BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

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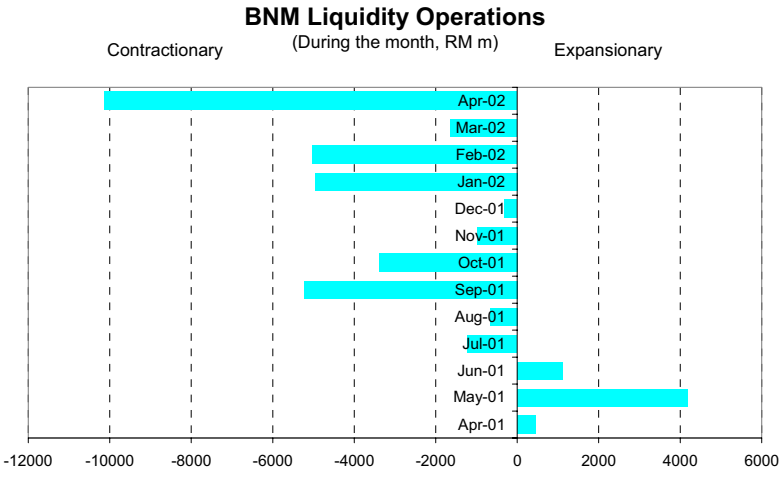
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PRESS RELEASE ON MONETARY AND FINANCIAL DEVELOPMENTS APRIL 2002

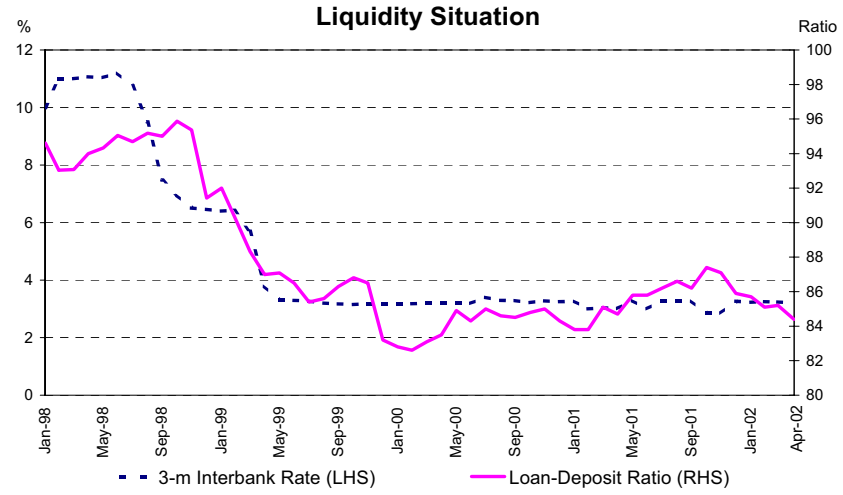
The monetary and financial developments in April reflected the continued improvement in economic activity and market confidence. Money supply, deposits and loans continued their rising trend while inflation moderated. Improved investor confidence and renewed foreign interest contributed to positive developments in the equity market. Overall, monetary policy continues to provide a positive environment for the economic recovery.

Interest rate levels continued to remain low and stable

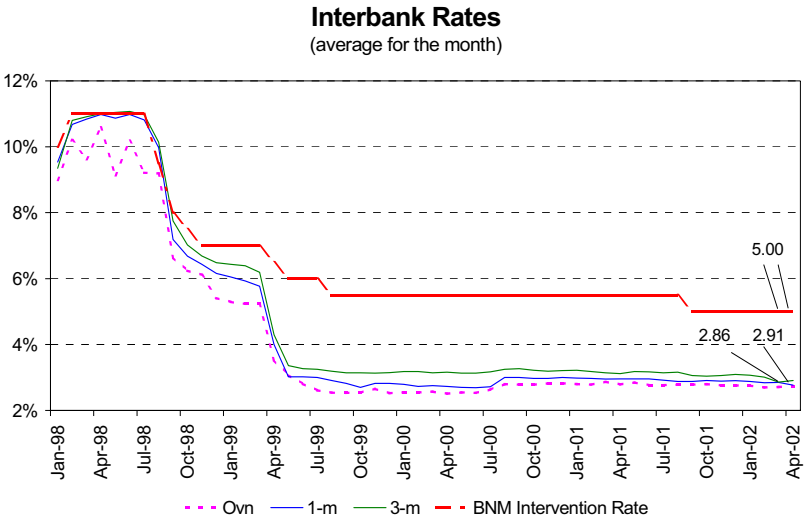
In April, the **interbank money market** rates continued to remain low and stable, following BNM liquidity operations to absorb RM10.1 billion from the market to offset the expansionary impact of draw down of deposits by the Government as well as by a non-bank financial institution (NBFI) from BNM.



BNM liquidity operations were contractionary to maintain stable liquidity conditions

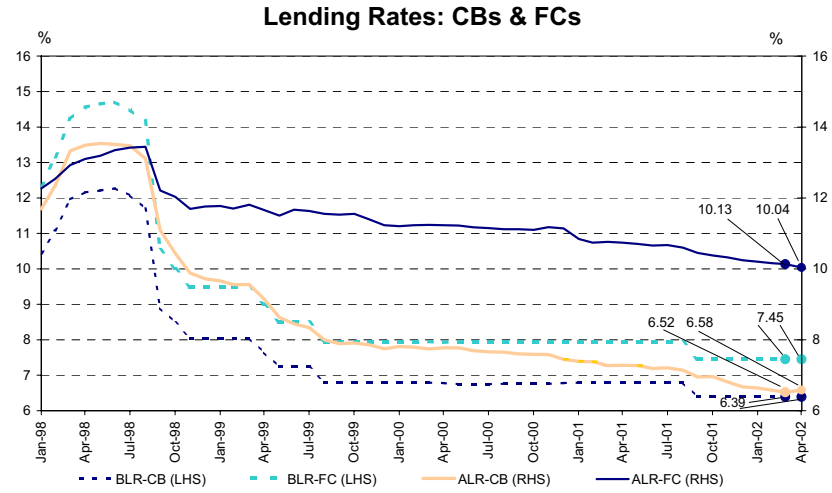


Liquidity remained ample



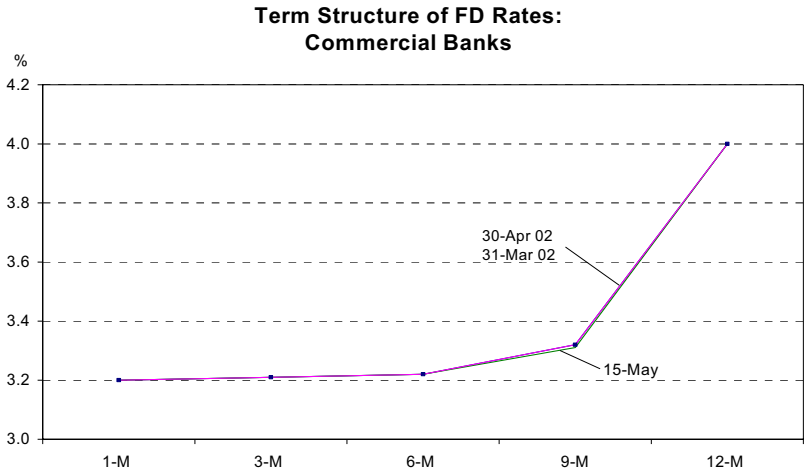
Interbank money market rates remained low

The **average lending rates** (ALR) of both commercial banks (CBs) and finance companies (FCs) also remained relatively stable at 6.58% and 10.04% respectively at end-April (6.52% and 10.13% at end-March), while the **average base lending rates** (BLR) of CBs and FCs remained unchanged in April.

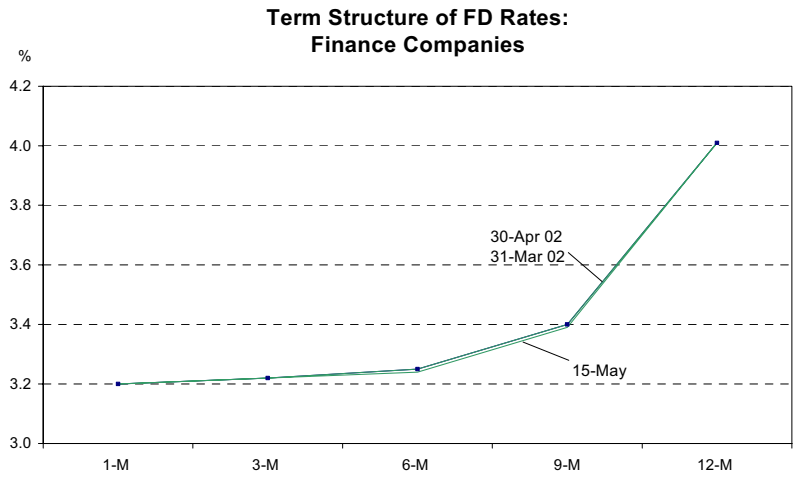


ALR remained relatively stable during the month while BLR remained unchanged.

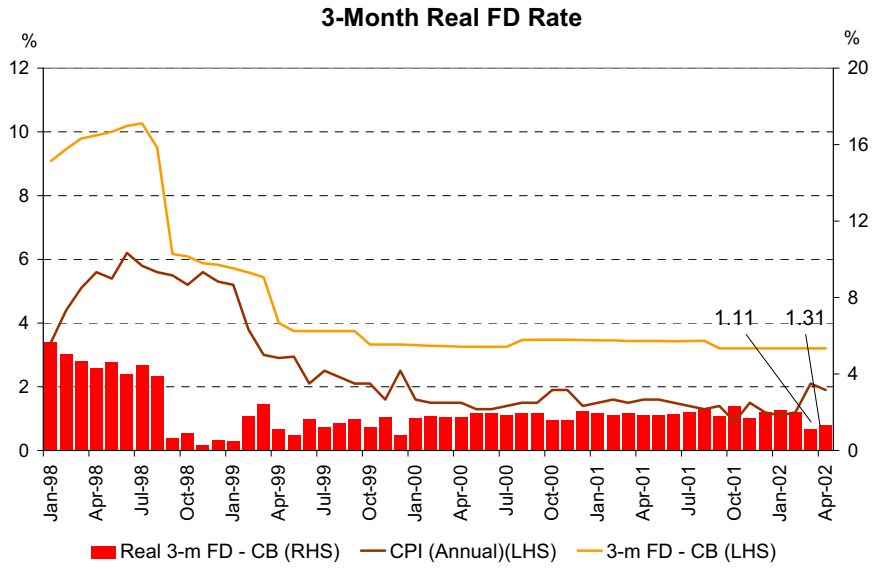
As at 15 May, the term structure of **average fixed deposit (FD) rates** for the 1-month to 12-month maturities of both CBs and FCs remained relatively unchanged from levels at the end of April.



FD rates of CBs remained relatively unchanged



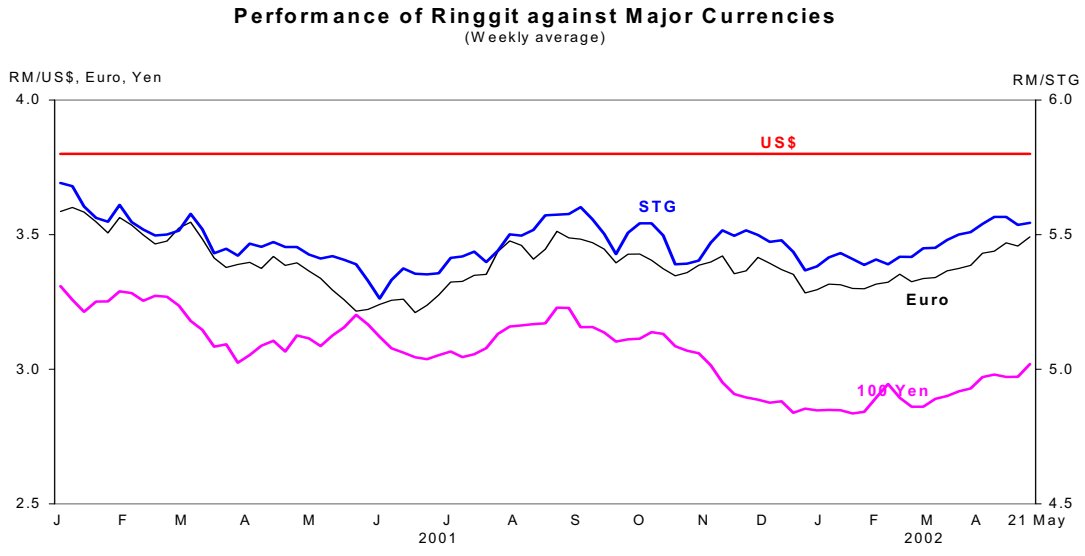
...similarly, for FCs



Lower inflation in April led to higher 3-month real FD rate

The ringgit depreciated against major and regional currencies in April

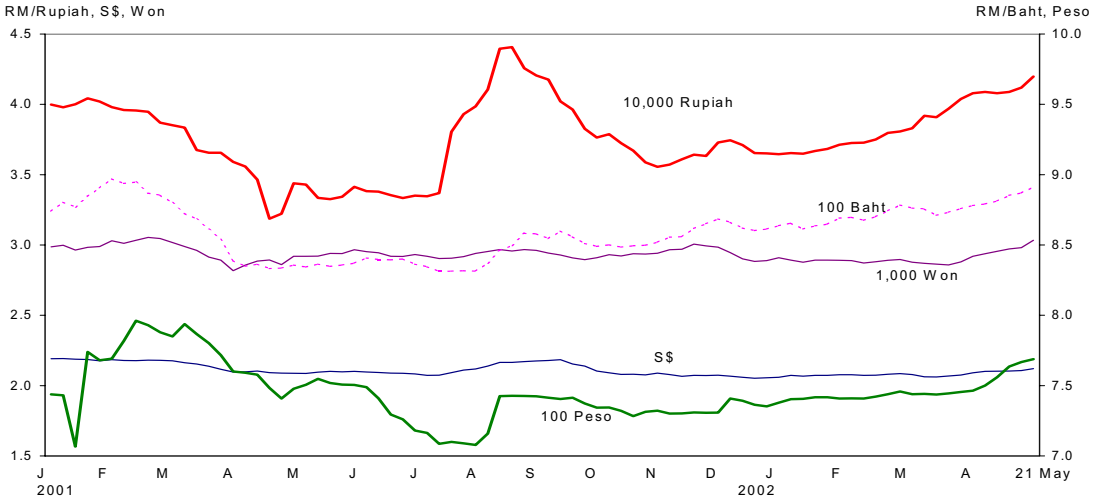
In April, the **ringgit depreciated against major currencies**. The ringgit depreciated against the euro (3.6%), the pound sterling (2.3%) and the Japanese yen (3.7%), following the weakening of the US dollar in the international foreign exchange markets. The US dollar was adversely affected by weak US corporate earnings as well as market concerns that the US economic recovery may not be as strong as expected and the escalating tensions in the Middle East. Despite a sovereign ratings downgrade, the Japanese yen appreciated benefiting from equity-linked capital inflows following the rally in the Japanese stock market and the better than expected trade surplus in March.



The ringgit depreciated against major currencies

The **ringgit also depreciated against regional currencies** in the range of 0.6% - 5.1%. Regional currencies were supported by increased risk aversion following tensions in the Middle East and a steadier Japanese yen, as well as US dollar sales by local exporters. Some regional currencies benefited from equity-linked capital inflows due to market optimism over the growth prospects of regional economies. The Indonesian rupiah received support from fund inflows following foreign acquisition of domestic companies and the rescheduling of Indonesia's debt with the Paris Club of creditor nations.

Performance of Ringgit against Regional Currencies
(Weekly average)



The ringgit depreciated against regional currencies

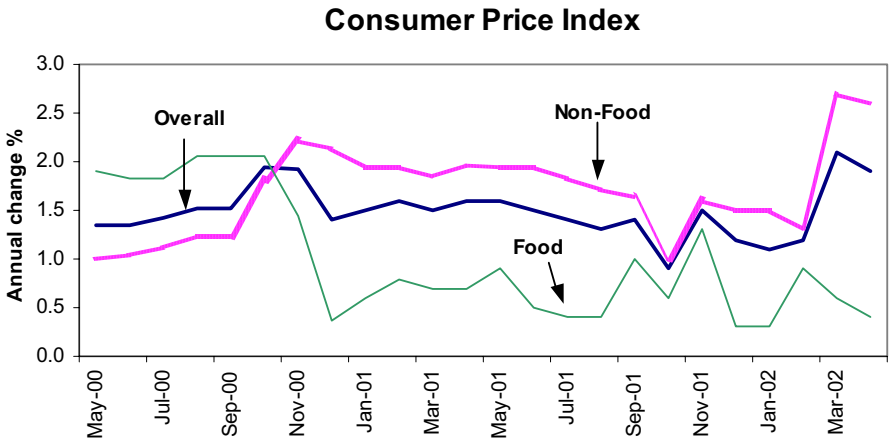
During the period **1 – 21 May 2002**, the ringgit depreciated against most major currencies. The ringgit depreciated against the euro and Japanese yen by 1.5% respectively, while appreciating against the pound sterling by 0.1%. The US dollar weakened following the release of economic data for the month of April indicating a sharp increase in unemployment and slower growth of the manufacturing sector. The Japanese yen was supported by equity-linked capital inflows and sales of US dollars by Japanese exporters. The ringgit also depreciated against regional currencies in the range of 0.9% - 3.5%.

Performance of Ringgit against Selected Currencies

RM per foreign currency	2 September 1998	End-Apr. 2002	21 May 2002	% Change		
				April 2002	End-2001. - 21 May 2002	2 Sep. 1998 - 21 May 2002
US dollar	3.8000	3.8000	3.8000	0.0	0.0	0.0
Euro	-	3.4346	3.4859	-3.6	-3.4	-
Pound Sterling	6.3708	5.5395	5.5317	-2.3	-0.3	15.2
100 Japanese yen	2.7742	2.9710	3.0174	-3.7	-4.0	-8.1
Singapore dollar	2.1998	2.1003	2.1188	-1.8	-3.1	3.8
100 Thai baht	9.3713	8.7892	8.9014	-0.6	-3.4	5.3
100 Philippine peso	8.8302	7.5117	7.6787	-0.8	-4.1	15.0
100 Indonesian Rupiah	0.0354	0.0408	0.0419	-5.1	-12.9	-15.5
100 Korean won	0.2827	0.2938	0.3043	-2.2	-5.3	-7.1

Inflation moderated in April

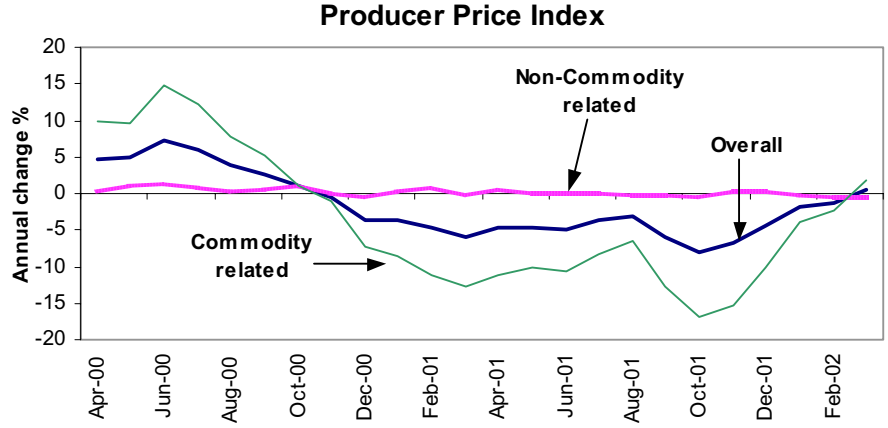
The annual rate of inflation, as measured by the **Consumer Price Index** (CPI, 2000=100), moderated to 1.9% in April 2002 (March 2002: 2.1%), reflecting the high base in April 2001. On a month-on-month basis, the CPI declined marginally by 0.1%. The annual increase of 1.9% in the CPI was contributed largely by the increase in prices for transport and communication; beverages and tobacco; and medical care and health expenses.



Inflation moderated in April

Producer prices increased marginally

Producer prices, as measured by the **Producer Price Index** (PPI), increased by 0.6% in March 2002 (February 2002: -1.3%). The increase in the PPI was mainly due to the recovery in prices of crude palm oil and rubber, while prices of crude oil declined at a slower rate. Excluding commodity related products, the adjusted PPI decreased marginally by 0.5%.



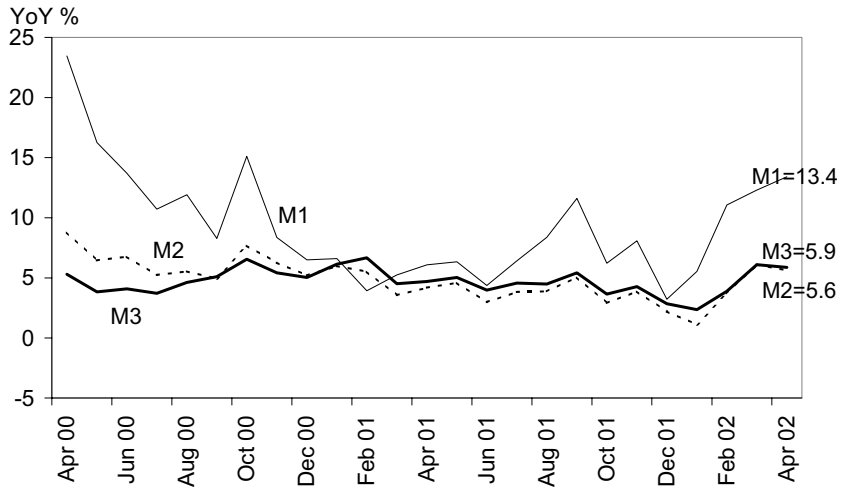
Producer prices increased marginally

Continued growth in money supply

In April, money supply continued to increase in tandem with growth in economic activity. Narrow money, M1 increased by RM0.6 billion or 0.8%, as higher demand deposits more than offset lower currency in circulation. Continued increase in broad-quasi money led to an overall increase in M3, which expanded by RM2.4 billion or 0.5%. On an annual basis, M1 and M3 grew by 13.4% and 5.9% respectively as at end April (12.3% and 6.1% respectively as at end-March).

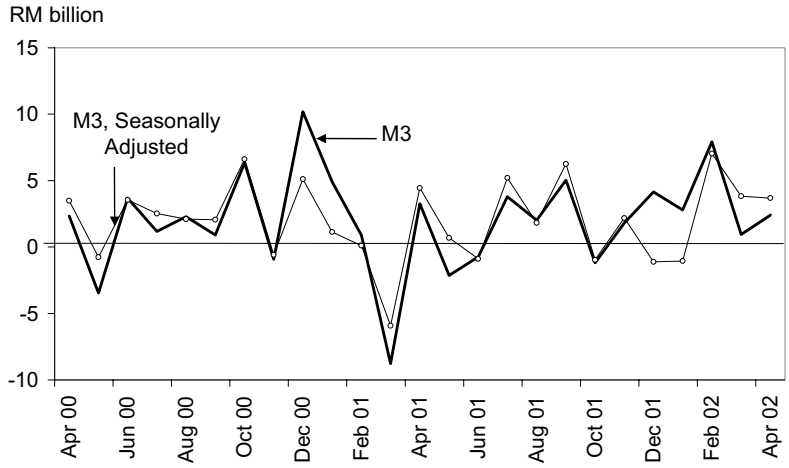
During the month, Government operations were expansionary on money supply by RM4.6 billion, reflecting the significant withdrawal of deposits from BNM (RM7.2 billion), the bulk of which was to meet the payment for matured MGS (RM4.2 billion). Higher claims on the private sector (RM1.6 billion) also contributed to the expansion in money supply. Although BNM's international reserves registered a small increase during the month, net external operations were contractionary on money supply by RM0.5 billion as the net external assets of the banking system had declined, arising from the maturity of short-term foreign currency placements abroad.

Monetary Aggregates: Annual Growth



Monetary aggregates continued to expand…

M3: Monthly Change



...on a monthly basis, M3 continued to increase…

M3 Determinants
(RM billion)

	Change during period			
	2002			
	Feb	Mar	Apr	Jan-Apr
M3	7.9	0.9	2.4	14.1
Net claims on Government	2.9	-5.2	4.6	6.5
Claims on private sector	3.9	2.3	1.6	8.5
Net external operations[1/]	4.7	1.7	-0.5	4.6
Other influences	-3.6	2.2	-3.3	-5.6

1/ pre-revaluation

...due mainly to expansionary Government operations and higher claims on the private sector

Banking system deposits and loans increased

On a month-on-month basis, **total deposits** expanded further by RM2.3 billion or 0.5% in April. The increase mainly reflected higher placement by individuals and business enterprises. On an annual basis, total deposits mobilised by the banking system rose by 4.1% as at end-April.

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

	2002		
	Feb.	Mar.	Apr.
Holder			
Federal Government	-1,620	184	643
State Governments	232	175	-68
Statutory Authorities[1/]	1,360	863	-168
Financial Institutions	228	-229	-758
Business Enterprises	3,155	-741	956
Individuals	3,097	1,555	1,670
Others	-126	-2	67
Total	**6,326**	**1,804**	**2,342**

[1/] Include local Governments.

Deposits increased due to higher placements by individuals and business enterprises

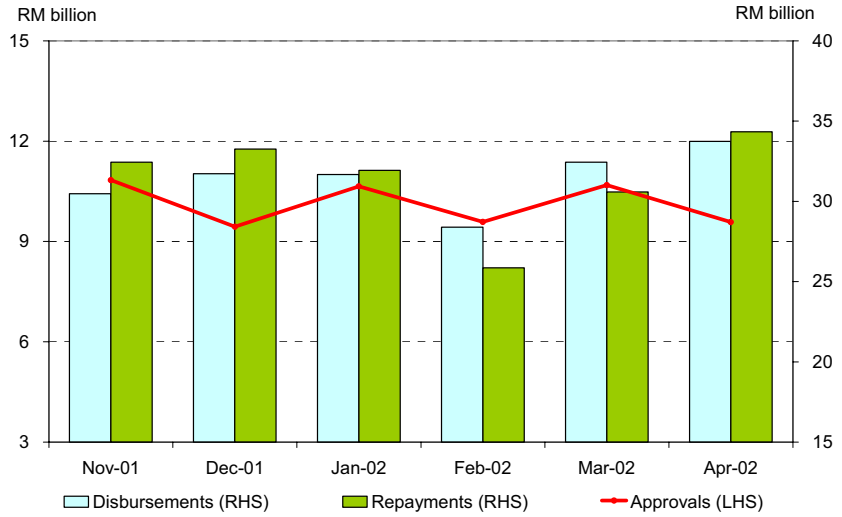
Monthly Change in Deposits **(RM million)**

	2002		
	Feb.	Mar.	Apr.
Type			
Fixed deposits	1,724	4,023	-567
NIDs issued	620	554	-518
Demand deposits	192	-2,302	1,222
Savings deposits	1,341	46	735
Repos	1,645	643	635
FX deposits	1,335	-1,937	-13
SPI deposits	-405	779	781
Others	-126	-2	67
Total	**6,326**	**1,804**	**2,342**

By type, the increase in deposits was mainly in demand, SPI and savings deposits

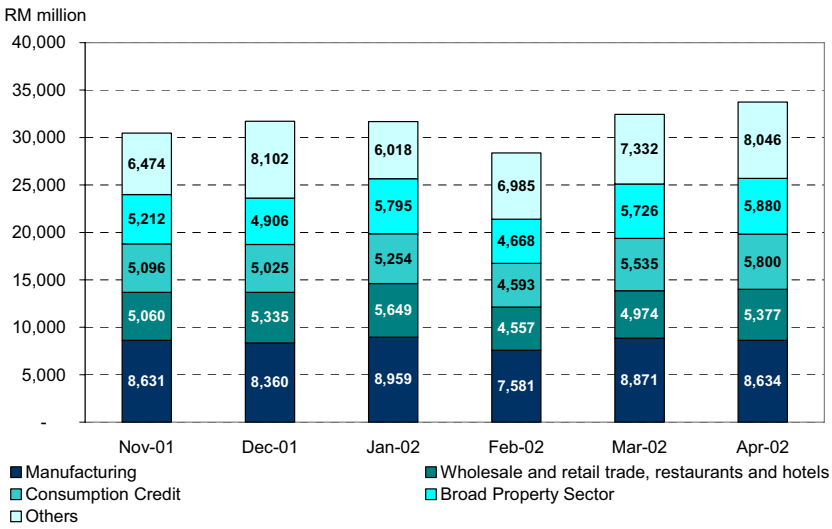
Loan approvals remained high at RM9.6 billion in April and continued to be granted mainly for the purchase of residential properties and passenger cars. Meanwhile, **loan disbursements** rose to RM33.7 billion and continued to be channelled to a wide range of economic sectors.

Loan Approvals, Disbursements and Repayments



Disbursements and repayments were higher

Loan Disbursements to Selected Sectors



Loans continued to be disbursed to a wide range of economic sectors

Loans outstanding extended by the banking system rose further by RM752 million in April. The increase was attributed mainly to higher loans channelled for the purchase of residential properties and passenger cars as well as to the transport, storage and communication sector. On the other hand, loans to the manufacturing sector declined because of higher repayments. On an annual basis, loans outstanding grew by 4.3 % at end-April.

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

	2002		
	Monthly change		As at end
	Mar.	Apr.	Apr.
Agriculture, hunting, forestry and fishing	-88	154	12,209
Mining and quarrying	-26	62	1,347
Manufacturing	639	-837	68,615
Electricity, gas and water supply	-7	49	4,819
Wholesale and retail trade, restaurants and hotels	-89	356	39,175
Broad property sector	1,321	174	178,621
of which:			
Purchase of residential property	*1,019*	*1,150*	*91,428*
Transport, storage and communication	-304	474	12,811
Finance, insurance and business services	120	-369	35,208
Consumption	649	1,046	73,378
of which:			
Passenger cars	*749*	*909*	*49,073*
Credit cards	*-75*	*91*	*9,130*
Purchase of securities	-214	-441	30,048
Others	337	82	20,791
Total Loans[1/]	**2,337**	**752**	**477,023**

[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 expanded further

Aggregate financing through banking system loans and PDS stable

Notwithstanding the increase in loans outstanding, total financing through **loans extended by the banking system and PDS issued by the private sector** was relatively unchanged in April. This reflected net redemptions in the PDS market. However, on an annual basis, it increased by 6.2% at end-April (end-March: 6.8%).

Financing through banking system loans and PDS

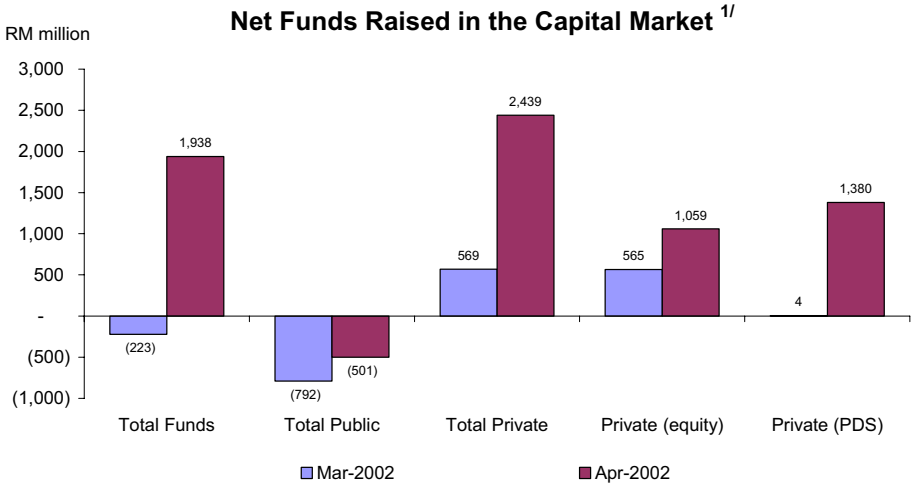
	Change			Annual growth	
	2002			2002	
	Mar	Apr	Jan-Apr	Mar	Apr
	RM billion			%	
Financing by Banking System	**2.1**	**1.0**	**5.7**	**5.8**	**5.6**
Loans outstanding (1)	2.3	0.8	6.5	4.6	4.3
Holdings of PDS	-0.2	0.2	-0.8	36.0	38.4
Total PDS outstanding * (2)	**-0.7**	**-0.8**	**-2.2**	**17.1**	**14.6**
Total (1) + (2)	**1.7**	**...**	**4.3**	**6.8**	**6.2**

* Refers to total PDS issued by the private sector with original maturity period of more than one year. Exclude debt securities issued by banking institutions, Khazanah, BNM, Cagamas, Danaharta and Danamodal.

Note: Total may not add-up due to rounding.

Higher net funds raised in the capital market

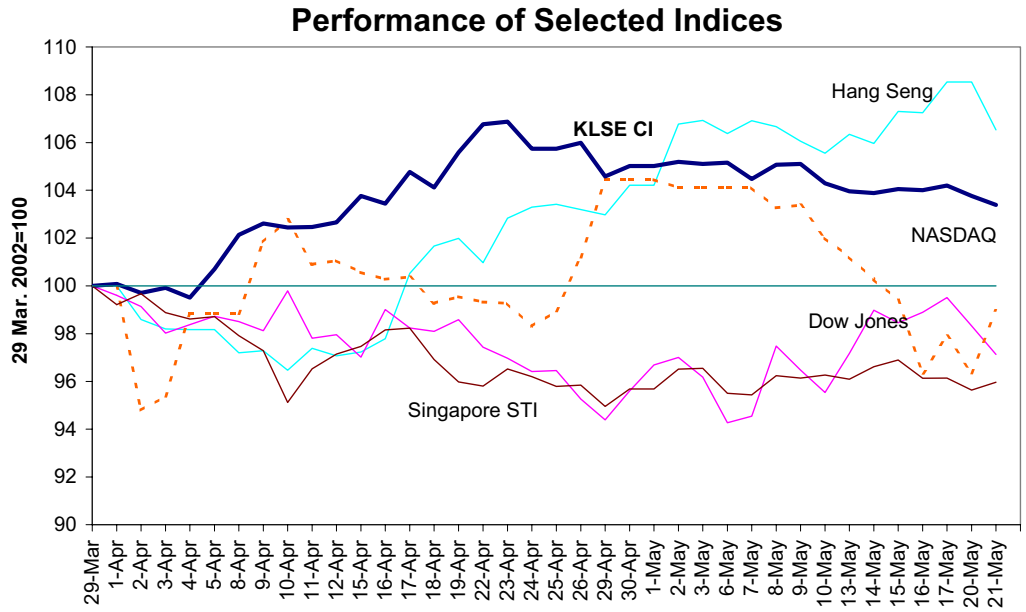
Net funds raised in the capital market was higher at RM1.9 billion in April. This was due to higher net funds raised in the private sector through the issuance of debt securities and shares amounting to RM1.4 billion and RM1.1 billion respectively. Meanwhile, the public sector recorded a net redemption of RM501.3 million due to the maturity of Malaysian Government Securities.



Higher net funds raised in the capital market

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

Share prices on the **Kuala Lumpur Stock Exchange** (KLSE) continued its upward trend in April with further evidence of improving outlook in the Malaysian economy and renewed foreign interests. During the period, two major international rating agencies, namely the Moody's Investors Services and Fitch Ratings, have revised their outlook for Malaysia to positive from stable. As at 30 April, the KLSE CI closed at 793.99 points (+5% since end-March), while market capitalisation stood at RM551.83 billion (+6.6% since end-March). The daily average turnover rose significantly to 489.4 million units (281.4 million units in March).

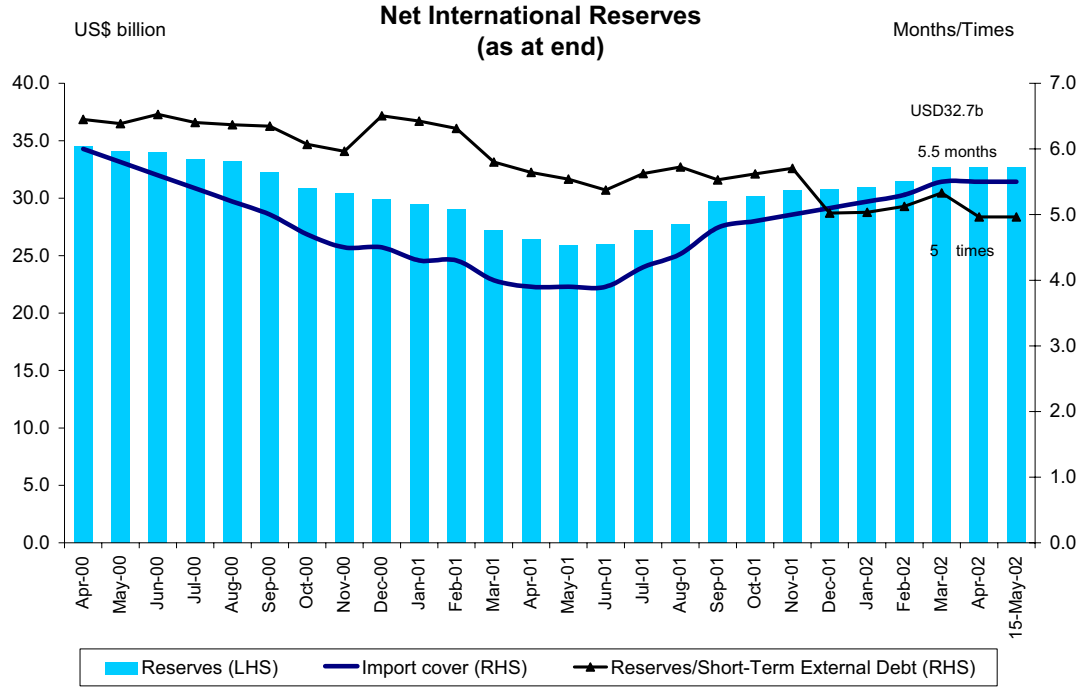


KLSE CI was slightly lower in May

Thus far in May, the KLSE began to consolidate with profit-taking activities. As at 21 May, the KLSE CI closed slightly lower at 781.72 points (-1.5% since end-April) with market capitalisation at RM545 billion (-1.2% since end-April). The daily average turnover was lower at 273.31 million units.

International reserves

The **net international reserves of BNM** amounted to RM124.41 billion or US$32.74 billion as at 30 April 2002 and increased further to RM124.45 billion or US$32.75 billion as at 15 May 2002. Continued inflows of export earnings and net investment inflows were more than sufficient to finance the repayment of external loans and payments for import of goods and services. A significant portion of the loan repayments was the prepayment of the more expensive external loans. These repayments have resulted in a reduction in private sector external debt. The reserves position as at 15 May 2002 is adequate to finance 5.5 months of retained imports and is 5 times the short-term external debt.



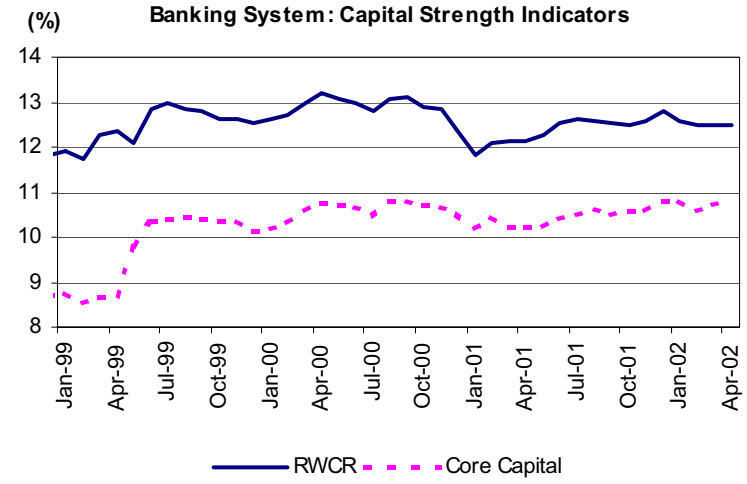
Banking system remained strong

The banking system remained resilient during the month with capital and NPL sustained at previous levels.

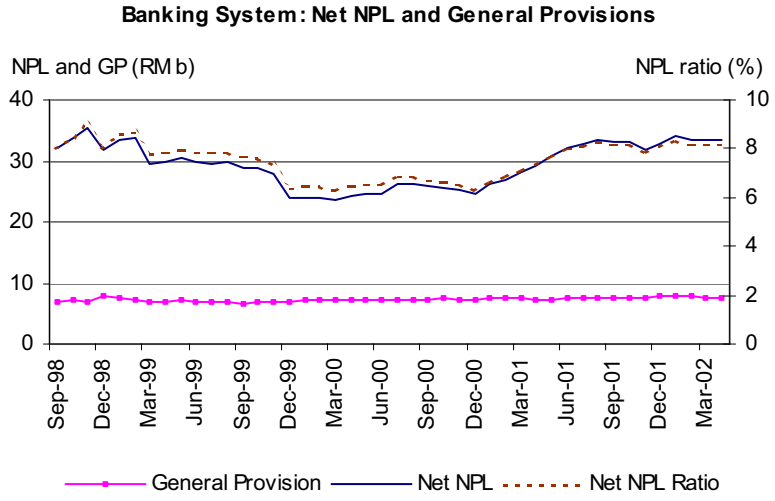
Banking System Health Indicators

	1998	1999	2000	2001		2002	
	Dec.	Dec.	Dec.	Jun.	Dec.	Mar.	Apr.
Capital							
Core-capital ratio (%)	8.7	10.1	10.7	10.5	10.8	10.7	10.8
RWCR (%)	11.8	12.5	12.5	12.6	12.8	12.5	12.5
Net NPL (6-month classification)							
Banking system (%)	8.1	6.4	6.3	8.0	8.1	8.2	8.2
Banking system (RM million)	31,675	23,849	24,700	32,292	32,775	33,535	33,546
GP/Net total loans (6-month, %)	2.0	1.9	1.9	1.9	1.9	1.9	1.9

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



...RWCR remained at 12.5%



…Net NPL ratio stood at 8.2%

Currently, Danaharta's focus is in implementing the approved recovery strategies on the NPLs under its management. Of total loan rights acquired ("LRA") by Danaharta of RM47.75 billion as at end-March 2002, RM47.72 billion (99.9%) have been dealt with. The balance is expected to be fully restructured by end-2002.

The expected recovery from the NPLs that have been dealt with, that is restructured or approved for restructuring, is RM28.27 billion (net of default), representing an average recovery rate of 55%. Of the expected recovery of RM28.27 billion, Danaharta has received assets with a total value of RM15.7 billion, in the form of four broad asset groups, namely cash, restructured loans, securities and properties. As at 31 March 2002, RM10.97 billion has been realised in cash while the balance will be converted into cash subsequently. The remaining RM12.6 billion is pending implementation of the respective recovery strategies.

With respect to the NPLs of Bank Bumiputra Malaysia Berhad (BBMB) and Sime Bank Group managed by Danaharta, recoveries of RM8.2 billion has been distributed in cash. As for the other financial institutions (FIs), recoveries distributed to 24 FIs amounted to RM324.4 million in cash and 55,899.542 units of securities.

As at 19 February 2002, Danaharta had offered a total of 644 properties to the market. Of these, 533 properties, or approximately 83%, were sold for a total consideration of RM899.5 million.

Capital injection by Danamodal into the banking institutions remained at RM2.1 billion as at end-April 2002. The number of outstanding cases with CDRC remained at 8 cases with debts amounting to RM16.8 billion.

Statistics of CDRC cases as at 30 April 2002

	Total debt outstanding* **(RM million)**	**Number of accounts**
Received	**67,644**	**87**
Withdrawn / Rejected	10,606	25
Transferred to Danaharta	2,470	11
Cases accepted	**54,568**	**51**
Resolved	**37,771**	**43**
Implemented	*28,714*	*24*
Pending implementation	*9,057*	*19*
Outstanding	**16,797**	**8**

* Including non-banking and offshore institutions

Bank Negara Malaysia
28 May 2002

Key Monetary and Banking Statistics

	March 2002		April 2002	
	Outstanding (RM billion)	Ann. growth (%)	Outstanding (RM billion)	Ann. growth (%)
Monetary Aggregates				
Reserve money	40.9	4.6	40.8	4.9
M1	81.6	12.3	82.2	13.4
M2	369.6	6.1	371.9	5.6
M3	481.2	6.1	483.6	5.9
Banking System				
Total deposits	488.2	4.5	490.5	4.1
Total loans (including loans sold to Cagamas and Danaharta)	476.3	4.6	477.0	4.3
Total loans (excluding loans sold to Cagamas and Danaharta)	415.7	4.5	414.1	3.8
Loan-deposit ratio (%)	85.1		84.4	
Loans approved during the month	10.7		9.6	
Loans disbursed during the month	32.4		33.7	
Banking System Health				
Risk-weighted Capital Ratio (RWCR) (%)	12.5		12.5	
Net NPLs: 6-month classification (%)	8.2		8.2	
International Reserves of BNM (end-period)				
Reserves in RM (billion)	124.4		124.4	
Reserves in USD (billion)	32.7		32.7	
Months of retained imports	5.5		5.5	
Interest Rates at end-period [average for the month]				
Interbank: 1-month	2.74 [2.85]		2.76 [2.77]	
3-month	3.24 [2.86]		3.21 [2.91]	
Fixed deposits of commercial banks: 1-month	3.20 [3.20]		3.20 [3.20]	
3-month	3.21 [3.21]		3.21 [3.21]	
BLR of commercial banks	6.39 [6.39]		6.39 [6.39]	
Prices				
Consumer price Index (CPI) (2000=100)	103.3	2.1	103.2	1.9
Producer price Index (PPI) (1989=100)	126.1	0.6		
Exchange Rates of Ringgit against Selected Currencies (end-period)				
Euro	3.3125		3.4346	
Pound Sterling	5.4146		5.5395	
Singapore dollar	2.0624		2.1003	
100 Japanese yen	2.8614		2.9710	
100 Thai Baht	8.7356		8.7892	
100 Philippine Peso	7.4481		7.5117	
100 Indonesian Rupiah	0.0387		0.0408	
100 Korean Won	0.2874		0.2938	
Capital Market				
Funds raised by: public sector (RM billion)	-0.8		-0.5	
private sector (RM billion)	0.6		2.4	
Kuala Lumpur Composite Index (end-period)	756.10		793.99	
KLSE Market Capitalisation (RMb) (end-period)	517.85		551.83	