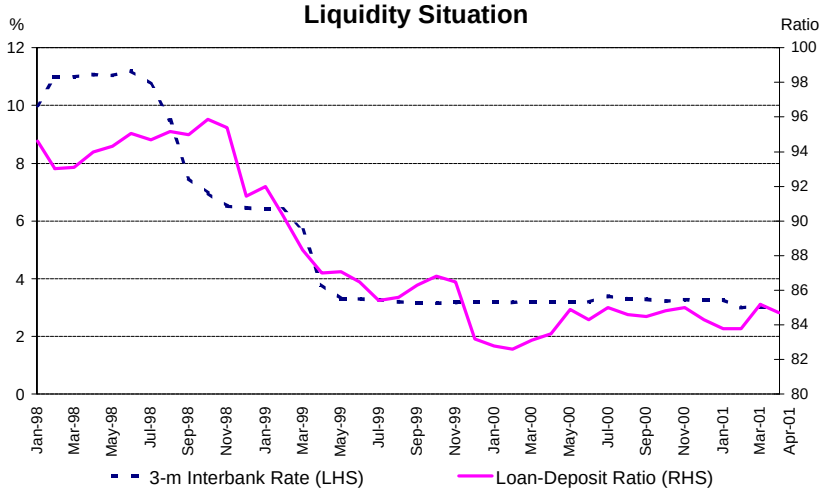
EMBARGO: Not for publication or broadcast before 17:00 hours on Monday, 28 May 2001

PRESS RELEASE ON MONETARY AND FINANCIAL DEVELOPMENTS APRIL 2001

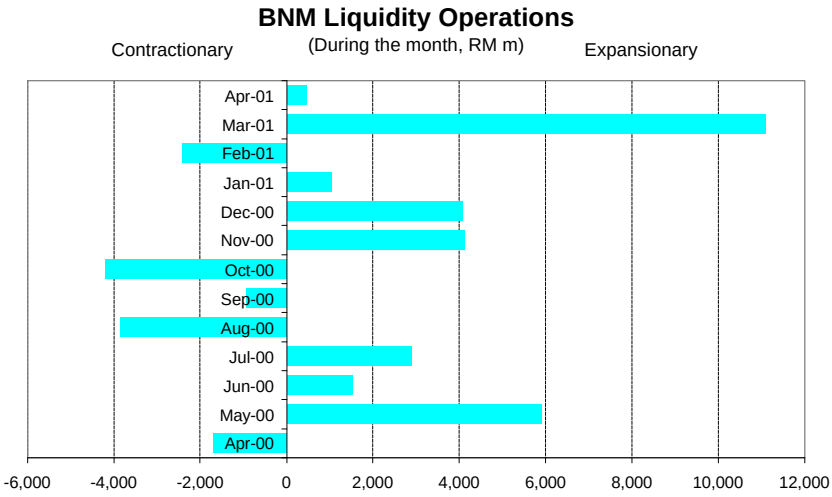
The stable monetary and financial conditions in April remained conducive for continued expansion in domestic economic activities. Interest rates continued to remain low and stable amidst ample liquidity in the banking system. In this environment, loans and money supply expanded during the month.

Interbank rates remained relatively stable

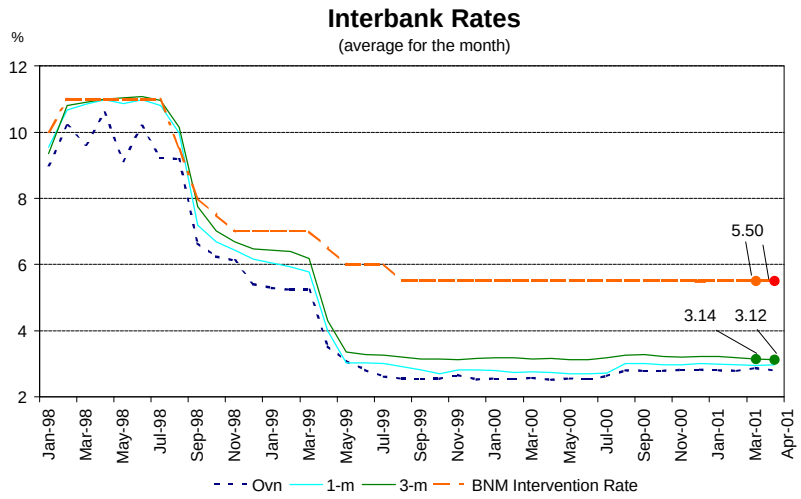
In April and May, interest rates in the **interbank money** market remained relatively stable amidst ample liquidity in the banking system.



Ample liquidity continued to prevail

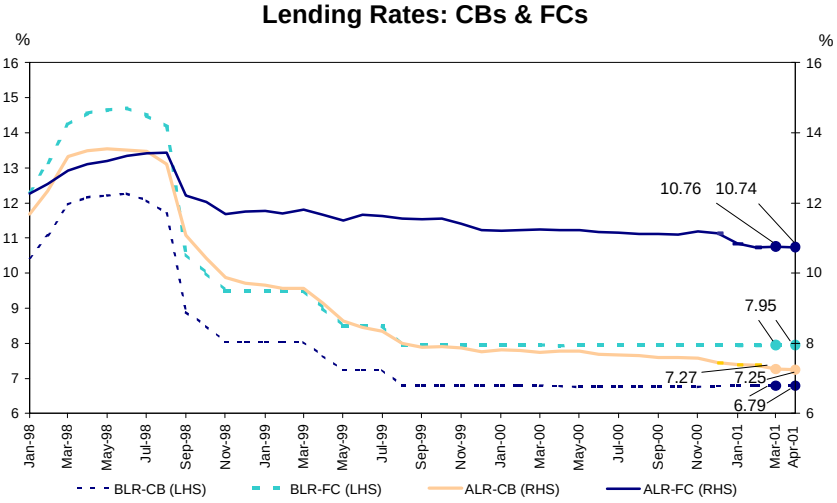


BNM's operations were aimed at achieving stable liquidity conditions



Interbank rates remained relatively stable in April

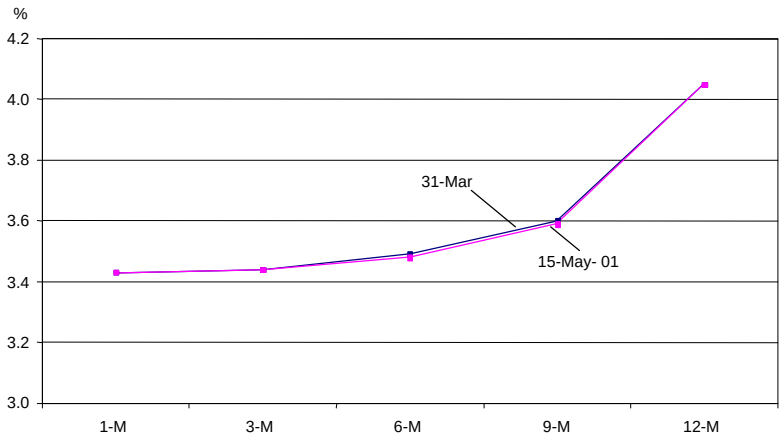
The **average base lending rates** (BLRs) of commercial banks (CBs) and finance companies (FCs) remained unchanged at 6.79% and 7.95% respectively at end-April. Similarly, the **average lending rates** (ALRs) of CBs and FCs stabilised at 7.25% and 10.74% respectively.



Average BLR and ALR for CBs & FCs remained stable in April.

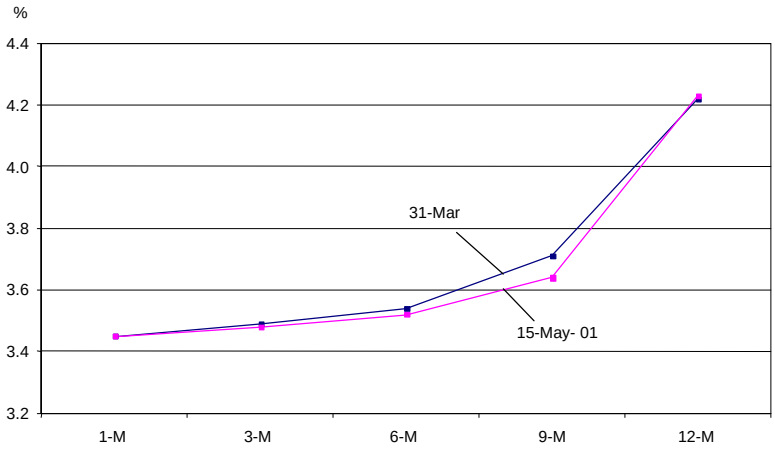
The **average fixed deposit** (FD) rates of CBs, as of 15 May, remained within a narrow range. The average range of 1-month to 12-month FD rates stood at 3.43-4.05%. However, for FCs, there was a marginal decline in FD rates for middle tenures. Nevertheless, the rates of 1-month and 12-month remained stable at 3.45% and 4.23% respectively. CBs and FCs **interest margins** stood at 4.22% and 6.66% (4.20% and 6.67% at end-March).

Term Structure of FD Rates: Commercial Banks

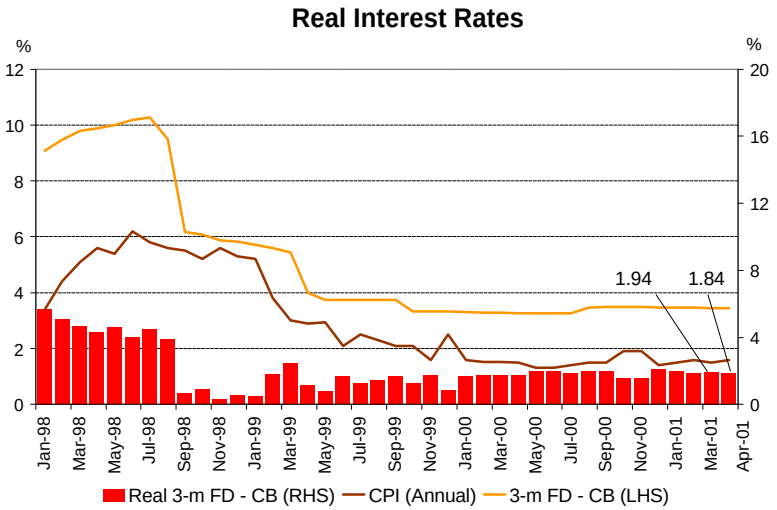


FD rates offered by CBs were relatively stable

Term Structure of FD Rates: Finance Companies



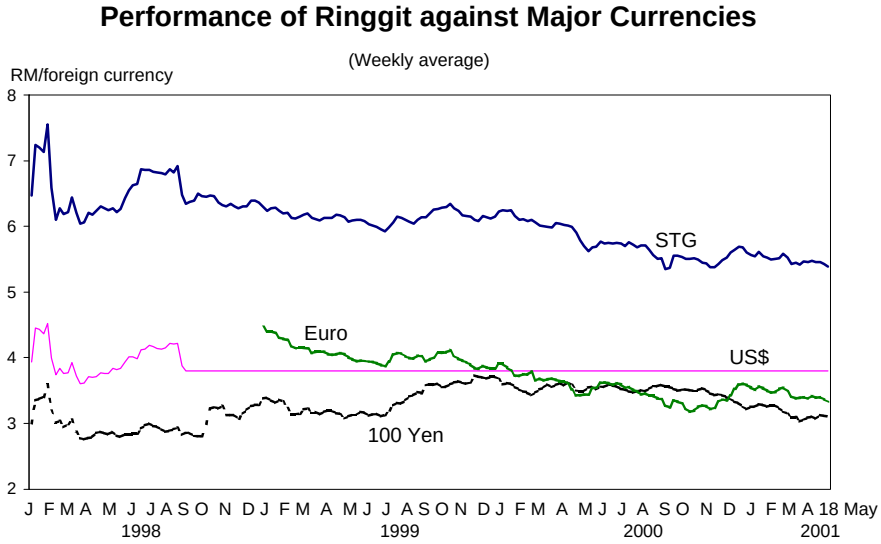
Marginal decline in FD rates offered by FCs for middle tenure.



Real FD rates decreased slightly

Ringgit depreciated against major currencies in April

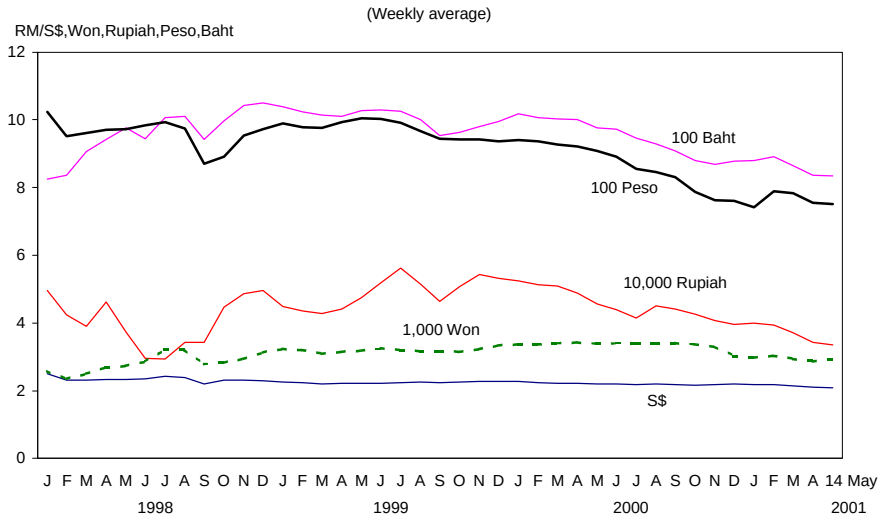
In April, the **ringgit turned around to record a depreciation against the major currencies.** The ringgit depreciated against the Japanese yen (-0.4%), the Euro (-1.3%) and the pound sterling (-0.4%) in tandem with the movements of the US dollar in the international foreign exchange markets. The US dollar weakened initially on the back of weak economic data for the US and concerns that the strength of the dollar was affecting US exports. However, towards the end of the month, the US dollar consolidated as the stronger-than-expected US 1Q GDP figures renewed investor optimism for an early US recovery.



The ringgit depreciated against major currencies in April

Although the weak yen had influenced the movement in regional currencies in March and early April, domestic factors increasingly affected the movements of certain regional currencies towards the end of April. The Indonesian rupiah depreciated against the ringgit by 13.3% during this period due to political developments in Indonesia. The Korean won, meanwhile, appreciated slightly against the ringgit by 0.2% in line with the appreciation of the yen against the US dollar.

Performance of Ringgit against Regional Currencies



Movement in regional currencies in April-May was mixed

During the period **1-18 May, the ringgit recorded a mixed performance against major currencies.** The ringgit depreciated against the yen by 1.0%, while appreciating against the euro and the pound sterling by 1.0% and 0.1% respectively, in tandem with the movements of the US dollar in the international foreign exchange markets. The yen appreciated following the market's optimism over the proposed economic reforms by the new administration. The euro, however, depreciated in the early part of this period following weak manufacturing and jobs data from the euro zone. Meanwhile, **the ringgit depreciated against certain regional currencies in the range of 0.6% to 4.2% during this period.** The Philippine peso and Indonesian rupiah appreciated during this period following the easing of domestic political tensions in their individual countries. Meanwhile, the Singapore dollar appreciated by 0.6% following intervention by the Monetary Authority of Singapore in order to offset the impact of strong M&A flows on the currency.

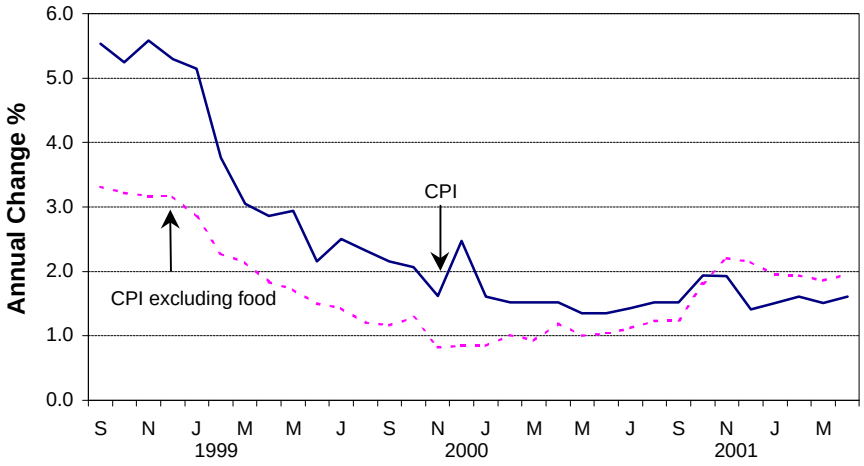
Performance of Ringgit against Selected Currencies

RM per foreign currency	End-June 1997	2 September 1998	18 May 2001	% change		
				Since end-June 1997	Since 2 Sept. 1998	Since end-April 2001
US dollar	2.5235	3.8000	3.8000	-33.6	0.0	0.0
Euro	-	-	3.3527	-	-	1.0
Pound Sterling	4.1989	6.3708	5.4431	-22.9	17.0	0.1
100 Japanese yen	2.2088	2.7742	3.0960	-28.7	-10.4	-1.0
Singapore dollar	1.7647	2.1998	2.1014	-16.0	4.7	-0.6
100 Thai baht	9.7470	9.3713	8.3913	16.2	11.7	-0.7
100 Philippine peso	9.5878	8.8302	7.5705	26.6	16.6	-2.1
100 Indonesian Rupiah	0.1038	0.0354	0.0337	208.0	5.0	-4.2
100 Korean won	0.2842	0.2827	0.2916	-2.5	-3.1	-1.9

Inflation remained low

In April, inflation continued to remain low. The inflation rate, measured in terms of the **Consumer Price Index (CPI)** increased by 0.1 percentage point to 1.6% per annum in April. The increase in the CPI was due to higher price increases for gross rent, fuel and power; furniture, furnishings and household equipment; medical care and health expenses; and miscellaneous goods and services. The higher price increases for these groups were, however, offset partly by a decline in prices for clothing and footwear and lower price increases for recreation, entertainment, education and cultural services.

Consumer Price Index

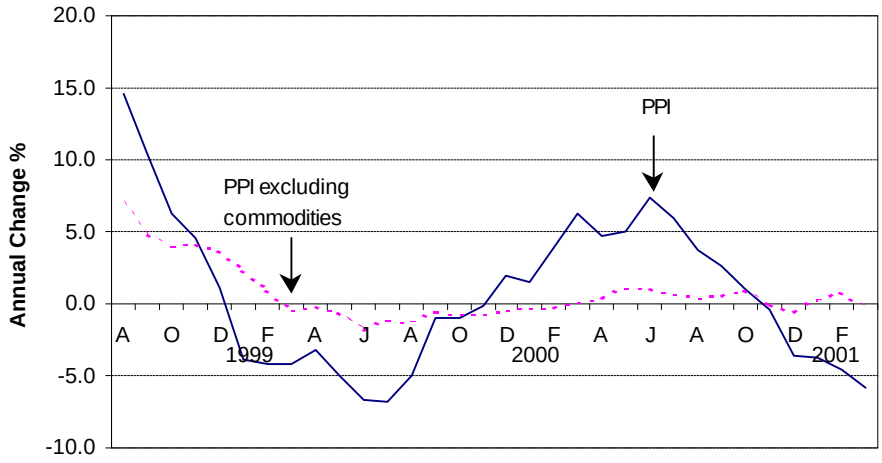


Inflation remained low

Producer prices continued to fall

Producer prices, which have been declining since October 2000, declined further in March 2001. The **Producer Price Index (PPI)**, which measures the average rate of change in prices charged by domestic producers of commodities and those paid by domestic importers, declined by 5.9% per annum in March. The decline was largely due to lower prices charged by domestic producers (-7.1%) and to a lesser extent, lower prices paid by local importers (-0.1%). Softer commodity prices were the main reason for the reduction in the PPI. The adjusted PPI, which excludes commodities, declined by 0.3%.

Producer Price Index



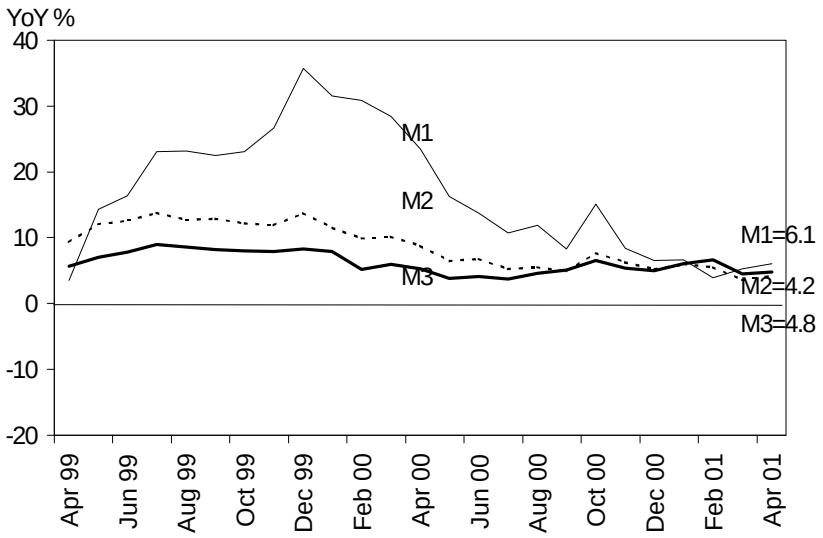
Producer prices declined for 5 consecutive months

Money supply expanded as private sector deposits increased

On a month-on-month basis, **broad money, M3** turned around to increase by RM3.8 billion or 0.8% in April. Consequently, the annual growth rate of M3 rose to 4.8% at end of April.

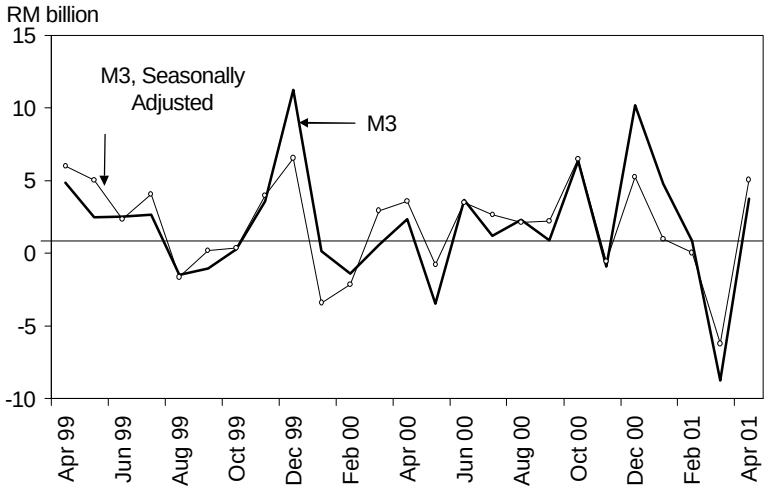
The increase in M3 during the month reflected mainly higher claims on the private sector and the drawdown of deposits by the Federal Government from BNM to finance its expenditure and the redemption of Malaysian Government Securities (MGS) in April.

Monetary Aggregates: Annual Growth



Growth rates of all three monetary aggregates edged upwards on an annual basis

M3: Monthly Change



Expansion in domestic credit led M3 growth in April

M3 Determinants

(RM billion)

	Change during the period			
	2001			
	February	**March**	**April**	**Jan-April**
M3	0.9	-8.8	3.8	0.6
Claims on Government	3.3	-8.0	2.1	5.1
Claims on private sector	0.8	-1.4	1.4	0.9
External operations[1/]	0.8	-1.7	1.9	2.4
Other influences	-4.0	2.3	-1.6	-7.8

1/ pre-revaluation

Banking system deposits and loans increased

On a month-on-month basis, total **deposits** turned around to increase by RM3.8 billion or 0.8% in April. The increase reflected mainly higher placements by the business enterprises, the non-bank financial institutions and the statutory authorities, which more than offset the decline in the Government deposits. On an annual basis, deposits continued to increase by 4% as at end-April (2.8% as at end March).

Monthly Change in Deposits **(RM million)**

	2001		
	Feb.	**Mar.**	**Apr.**
Holder			
Federal Government	-888	148	-113
State Governments	2	-157	-265
Statutory Authorities[1/]	-253	-560	922
Financial Institutions	507	-4,220	1,409
Business Enterprises	841	-2,754	1,677
Individuals	1,092	-583	85
Others	-66	-15	104
Total	**1,235**	**-8,140**	**3,819**

[1/] Include local Governments.

Deposits rose due to higher placements by business enterprises, non-bank financial institutions and statutory authorities.

By type, with the exception of demand deposits, all deposits were higher in April. The significant increase in fixed deposits were due mainly to higher placements by the business enterprises and the statutory authorities. SPI deposits continued to increase due to higher deposits by other domestic entities. There was also an increase in foreign currency deposits, reflecting increased placement by the business enterprises, while repos and NIDs were higher due to placements by the non-bank financial institutions.

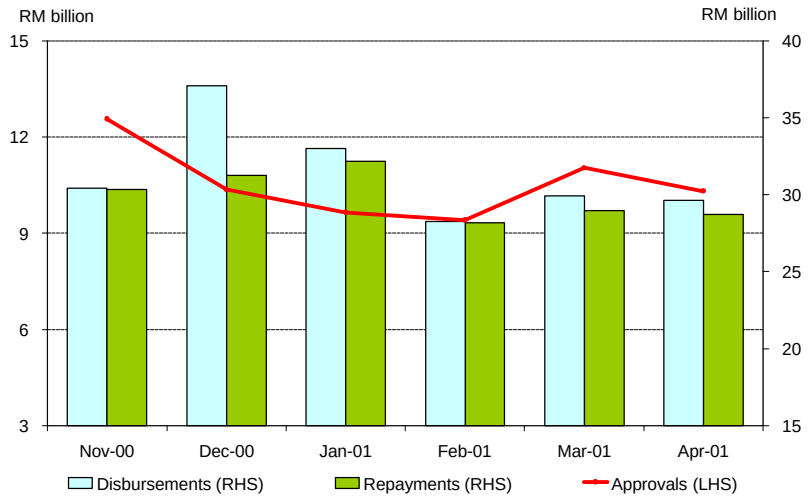
Monthly Change in Deposits **(RM million)**

	2001		
	Feb.	**Mar.**	**Apr.**
Type			
Fixed deposits	-489	-4,010	1,978
NIDs issued	517	266	134
Demand deposits	-2,347	-2,090	-352
Savings deposits	367	54	150
Repos	2,662	-2,215	347
FX deposits	-104	-1,404	715
SPI deposits	695	1,274	744
Others	-66	-15	104
Total	**1,235**	**-8,140**	**3,819**

The increase in deposits was accounted mainly by fixed, SPI and FX deposits.

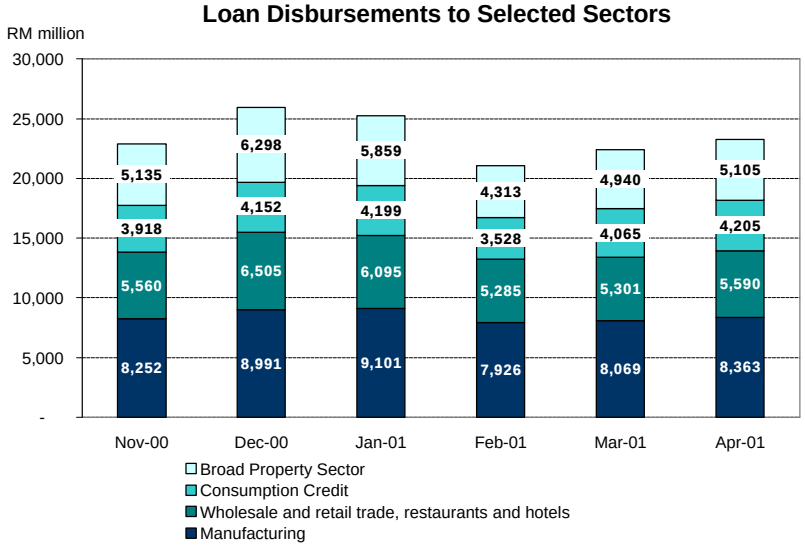
Loan approvals remained high at RM10.3 billion in April. The approvals were granted largely for the purchase of residential property (RM2.3 billion), purchase of passenger cars (RM1.6 billion) and manufacturing activities (RM1.2 billion). Meanwhile, **loan disbursements** amounted to RM29.6 billion in April. The disbursements were channeled mainly to the manufacturing sector, wholesale trade, for the purchase of residential properties, financial services and for the purchase of passenger cars.

Loan Approvals, Disbursements and Repayments



Loan approvals and disbursements remained high

Loan Disbursements to Selected Sectors



The bulk of the disbursements were for manufacturing, wholesale trade and the purchase of residential property.

Total **loans outstanding** extended by the banking system rose further by RM1.5 billion in April. The increase was accounted mainly by loans for the purchase of residential property and manufacturing activities. On an annual basis, loans outstanding grew by 5.5% as at end-April.

Banking System: Loans Outstanding by Sector (RM million)

	2001		
	Monthly change		As at end
	Mar.	Apr.	Apr.
Agriculture, hunting, forestry and fishing	141	-160	12,097
Mining and quarrying	-71	102	1,660
Manufacturing	140	795	68,896
Electricity, gas and water supply	-600	-386	6,881
Wholesale and retail trade, restaurants and hotels	47	-48	37,744
Broad property sector	583	747	166,782
of which:			
Purchase of residential property	*909*	*1,056*	*77,741*
Transport, storage and communication	-8	34	13,794
Finance, insurance and business services	284	418	34,266
Consumption	664	581	62,161
of which:			
Passenger cars	*562*	*459*	*39,926*
Credit cards	*33*	*81*	*7,491*
Purchase of securities	-164	-805	32,040
Others	29	267	20,757
Total Loans[1/]	**1,046**	**1,545**	**457,079**

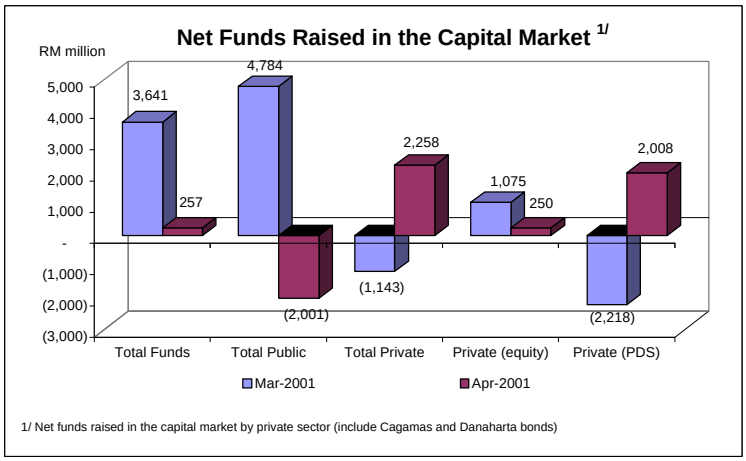
[1/] Including loans sold to Danaharta and Cagamas (inclusive of property loans and hire purchase receivables).

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

Loans outstanding increased further in April

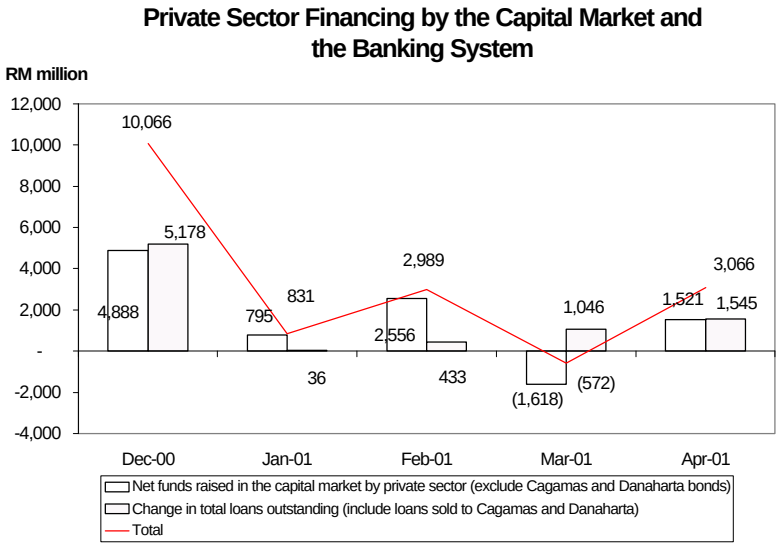
Lower net funds raised in the capital market

Net funds raised in the capital market were lower in April, amounting to RM257 million. This was due mainly to redemption of Malaysian Government Securities. Meanwhile, net funds raised by the private sector were higher during the month following the higher net issue of private debt securities.



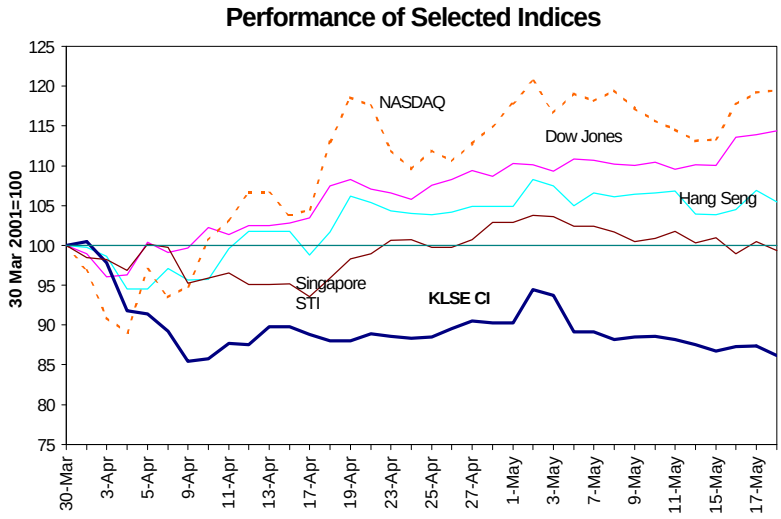
Net fund raised in the capital market were lower in April

Total private sector domestic financing from both the capital market and the banking system increased by RM3.1 billion in April.



Total financing from both the banking system and capital market increased in April

The market sentiment in the **Kuala Lumpur Stock Exchange (KLSE)** continued to remain weak in April. The weak sentiment was mainly due to continued concerns over the slowdown in the US economy. In addition, the announcement by the Standard and Poor's on 4 April that the outlook for Malaysia was revised from positive to stable had dampened the market sentiment further. However, the KLSE CI improved towards the end of the month with better performance in the US and regional markets. As at 30 April, the KLSE CI closed at 584.50 points (-9.7% since end-March), market capitalisation stood at RM394.49 billion (-5.7% since end-March), while daily average turnover was higher at 102 million units (85.7 million units in March).



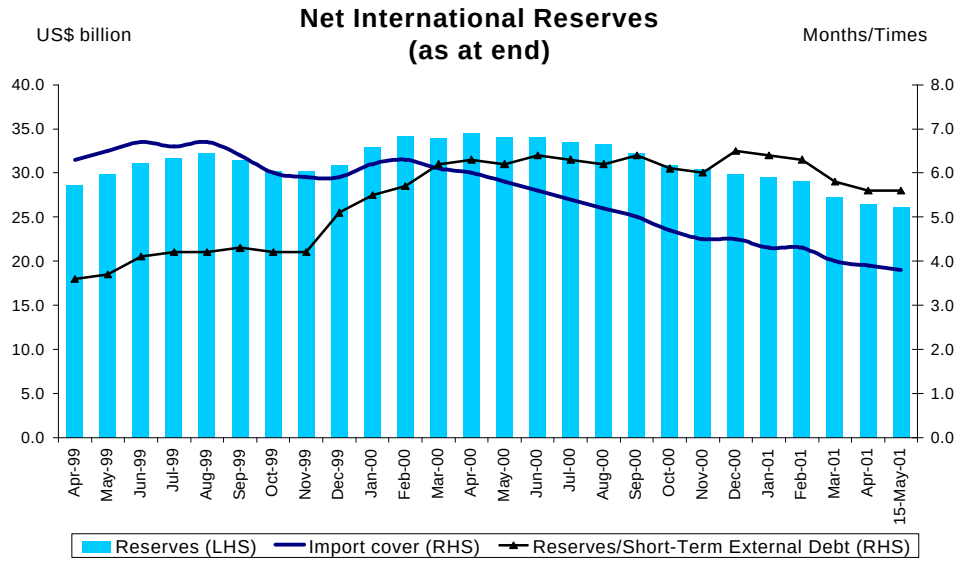
KLSE CI trended lower

The KLSE CI improved slightly in the early May following the abolishment of 10% exit levy on portfolio profit repatriated within one year. However, due to the lack of new fresh leads, the encouraging trend was not sustained. As at 18 May, the KLSE CI closed at 557.66 points (-4.6% since end-April), market capitalisation stood at RM385.25 billion (-2.3% since end-April), while daily average turnover was 139.6 million units (102 million units in April).

International reserves

The **net international reserves of BNM** amounted to RM100.4 billion (US$26.4 billion) as at end-April 2001 compared to RM103.3 billion (US$27.2 billion) as at end-March 2001. As at 15 May 2001, the net international reserves of BNM stood at RM99.2 billion or US$26.1 billion. The level of reserves is adequate to cover 5.6 times the short-term external debt and to finance about 4 months of retained imports. The lower reserves during the period reflected higher payments for imports of goods and services as well as some portfolio outflows. The continued trade surplus and inflows of long-term capital have cushioned, to some extent, these outflows.

Improved global financial market conditions has resulted in smaller short-term outflows and a smaller decline in international reserves since mid-April. Looking forward, continued inflows of trade surplus and long-term capital are expected. These inflows would cushion the outflows arising from the normal course of business transactions and sentiment-driven outflows.



Banking system remains strong

The capital position of the banking system remained strong in April 2001, with a risk-weighted capital ratio and core capital ratio at 12.1% and 10.2%, respectively.

The expiry of indulgence granted earlier to several groups of borrowers involved in the debt restructuring process and the classification of these loans as non-performing in March 2001 resulted in the net NPL ratio increasing further to 7.1%. However, the reclassification of these loans as NPLs do not have a major impact on the banking system since such loans have already been treated by the banking institutions in a manner consistent with that specified for NPLs, that is the recognition of interest on a cash basis and setting aside specific provisions of 20%. As at 31 March 2001, another RM2.6 billion worth of loans granted indulgence have yet to be classified as NPL.

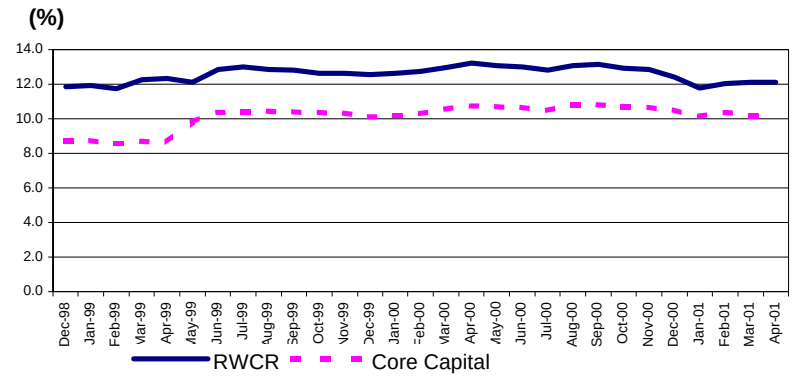
Banking System Health Indicators

	1998	1999		2000		2001		
	Dec.	Jun.	Dec.	Jun.	Dec.	Feb.	Mar.	Apr.
Capital								
Core-capital ratio (%)	8.7	10.4	10.1	10.7	10.5	10.5	10.2	10.2
RWCR (%)	11.8	12.9	12.5	13.0	12.4	12.1	12.1	12.1
Net NPL (6-month classification)								
Banking system (%)	8.1	7.9	6.4	6.5	6.3	6.9	7.1	n.a.
Banking system (RM million)	31,675	29,889	23,849	24,736	24,605	27,020	28,017	n.a.
GP/Net total loans (6-month, %)	2.0	1.9	1.9	1.9	1.9	1.9	1.9	n.a.

n.a. Not available

** Beginning June 1999 onwards, the figures include Islamic banks*

Capital Strength Indicators

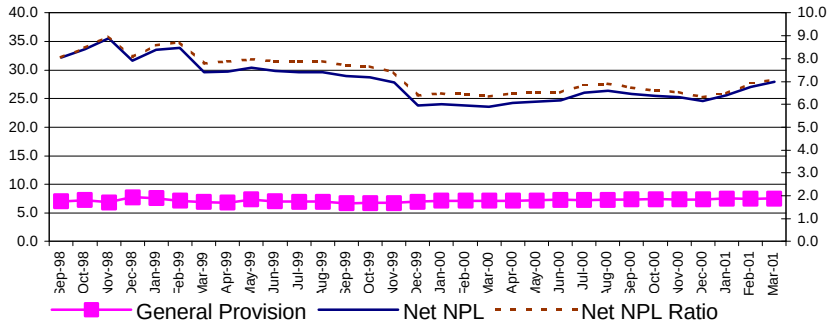


….RWCR remained at 12.1%

Banking System: Net NPL and General Provisions

NPL and GP (RM b)

NPL ratio (%)



….Net NPL ratio increased to 7.1 %

Danaharta has continued to actively manage the NPLs acquired through loan restructuring, foreclosure of collateral and businesses and asset management through the appointment of Special Administrators. During the first quarter of the year, another 80 accounts valued at RM0.52 billion have been included under Danaharta's portfolio. These accounts were transfers of the BBMB Group NPLs from Bumiputra-Commerce Bank Berhad ("BCB") under a put option agreement between Danaharta, the BBMB Group and Commerce Asset-Holding Berhad (now the majority shareholders of BCB). The put option expires on 31 August 2001.

As at end March 2001, Danaharta is managing loans valued at RM48.0 billion of which RM38.2 billion have been acquired from the banking system representing 42.3% of the total NPLs of the banking system. Under its current portfolio, Danaharta has restructured or approved for restructuring NPLs with a gross value of RM38.7 billion. The total expected

recovery of these restructured loans is RM23.1 billion which translates to an expected recovery rate of 60% of its total loans outstanding. Danaharta has also collected a total of RM7.3 billion in cash from these recovery efforts, with the remainder comprising performing loans, securities and properties.

With regard to distribution of recovery proceeds, Danaharta has distributed a total of RM5.7 billion (on cumulative basis) - RM5.5 billion was distributed for recovery on BBMB and Sime Bank Group NPLs under management whilst RM206.0 million of the surplus recovery on the loans acquired was distributed to 14 financial institutions.

As at 30 April 2001, capital injection by Danamodal in three banking institutions remained at RM3.7 billion. The number of cases resolved by the CDRC increased to 46 cases valued at RM30.3 billion from the 54 cases (valued at RM39.6 billion) eligible for restructuring. The number of outstanding cases stood at 8 cases with total loans of RM9.2 billion.

Bank Negara Malaysia
28 May 2001

Key Monetary and Banking Statistics

	March		April	
	Outstanding (RM billion)	Ann. growth (%)	Outstanding (RM billion)	Ann. growth (%)
Monetary Aggregates				
Reserve money	39.1	5.5	38.9	5.3
M1	72.6	5.2	72.5	6.1
M2	348.4	3.6	352.2	4.2
M3	453.4	4.5	457.1	4.8
Banking System				
Total deposits	467.4	2.8	471.2	4.0
Total loans (including loans sold to Cagamas and Danaharta)	455.5	5.6	457.1	5.5
Total loans (excluding loans sold to Cagamas and Danaharta)	398.0	5.4	399.2	5.5
Loan-deposit ratio (%)	85.2		84.7	
Loans approved during the month	11.0		10.3	
Loans disbursed during the month	29.9		29.6	
Banking System Health				
Risk-weighted Capital Ratio (RWCR) (%)	12.1		12.1	
Net NPLs: 6-month classification (%)	7.1		n.a	
International Reserves of BNM (end-period)				
Reserves in RM (billion)	103.3		100.4	
Reserves in USD (billion)	27.2		26.4	
Months of retained imports	4.0		3.8	
Interest Rates (average rates at end-period)				
Interbank: 1-month	2.99		2.98	
3-month	3.04		3.01	
Fixed deposits of commercial banks: 1-month	3.43		3.42	
3-month	3.44		3.44	
BLR of commercial banks	6.79		6.79	
Exchange Rates of Ringgit against Selected Currencies (end-period)				
Euro	3.3413		3.3858	
Pound Sterling	5.4274		5.4511	
Singapore dollar	2.1105		2.0896	
100 Japanese yen	3.0544		3.0665	
100 Thai Baht	8.4774		8.3361	
100 Philippine Peso	7.6970		7.4081	
100 Indonesian Rupiah	0.0365		0.0322	
100 Korean Won	0.2856		0.2862	
Capital Market				
Funds raised by: public sector (RM million)	4,783.8		-2,000.5	
private sector (RM million)	-1,143.1		2,257.6	
Kuala Lumpur Composite Index (end-period)	647.48		584.50	
KLSE Market Capitalisation (RMb) (end-period)	418.23		394.49	