BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 11/12/12

EMBARGO: Not for publication or broadcast before 1830 hours on Friday, 30 November 2012

MONETARY AND FINANCIAL DEVELOPMENTS
October 2012

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI) was stable at 1.3% in October. Inflation in the *food and non-alcoholic beverages* category was lower at 2.0% due to the slower increase in the prices of *fresh fish* and the decline in the prices of *fresh vegetables*. Inflation in the *transport* category moderated to 0.8% as the price of RON97 petrol was revised downward to RM2.90/litre from RM3.00/litre in October 2012. The lower inflation for food and transportation was offset by higher inflation in the *miscellaneous goods and services* category, which rose to 1.4% due to an increase in the prices of jewellery during the month.

Monetary Conditions: Interbank rates were stable in October. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.53% as at end of the month. Retail deposit rates were also relatively stable during the period. Broad money (M3) grew at a faster pace of 13.0% in October. On a monthly basis, the increase in M3 reflected sustained financing activity and net foreign inflows. The expansion, however, was partially mitigated by Government fundraising activities. Net financing to the private sector grew 13.0% in October, driven by higher issuances of private debt securities (PDS). PDS issuances rose due to several large issuances, mainly by the *finance* and *government and other services* sectors. Business loans outstanding grew at a stable pace during the month with loans extended mainly to the *wholesale and retail, restaurants and hotel; real estate* and *finance, insurance and business services* sectors. Although loans extended to households moderated slightly, they continued to be supported by bank lending for the *purchase of residential and non-residential properties* and *securities*. Overall, loan demand remained strong with sustained loan applications, especially from the households.

Banking System: The banking system remained well-capitalised with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) improving to 15.3% and 13.6% respectively. This was mainly attributable to a planned capital raising exercise by one institution. The level of net impaired loans remained stable at 1.4% of net loans, while the loan loss coverage ratio was sustained at 102.4%.

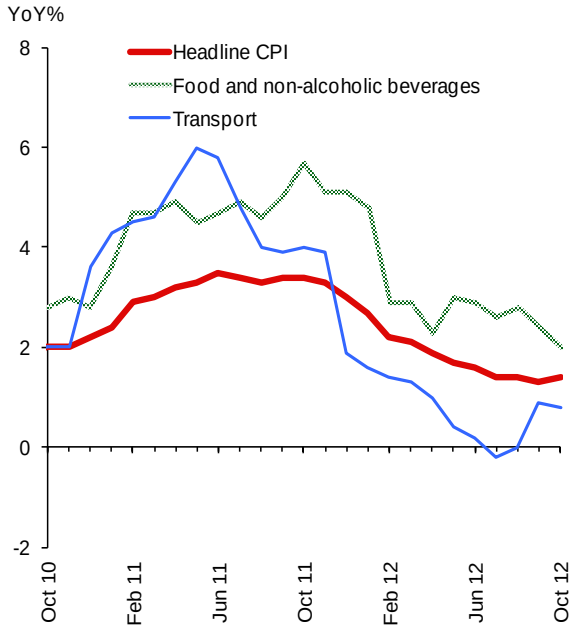
Exchange Rates and International Reserves: In October, the ringgit exhibited a mixed performance against the currencies of most of Malaysia's major trading partners. The ringgit's slight appreciation against the US dollar was due to increased investor interest in Malaysian assets following the release of better than expected domestic economic data and positive economic data in the US. The ringgit also appreciated against the Japanese yen and euro, but depreciated against the Chinese renminbi and Singapore dollar. In November, the ringgit depreciated slightly against the US dollar as concern over the US fiscal position dampened overall investor sentiments and hence demand for emerging market assets. The international reserves of Bank Negara Malaysia stood at RM424.9 billion (equivalent to USD138.6 billion) as at 14 November 2012, sufficient to finance 9.2 months of retained imports and are 4.2 times the short-term external debt.

Bank Negara Malaysia
30 November 2012

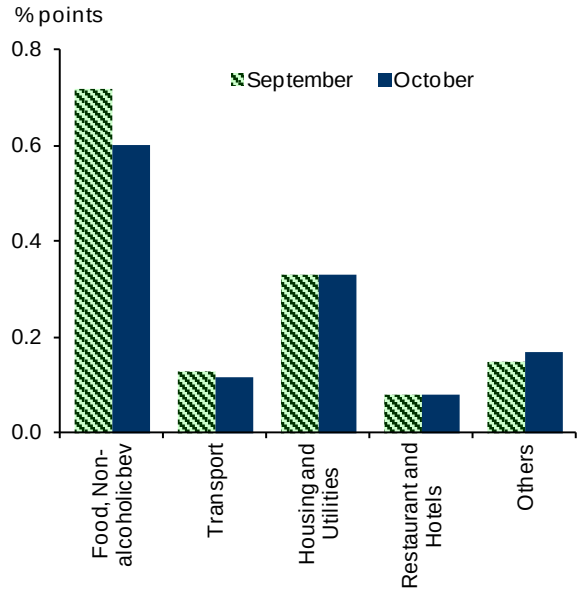
Diterbitkan oleh:
Jabatan Komunikasi Strategik, Tingkat 14, Blok B, Bangunan Bank Negara Malaysia,
Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
Telefon: +60(3) 2698 8044 Faksimili: +60(3) 2693 6919
Web: www.bnm.gov.my

Headline inflation remained stable in October

Headline Inflation



Headline Inflation: Component Contribution



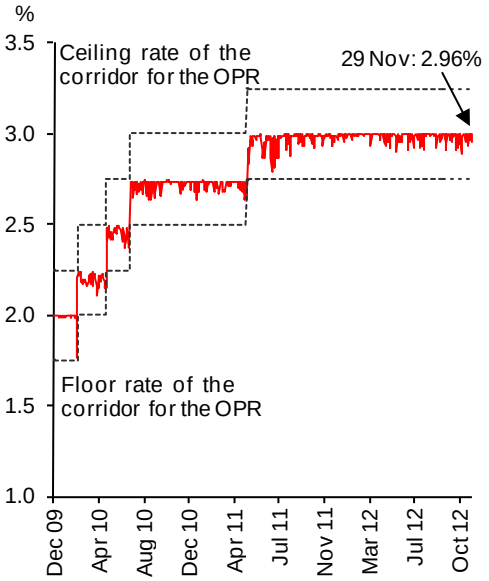
**Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear; and miscellaneous goods and services*

Source: Department of Statistics Malaysia

Source: Bank Negara Malaysia

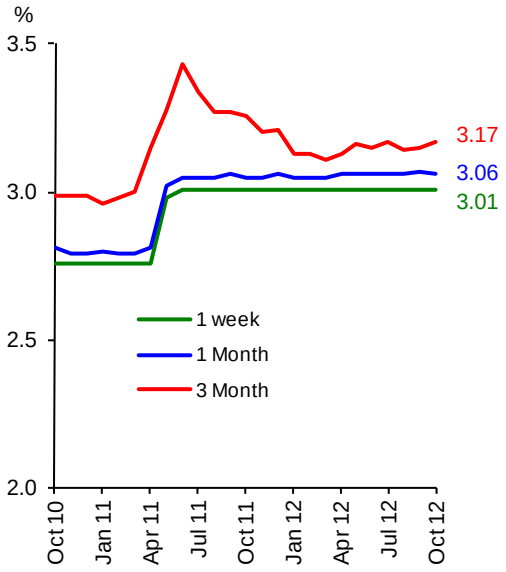
Interest rates were also stable

Average Overnight Interbank Rate



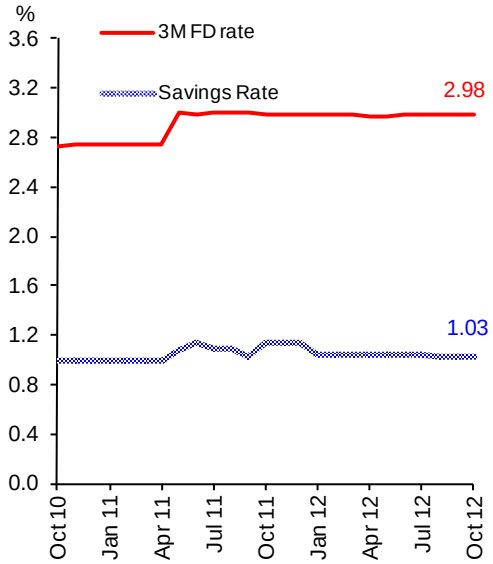
Source: Bank Negara Malaysia

Average Interbank Rates



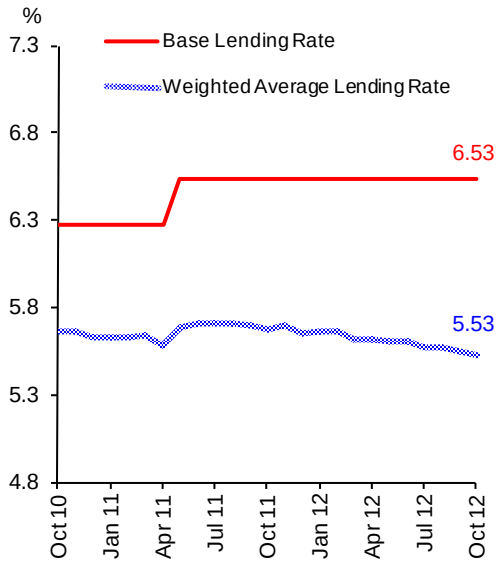
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

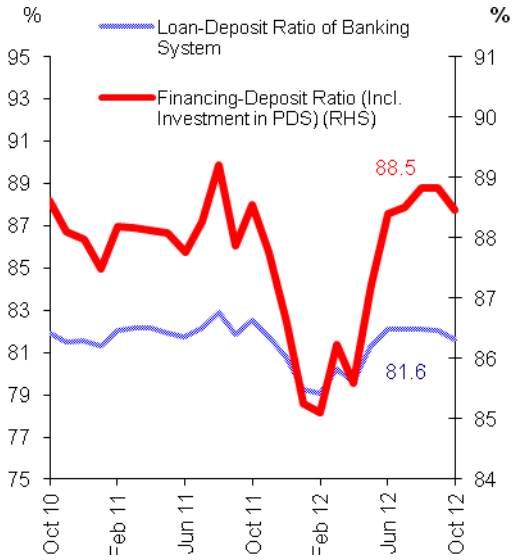
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

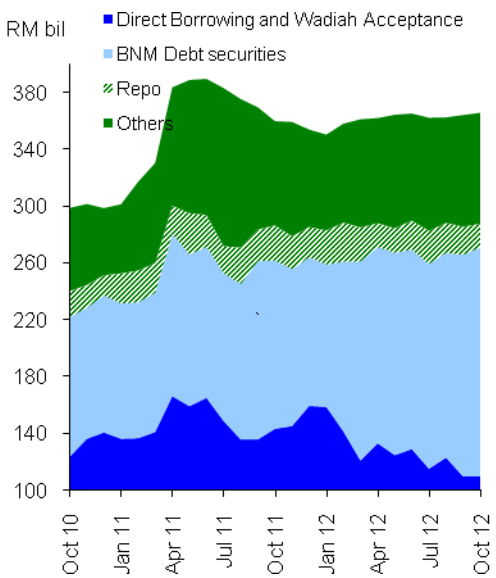
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

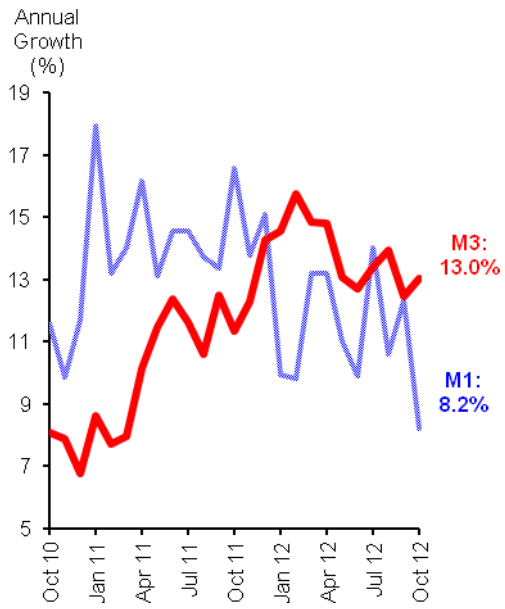
Outstanding Liquidity Placed With Bank Negara Malaysia



Source: Bank Negara Malaysia

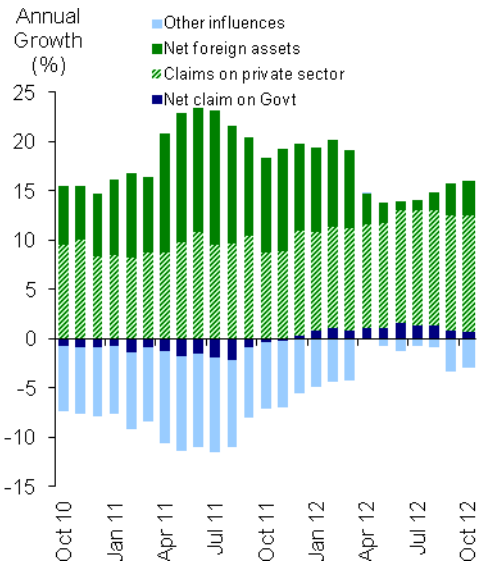
Broad money grew at a faster pace

M1 and M3



Source: Bank Negara Malaysia

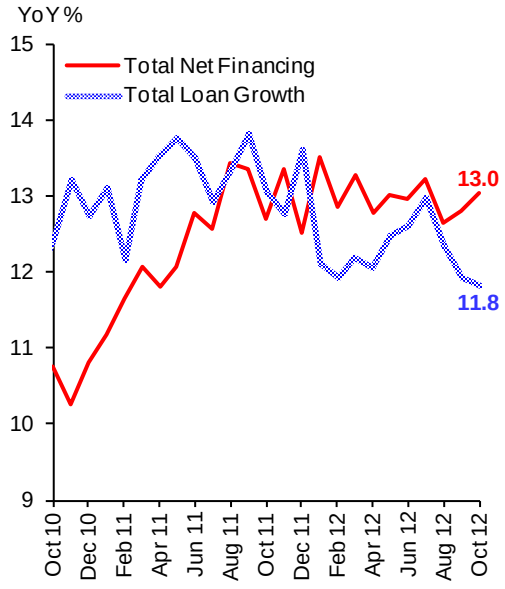
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity increased in October, driven by higher PDS issuances

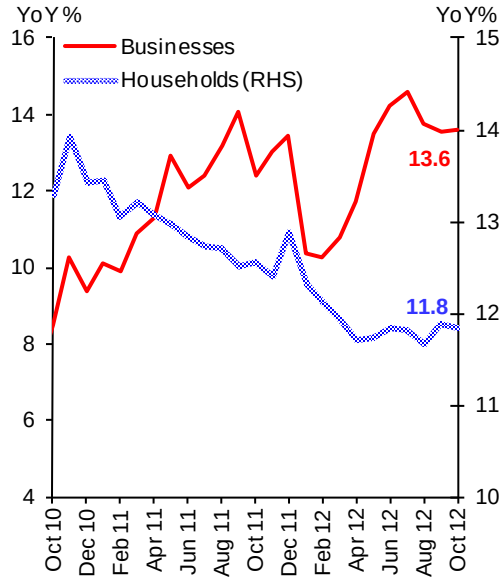
Net Financing and Loan Growth



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

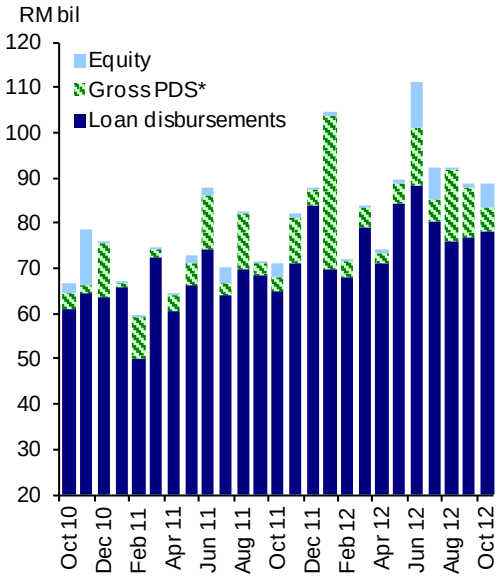
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

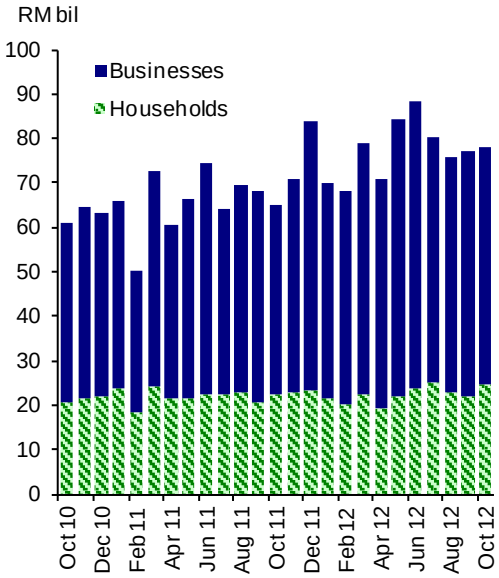
Gross Private Sector Financing



* Excludes foreign issuances

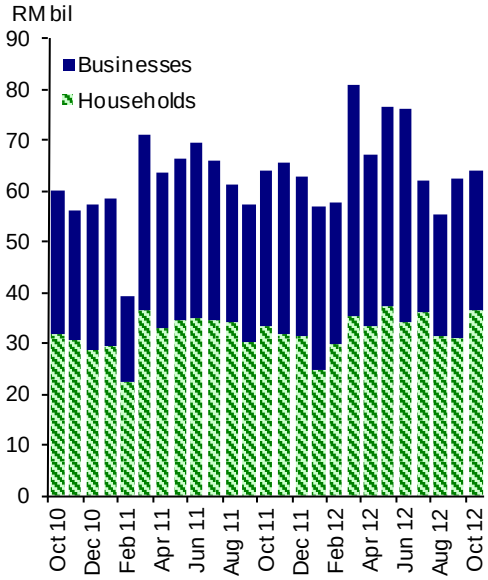
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



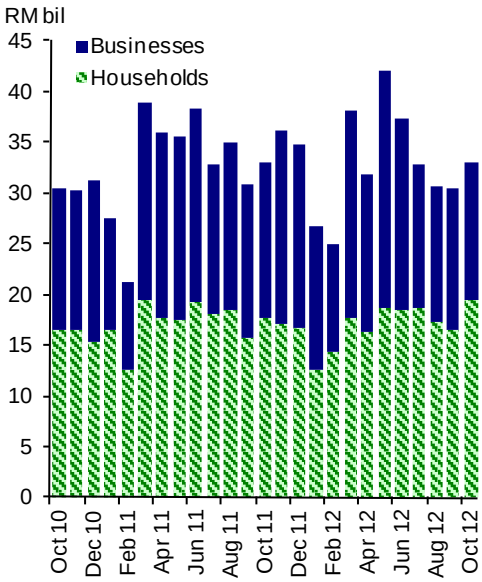
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

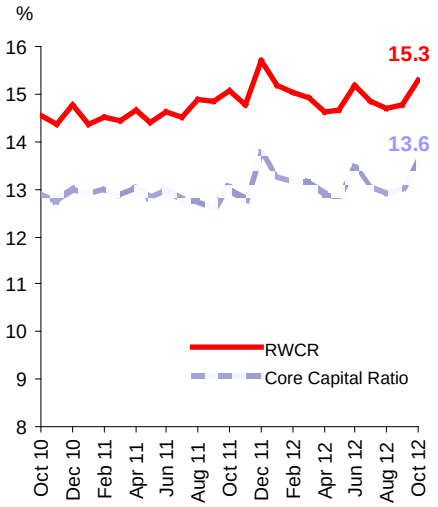
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

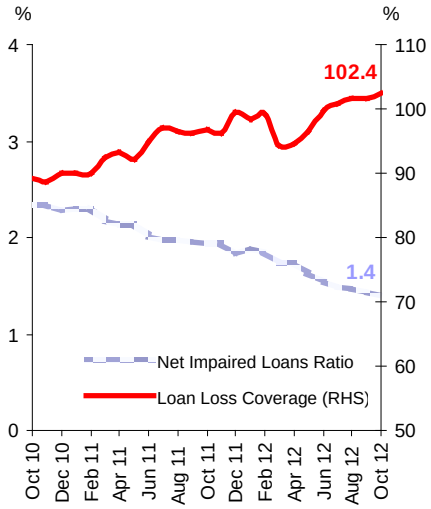
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage



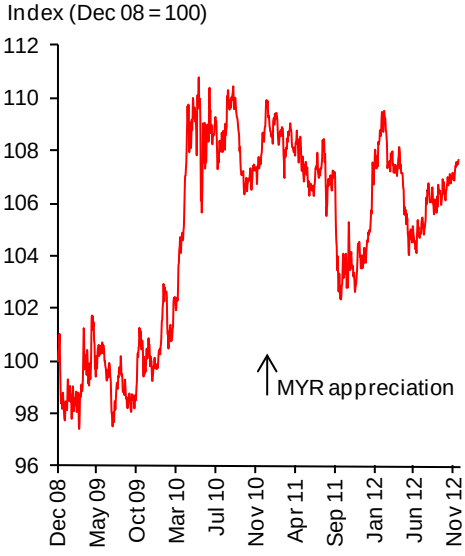
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

Ringgit exhibited a mixed performance against the currencies of most of Malaysia's major trading partners

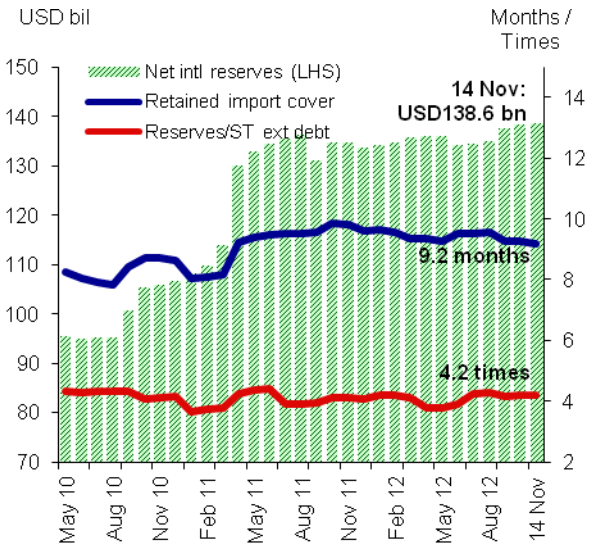
Index of Ringgit Performance against Major Trade Partners*



*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

		Aug 12		Sep 12		Oct 12	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		103.9	9.0	102.8	16.7	102.5	15.6
M1		269.7	10.6	271.7	12.3	268.7	8.2
M2		1,301.8	14.8	1,313.8	13.0	1,315.8	13.7
M3		1,322.0	13.9	1,335.3	12.5	1,337.6	13.0
Banking System							
Net financing[1]		1,444.1	12.6	1,458.1	12.8	1,467.5	13.0
Loan-deposit ratio (%) [2]		82.2		82.0		81.6	
Financing-deposit ratio (%) [2&3]		88.9		88.8		88.5	
Loans applied (during the period)		55.4	-9.9	62.5	9.1	64.0	0.0
Loans approved (during the period)		30.7	-12.1	30.5	-1.1	33.0	0.3
Loans disbursed (during the period)		75.8	8.7	77.0	12.7	78.2	20.3
Loans repaid (during the period)		73.8	19.2	72.3	15.4	75.8	22.3
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		14.7		14.8		15.3	
Net Impaired Loans Ratio (%)		1.5		1.4		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		431.1		421.3		423.9	
Net Reserves in USD billion (equivalent)		134.9		137.4		138.3	
Months of retained imports		9.5		9.3		9.3	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.99	[2.99]	2.99	[2.99]	2.99	[2.97]
	1-week	3.01	[3.01]	3.01	[3.01]	3.01	[3.01]
	1-month	3.09	[3.06]	3.08	[3.07]	3.06	[3.06]
Fixed deposits of commercial banks:	1-month	2.90		2.91		2.91	
	3-month	2.98		2.98		2.98	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.57		5.55		5.53	
Prices							
Consumer Price Index (CPI) (2010=100)		105.0	1.4	105.2	1.3	105.4	1.3

[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