



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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Tuesday, 31 January 2012**

MONETARY AND FINANCIAL DEVELOPMENTS December 2011

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was lower at 3.0% in December. Inflation in the *transport* category was lower as the impact from the one-off adjustment to the prices of RON95 petrol, diesel and LPG in December 2010 wore off. Food inflation was unchanged during the month as higher inflation in the *fish and seafood* and *rice, bread and other cereals* sub-categories was mitigated by the slower increase of prices in the *sugar, jam, honey, chocolate and confectionary* and *meat* sub-categories. Higher inflation in the *fish and seafood* sub-category was due to supply shortages caused by adverse weather conditions while higher inflation in the *rice, bread and other cereals* sub-category was due to higher prices of fragrant and imported rice. *Meat* prices were lower as the Government implemented price controls on selected food produce during the festive season.

Monetary Conditions: Interbank rates were stable in December. In terms of retail rates, the average base lending rate (BLR) of commercial banks moderated slightly to 6.53% as at end-December. Retail deposit rates were stable. Broad money (M3) increased at a higher annual rate of 14.4% in December. The increase was mainly attributed to a rise in credit extended by the banking system to the private sector and higher capital inflows. Net financing to the private sector grew at a slower pace in December due mainly to lower net private debt security (PDS) issuances. The outstanding banking system loans, however, expanded by 13.6% during the month with a higher amount of loans being extended to businesses in the *wholesale and retail, restaurants and hotels; manufacturing; transport, storage and communication* and *real estate* sectors. Loan growth to households also rose significantly during the month due mainly to the base effect of lower loans extended for the *purchase of passenger cars* during the same period in 2010. Loan demand remained strong with higher loan applications from both the business and household sectors.

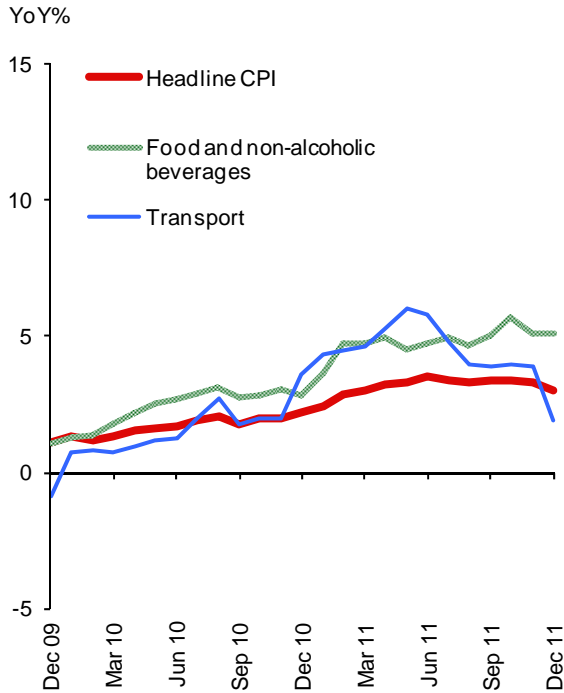
Banking System: The banking system capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.9% and 12.9% respectively. The level of net impaired loans improved amounting to 1.8% of net loans, while the loan loss coverage ratio remained high at 99.6%.

Exchange Rates and International Reserves: In December, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners. The ringgit depreciated against the US dollar, Chinese renminbi and Japanese yen, but strengthened against the euro and Singapore dollar. The ringgit's depreciation against the US dollar was in line with most regional currencies. In January, the ringgit broadly appreciated against the currencies of Malaysia's major trading partners. The international reserves of Bank Negara Malaysia stood at RM423.5 billion (equivalent to USD133.7 billion) as at 13 January 2012, sufficient to finance 9.6 months of retained imports and is 4 times the short-term external debt.

**Bank Negara Malaysia
31 January 2012**

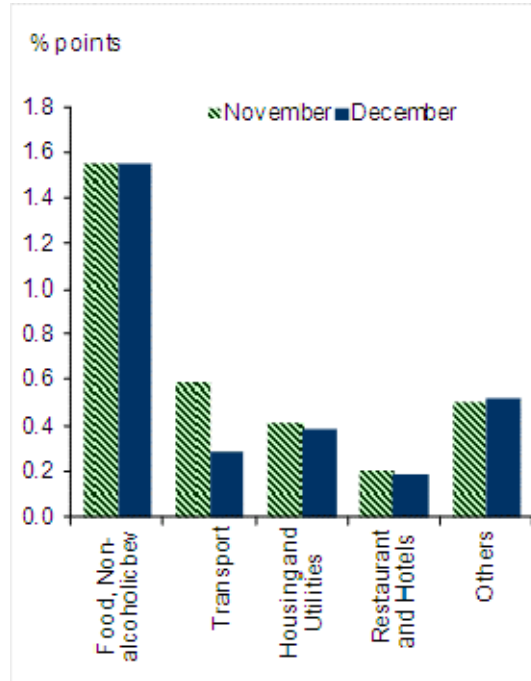
Inflation moderated in December

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Contribution by Component

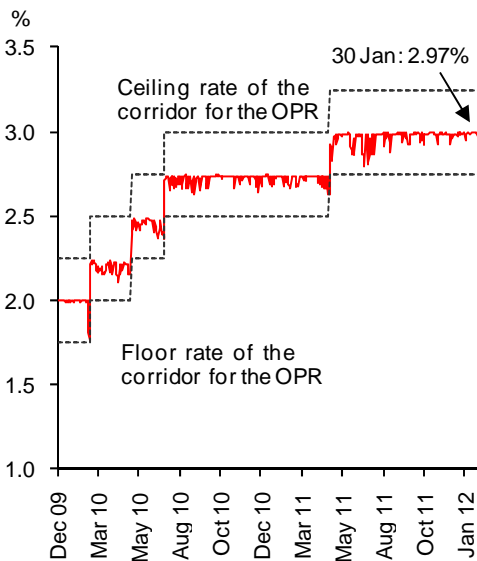


*Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Bank Negara Malaysia

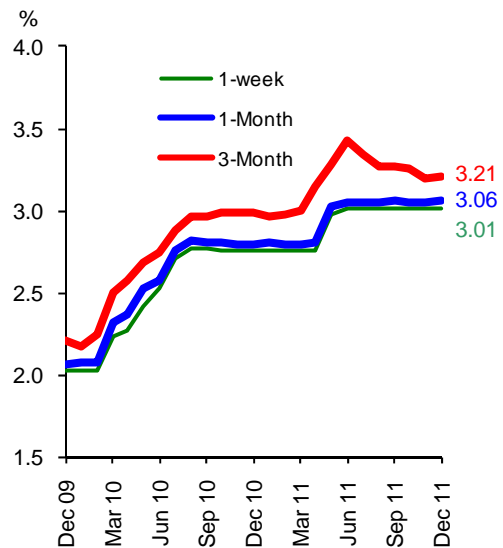
Interest rates remained stable

Average Overnight Interbank Rate



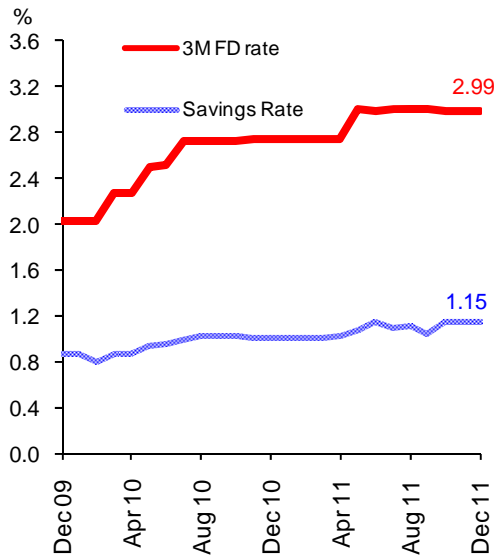
Source: Bank Negara Malaysia

Average Interbank Rates



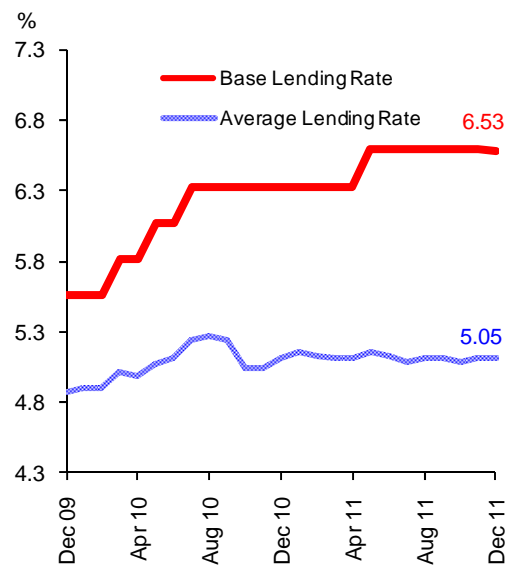
Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Source: Bank Negara Malaysia

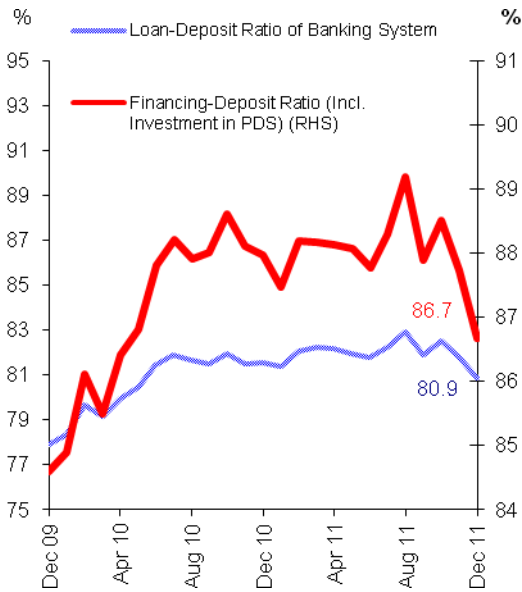
Lending Rates of Commercial Banks



Source: Bank Negara Malaysia

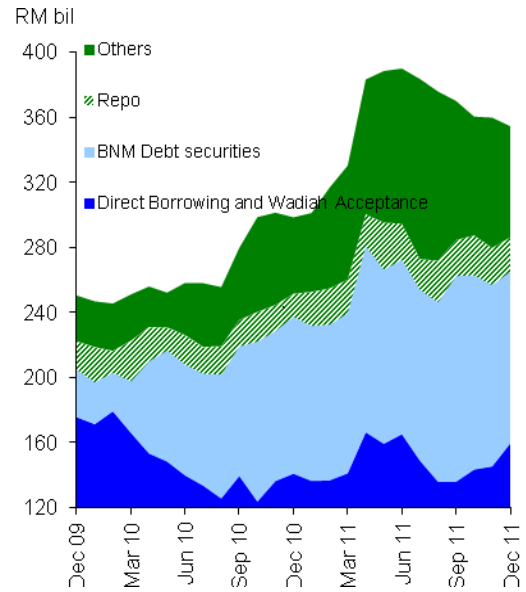
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



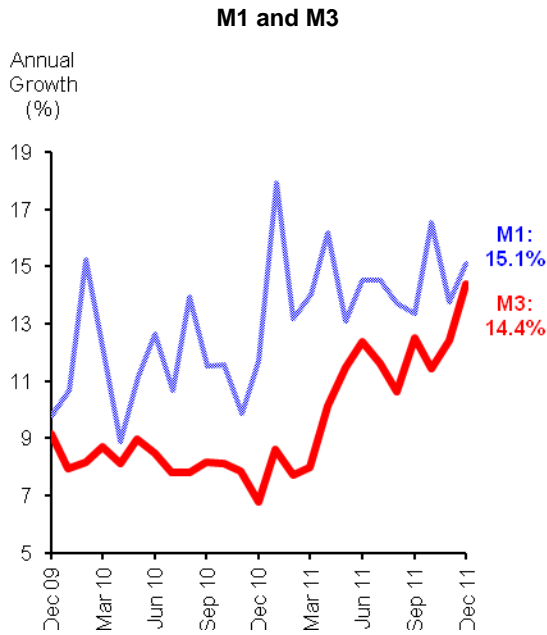
Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

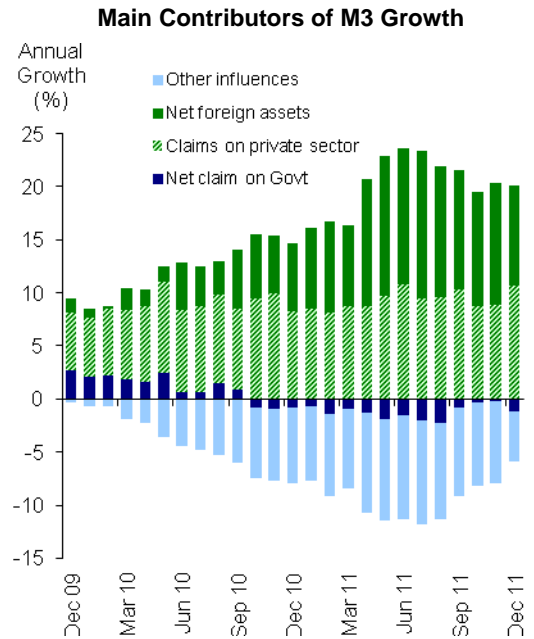


Source: Bank Negara Malaysia

Broad money growth increased

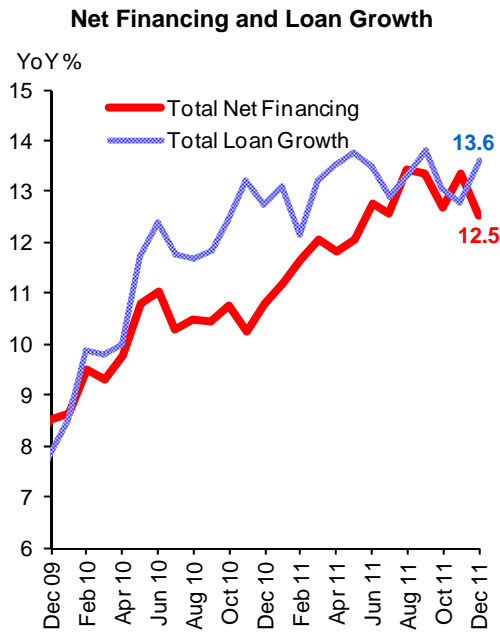


Source: Bank Negara Malaysia



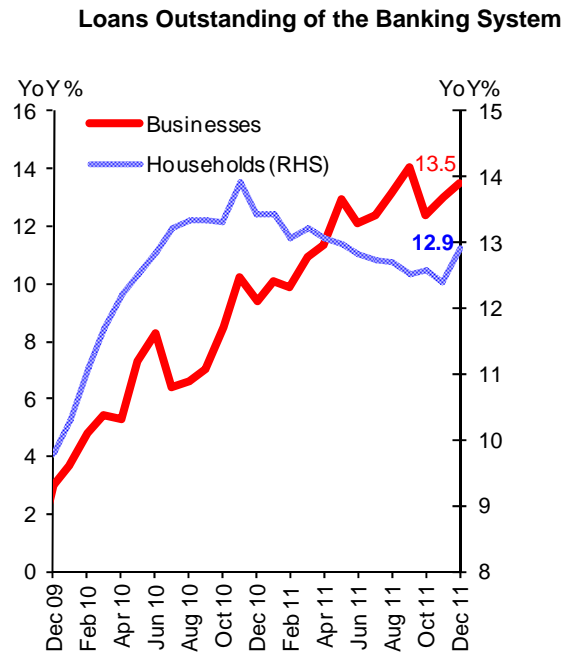
Source: Bank Negara Malaysia

Loan growth accelerated, but financing activity moderated



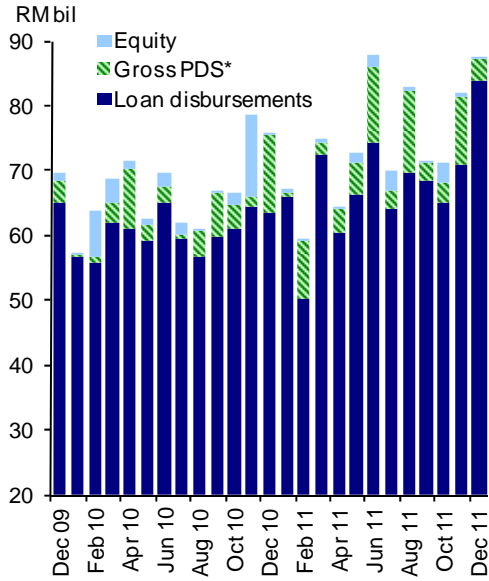
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

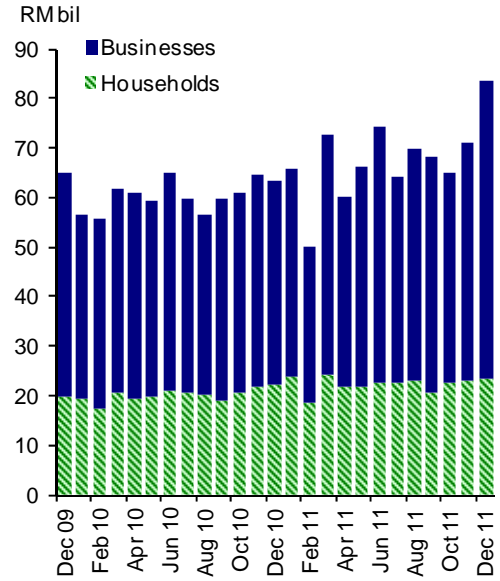
Gross Private Sector Financing



* Excludes foreign issuances

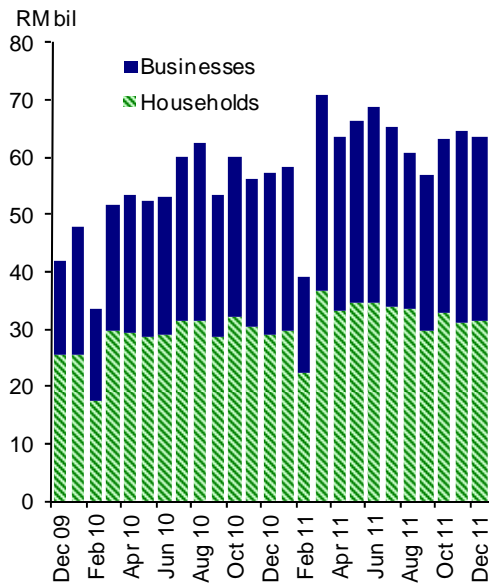
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



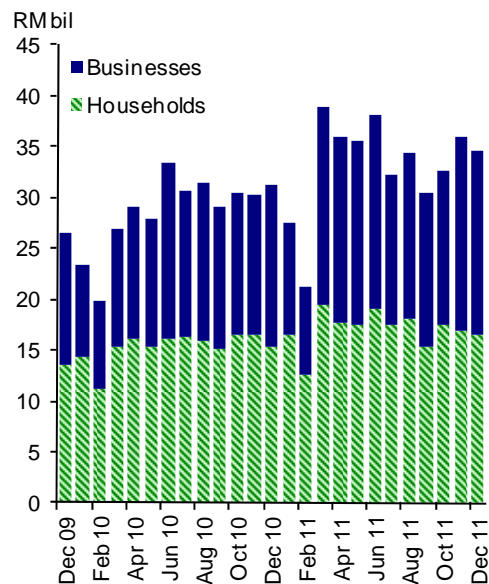
Source: Bank Negara Malaysia

Loan Applications with the Banking System



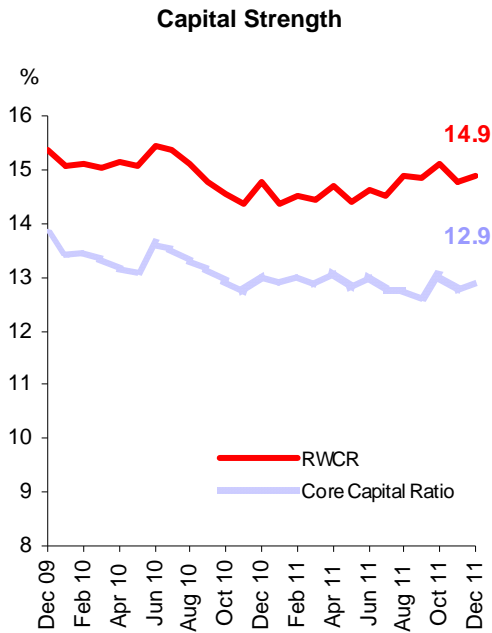
Source: Bank Negara Malaysia

Loan Approvals by the Banking System

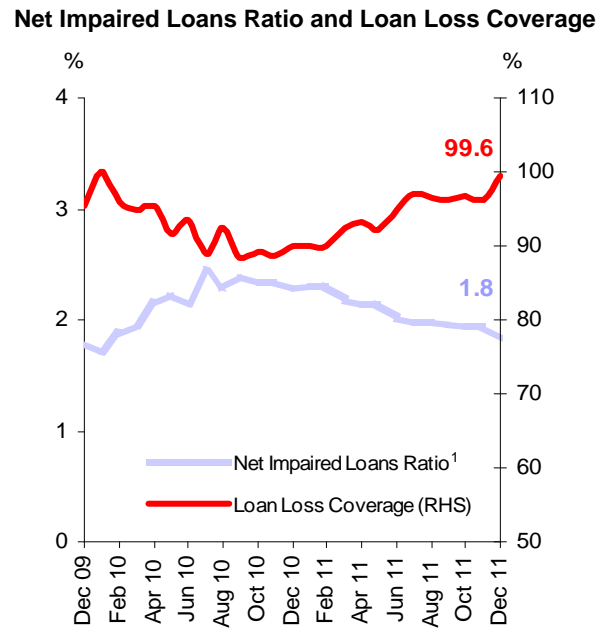


Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality



Source: Bank Negara Malaysia

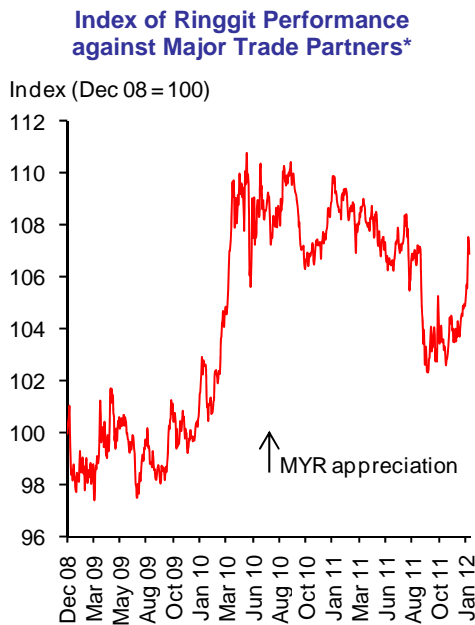


* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

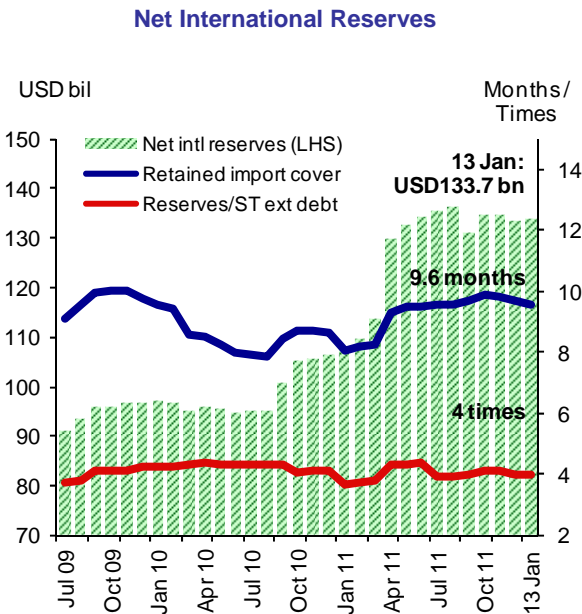
Source: Bank Negara Malaysia

Mixed performance of the ringgit against major trading partners



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

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

Key Monetary and Financial Statistics							
		Oct 11		Nov 11		Dec 11	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		88.6	51.6	88.1	52.9	96.3	57.3
M1		248.3	16.6	250.2	13.8	258.2	15.1
M2		1,158.5	11.8	1,186.2	12.8	1,215.1	14.6
M3		1,184.6	11.4	1,213.0	12.4	1,242.6	14.4
Banking System							
Net financing ¹		1,298.4	12.7	1,315.2	13.3	1,324.7	12.5
Loan-deposit ratio (%) ²		82.5		81.7		80.9	
Financing-deposit ratio (%) ^{2&3}		88.5		87.7		86.7	
Loans applied (during the period)		63.4	5.6	64.8	15.5	63.4	10.7
Loans approved (during the period)		32.6	7.3	35.9	18.9	34.7	11.2
Loans disbursed (during the period)		65.0	6.5	71.0	10.2	83.7	32.0
Loans repaid (during the period)		62.0	16.2	63.3	10.4	70.2	22.9
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		15.1		14.8		14.9	
Net Impaired Loans Ratio (%)		1.9		1.9		1.8	
BNM International Reserves (end-period)							
Net Reserves in RM billion		429.1		429.1		423.4	
Net Reserves in USD billion (equivalent)		134.8		134.8		133.6	
Months of retained imports		9.9		9.8		9.7	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.99 [2.98]		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 [3.05]		3.05 [3.05]		3.05 [3.06]	
Fixed deposits of commercial banks:	1-month	2.95		2.95		2.95	
	3-month	2.99		2.99		2.99	
BLR of commercial banks		6.54		6.54		6.53	
ALR of commercial banks		5.03		5.06		5.05	
Prices							
Consumer Price Index (CPI) (2010=100)		104.0	3.4	104.1	3.3	104.2	3.0
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