



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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Wednesday, 29 November 2011**

MONETARY AND FINANCIAL DEVELOPMENTS October 2011

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), remained at 3.4% in October. The main contributor to inflation during the month was the *food and non-alcoholic beverages* category. The prices of *vegetables* increased due to labour shortages and adverse weather conditions. *Meat* prices increased after the expiration of the temporary festive season price control scheme. Inflation in the *transport* category was relatively stable. In the absence of further adjustments to prices of cigarettes in 2011, the *alcoholic beverages and tobacco* category recorded zero inflation in October.

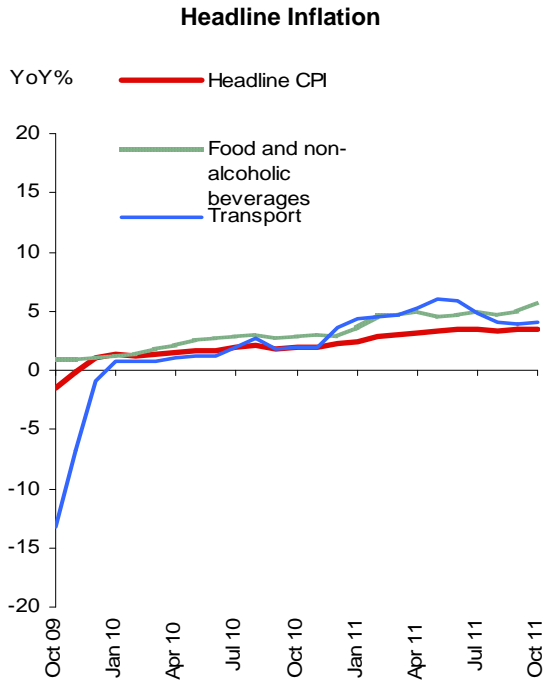
Monetary Conditions: Interbank rates were stable in October. In terms of retail rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.54% as at end of the month. Retail deposit rates were also stable. The annual growth in broad money (M3) moderated slightly to 11.4% in October. On a monthly basis, the expansionary impact of private sector credit and portfolio inflows on M3 was mitigated by higher placement of deposits by the Government arising from the proceeds of the issuance of Government securities. Net financing to the private sector grew at a slower pace in October due to a more modest increase in outstanding banking system loans and net issuances of private debt securities (PDS). While business loans outstanding moderated slightly due to large repayments during the month, loans disbursed to this sector remained high. Loans to households, however, continued to rise steadily, driven mainly by loans for the *purchase of residential and non-residential properties and cars*. Loan demand increased in October, with higher loan applications from both businesses and households.

Banking System: The banking system remained sound with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) improving to 15% and 12.9% respectively. This was mainly attributed to a planned capital raising exercise by a bank and half-year profit recorded by the industry. The level of net impaired loans remained stable at 1.9% of net loans, while the loan loss coverage ratio was sustained at a high level of 96.7%.

Exchange Rates and International Reserves: In October, the ringgit appreciated against the currencies of most of Malaysia's major trade partners. The ringgit's strength was in line with most regional currencies following optimism surrounding better than expected economic data, especially in the US and China, and the perceived potential for a resolution to the European sovereign debt crisis. In November, global financial markets generally became more volatile. The ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners. The ringgit, along with the other regional currencies, depreciated against the US dollar as investors unwound holdings of emerging market assets amidst increased global risk aversion following renewed concerns over the European sovereign debt crisis. The international reserves of Bank Negara Malaysia stood at RM429.7 billion (equivalent to USD135 billion) as at 15 November 2011, sufficient to finance 9.9 months of retained imports and is 4.1 times the short-term external debt.

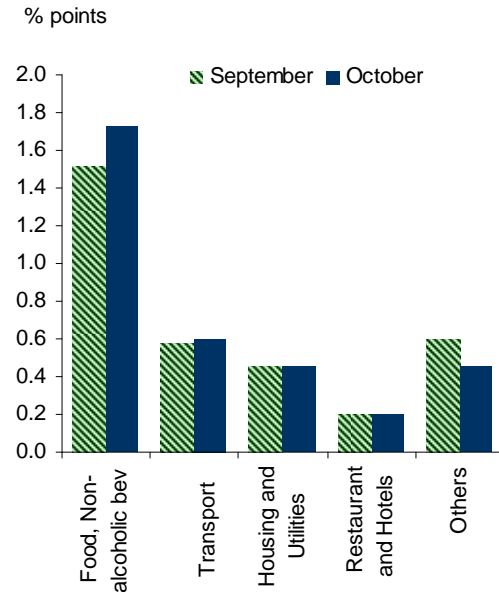
**Bank Negara Malaysia
30 November 2011**

Inflation remained unchanged in October



Source: Department of Statistics Malaysia

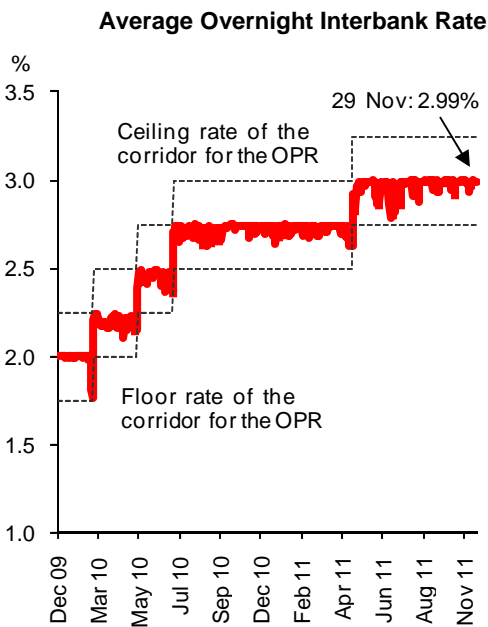
Headline Inflation: Component Contribution



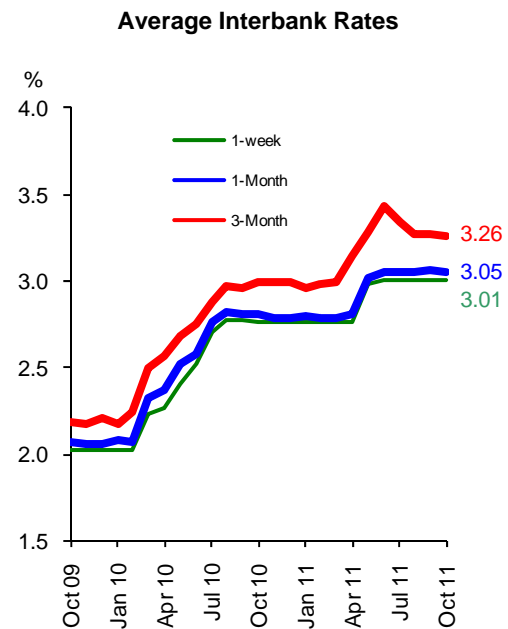
*Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Bank Negara Malaysia

Interest rates remained stable

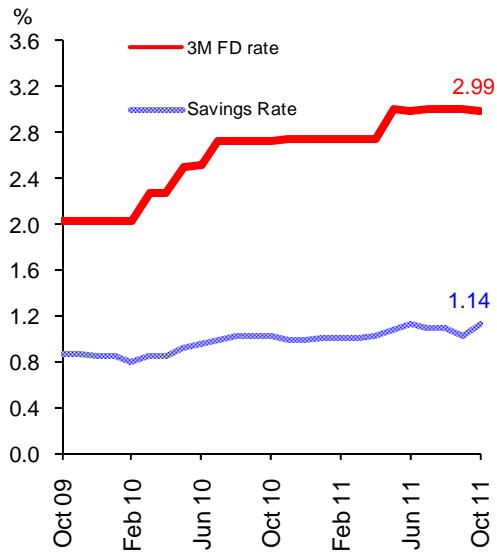


Source: Bank Negara Malaysia

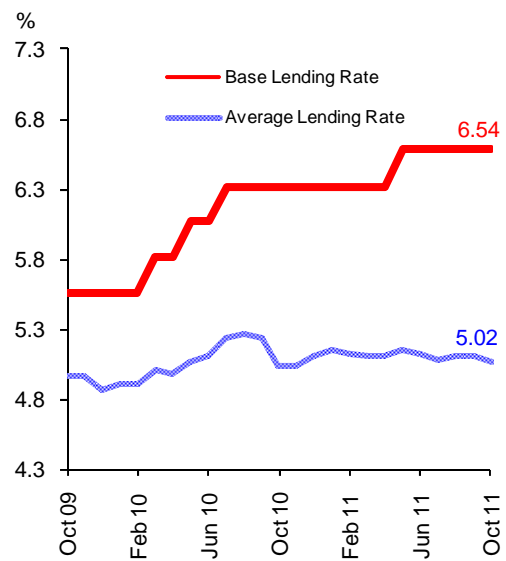


Source: Bank Negara Malaysia

Deposit Rates of Commercial Banks



Lending Rates of Commercial Banks

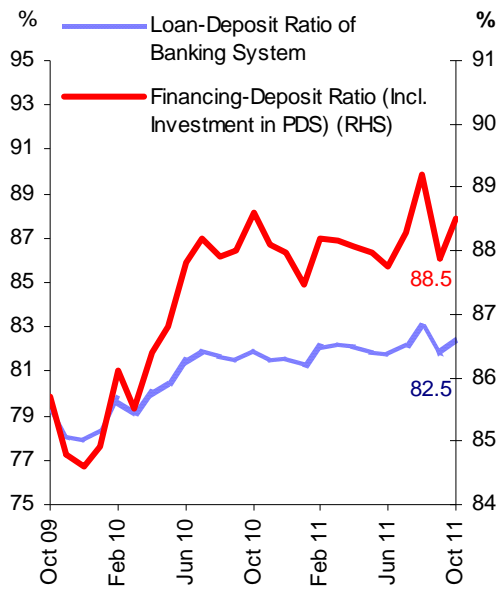


Source: Bank Negara Malaysia

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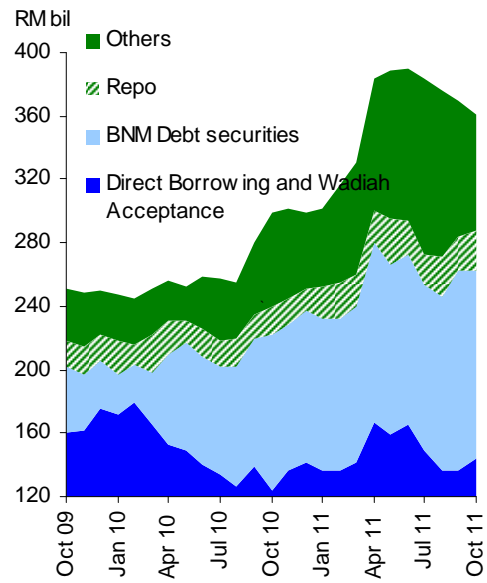
Liquidity in the banking system remained ample

Loan-Deposit Ratio and Financing-Deposit Ratio



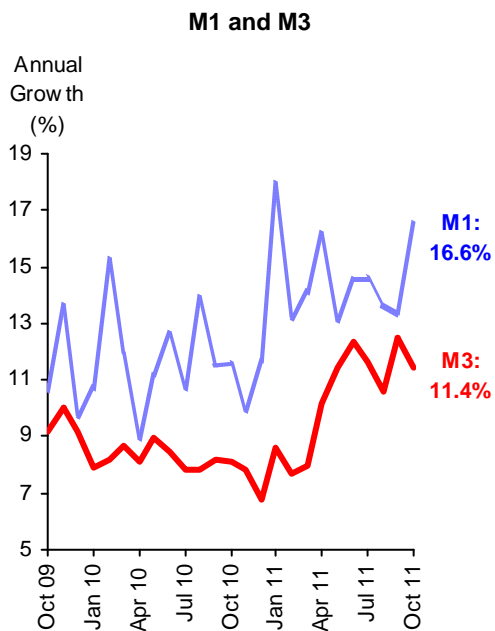
Source: Bank Negara Malaysia

Outstanding Liquidity Placed With Bank Negara Malaysia

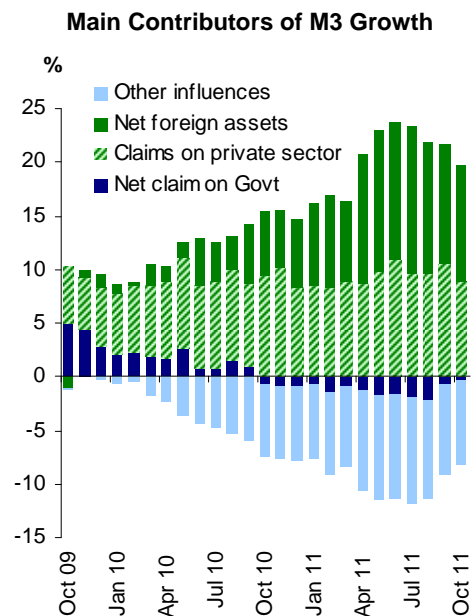


Source: Bank Negara Malaysia

Broad money growth moderated

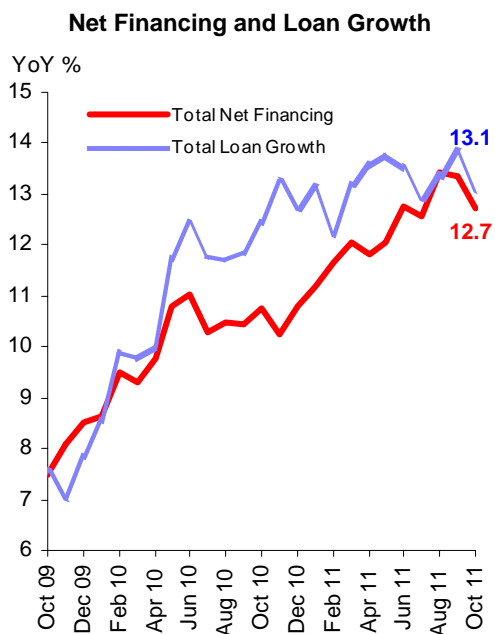


Source: Bank Negara Malaysia



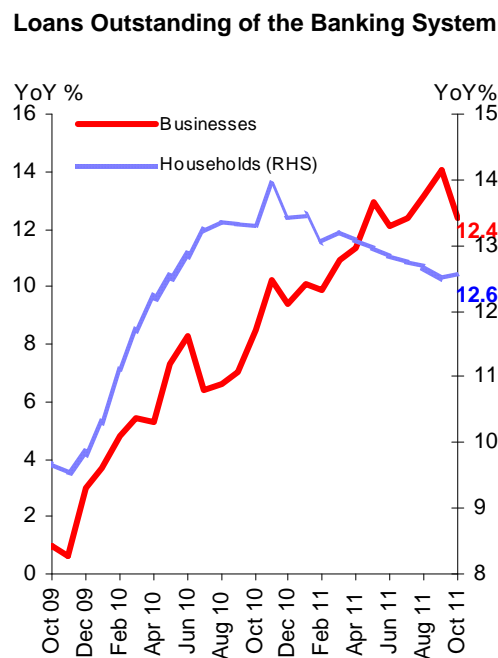
Source: Bank Negara Malaysia

Financing activity moderated in October



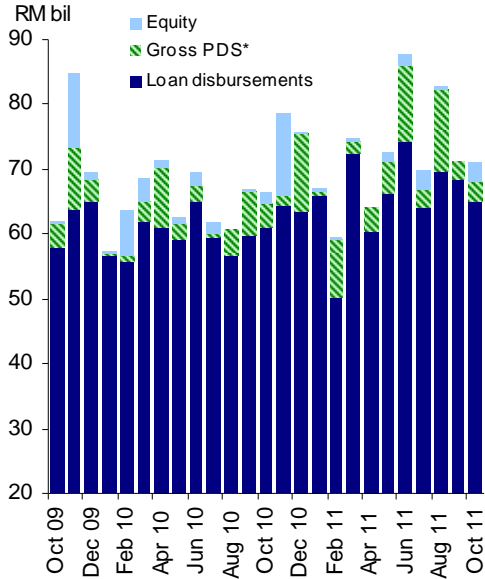
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

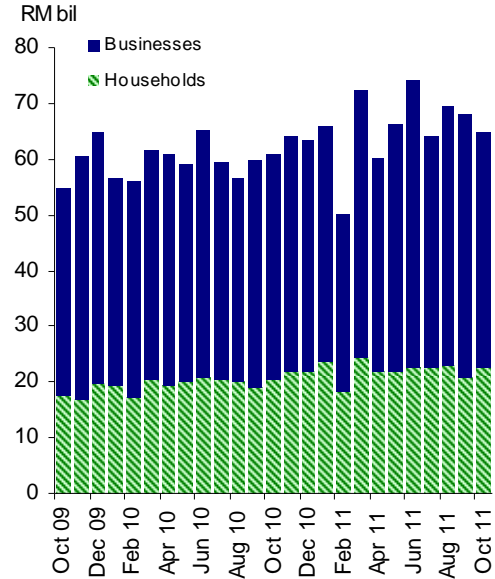
Gross Private Sector Financing



* Excludes foreign issuances

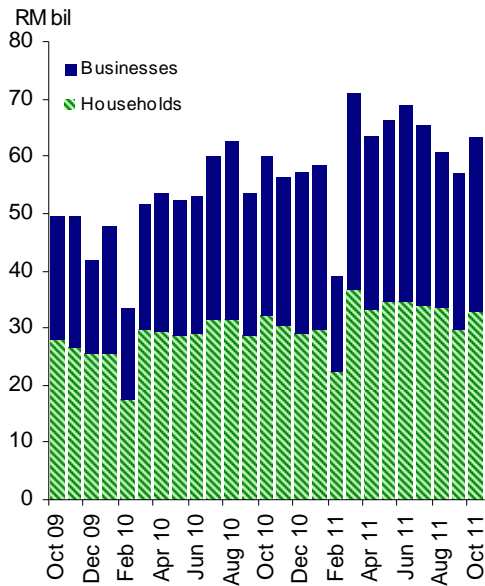
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



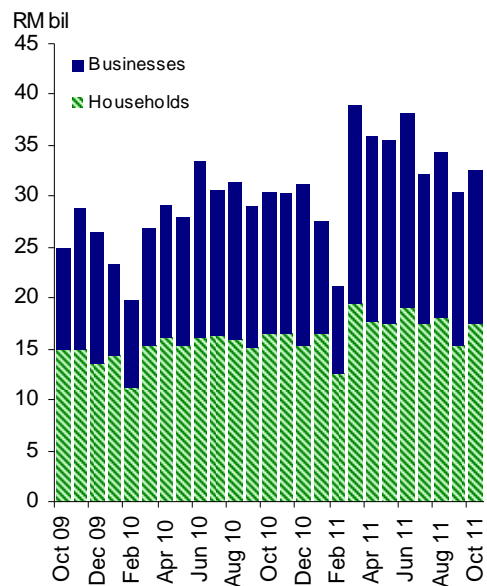
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

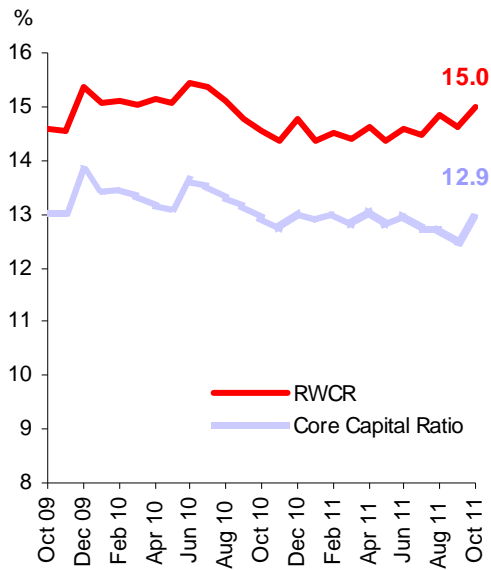
Loan Approvals by the Banking System



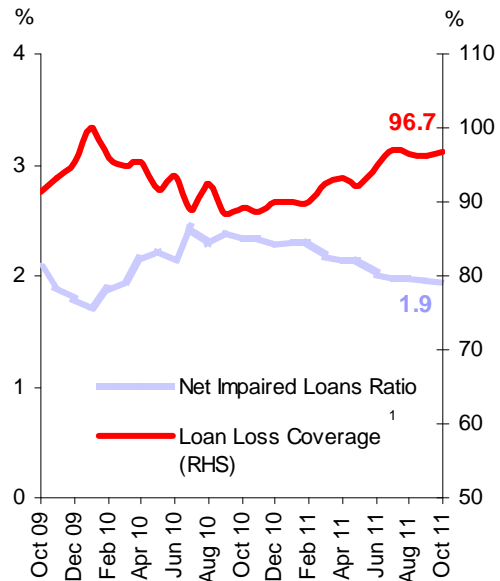
Source: Bank Negara Malaysia

Banking system capitalisation remained strong with stable loan quality

Capital Strength



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.

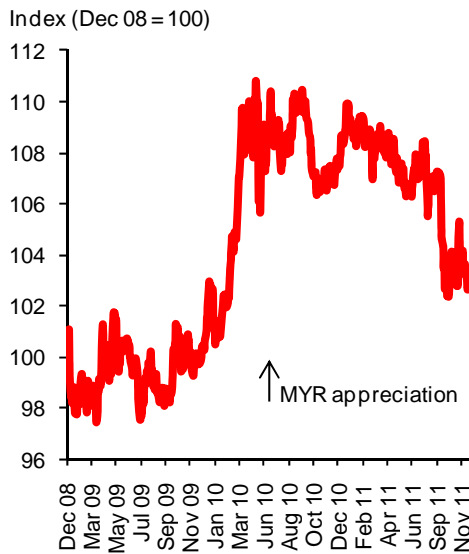
¹ Refers to ratio of general provisions/collective impairment provisions to total net loans.

Source: Bank Negara Malaysia

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Ringgit strengthened against the currencies of Malaysia's major trade partners

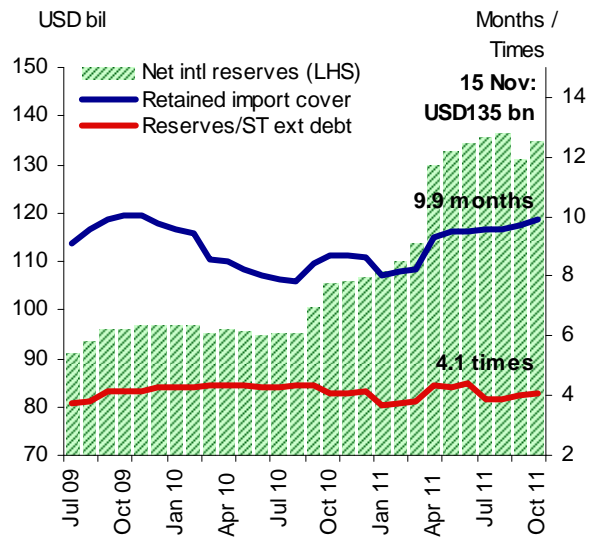
Index of Ringgit Performance against Major Trade Partners*



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

Source: Bank Negara Malaysia

Net International Reserves



Source: Bank Negara Malaysia

Key Monetary and Financial Statistics							
		Aug 11		Sep 11		Oct 11	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM bil)	(%)	(RM bil)	(%)	(RM bil)	(%)
Monetary Aggregates							
Reserve money		95.3	58.1	88.1	53.0	88.6	51.6
M1		243.9	13.7	241.9	13.3	248.3	16.6
M2		1,133.6	10.8	1,163.1	13.0	1,158.5	11.8
M3		1,160.5	10.6	1,187.8	12.5	1,184.6	11.4
Banking System							
Net financing ¹		1,282.1	13.4	1,292.6	13.4	1,298.7	12.7
Loan-deposit ratio (%) ²		82.9		81.9		82.5	
Financing-deposit ratio (%) ^{2&3}		89.2		87.9		88.5	
Loans applied (during the period)		60.8	-2.9	56.8	6.1	63.4	5.6
Loans approved (during the period)		34.5	9.6	30.5	5.2	32.6	7.3
Loans disbursed (during the period)		69.7	23.0	68.3	14.1	65.0	6.5
Loans repaid (during the period)		61.9	17.3	62.6	12.9	62.0	16.2
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		14.9		14.7		15.0	
Net Impaired Loans Ratio (%)		2.0		2.0		1.9	
BNM International Reserves (end-period)							
Net Reserves in RM billion		412.1		417.1		429.1	
Net Reserves in USD billion (equivalent)		136.3		131.0		134.8	
Months of retained imports		9.6		9.7		9.9	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.99 [2.97]		2.99 [2.98]		2.99 [2.98]	
	1-week	3.01 [3.01]		3.02 [3.01]		3.01 [3.01]	
	1-month	3.05 [3.05]		3.09 [3.06]		3.06 [3.05]	
Fixed deposits of commercial banks:	1-month	2.96		2.95		2.95	
	3-month	3.01		3.00		2.99	
BLR of commercial banks		6.54		6.54		6.54	
ALR of commercial banks		5.05		5.05		5.02	
Prices							
Consumer Price Index (CPI) (2010=100)		103.6		103.8		104.0	
		3.3		3.4		3.4	
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