BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 04/15/14

EMBARGO: Not for publication before 1800 hours on Thursday, 30 April 2015

MONETARY AND FINANCIAL DEVELOPMENTS
March 2015

Price Conditions: Headline inflation, as measured by the annual percentage change in Consumer Price Index (CPI), increased to 0.9% in March (Feb: 0.1%) due mainly to the upward revision in fuel pump prices. Prices for petrol and diesel were revised upwards by 25 sen per litre, which translated into a smaller price decline on a year-on-year basis for the *transport* category (Mar: -4.9%; Feb: -11.8%). Inflation in the *food and non-alcoholic beverages* and *housing, water, electricity, gas and other fuels* categories, however, were lower. Inflation in the *food and non-alcoholic beverages* category moderated to 2.3% (Feb: 2.7%) due to slower increase in prices of fish, seafood and vegetables, while the downward revision of electricity tariff by 2.25 sen/kWh for monthly consumption of 300kWh and above, contributed to the lower inflation in the *electricity* sub-category (Mar: -5.3%; Feb: -2.0%).

Monetary Conditions: Short-term interbank rates were relatively stable in March. A moderation in longer-term interbank rates was observed in February and March, following BNM's announcement on 30 January 2015 of arrangements to facilitate a smooth transition to the full implementation of the Liquidity Coverage Ratio by 2019, which eased funding pressures on banks. In terms of retail lending rates, the average Base Rate of commercial banks was stable at 3.90%. Retail deposit rates were unchanged throughout the period. On an annual basis, broad money (M3) growth increased to 7.9% in March. The expansion in M3 was driven mainly by the extension of credit to the private sector by the banking system. Net financing to the private sector grew by 8.3% in March, driven by higher growth of both outstanding banking system loans and net 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 *manufacturing; wholesale and retail trade, and restaurants and hotels*; *construction* and *real estate* sectors during the month. The annual growth in outstanding household loans, however, remained stable. Overall loan demand was sustained with higher loan applications from businesses.

Banking System: The banking system remained well-capitalised with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12.5%, 13.2% and 15.2% respectively. The level of net impaired loans improved to account for 1.2% of net loans. Loan loss coverage ratio remained above 90%.

Exchange Rates and International Reserves: In March, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trade partners. During the month, continued uncertainty in global monetary conditions led to portfolio investment outflows from regional financial markets. This caused regional currencies, including the ringgit, to depreciate against the US dollar. During the first three weeks of April, the ringgit experienced some reversal of this trend. The international reserves of Bank Negara Malaysia amounted to RM391.4 billion (equivalent to USD105.6 billion) as at 15 April 2015, sufficient to finance 8.2 months of retained imports and were 1.1 times the short-term external debt[1].

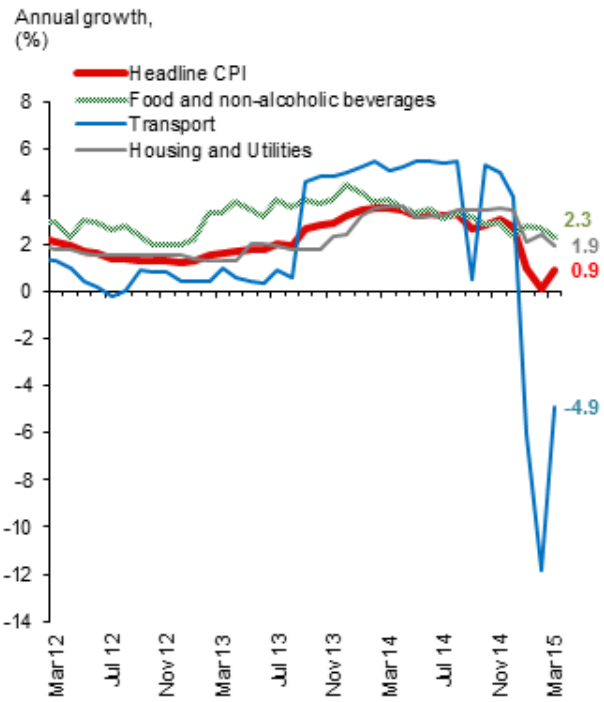
Bank Negara Malaysia
30 April 2015

[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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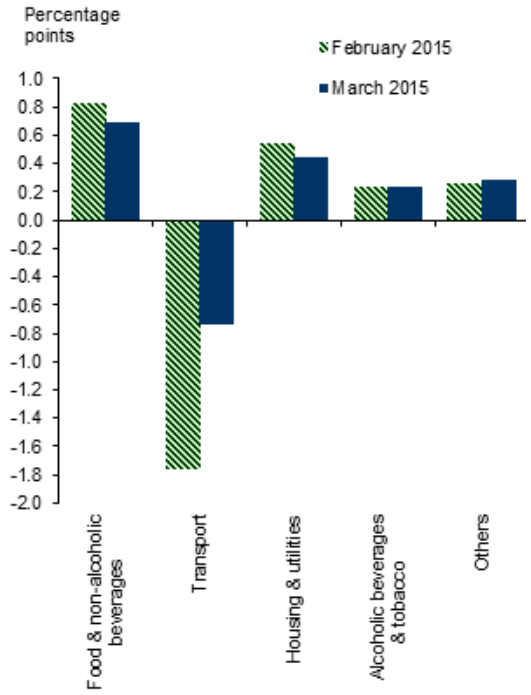
Headline inflation increased in March following the increase in fuel prices during the month

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

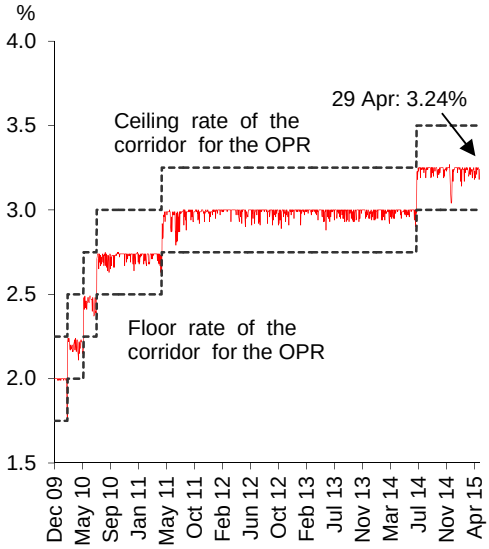


* Others include *restaurants and hotels; recreation services and culture; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear* and *miscellaneous goods and services.*

Source: Bank Negara Malaysia

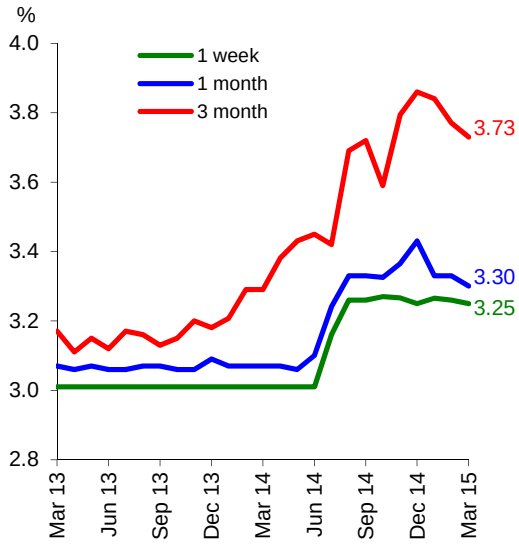
Longer-term interbank rates moderated reflecting an easing in funding pressures

Average Overnight Interbank Rate



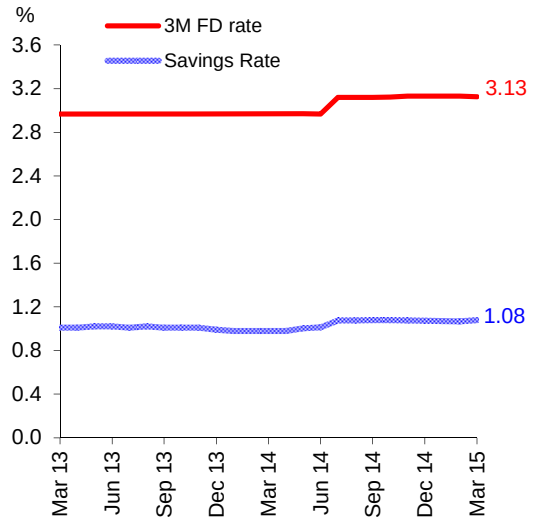
Source: Bank Negara Malaysia

Average Interbank Rates



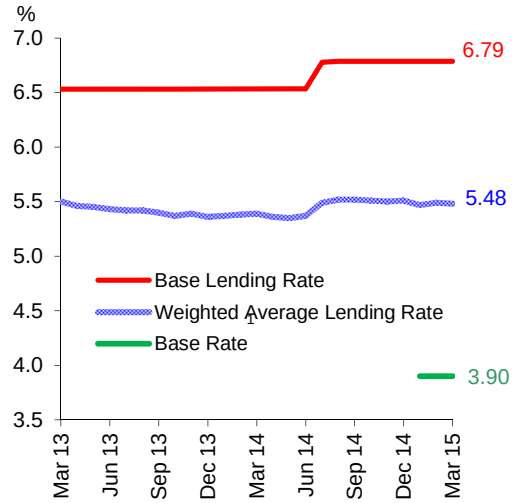
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

Lending Rates of Commercial Banks

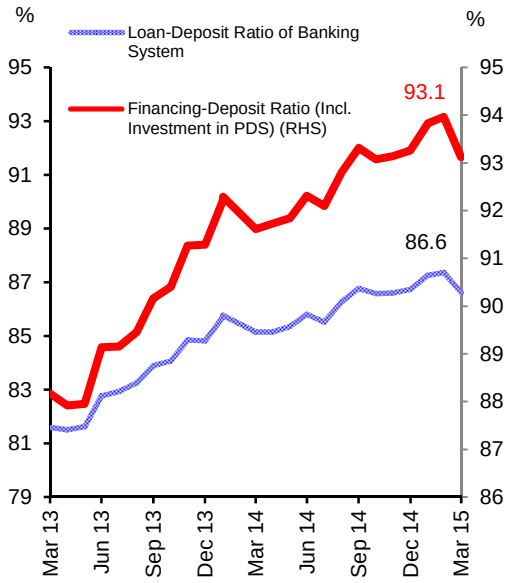


[1] On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the reference rate for new retail floating-rate loans and financing facilities.

Source: Bank Negara Malaysia

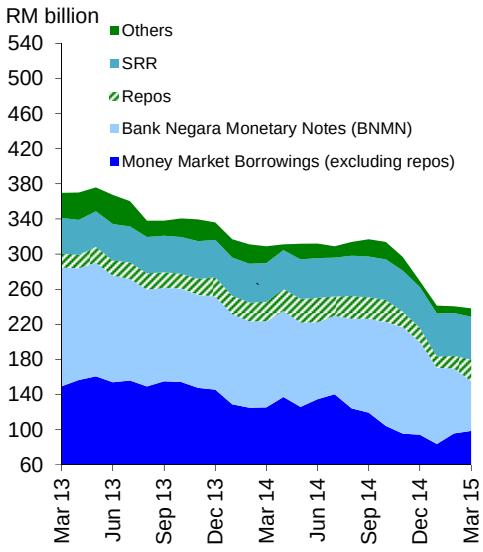
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

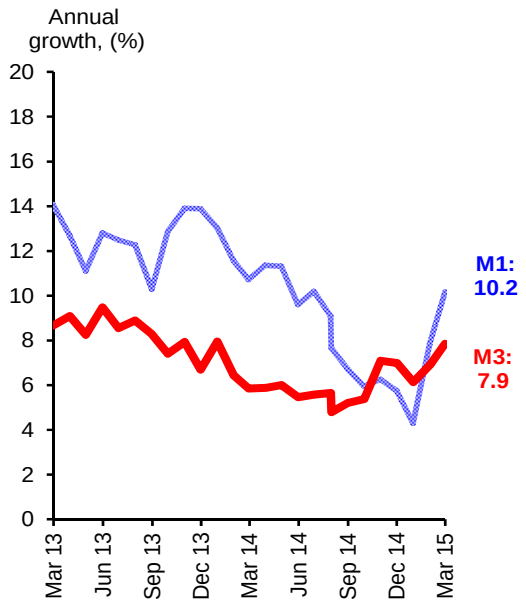


* *Money Market Borrowings (excluding repos) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)*

Source: Bank Negara Malaysia

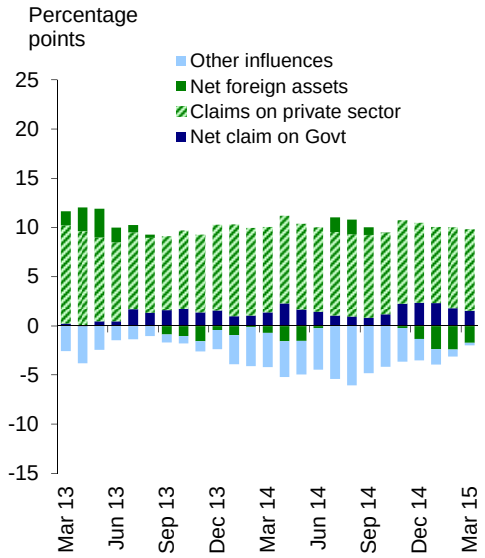
Broad money growth increased in March

M1 and M3



Source: Bank Negara Malaysia

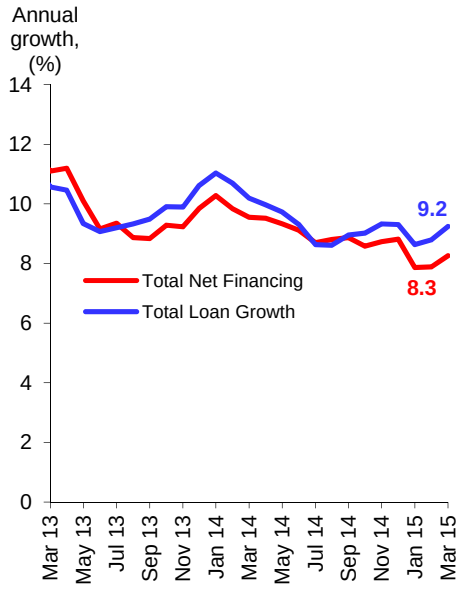
Main Contributors of M3 Annual Growth



Source: Bank Negara Malaysia

Growth in net financing increased slightly in March

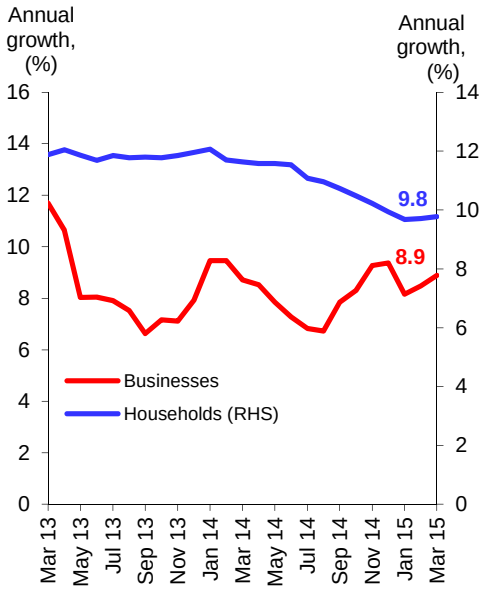
Net Financing and Loan Growth



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

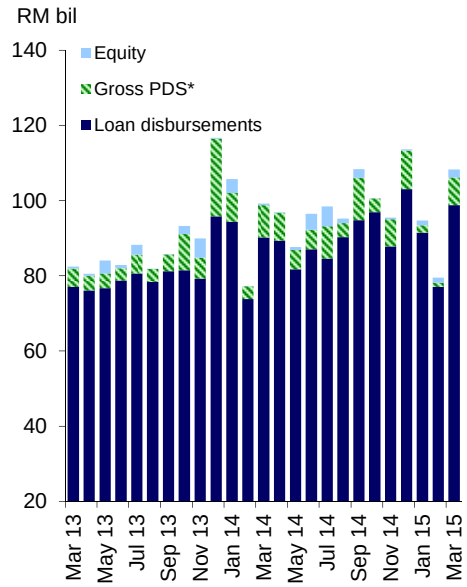
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



Source: Bank Negara Malaysia

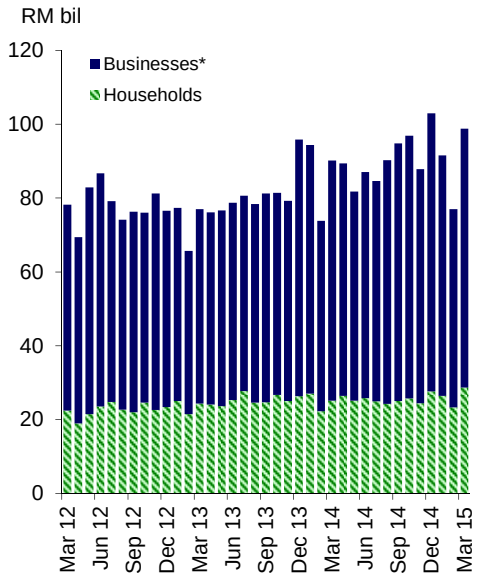
Gross Private Sector Financing



* Excludes foreign issuances

Source: Bank Negara Malaysia

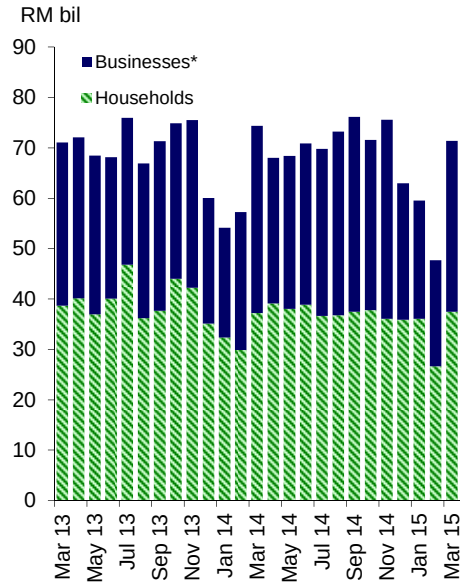
Loan Disbursements by the Banking System



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

Source: Bank Negara Malaysia

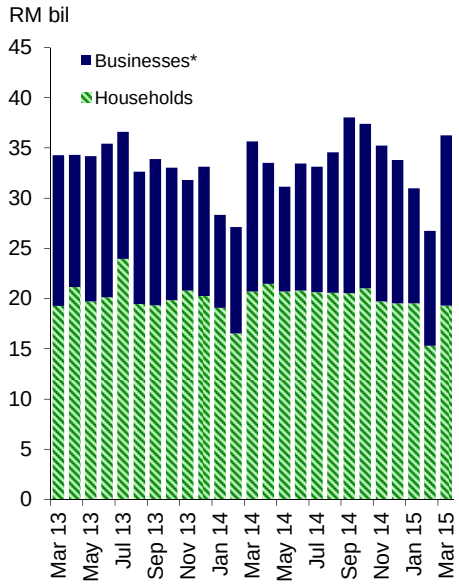
Loan Applications to the Banking System



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

Source: Bank Negara Malaysia

Loan Approvals by the Banking System

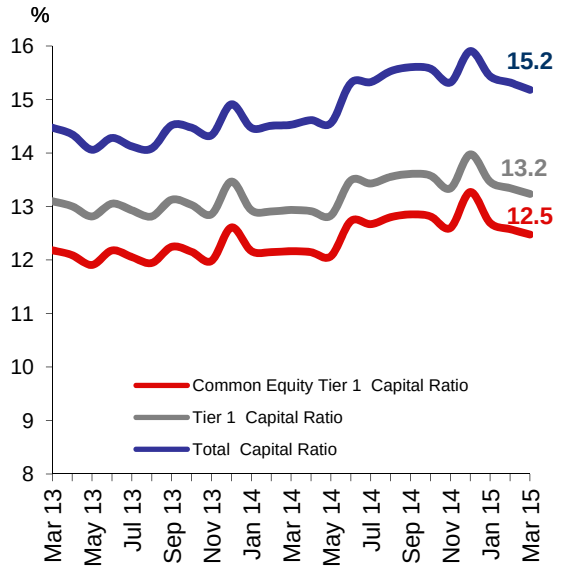


* Includes domestic financial institutions, government, domestic other entities and foreign entities.

Source: Bank Negara Malaysia

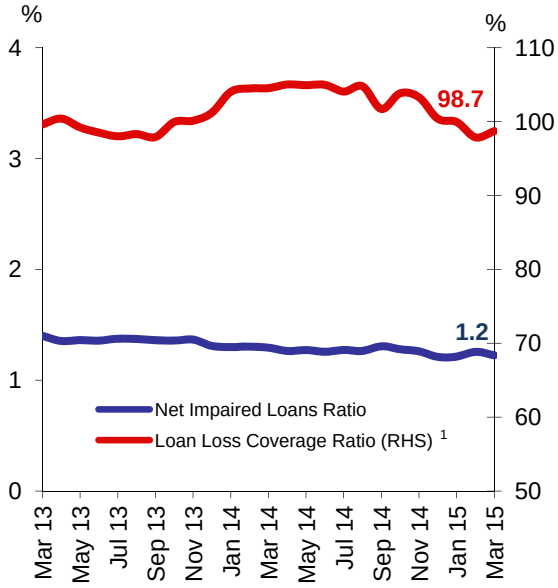
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage Ratio

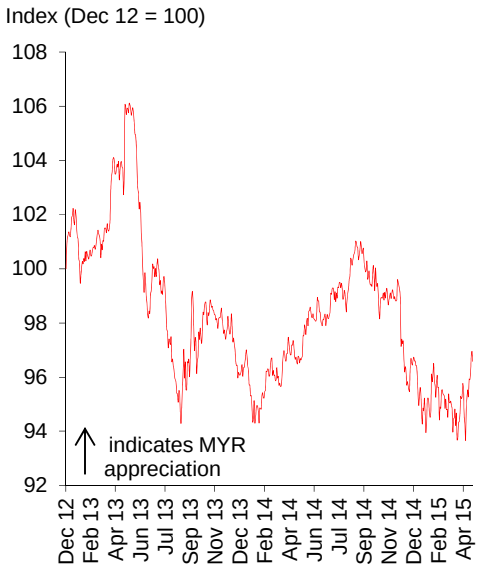


[1] Refers to ratio of individual plus collective impairment provisions to total impaired loans.

Source: Bank Negara Malaysia

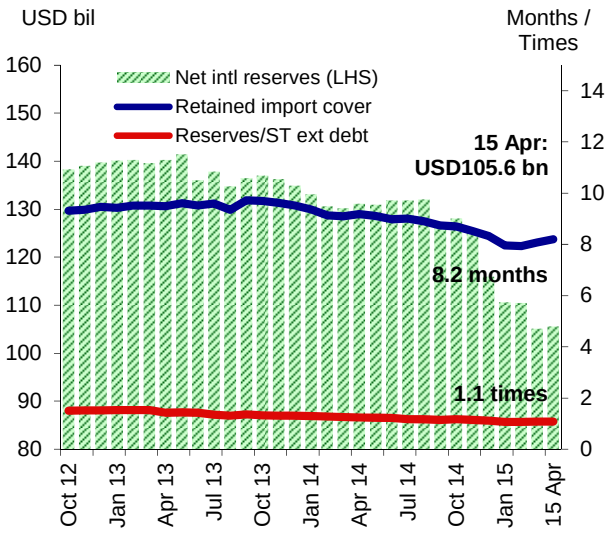
The ringgit exhibited a mixed performance against the currencies of Malaysia's major trade partners

Index of Ringgit Performance against Major Trade Partners*



* Currencies in the index: USD, CNY, SGD, JPY, EUR
Each currency carries equal weight

Net International Reserves



Source: Bank Negara Malaysia

Key Monetary and Financial Statistics

		Jan 15		Feb 15		Mar 15	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		132.7	4.6	133.6	10.5	131.4	9.5
M1		346.3	4.3	351.4	7.8	360.3	10.2
M2		1,546.6	6.8	1,552.7	7.5	1,583.6	8.5
M3		1,554.3	6.1	1,560.9	6.9	1,589.7	7.9
Banking System							
Net financing[1]		1,784.8	7.9	1,789.8	7.9	1,806.4	8.3
Loan-deposit ratio (%) [2]		87.3		87.4		86.6	
Financing-deposit ratio (%) [2&3]		93.8		94.0		93.1	
Loans applied (during the period)		59.5	10.0	47.7	-16.7	71.3	-4.0
Loans approved (during the period)		31.0	9.3	26.7	-1.4	36.3	1.7
Loans disbursed (during the period)		91.5	-3.1	77.0	4.4	98.8	9.5
Loans repaid (during the period)		91.1	5.3	74.6	2.8	89.9	3.5
Banking System Health							
Total capital ratio (%) [4]		15.4		15.3		15.2	
Tier 1 capital ratio (%) [4]		13.4		13.3		13.2	
Common equity tier 1 capital ratio (%) [4]		12.7		12.6		12.5	
Net impaired loans ratio (%)		1.2		1.3		1.2	
BNM International Reserves (end-period)							
Net Reserves in RM billion		386.5		386.0		389.6	
Net Reserves in USD billion (equivalent)		110.6		110.5		105.1	
Months of retained imports		8.0		7.9		8.1	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.25		3.25		3.25	
Interbank:	Overnight	3.24 [3.25]		3.24 [3.22]		3.24 [3.23]	
	1-week	3.27 [3.27]		3.24 [3.26]		3.25 [3.25]	
	1-month	3.41 [3.33]		3.29 [3.33]		3.28 [3.30]	
Fixed deposits of commercial banks:	1-month	3.08		3.08		3.08	
	3-month	3.13		3.13		3.13	
BLR of commercial banks		6.79		6.79		6.79	
Base Rate [5]		3.90		3.90		3.90	
Weighted ALR of commercial banks		5.47		5.49		5.48	
Prices							
Consumer Price Index (CPI) (2010=100)		110.6	1.0	109.9	0.1	110.9	0.9

[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 reference rate for new retail floating-rate loans and financing facilities.

Source: Bank Negara Malaysia and Department of Statistics Malaysia