BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 06/15/08

EMBARGO: Not for publication or broadcast before 1800 hours on Tuesday, 30 June 2015

MONETARY AND FINANCIAL DEVELOPMENTS
May 2015

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 2.1% in May (April: 1.8%). However, on a month-to-month basis, the increase of 0.4% was lower than the 0.9% increase in April. During the month, the increase in the CPI also reflected high food prices due to reduced supply of fresh food items amidst the rainy season.

Monetary Conditions: Interbank rates were stable in May. In terms of retail lending rates, the average base rate (BR) of commercial banks was steady at 3.88%. Retail deposit rates were unchanged during the month. Net financing to the private sector grew by 8.3% in May, driven by higher growth of both outstanding banking system loans and net outstanding issuances of private debt securities (PDS). Outstanding business loans registered a higher annual growth rate, with a larger volume of loans disbursed mainly to the *finance, insurance and business services; agriculture; real estate*; and *electricity, gas and water supply* sectors during the month. The annual growth in outstanding household loans continued to moderate. Overall loan demand was relatively stable with sustained loan applications from both the business and household sectors. On an annual basis, broad money (M3) growth moderated to 5.7% in May. The expansion in M3 was driven mainly by the extension of credit to the private sector by the banking system. The expansion, however, was partially offset by a decline in net foreign assets following net capital outflows during the month.

Banking System: Banking system remained well capitalised with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12.3%, 13.1% and 15.1% respectively. The level of net impaired loans was sustained at 1.2% of net loans while loan loss coverage ratio remained above 100%.

Exchange Rates and International Reserves: In May, the ringgit depreciated against the currencies of most of Malaysia's major trade partners, driven by both external and domestic factors. During the month, most major and regional currencies also depreciated against the US dollar. This was due to a shift in expectations on the timing of US interest rate normalisation. The international reserves of Bank Negara Malaysia amounted to RM390.2 billion (equivalent to USD105.3 billion) as at 15 June 2015, sufficient to finance 8.1 months of retained imports and were 1.1 times the short-term external debt[1].

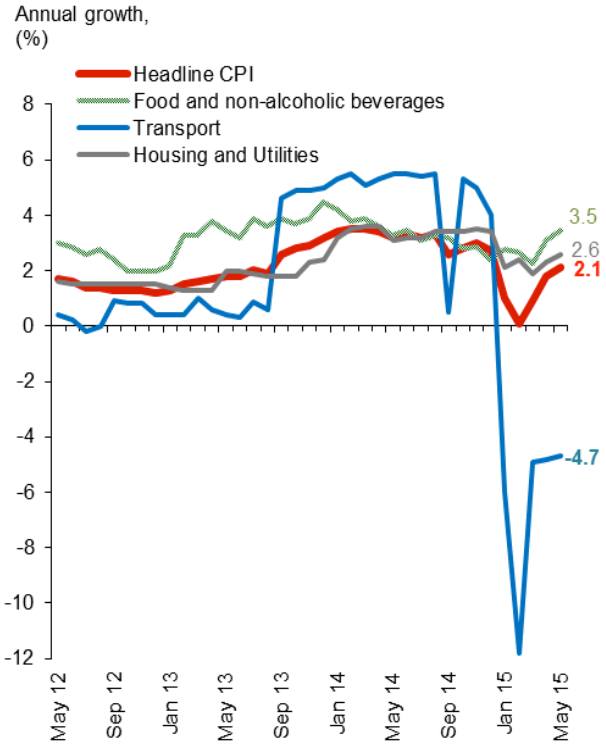
Bank Negara Malaysia
30 June 2015

[1] Refers to the redefined short-term external debt, which includes short-term offshore borrowing, non-resident holdings of short-term ringgit debt securities, non-resident deposits with the banking system and other short-term debt. For more information, please refer to the box article entitled 'The Redefinition of External Debt' in the Quarterly Bulletin on Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2014.

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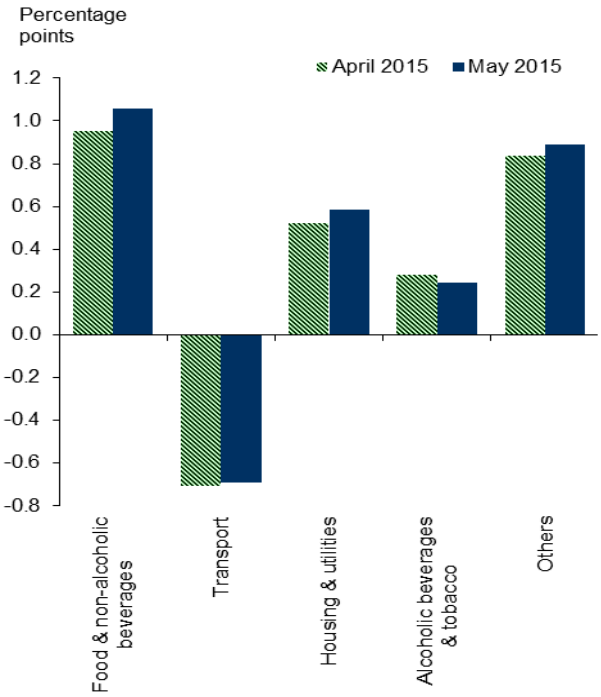
Headline inflation increased in May

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

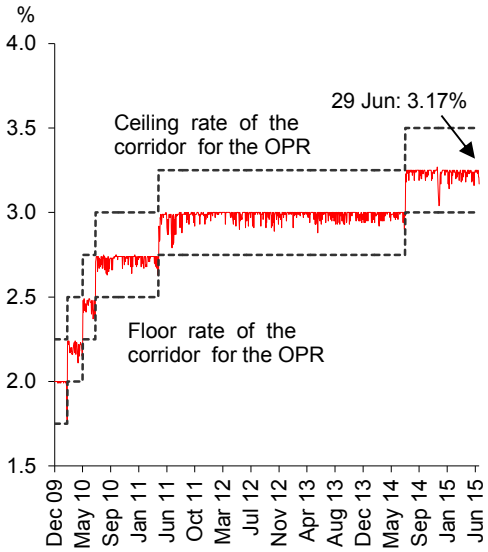


*Others include *restaurants and hotels; recreation services and culture; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear;* and *miscellaneous goods and services.*

Source: Bank Negara Malaysia

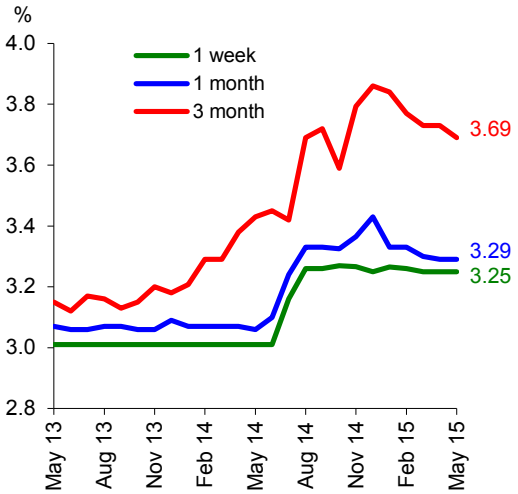
Interest rates remained stable

Average Overnight Interbank Rate



Source: Bank Negara Malaysia

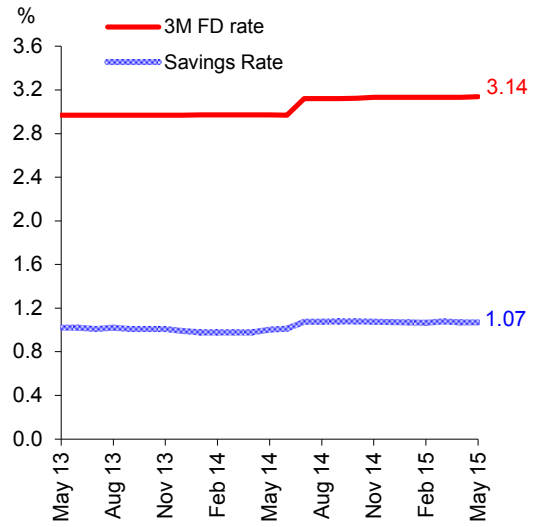
Average Interbank Rates



For periods where no trades took place during the month, the last traded interbank rate is used

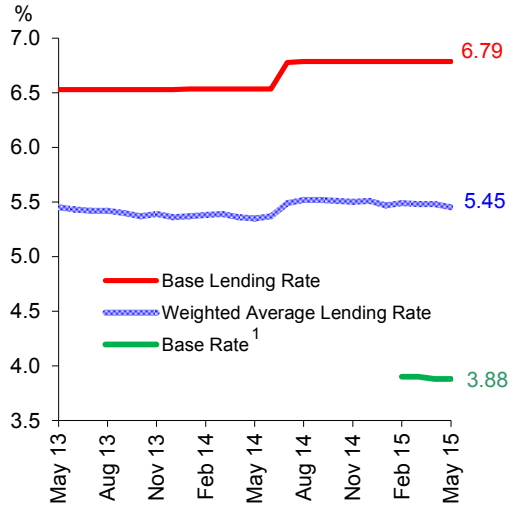
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

Lending Rates of Commercial Banks

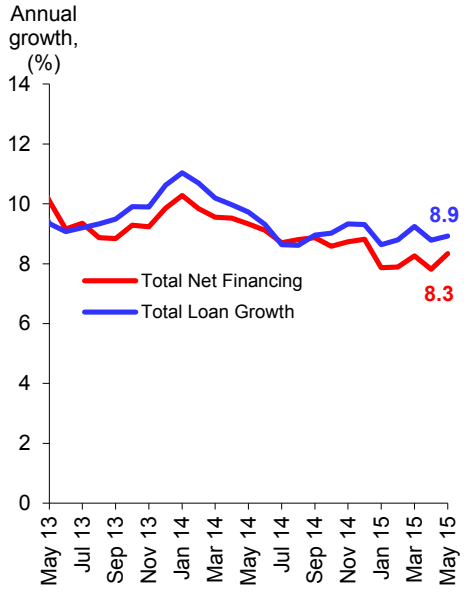


[1] On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the reference rate for new retail floating-rate loans and financing facilities.

Source: Bank Negara Malaysia

Growth in net financing increased in May

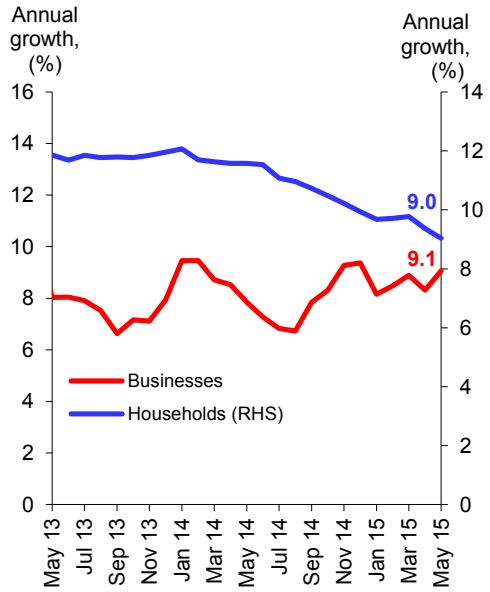
Net Financing and Loan Growth



* Net financing is comprised of banking system loans outstanding and private debt securities (PDS) outstanding (excludes issuances by non-residents and Cagamas)

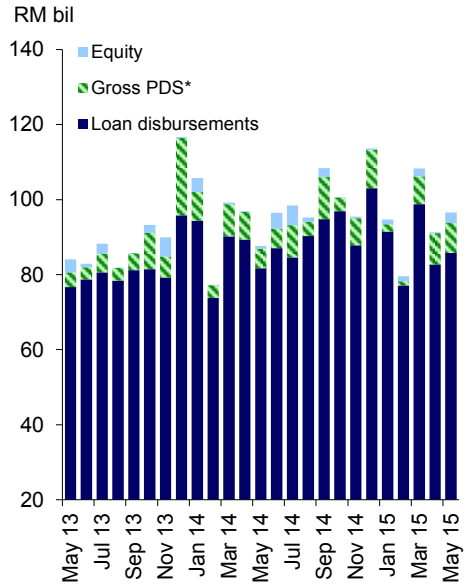
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

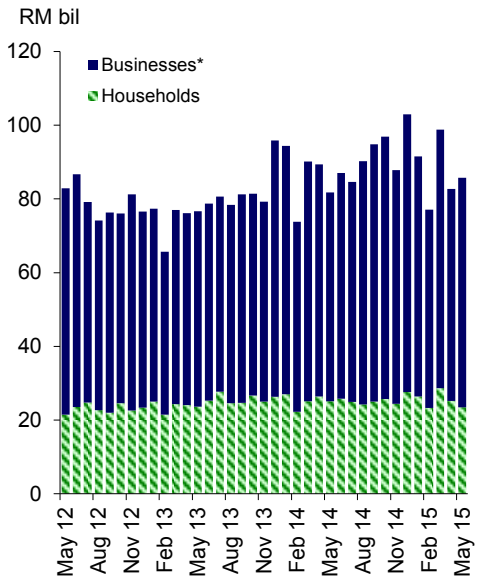
Gross Private Sector Financing



* Excludes foreign issuances

Source: Bank Negara Malaysia

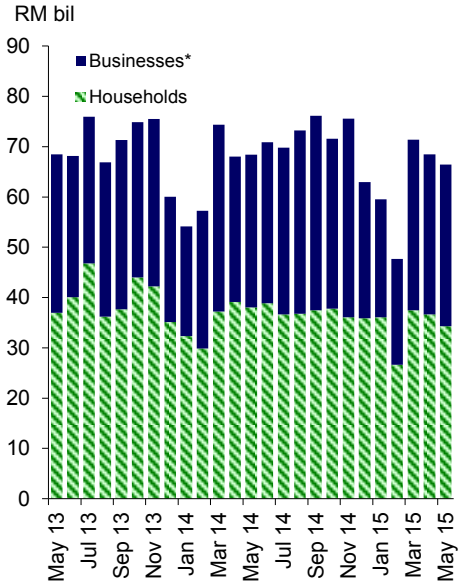
Loan Disbursements by the Banking System



* Includes domestic financial institutions, government, domestic other entities and foreign entities.

Source: Bank Negara Malaysia

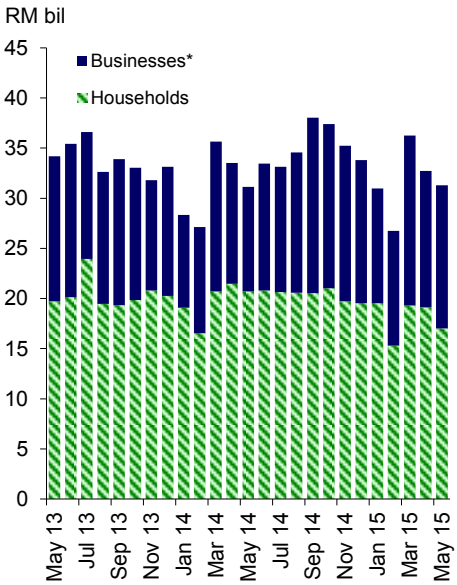
Loan Applications to the Banking System



* Includes domestic financial institutions, government, domestic other entities and foreign entities.

Source: Bank Negara Malaysia

Loan Approvals by the Banking System

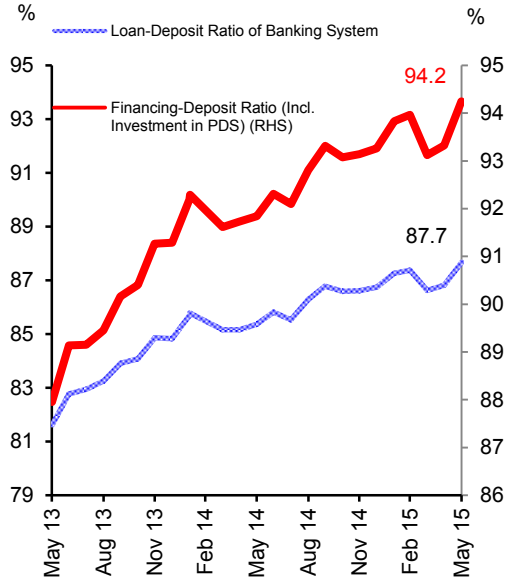


* Includes domestic financial institutions, government, domestic other entities and foreign entities.

Source: Bank Negara Malaysia

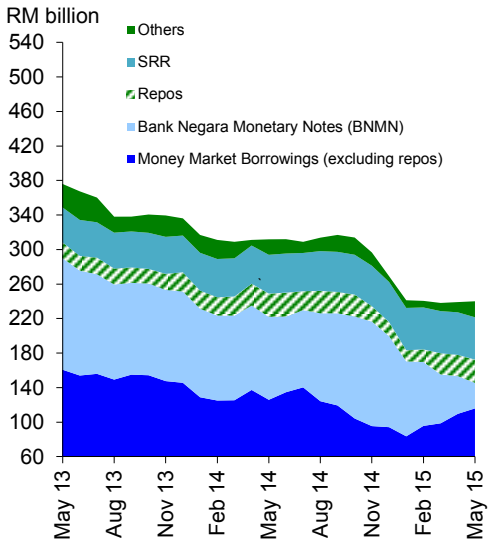
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

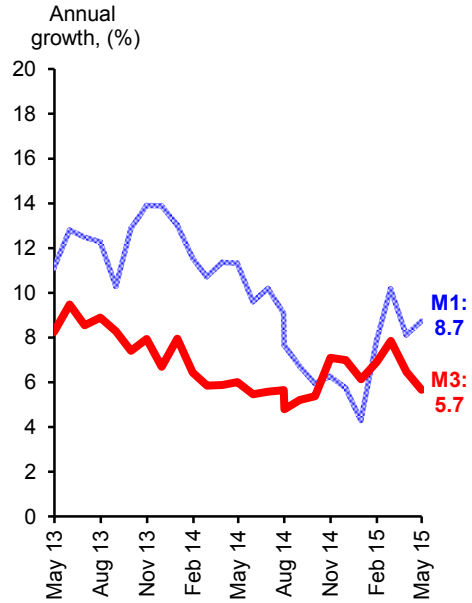


Source: Bank Negara Malaysia

* *Money Market Borrowings (excluding repos) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)*

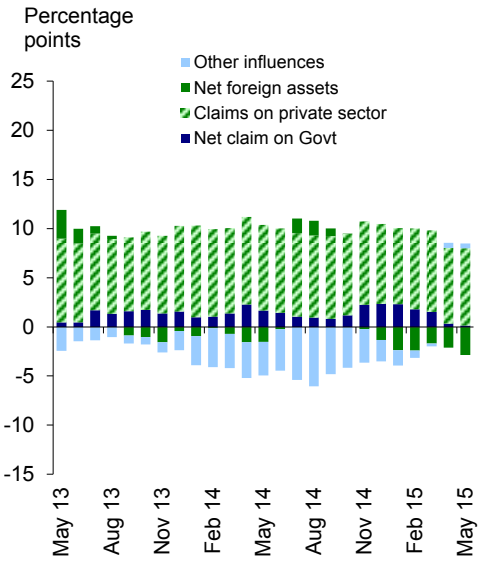
Broad money growth moderated in May

M1 and M3



Source: Bank Negara Malaysia

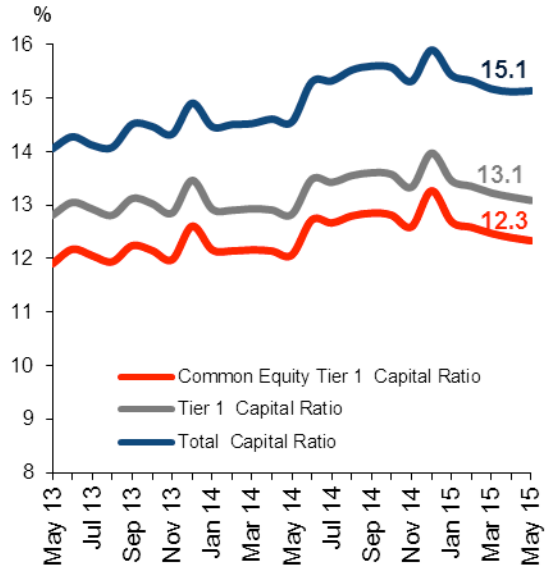
Main Contributors of M3 Annual Growth



Source: Bank Negara Malaysia

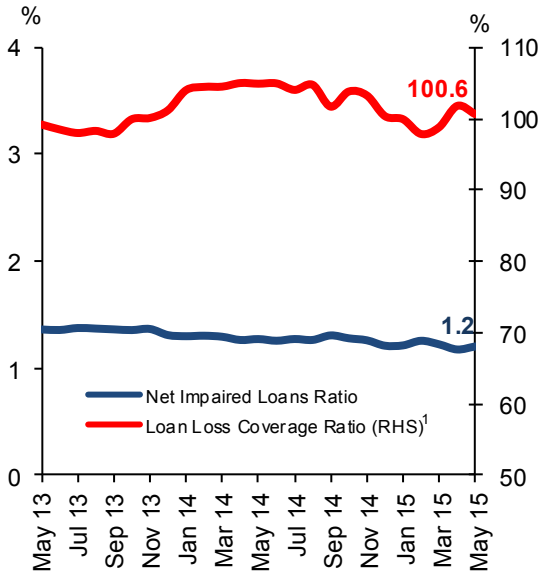
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage Ratio

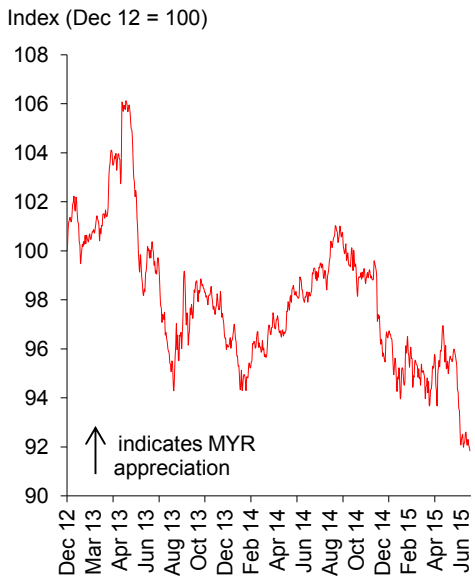


[1] Refers to ratio of individual plus collective impairment provisions to total impaired loans.

Source: Bank Negara Malaysia

The ringgit depreciated against the currencies of most of Malaysia's major trade partners

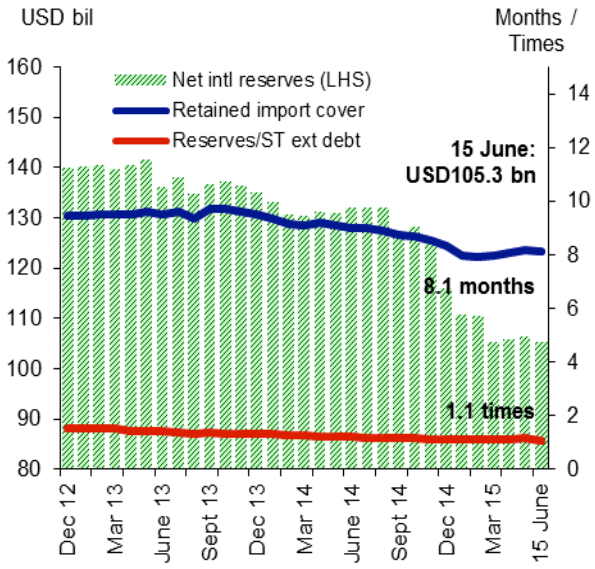
Index of Ringgit Performance against Major Trade Partners*



* 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

		Mar 15		Apr 15		May 15	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		131.4	9.5	132.7	11.4	131.3	9.7
M1		360.3	10.2	351.9	8.1	352.3	8.7
M2		1,583.6	8.5	1,572.2	7.0	1,567.7	6.2
M3		1,589.7	7.9	1,579.9	6.5	1,576.3	5.7
Banking System							
Net financing[1]		1,806.4	8.3	1,807.9	7.8	1,823.5	8.3
Loan-deposit ratio (%) [2]		86.6		86.8		87.7	
Financing-deposit ratio (%) [2&3]		93.1		93.3		94.2	
Loans applied (during the period)		71.3	-4.0	68.4	0.7	66.4	-2.9
Loans approved (during the period)		36.3	1.7	32.7	-2.4	31.3	0.6
Loans disbursed (during the period)		98.8	9.5	82.7	-7.5	85.8	4.9
Loans repaid (during the period)		89.9	3.5	81.4	-6.2	74.7	-1.2
Banking System Health							
Total capital ratio (%) [4]		15.2		15.1		15.1	
Tier 1 capital ratio (%) [4]		13.2		13.2		13.1	
Common equity tier 1 capital ratio (%) [4]		12.5		12.4		12.3	
Net impaired loans ratio (%)		1.2		1.2		1.2	
BNM International Reserves (end-period)							
Net Reserves in RM billion		389.6		392.3		394.3	
Net Reserves in USD billion (equivalent)		105.1		105.8		106.4	
Months of retained imports		8.0		8.1		8.2	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.25		3.25		3.25	
Interbank:	Overnight	3.24 [3.23]		3.24 [3.23]		3.19 [3.23]	
	1-week	3.25 [3.25]		3.25 [3.25]		3.26 [3.25]	
	1-month	3.28 [3.30]		3.28 [3.29]		3.28 [3.29]	
Fixed deposits of commercial banks:	1-month	3.08		3.08		3.09	
	3-month	3.13		3.13		3.14	
BLR of commercial banks		6.79		6.79		6.79	
Base Rate [5]		3.90		3.88		3.88	
Weighted ALR of commercial banks		5.48		5.48		5.45	
Prices							
Consumer Price Index (CPI) (2010=100)		110.9	0.9	111.9	1.8	112.3	2.1

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

[2] Deposits exclude deposits accepted from banking institutions. Loans exclude loans sold to Cagamas and loans extended to banking institutions.

[3] Financing comprises loans and banking institutions' holdings of PDS.

[4] Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework.

[5] On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the main reference rate for new retail floating-rate loans and financing facilities.

Source: Bank Negara Malaysia