BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 09/12/10

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MONETARY AND FINANCIAL DEVELOPMENTS
August 2012

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI) remained at 1.4% in August. Inflation in the *food and non-alcoholic beverages* category increased during the month to 2.8% due to higher vegetable prices. The higher inflation in the *food and non-alcoholic beverages* category was offset by lower inflation in the *miscellaneous goods and services* category as prices in the *jewellery of gold* sub-category declined. Meanwhile, inflation in the *recreation services and culture* category moderated during the month as the impact from the increase in charges for satellite television services in mid-July 2011 dissipated.

Monetary Conditions: Interbank rates were stable in August. 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) expanded at a faster pace of 14.0% in August. On a month-on-month basis, the increase in M3 was mainly attributed to credit extension to the private sector, particularly through the purchase of private debt securities (PDS) by banks. M3 also expanded on account of payments made by the government to the non-bank private sector for maturing Government debt. Net financing to the private sector grew at a slower pace in August due to a moderation in outstanding banking system loans. However, while 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. Loan demand from both businesses and households continued to moderate in the absence of the exceptionally large loan applications recorded between March and June.

Banking System: The banking system remained well-capitalised, with a risk-weighted capital ratio (RWCR) and core capital ratio (CCR) of 14.6% and 12.7% respectively. The level of net impaired loans remained stable at 1.5% of net loans, while the loan loss coverage increased to 101.7%.

Exchange Rates and International Reserves: In August, the ringgit continued to appreciate against the currencies of most of Malaysia's major trading partners. The ringgit appreciated against the US dollar as stronger than expected second quarter Malaysian economic data and continued expectations of monetary easing in the US contributed to favourable investor sentiments towards regional financial markets. The ringgit also appreciated against the Singapore dollar and Japanese yen but depreciated against the euro. The euro strengthened against most currencies, including the ringgit, following expectations of progress in resolving the European sovereign debt crisis. The ringgit was unchanged against the Chinese renminbi. In September, the ringgit's performance was mixed. While the ringgit strengthened against the Japanese yen, US dollar and Chinese renminbi, it depreciated against the Singapore dollar and euro. The international reserves of Bank Negara Malaysia stood at RM432.2 billion (equivalent to USD135.3 billion) as at 14 September 2012, sufficient to finance 9.5 months of retained imports and are 3.9 times the short-term external debt.

Bank Negara Malaysia
28 September 2012

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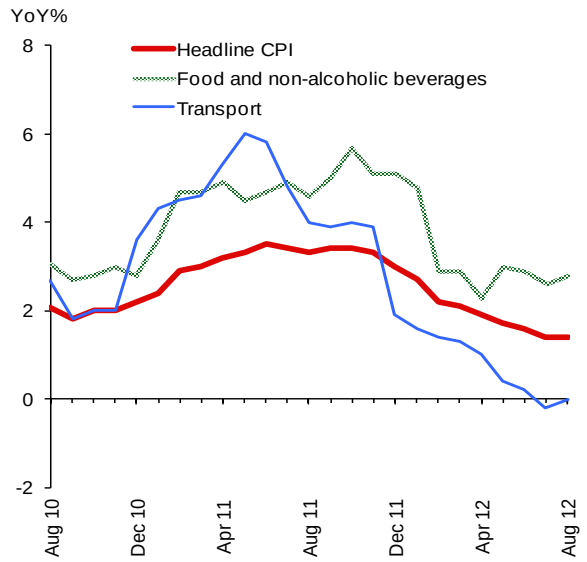
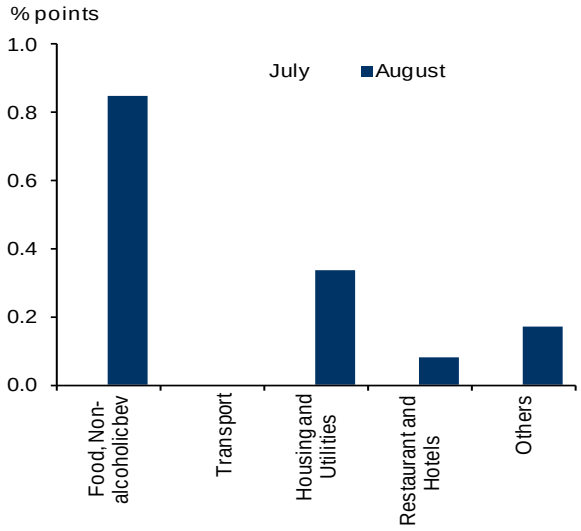
Headline inflation was unchanged in August

Headline Inflation



Headline Inflation: Component Contribution



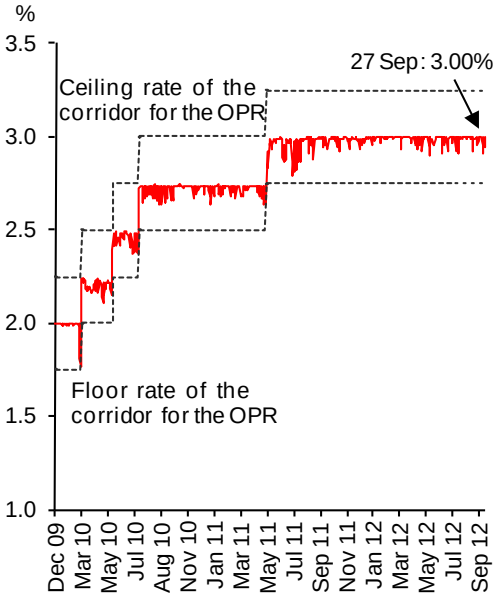
** Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services*

Source: Department of Statistics Malaysia

Source: Bank Negara Malaysia

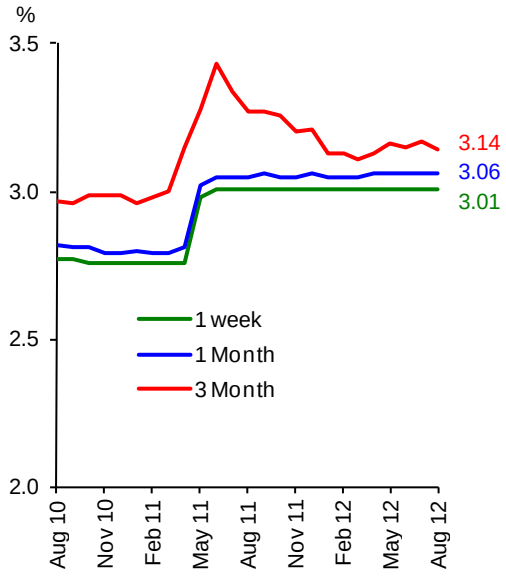
Interest rates remained stable

Average Overnight Interbank Rate



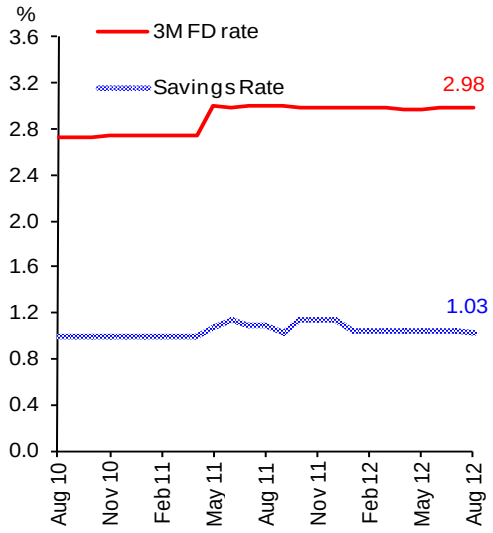
Source: Bank Negara Malaysia

Average Interbank Rates



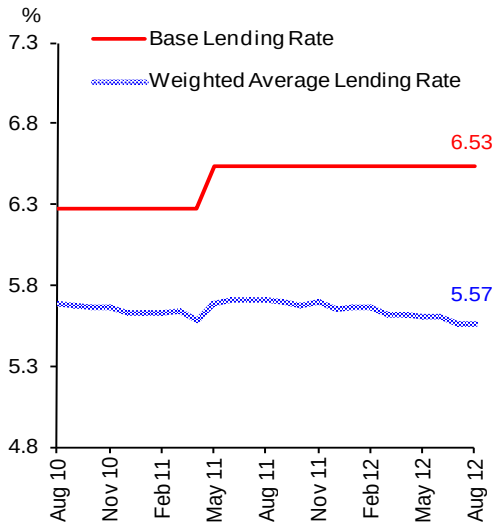
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

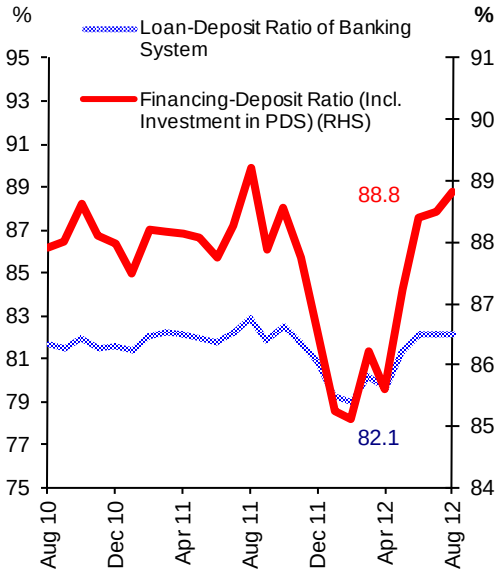
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

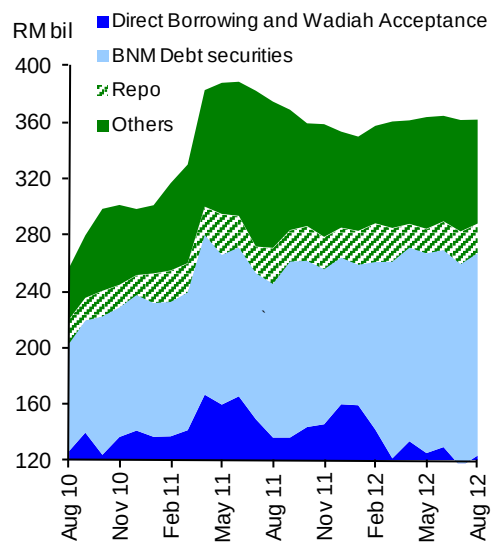
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

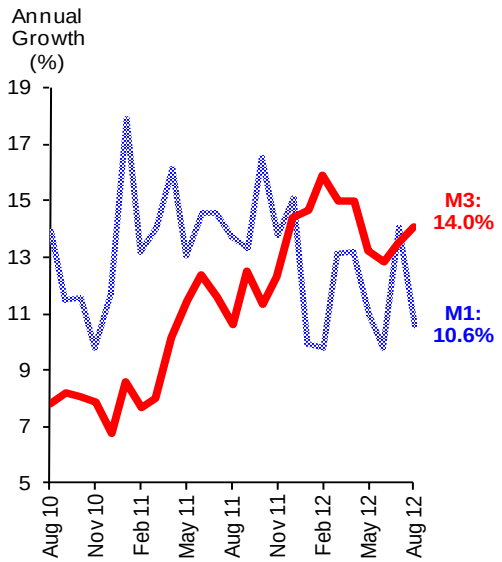
Outstanding Liquidity Placed With Bank Negara Malaysia



Source: Bank Negara Malaysia

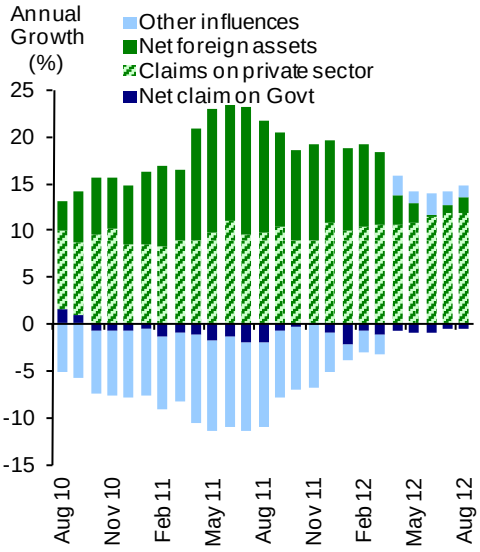
Broad money continued to expand

M1 and M3



Source: Bank Negara Malaysia

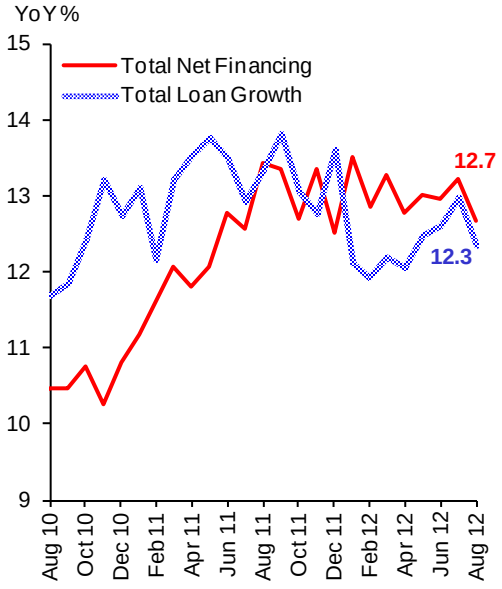
Main Contributors of M3 Growth



Source: Bank Negara Malaysia

Financing activity moderated in August

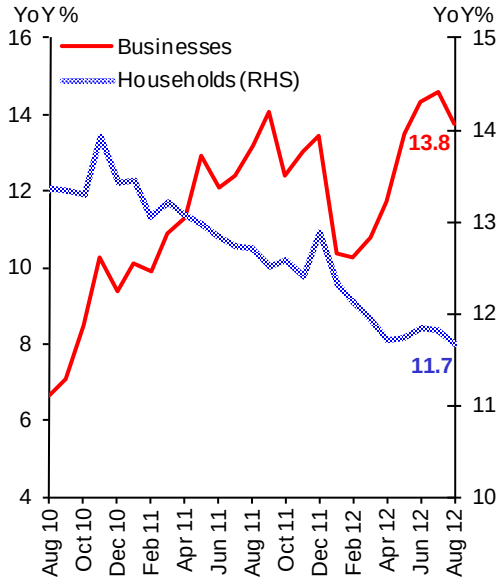
Net Financing and Loan Growth



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

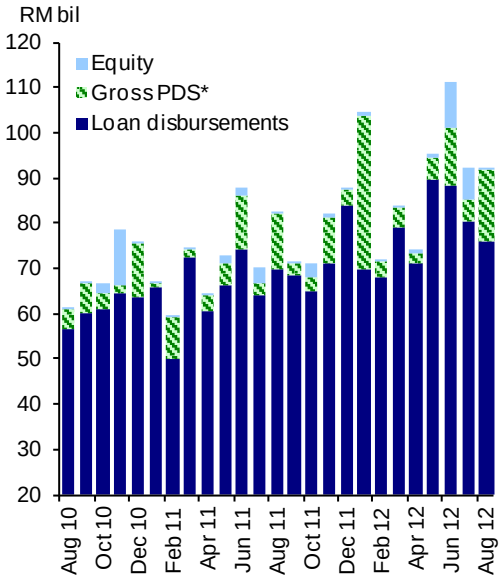
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

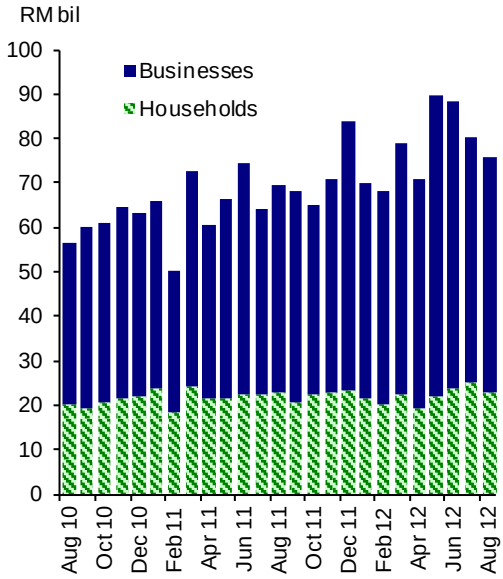
Gross Private Sector Financing



* Excludes foreign issuances

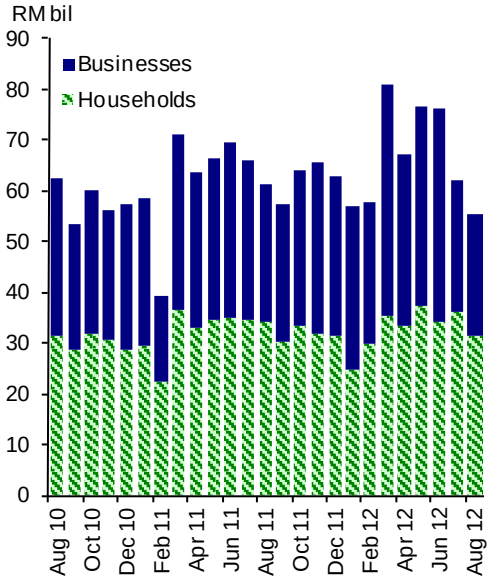
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



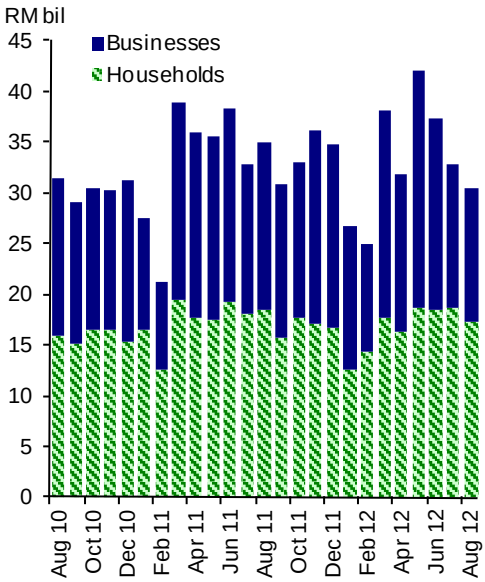
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

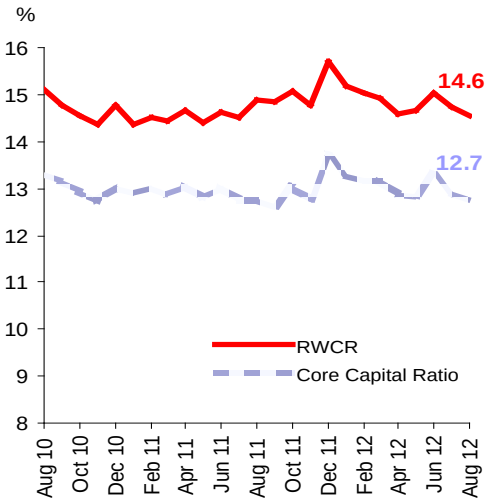
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

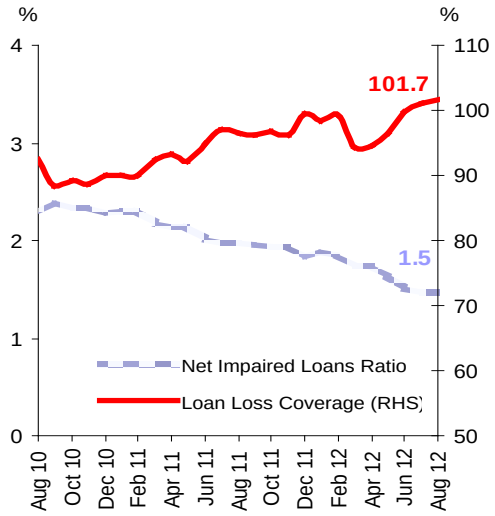
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage



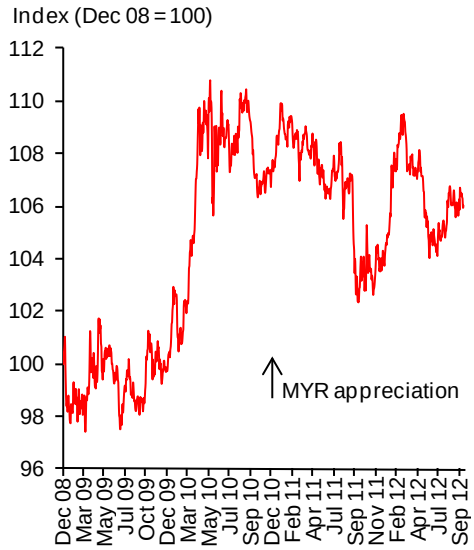
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

[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 major trading partners

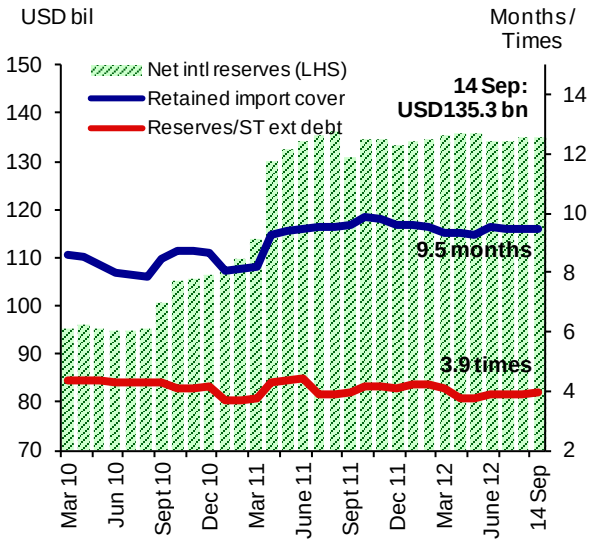
Index of Ringgit Performance against Major Trade Partners*



* 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

		Jun 12		Jul 12		Aug 12	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		100.8	32.1	101.5	15.5	103.9	9.0
M1		263.1	9.9	268.5	14.0	269.7	10.6
M2		1,285.9	13.6	1,290.0	14.4	1,301.8	14.8
M3		1,307.8	12.8	1,312.8	13.5	1,323.4	14.0
Banking System							
Net financing[1]		1,424.8	13.0	1,431.0	13.2	1,444.4	12.7
Loan-deposit ratio (%) [2]		82.1		82.1		82.1	
Financing-deposit ratio (%) [2&3]		88.4		88.5		88.8	
Loans applied (during the period)		76.2	9.7	62.1	-6.0	55.4	-9.9
Loans approved (during the period)		37.3	-3.0	32.7	-0.2	30.4	-13.0
Loans disbursed (during the period)		88.4	18.9	80.4	25.6	75.8	8.7
Loans repaid (during the period)		75.5	18.6	77.9	22.4	73.8	19.2
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		15.0		14.7		14.6	
Net Impaired Loans Ratio (%)		1.5		1.5		1.5	
BNM International Reserves (end-period)							
Net Reserves in RM billion		428.8		429.5		431.1	
Net Reserves in USD billion (equivalent)		134.2		134.4		134.9	
Months of retained imports		9.5		9.5		9.5	
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]	3.00	[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]	3.06	[3.06]	3.09	[3.06]
Fixed deposits of commercial banks:	1-month	2.90		2.91		2.90	
	3-month	2.99		2.98		2.98	
BLR of commercial banks		6.53		6.53		6.53	
Weighted ALR of commercial banks		5.60		5.57		5.57	
Prices							
Consumer Price Index (CPI) (2010=100)		104.8	1.6	104.8	1.4	105.0	1.4

[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