BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 12/12/09

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MONETARY AND FINANCIAL DEVELOPMENTS
November 2012

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI) remained unchanged at 1.3% in November (October 2012: 1.3%). Prices in the *food and non-alcoholic beverages* category rose by 2.0% on an annual basis. Higher prices in the *vegetables* sub-category due to supply shortages following irregular weather conditions was partly offset by the slower increase in the prices of *fresh seafood*. Prices in the *alcoholic beverages and tobacco* category rose by 1.9% during the month as the price of cigarettes was revised upwards by 20 sen per pack of 20 in October.

Monetary Conditions: Interbank rates were stable in November. 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 10.7% in November. On a monthly basis, M3 expanded following higher credit extension to the private sector and net foreign inflows. The expansion, however, was partially mitigated by the placement of proceeds from the Government's fund raising activities with the banking sector during the month. Net financing to the private sector grew at a slower pace of 12.3% in November. While the growth of business loans outstanding moderated following large repayments during the month, loans disbursed to businesses remained high. Loans to households also grew at a more moderate pace of 11.6%. Loan demand was sustained, supported mainly by loan applications from the households.

Banking System: The banking system remained well-capitalised with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 15.3% and 13.4% respectively. The level of net impaired loans remained stable at 1.4% of net loans, while the loan loss coverage ratio remained above 100%.

Exchange Rates and International Reserves: In November, the ringgit appreciated against the currencies of Malaysia's major trading partners as the stronger than expected third quarter Malaysian economic data contributed to favourable investor sentiments. The ringgit strength, however, was tempered

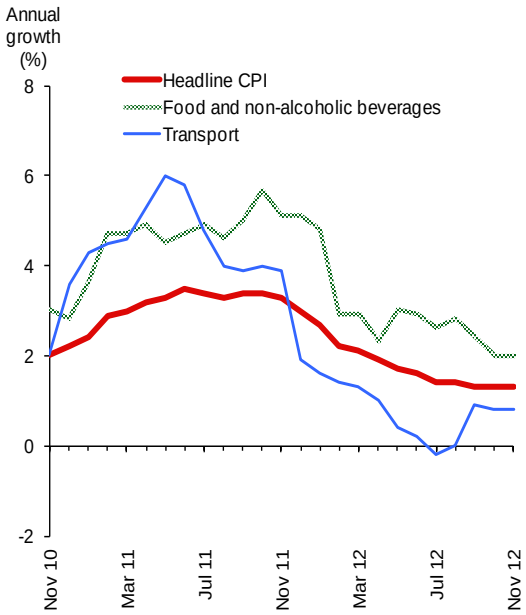
by uncertainty surrounding the US presidential election and concerns over the US fiscal position which resulted in heightened investor risk aversion and prompted some withdrawal of funds by foreign investors during the month. In December, the ringgit depreciated against the currencies of most of Malaysia's major trading partners with the exception of the Japanese yen. The ringgit depreciated slightly against the US dollar as continued concerns over the US fiscal position dampened overall investor sentiments and demand for emerging market assets. The international reserves of Bank Negara Malaysia stood at RM426.6 billion (equivalent to USD139.2 billion) as at 14 December 2012, sufficient to finance 9.4 months of retained imports and are 4.2 times the short-term external debt.

Bank Negara Malaysia
28 December 2012

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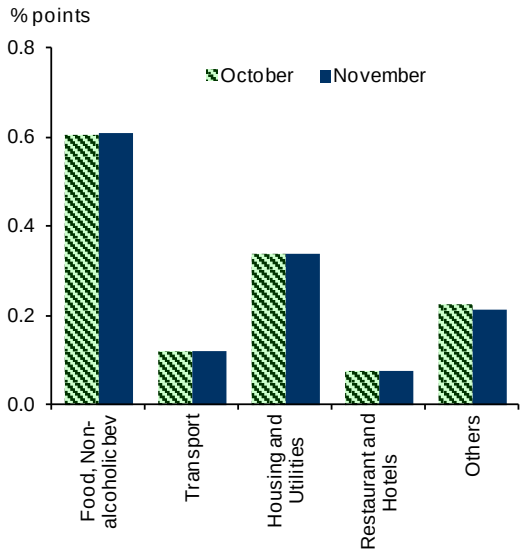
Headline inflation was stable in November

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

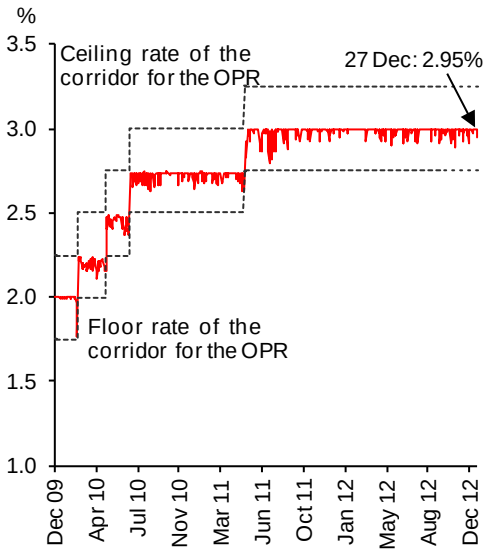


*Others include *recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear;* and *miscellaneous goods and services*

Source: Bank Negara Malaysia

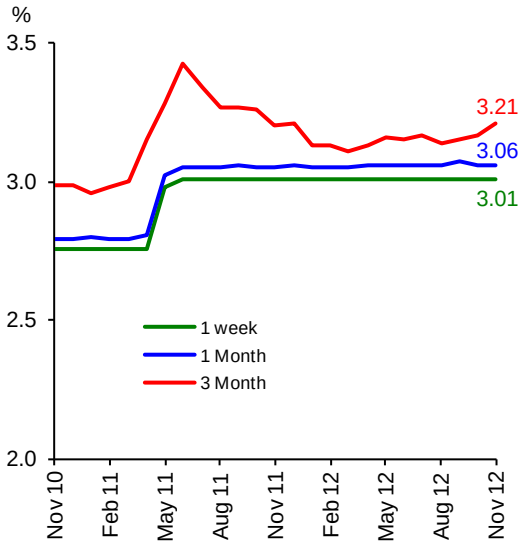
Interest rates were also stable

Average Overnight Interbank Rate



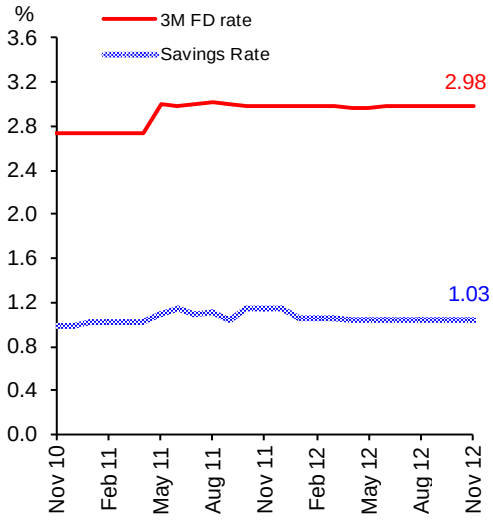
Source: Bank Negara Malaysia

Average Interbank Rates



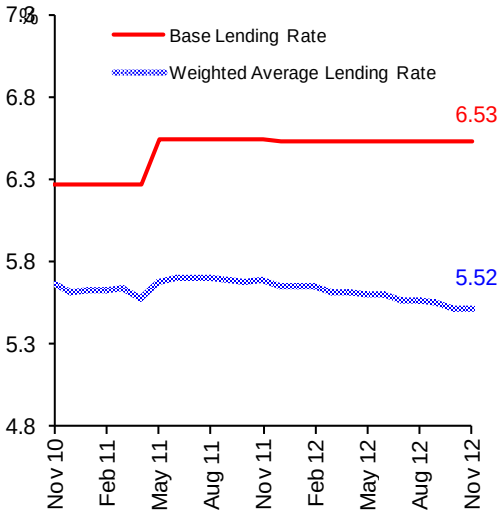
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

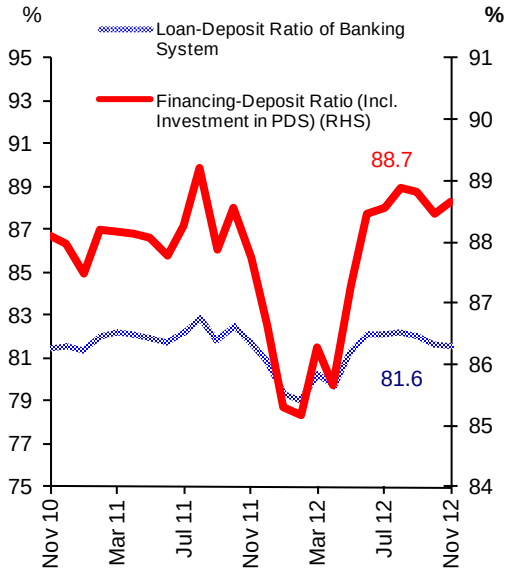
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

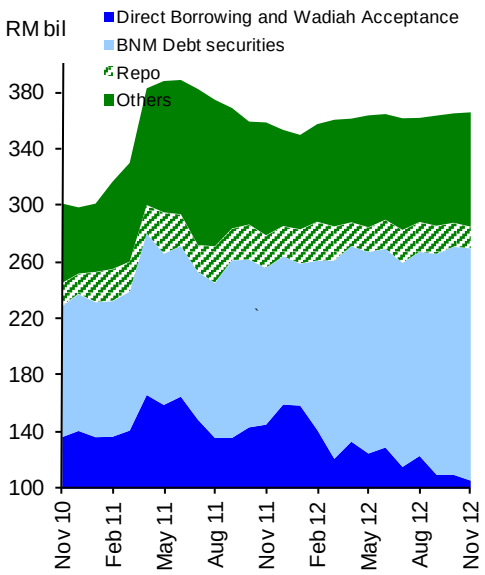
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

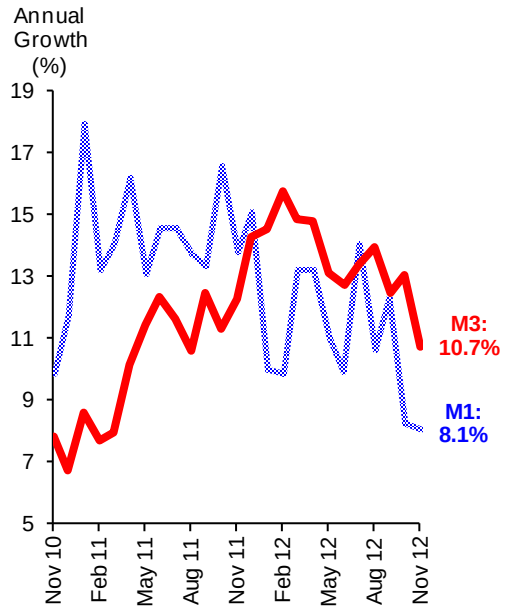
Outstanding Liquidity Placed With Bank Negara Malaysia



Source: Bank Negara Malaysia

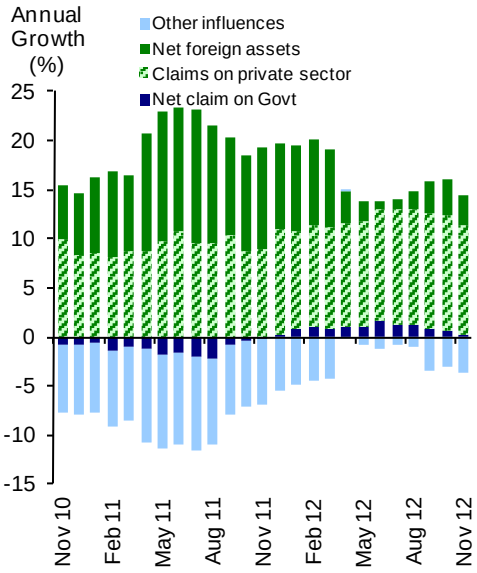
Broad money grew at a slower pace

M1 and M3



Source: Bank Negara Malaysia

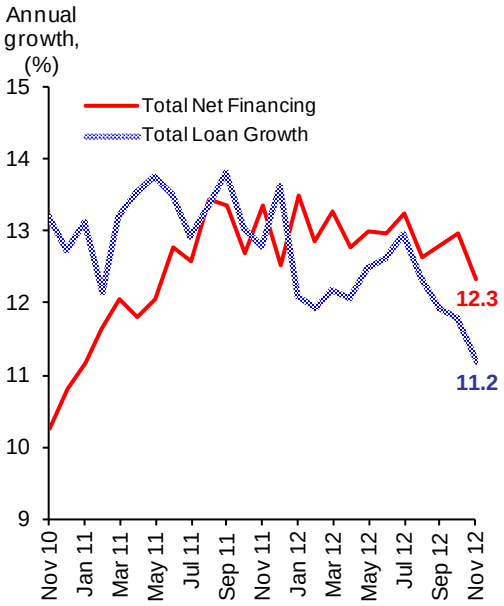
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Growth in financing activity moderated in November

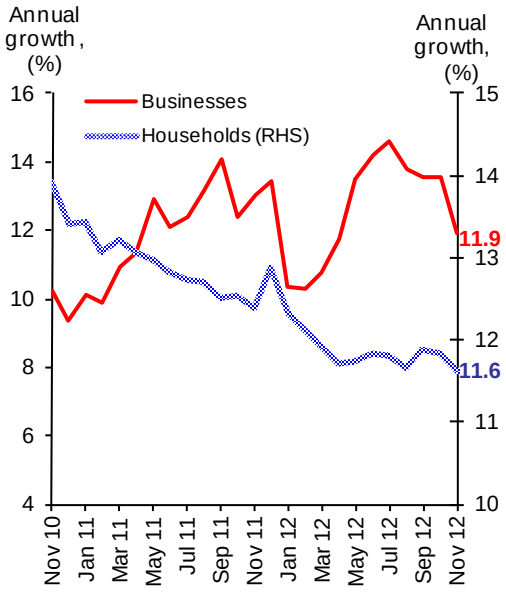
Net Financing and Loan Growth



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

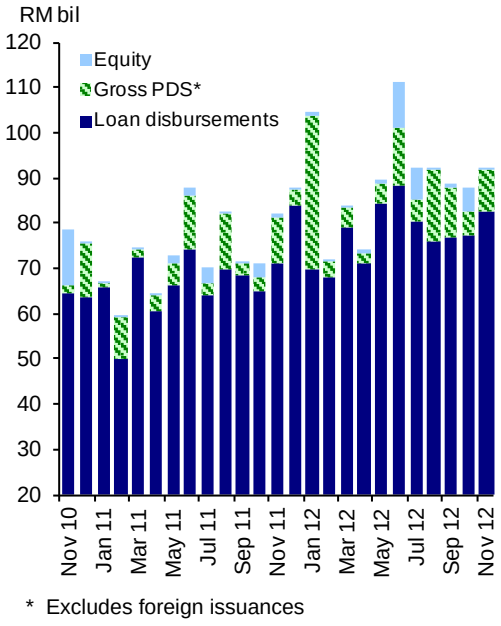
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

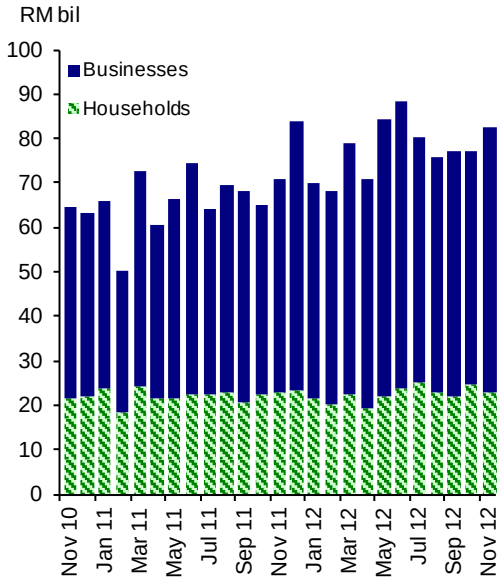
Gross Private Sector Financing



* Excludes foreign issuances

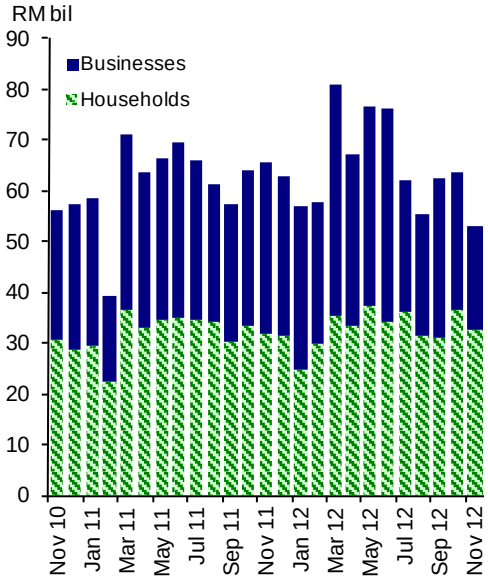
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



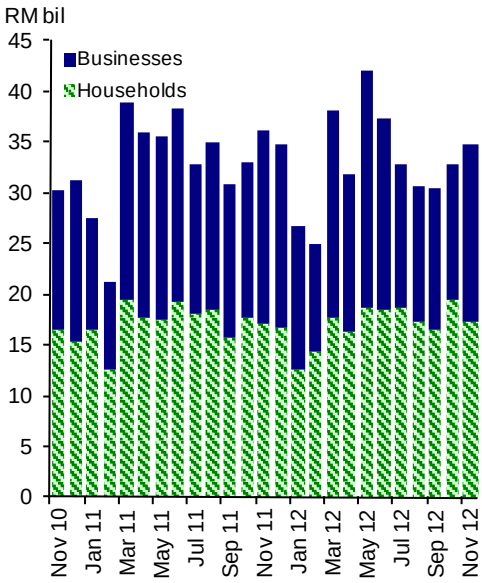
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

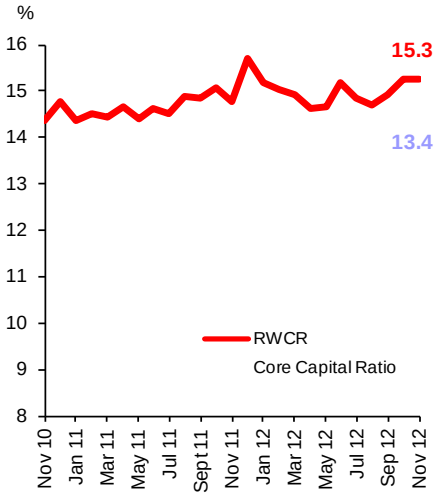
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

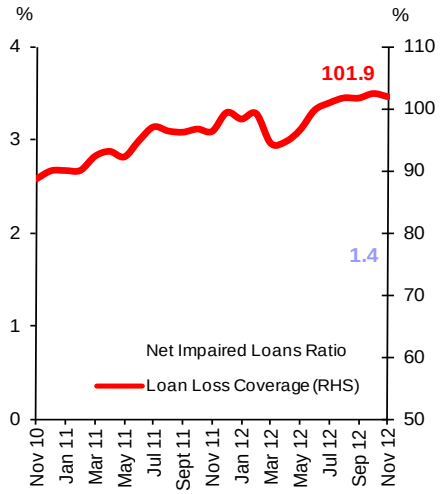
Banking system capitalisation remained strong with sound loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage



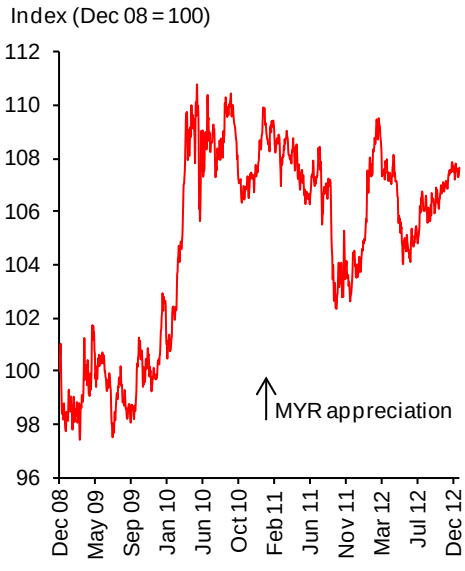
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

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

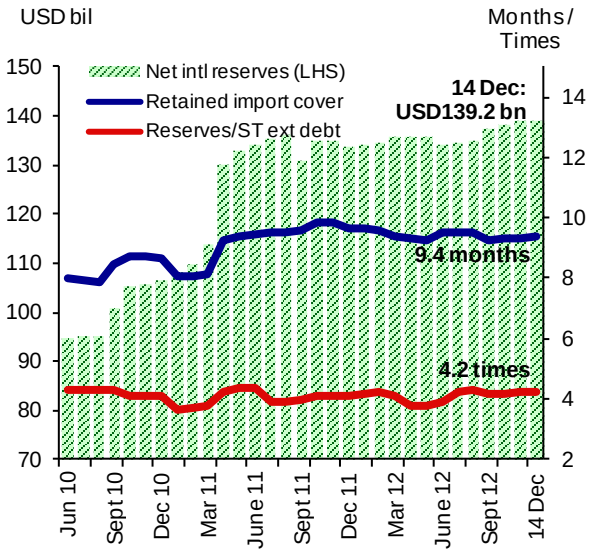
Index of Ringgit Performance against Major Trade Partners*



*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

		Sep 12		Oct 12		Nov 12	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		102.8	16.7	102.5	15.6	103.2	17.2
M1		271.7	12.3	268.7	8.2	270.5	8.1
M2		1,313.8	13.0	1,315.9	13.7	1,319.6	11.4
M3		1,335.2	12.5	1,337.7	13.0	1,341.7	10.7
Banking System							
Net financing[1]		1,458.1	12.8	1,466.8	13.0	1,477.2	12.3
Loan-deposit ratio (%) [2]		82.0		81.6		81.6	
Financing-deposit ratio (%) [2&3]		88.8		88.5		88.6	
Loans applied (during the period)		62.5	9.1	63.7	-0.4	53.1	-19.0
Loans approved (during the period)		30.5	-1.1	32.9	-0.1	34.7	-4.1
Loans disbursed (during the period)		77.0	12.7	77.2	18.6	82.5	16.2
Loans repaid (during the period)		72.3	15.4	76.3	23.1	79.6	25.6
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		14.9		15.3		15.3	
Net Impaired Loans Ratio (%)		1.4		1.4		1.4	
BNM International Reserves (end-period)							
Net Reserves in RM billion		421.3		423.9		426.2	
Net Reserves in USD billion (equivalent)		137.4		138.3		139.1	
Months of retained imports		9.3		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	[2.97]	2.99	[2.99]
	1-week	3.01	[3.01]	3.01	[3.01]	3.01	[3.01]
	1-month	3.08	[3.07]	3.06	[3.06]	3.11	[3.06]
Fixed deposits of commercial banks:	1-month	2.91		2.91		2.90	
	3-month	2.98		2.98		2.98	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.55		5.53		5.52	
Prices							
Consumer Price Index (CPI) (2010=100)		105.2	1.3	105.4	1.3	105.5	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