BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 10/12/16

EMBARGO: Not for publication or broadcast before 1700 hours on Wednesday, 31 October 2012

MONETARY AND FINANCIAL DEVELOPMENTS
September 2012

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), moderated to 1.3% in September. Inflation in the *food and non-alcoholic beverages* category moderated to 2.4% due to lower inflation in the *fresh fish* and *fresh vegetables* sub-categories. Lower inflation was also recorded in the *miscellaneous goods and services* category, reflecting the smaller increase in jewellery prices. The *transport* category, however, registered higher inflation of 0.9% following the upward adjustment to the price of RON97 petrol in September, from RM 2.70/litre to RM 3.00/litre.

Monetary Conditions: Interbank rates were stable in September. 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. The annual growth in broad money (M3) moderated to 12.5% in September. On a monthly basis, M3 increased on account of net foreign inflows and sustained credit extension to the private sector. The expansion, however, was partially mitigated by the higher issuance of BNM debt securities to absorb the excess liquidity in the banking system. Net financing to the private sector grew 12.8% in September, 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. While business loans outstanding moderated due to large repayments during the month, loans disbursed to businesses remained high. Loans to households increased, driven mainly by loans for the *purchase of residential and non-residential properties, securities* and *passenger cars*. Loan demand remained robust with sustained loan applications from both business and household sectors.

Banking System: The banking system remained well-capitalised with risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.8% and 13.0% respectively. The level of net impaired loans remained stable at 1.5% of net loans, while the loan loss coverage remained above 90%.

Exchange Rates and International Reserves: In September, the ringgit appreciated against the currencies of most of Malaysia's major trading partners. The ringgit appreciated against the US dollar as there were continued investor preference for emerging market assets, following announcement of further monetary easing in the advanced economies. The ringgit also appreciated against the Chinese renminbi and Japanese yen, but depreciated against the Singapore dollar and euro. In October, the ringgit continued to appreciate against the US dollar as investor optimism over the growth prospects of the Malaysian economy encouraged investment flows into ringgit financial assets. The international reserves of Bank Negara Malaysia stood at RM422.2 billion (equivalent to USD137.7 billion) as at 15 October 2012, sufficient to finance 9.4 months of retained imports and are 3.8 times the short-term external debt.

Bank Negara Malaysia
31 October 2012

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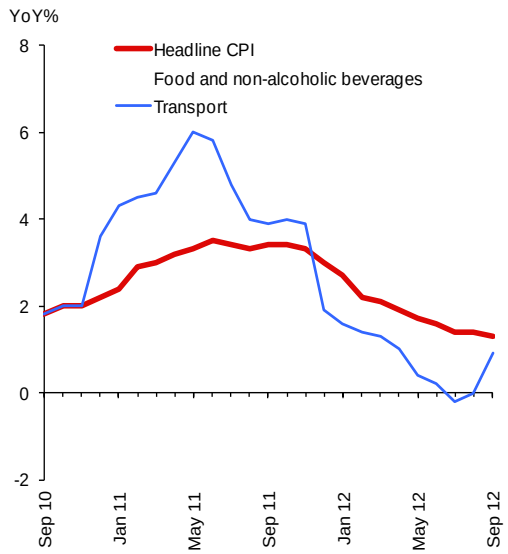
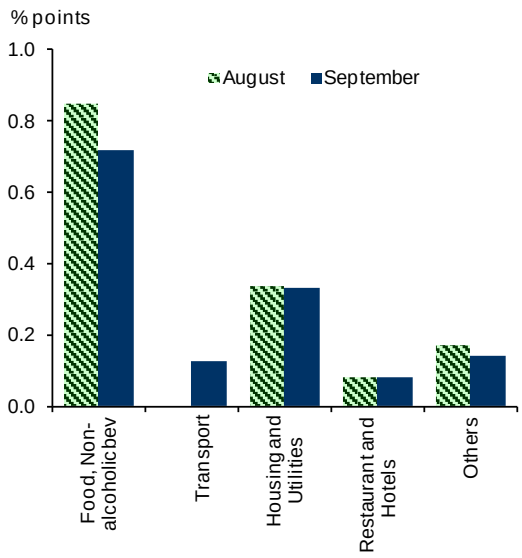
Headline inflation was lower in September

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

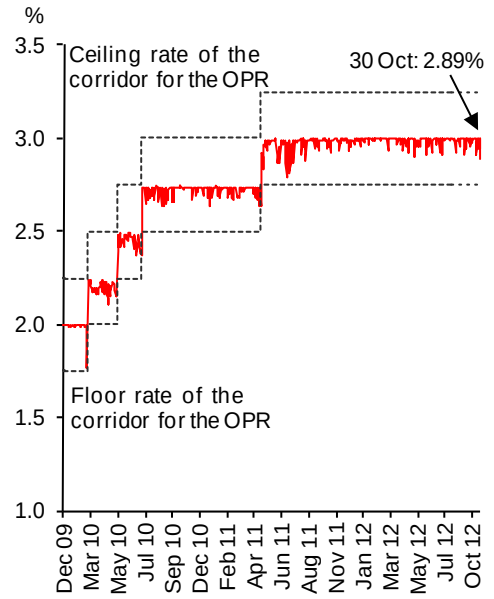


** Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services*

Source: Bank Negara Malaysia

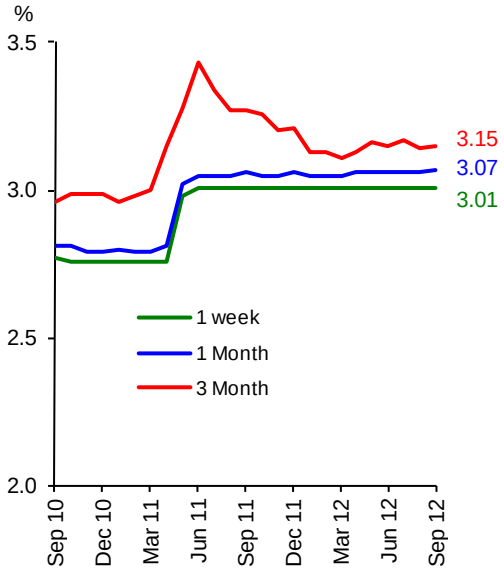
Interest rates remained stable

Average Overnight Interbank Rate



Source: Bank Negara Malaysia

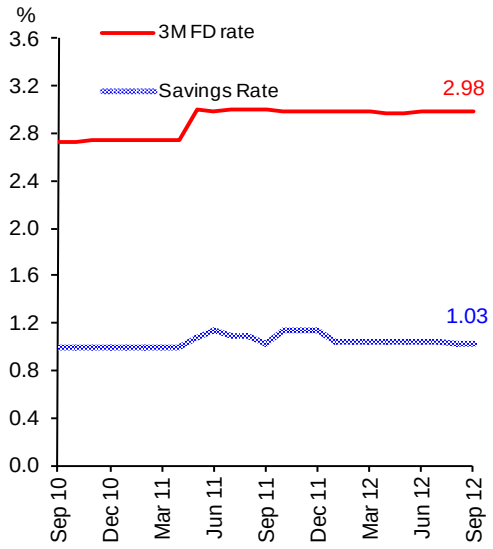
Average Interbank Rates



Source: Bank Negara Malaysia

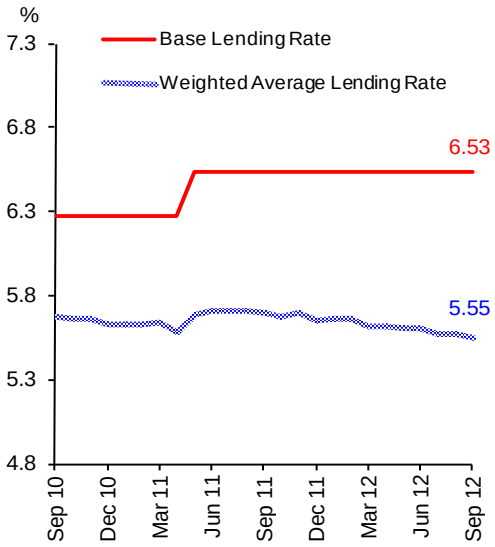
Liquidity in the banking system remained ample

Deposit Rates of Commercial Banks



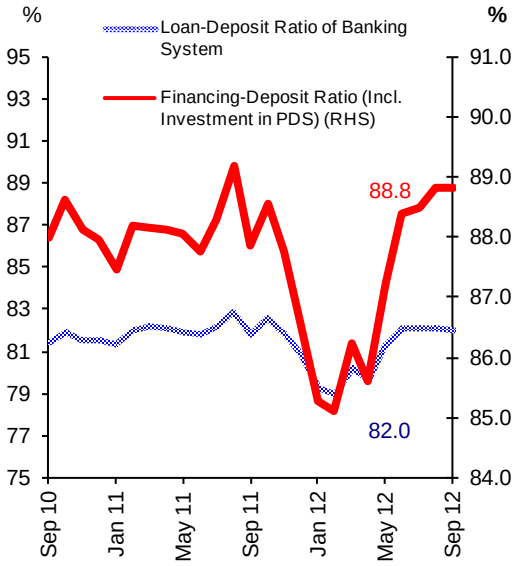
Source: Bank Negara Malaysia

Lending Rates of Commercial Banks



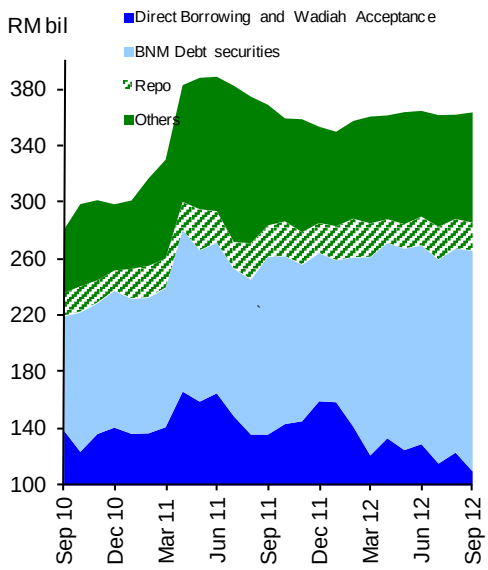
Source: Bank Negara Malaysia

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

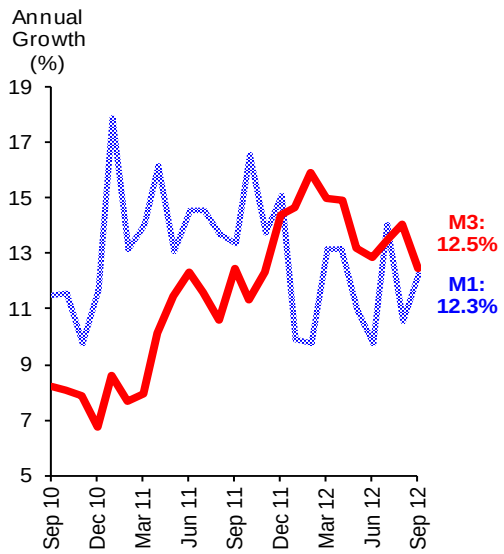
Outstanding Liquidity Placed With Bank Negara Malaysia



Source: Bank Negara Malaysia

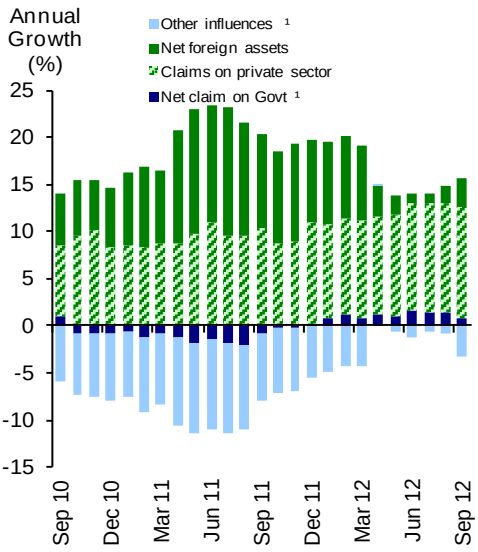
Broad money growth moderated

M1 and M3



Source: Bank Negara Malaysia

Main Contributors of M3 Growth

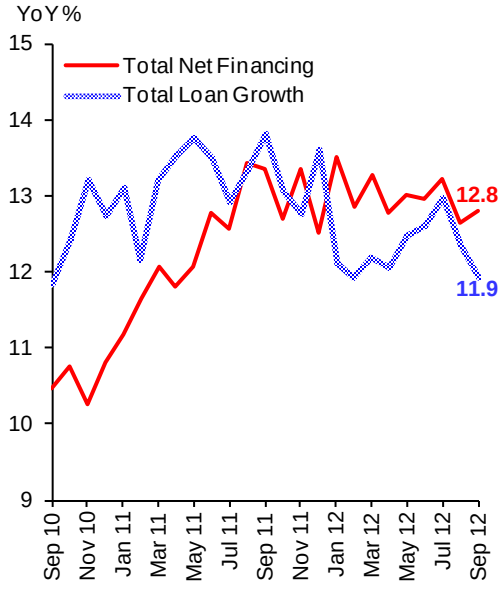


Source: Bank Negara Malaysia

[1] For the period Dec 2011 – Aug 2012, the contribution of net claim on Govt and other influences to M3 growth has been revised due to a compilation error.

Financing activity increased in September, driven by higher PDS issuances

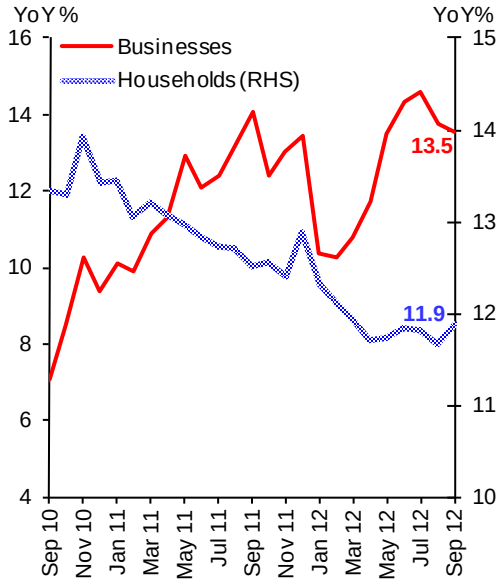
Net Financing and Loan Growth



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

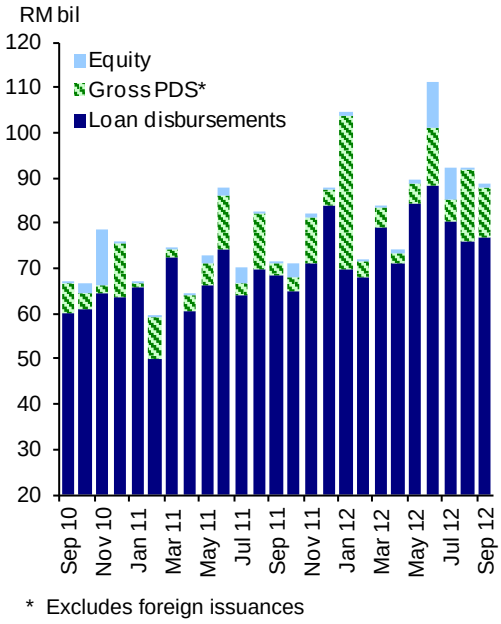
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

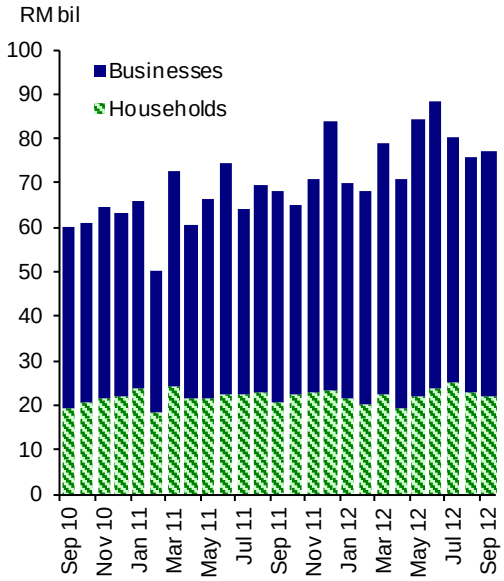
Gross Private Sector Financing



* Excludes foreign issuances

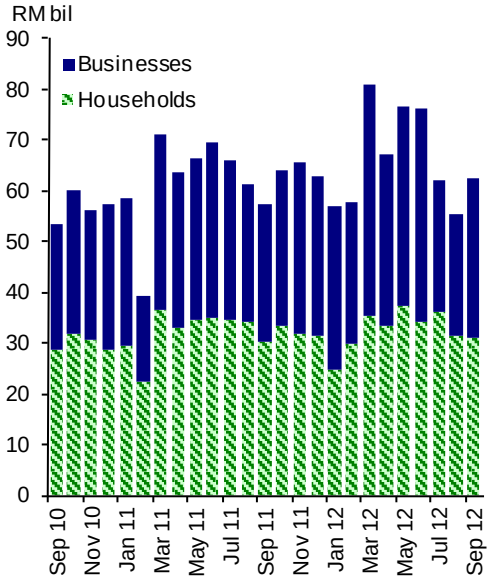
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



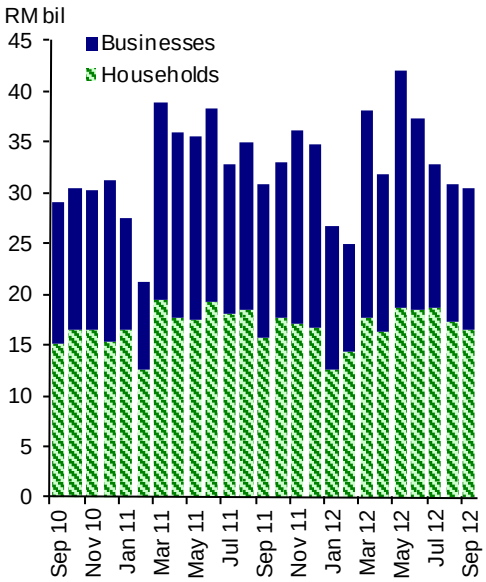
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

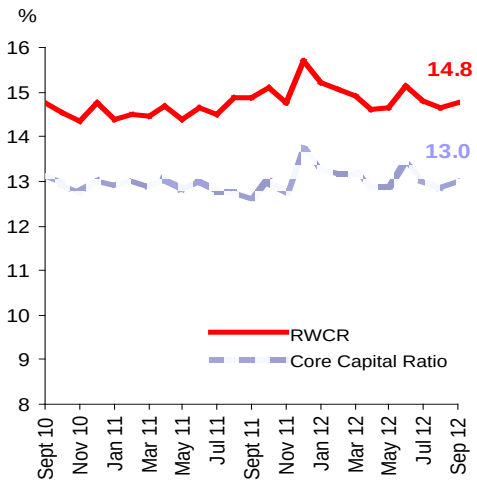
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

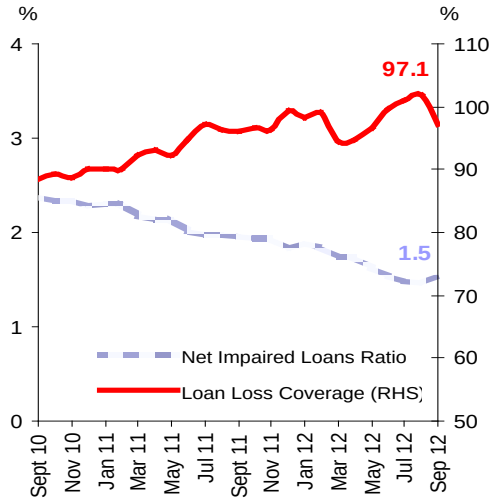
Banking system capitalisation remained strong with stable loan quality

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.

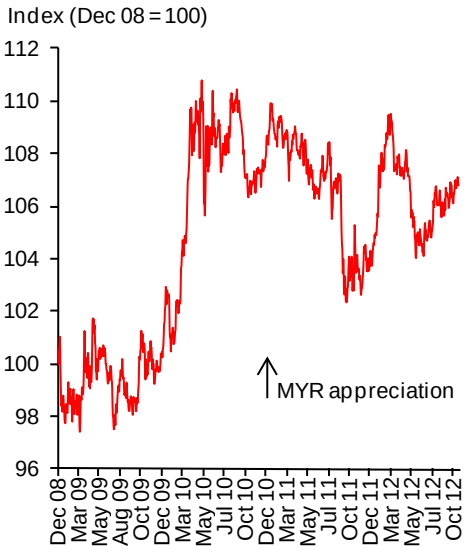
[1] Refers to ratio of general provisions/collective impairment provisions to total net loans.

Source: Bank Negara Malaysia

Ringgit appreciated against the currencies of most of Malaysia's major trading partners

Source: Bank Negara Malaysia and Department of Statistics Malaysia

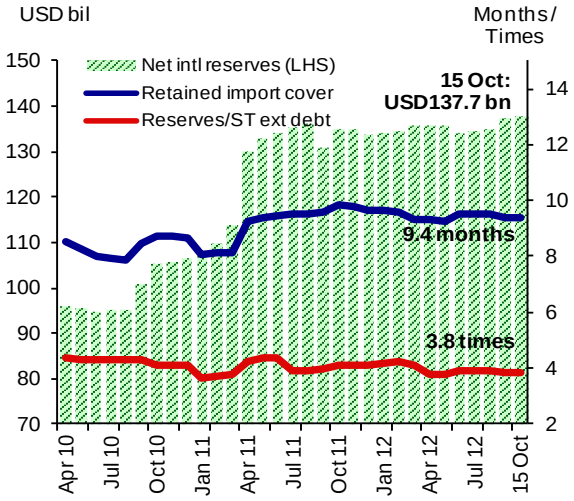
Index of Ringgit Performance against Major Trade Partners*



* 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

		Jul 12		Aug 12		Sep 12	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		101.5	15.5	103.9	9.0	102.8	16.7
M1		268.5	14.0	269.7	10.6	271.7	12.3
M2		1,290.0	14.4	1,301.8	14.8	1,313.8	13.0
M3		1,311.3	13.4	1,322.0	13.9	1,335.3	12.5
Banking System							
Net financing[1]		1,431.0	13.2	1,444.1	12.6	1,458.1	12.8
Loan-deposit ratio (%) [2]		82.2		82.2		82.0	
Financing-deposit ratio (%) [2&3]		88.6		88.9		88.8	
Loans applied (during the period)		62.1	-6.0	55.4	-9.9	62.5	9.1
Loans approved (during the period)		32.8	0.2	30.7	-12.1	30.5	-1.1
Loans disbursed (during the period)		80.4	25.6	75.8	8.7	77.0	12.7
Loans repaid (during the period)		77.9	22.4	73.8	19.2	72.3	15.4
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		14.8		14.6		14.8	
Net Impaired Loans Ratio (%)		1.5		1.5		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		429.5		431.1		421.3	
Net Reserves in USD billion (equivalent)		134.4		134.9		137.4	
Months of retained imports		9.5		9.5		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]	2.99	[2.99]	2.99	[2.99]
	1-week	3.01	[3.01]	3.01	[3.01]	3.01	[3.01]
	1-month	3.06	[3.06]	3.09	[3.06]	3.08	[3.07]
Fixed deposits of commercial banks:	1-month	2.91		2.90		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		5.57		5.55	
Prices							
Consumer Price Index (CPI) (2010=100)		104.8	1.4	105.0	1.4	105.2	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.