BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 09/15/08

EMBARGO: Not for publication or broadcast before 1800 hours on Wednesday, 30 September 2015

MONETARY AND FINANCIAL DEVELOPMENTS AUGUST 2015

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), moderated to 3.1% in August (July: 3.3%) mainly reflecting the downward adjustment of domestic fuel prices during the month. Prices of RON97 and RON95 petrol and diesel were reduced by 10 sen per litre following the decline in global oil prices. This was transmitted into the decline of prices in the *transport* category during the month (-1.2%; July: 1.6%). The impact of the lower domestic fuel prices, however, was partially offset by the higher inflation in the *food and non-alcoholic beverages* category (4.2%; July: 3.8%) amid shortages in the supply of fresh fish and vegetables due to adverse weather conditions.

Monetary Conditions: Interbank rates were stable in August. In terms of retail lending rates, the average base rate (BR) of commercial banks remained unchanged at 3.85%. Retail deposit rates were steady during the month. Net financing to the private sector grew by 9.2% in August (July: 8.5%), driven by higher growth in both outstanding banking system loans and net outstanding issuances of private debt securities (PDS). Outstanding business loans registered a higher annual growth of 11.5% during the month (July: 9.9%), with a larger volume of loans disbursed mainly to the *real estate*; *mining and quarrying*; *finance, insurance and business services*; and *manufacturing* sectors. The annual growth of outstanding loans to households in August moderated to 8.3% (July: 8.6%). Overall loan demand was stable

with a sustained level of loan applications during the month. On an annual basis, broad money (M3) growth increased to 4.6% in August, with the expansion being driven mainly by the extension of credit to the private sector. Conversely, a decline in net foreign assets following net capital outflows during the month acted as a restraint on monetary growth.

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 12.1%, 12.7% and 14.8% respectively, amid revaluation of securities due to market movements and dividend payouts by a few banks. The level of net impaired loans was sustained at 1.2% of net loans while the loan loss coverage ratio remained high at 97.6%.

Exchange Rates and International Reserves: In August, the ringgit depreciated against the currencies of Malaysia's major trade partners. All regional currencies depreciated against the US dollar during the month following strong portfolio outflows from the regional financial markets. The outflows were driven by both regional developments as well as global developments. A key driver of outflows was the prospect of an increase in US interest rates. The international reserves of Bank Negara Malaysia amounted to RM360.1 billion (equivalent to USD95.3 billion) as at 15 September 2015, sufficient to finance 7.3 months of retained imports and were 1.1 times the short-term external debt[1].

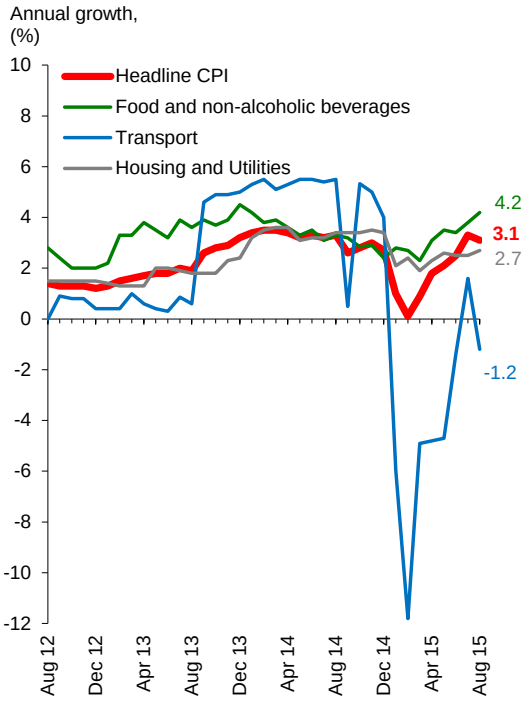
Bank Negara Malaysia
30 September 2015

[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 titled 'The Redefinition of External Debt' in the Quarterly Bulletin on Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2014.

Diterbitkan oleh:
Jabatan Komunikasi Strategik, Tingkat 14, Blok B, Bangunan Bank Negara Malaysia,
Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
Telefon: +60(3) 2698 8044 Faksimili: +60(3) 2693 6919
Web: www.bnm.gov.my

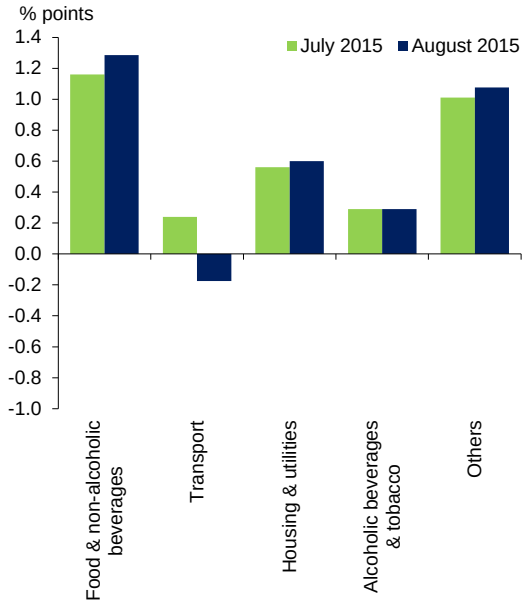
Headline inflation moderated in August, mainly reflecting the downward adjustments to domestic fuel prices

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

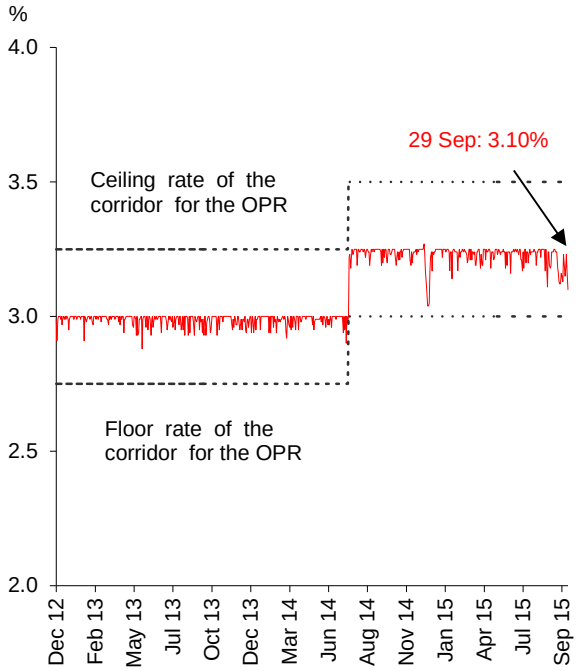


*Others include *restaurants and hotels; recreation services and culture; education; health; furnishings, household equipment and routine household maintenance; communication; clothing and footwear;* and *miscellaneous goods and services*

Source: Bank Negara Malaysia

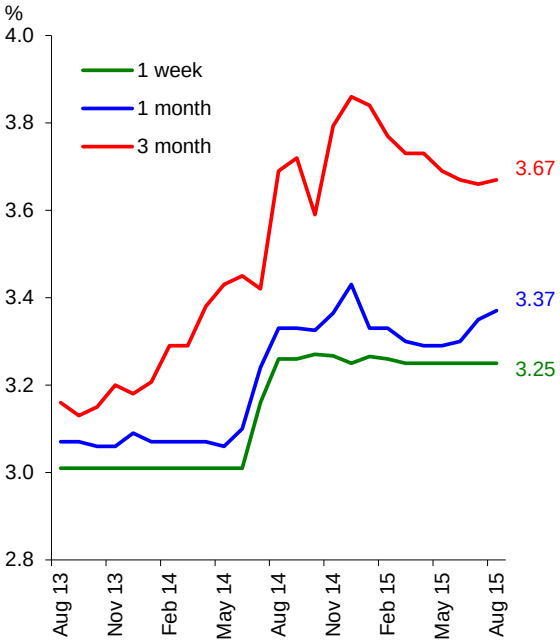
Interest rates remained stable in August

Daily Weighted Average Overnight Interbank Rate



Source: Bank Negara Malaysia

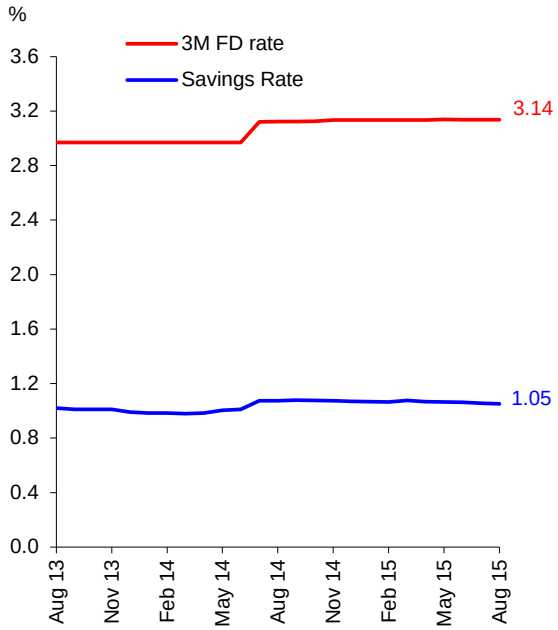
Average Interbank Rates



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

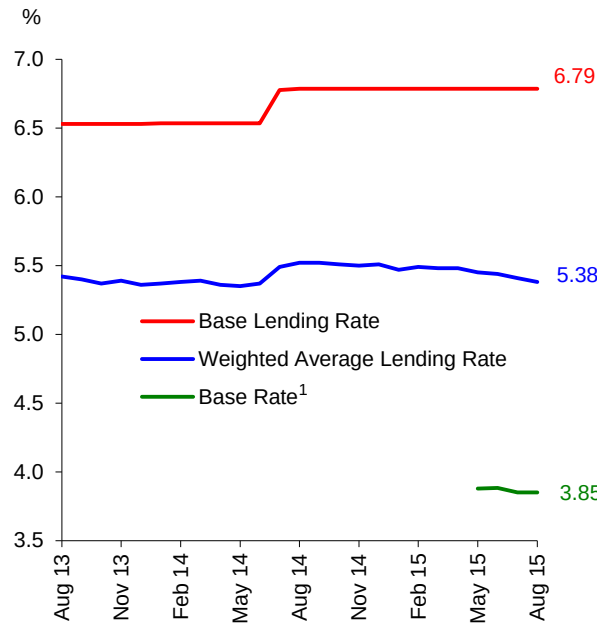
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

Lending Rates of Commercial Banks

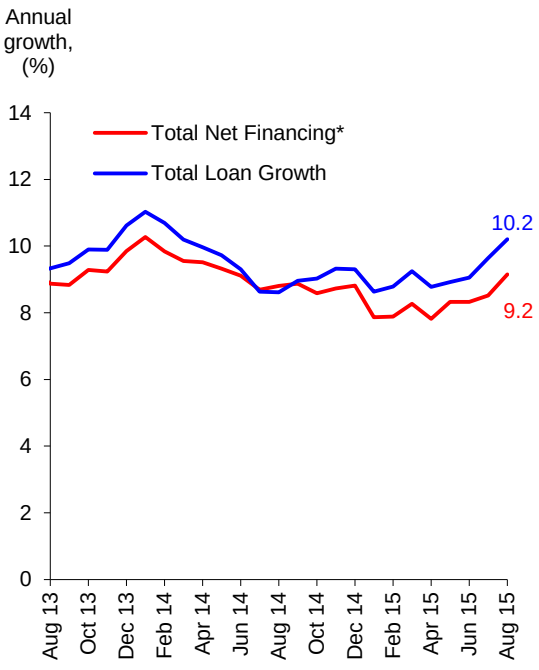


[1] On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the reference rate for new retail floating-rate loans and financing facilities.

Source: Bank Negara Malaysia

Growth in net financing increased in August

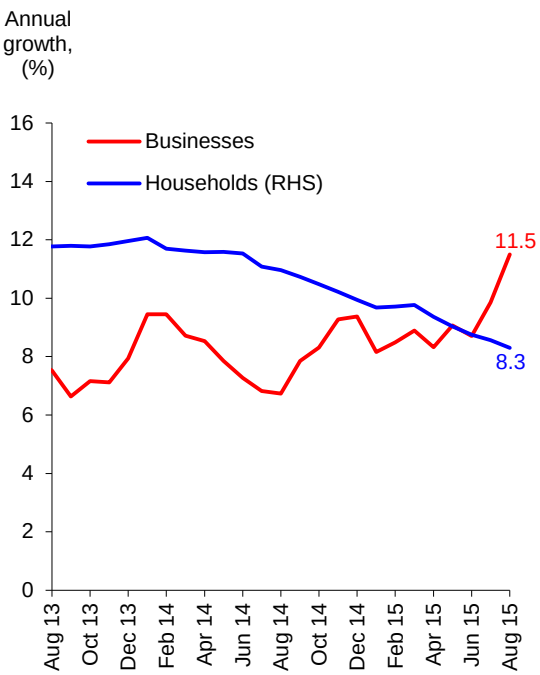
Net Financing and Loan Growth



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

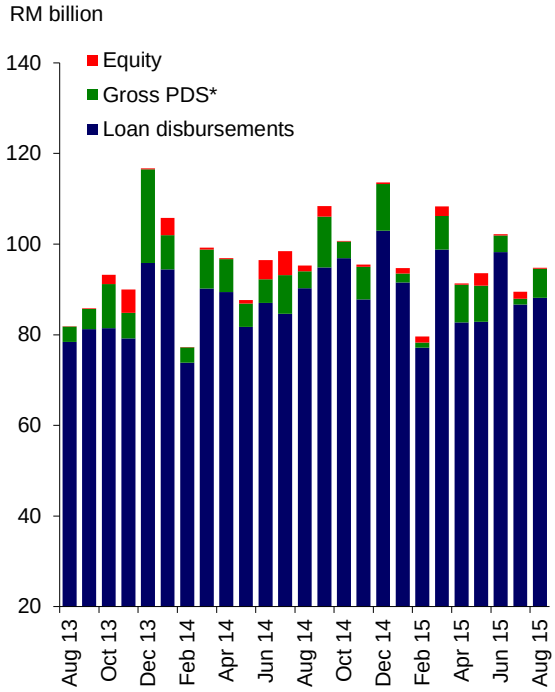
Source: Bank Negara Malaysia

Loans Outstanding of the Banking System



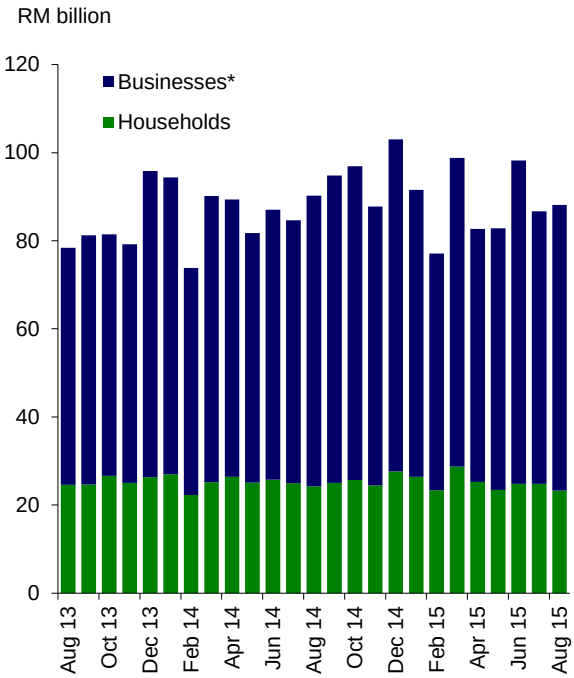
Source: Bank Negara Malaysia

Gross Private Sector Financing



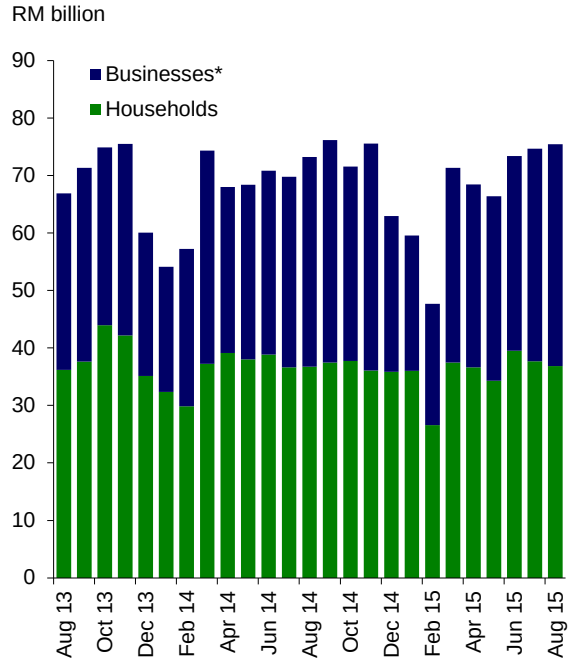
*Excludes foreign issuances
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



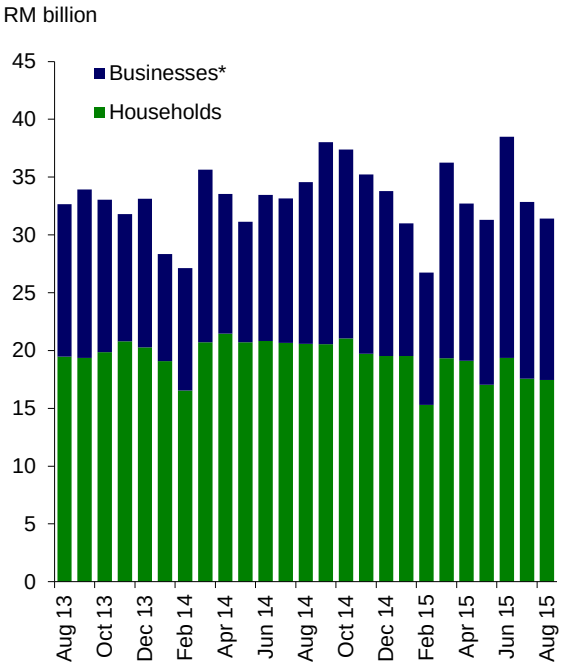
* Includes domestic financial institutions, goverment, domestic other entities.
Source: Bank Negara Malaysia

Loan Applications to the Banking System



* Includes domestic financial institutions, goverment, domestic other entities.
Source: Bank Negara Malaysia

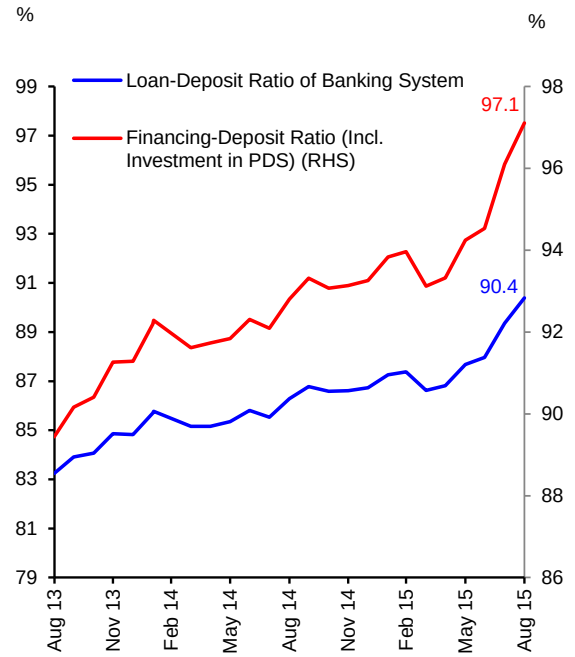
Loan Approvals by the Banking System



* Includes domestic financial institutions, goverment, domestic other entities.
Source: Bank Negara Malaysia

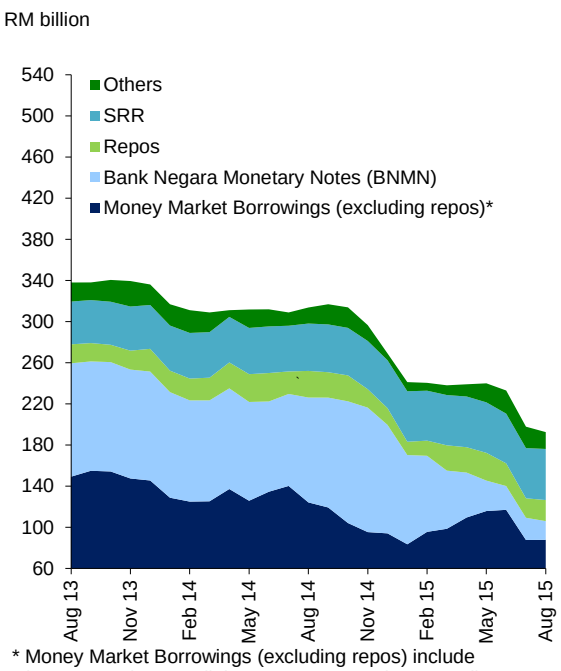
Liquidity tightened in the banking system but remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



Source: Bank Negara Malaysia

Outstanding Liquidity Placed with Bank Negara Malaysia (at end-period)

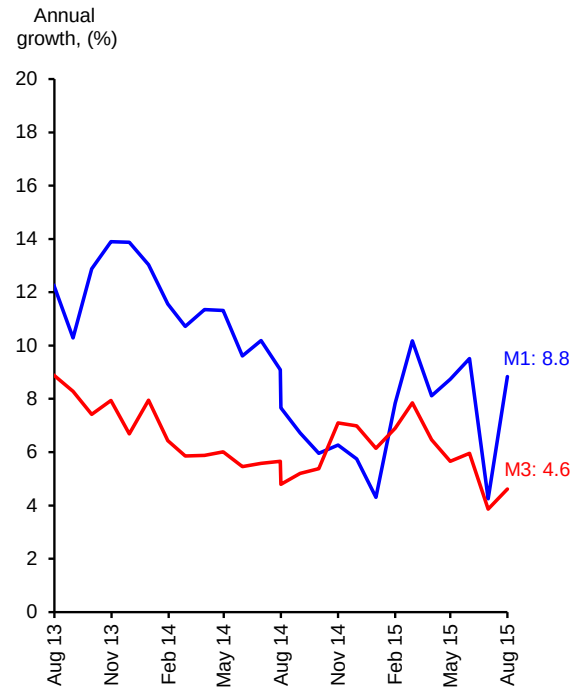


* Money Market Borrowings (excluding repos) include Direct Borrowing, Wadiah Acceptances and Commodity Murabahah Programme (CMP)

Source: Bank Negara Malaysia

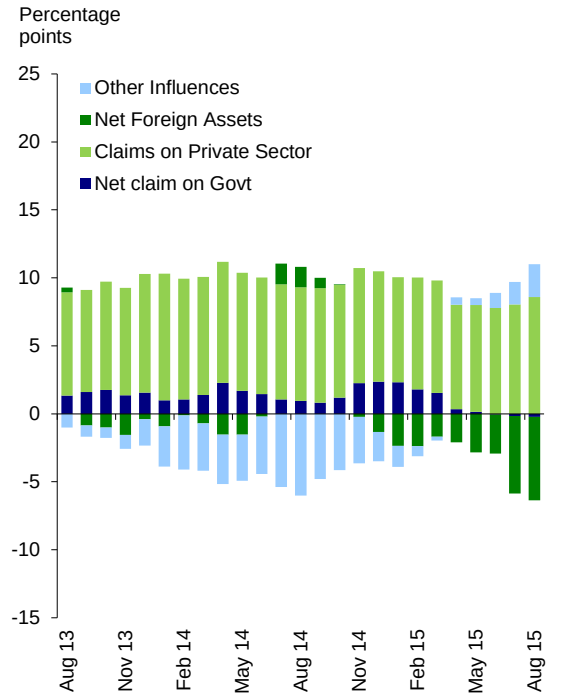
Broad money growth increased in August

M1 and M3



Source: Bank Negara Malaysia

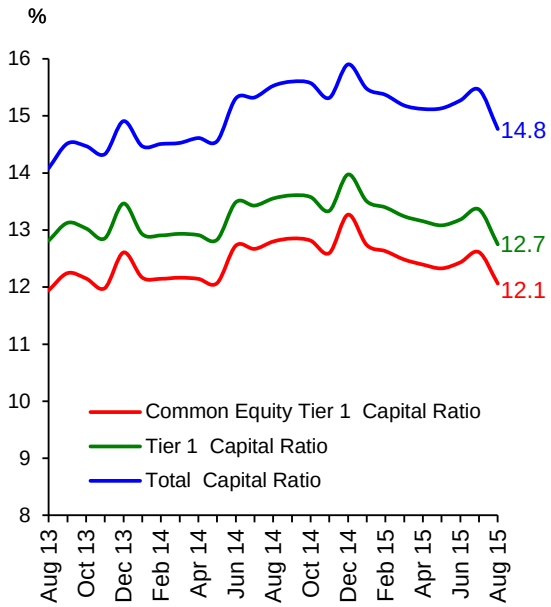
Main Contributors of M3 Annual Growth



Source: Bank Negara Malaysia

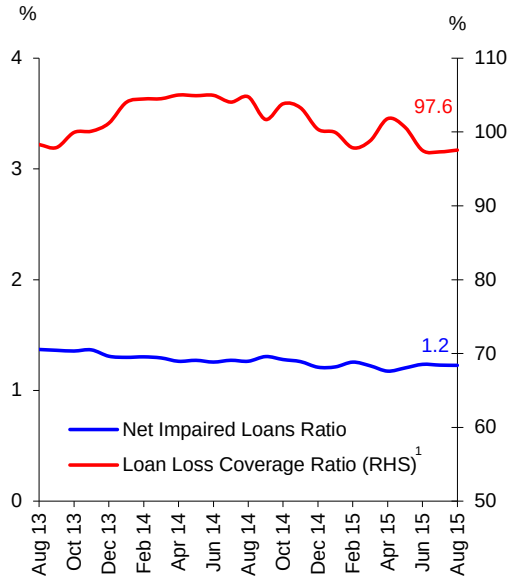
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework.
Source: Bank Negara Malaysia

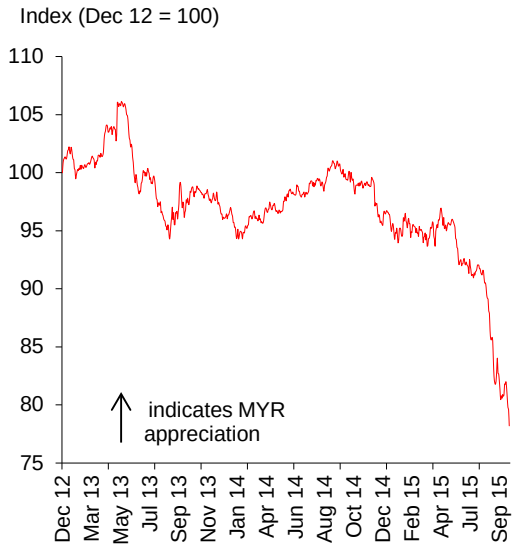
Net Impaired Loans Ratio and Loan Loss Coverage Ratio



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 individual plus collective impairment provisions to total impaired loans.
Source: Bank Negara Malaysia

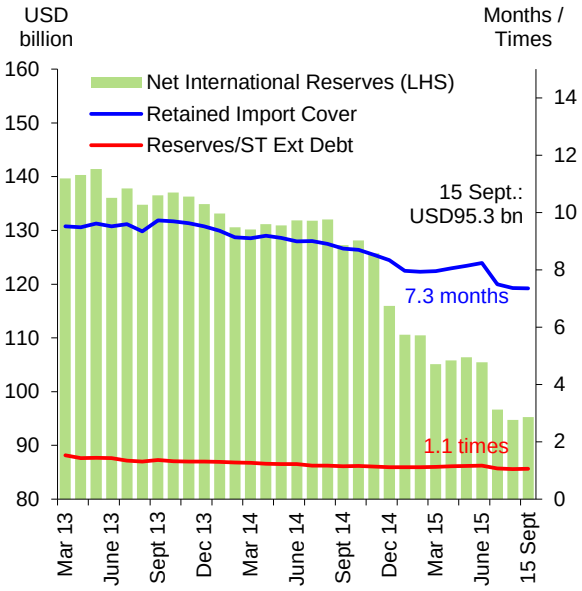
The ringgit depreciated against the currencies of major trade partners

Index of Ringgit Performance against Major Trade Partners*



*Currencies: 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 15		Jul 15		Aug 15	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		132.4	9.7	132.8	7.2	134.8	10.4
M1		360.6	9.5	347.2	4.6	351.5	8.8
M2		1,575.1	6.5	1,555.4	4.4	1,556.2	5.1
M3		1,582.5	6.0	1,561.3	3.8	1,563.2	4.6
Banking System							
Net financing[1]		1,838.7	8.3	1,846.2	8.5	1,867.6	9.2
Loan-deposit ratio (%) [2]		88.0		89.4		90.4	
Financing-deposit ratio (%) [2&3]		94.5		96.1		97.1	
Loans applied (during the period)		73.4	3.6	74.6	7.0	75.5	3.1
Loans approved (during the period)		38.5	15.1	32.9	-0.9	31.5	-9.0
Loans disbursed (during the period)		98.2	12.9	86.7	2.4	88.2	-2.3
Loans repaid (during the period)		87.3	12.8	83.9	-3.8	78.6	-3.5
Banking System Health							
Total capital ratio (%) [4]		15.3		15.5		14.8	
Tier 1 capital ratio (%) [4]		13.2		13.4		12.7	
Common equity tier 1 capital ratio (%) [4]		12.4		12.6		12.1	
Net impaired loans ratio (%)		1.2		1.2		1.2	
BNM International Reserves (end-period)							
Net Reserves in RM billion		398.1		364.7		357.7	
Net Reserves in USD billion (equivalent)		105.5		96.6		94.7	
Months of retained imports		8.2		7.5		7.4	
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]		3.25 [3.23]		3.25 [3.22]	
	1-week	3.25 [3.25]		3.24 [3.25]		3.25 [3.25]	
	1-month	3.48 [3.30]		3.45 [3.35]		3.35 [3.37]	
Fixed deposits of commercial banks:	1-month	3.08		3.08		3.08	
	3-month	3.14		3.14		3.14	
BLR of commercial banks		6.79		6.79		6.79	
Base Rate [5]		3.88		3.85		3.85	
Weighted ALR of commercial banks		5.44		5.41		5.38	
Prices							
Consumer Price Index (CPI) (2010=100)		113.0	2.5	113.9	3.3	113.9	3.1

[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