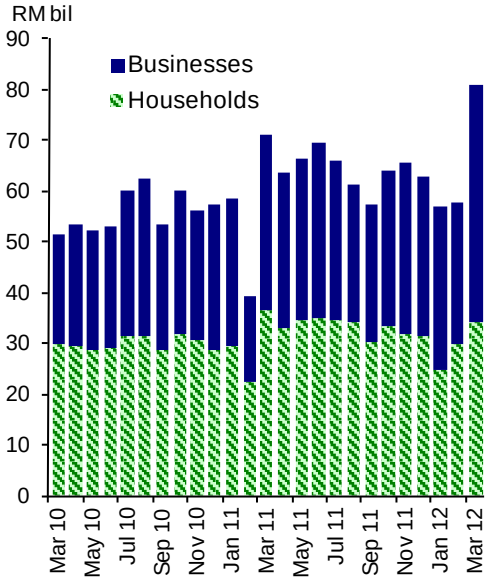
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



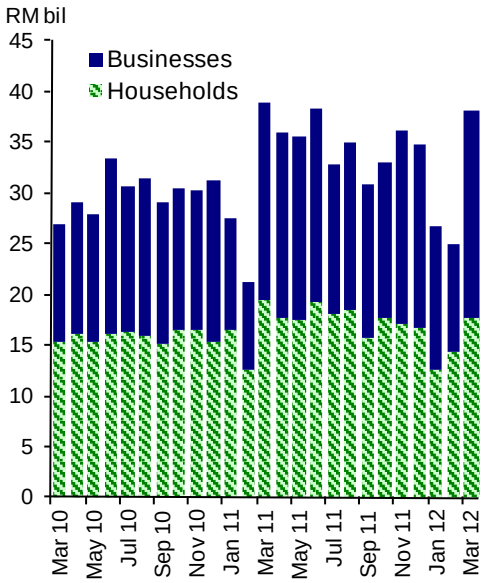
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

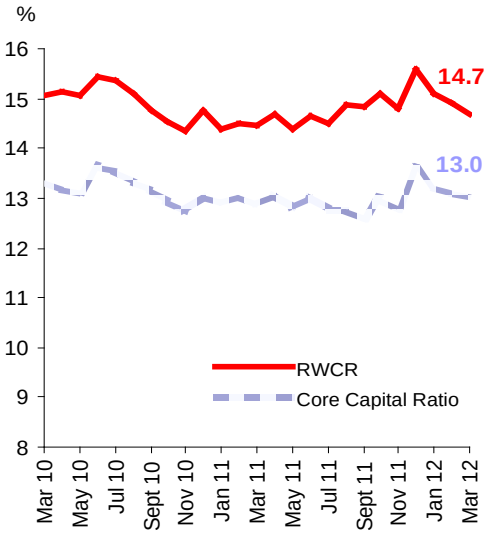
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

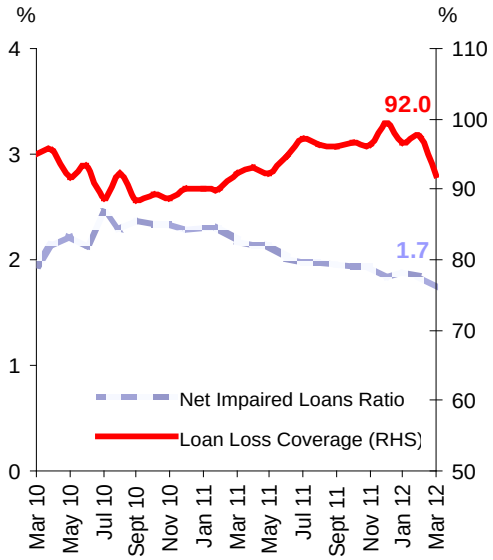
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage



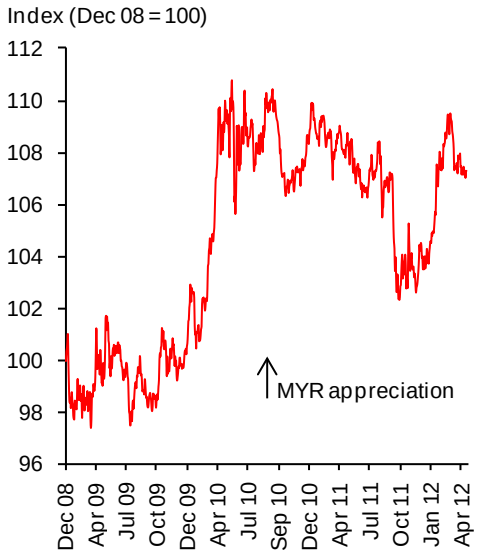
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

[1] Refers to ratio of general provisions/collective impairment provisions to total net loans.

Source: Bank Negara Malaysia

Ringgit depreciated against the currencies of Malaysia's major trading partners

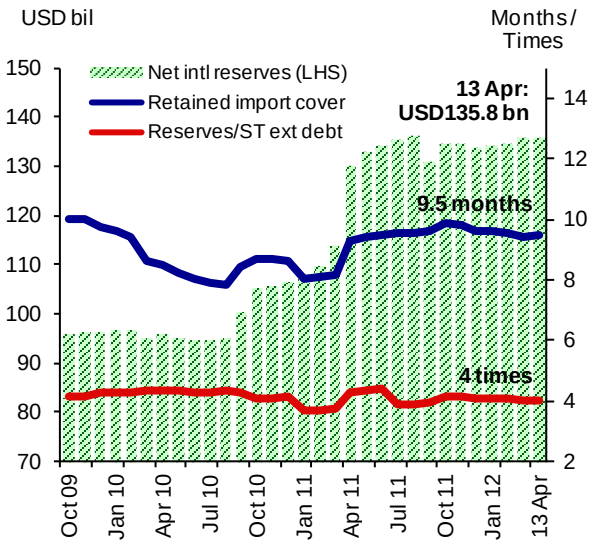
Index of Ringgit Performance against Major Trade Partners*



* Currencies in the index: 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

		Jan 12		Feb 12		Mar 12	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		101.6	49.0	98.0	55.3	97.6	57.6
M1		263.8	9.9	256.7	9.8	259.5	13.2
M2		1,241.0	14.7	1,246.6	16.0	1,254.6	15.2
M3		1,271.6	14.7	1,275.2	15.9	1,281.2	15.0
Banking System							
Net financing[1]		1,344.4	13.5	1,351.8	12.8	1,370.5	13.3
Loan-deposit ratio (%) [2]		79.3		79.0		80.2	
Financing-deposit ratio (%) [2&3]		85.3		85.1		86.2	
Loans applied (during the period)		56.8	-2.7	57.6	47.3	81.1	14.2
Loans approved (during the period)		26.7	-2.9	25.0	17.6	38.1	-2.1
Loans disbursed (during the period)		69.8	5.8	68.0	35.5	79.0	8.9
Loans repaid (during the period)		74.4	27.0	65.8	38.3	65.4	5.4
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		15.1		14.9		14.7	
Net Impaired Loans Ratio (%)		1.9		1.9		1.7	
BNM International Reserves (end-period)							
Net Reserves in RM billion		424.7		426.7		416.1	
Net Reserves in USD billion (equivalent)		134.1		134.7		135.7	
Months of retained imports		9.6		9.6		9.4	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	3.00	[2.99]	3.00	[3.00]	3.00	[3.00]
	1-week	3.01	[3.01]	3.01	[3.01]	3.01	[3.01]
	1-month	3.11	[3.05]	3.05	[3.05]	3.06	[3.05]
Fixed deposits of commercial banks:	1-month	2.93		2.94		2.93	
	3-month	2.99		2.99		2.98	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.67		5.67		5.63	
Prices							
Consumer Price Index (CPI) (2010=100)		104.5	2.7	104.5	2.2	104.5	2.1

[1] Comprises of banking system loans outstanding and private debt securities (PDS) outstanding (excludes non-resident and Cagamas)

[2] Excludes transactions by financial institutions.

[3] Refers to the ratio of loans and holdings of PDS by the banking system to deposits of the banking system.

Source: Bank Negara Malaysia and Department of Statistics Malaysia