



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 09/11/09

EMBARGO: Not for publication or broadcast before 1800 hours on Friday, 30 September 2011

MONETARY AND FINANCIAL DEVELOPMENTS **August 2011**

Price Conditions: Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased at a slower rate of 3.3% in August. The moderation in headline inflation reflected lower inflation in the *food and non-alcoholic beverages* and *transport* categories. Food prices increased at a slower rate due to the fall in prices of *fresh vegetables* and a slower increase in prices of *fresh meat* during the month following the implementation of the festive season price control scheme. Similarly, inflation in the *transport* category was also lower during the month as the impact of the July 2010 adjustments on the prices of RON95 petrol and diesel lapses. However, inflation in the *housing, water, electricity, gas and other fuels* category edged up during the month due to higher rentals.

Monetary Conditions: Short-term interbank rates were stable in August. Medium and longer-term rates, including the 3-month interbank and interest rate swap rates, trended downwards as financial market participants revised their expectations for an OPR increase amid signs of weaker global growth. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks was unchanged at 6.54% as at end of the month. Retail deposit rates were also stable. Broad money (M3) increased at a slower annual rate of 10.6% in August. On a monthly basis, M3 increased more moderately due to non-resident portfolio outflows. Financing activity remained strong as net financing to the private sector increased by RM18.2 billion in August due to an increase in outstanding loans and higher net issuances of private debt securities (PDS). The expansion in banking system loans to businesses reflected mainly the increase in investment and working capital needs of firms in the *manufacturing, real estate and education, health and other* sectors. Household loans outstanding continued to expand, driven mainly by loans for the *purchase of residential and non-residential properties; personal use and purchase of passenger cars*. Loan demand remained robust with sustained loan applications, particularly from the households.

Banking System: Capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.8% and 12.7%

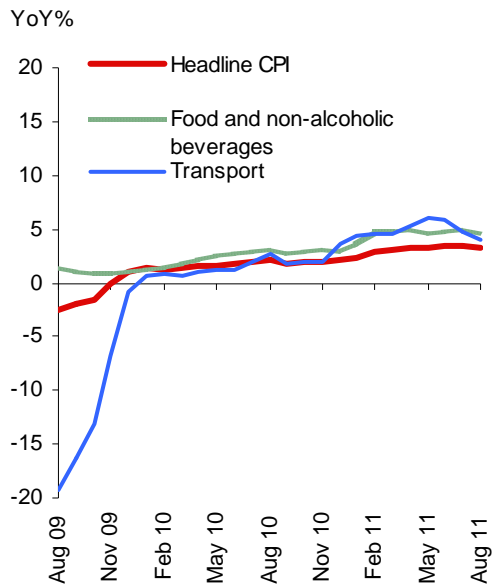
respectively. The level of net impaired loans accounted for 2% of net loans, while the loan loss coverage ratio was sustained above 96%.

Exchange Rates and International Reserves: In August, the ringgit depreciated against the currencies of Malaysia's key trading partners. The ringgit's depreciation was in line with the regional trend, reflecting heightened global risk aversion during the month. The uncertainty surrounding the sustainability of global growth was exacerbated by concerns over the downgrade of the US sovereign credit rating and the on-going sovereign debt crisis in Europe. In September, the ringgit continued to depreciate against key trading partners currencies, with the exception of the euro, as the sovereign debt crisis in Europe escalated. The international reserves of Bank Negara Malaysia stood at RM414.5 billion (equivalent to USD137.1 billion) as at 15 September 2011, sufficient to finance 9.5 months of retained imports and is 4.5 times the short-term external debt.

**Bank Negara Malaysia
30 September 2011**

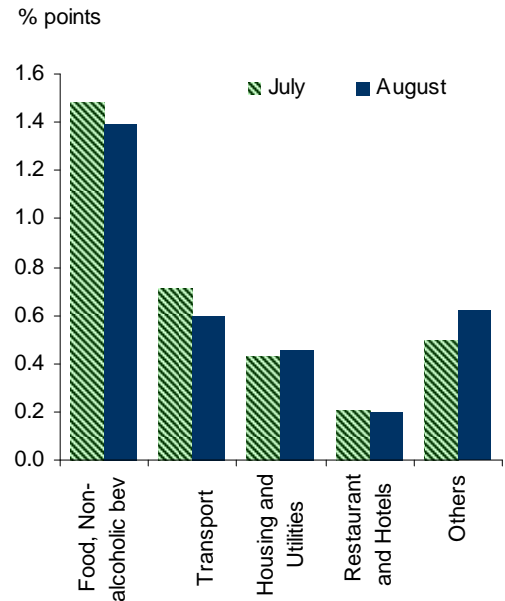
Inflation moderated in August

Headline Inflation



Source: Department of Statistics Malaysia

Headline Inflation: Component Contribution

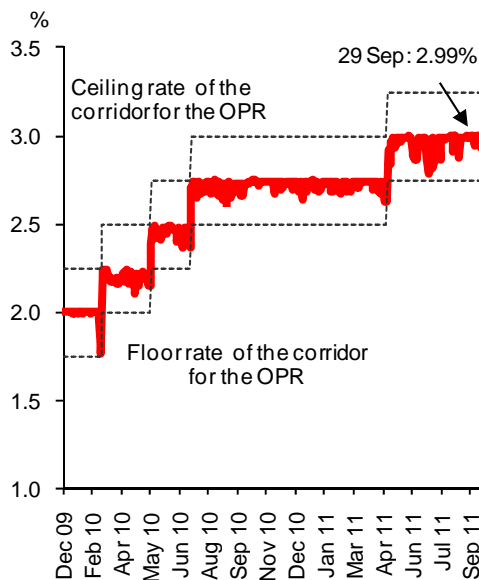


*Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

Source: Bank Negara Malaysia

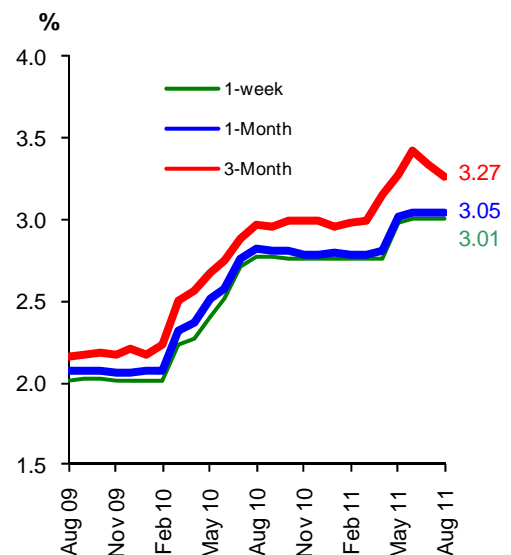
Interest rates were mostly unchanged

Average Overnight Interbank Rate

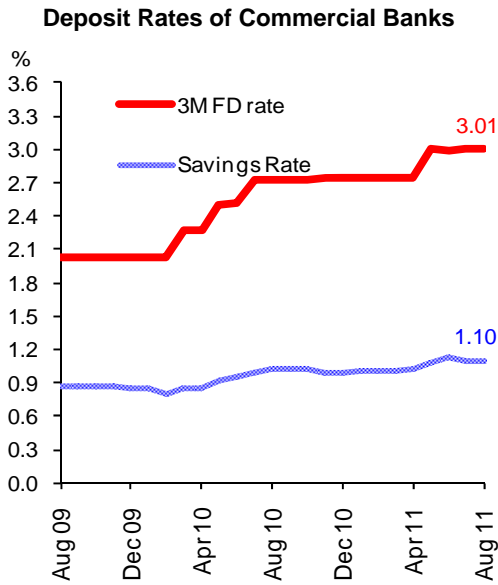


Source: Bank Negara Malaysia

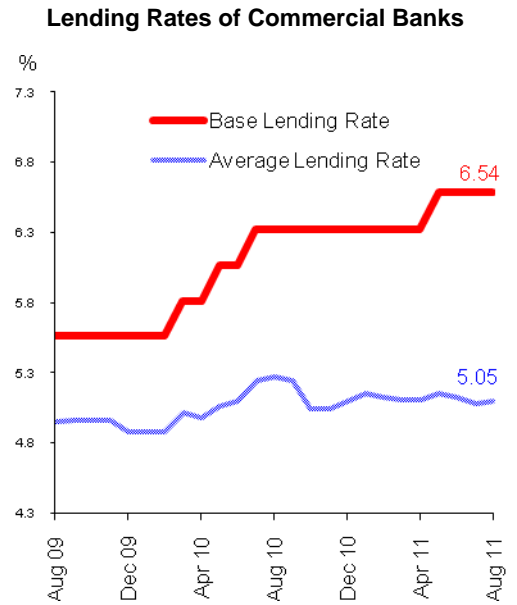
Average Interbank Rates



Source: Bank Negara Malaysia

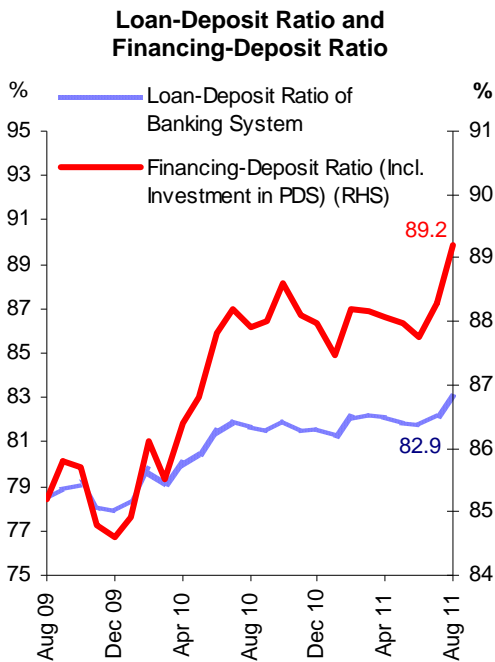


Source: Bank Negara Malaysia

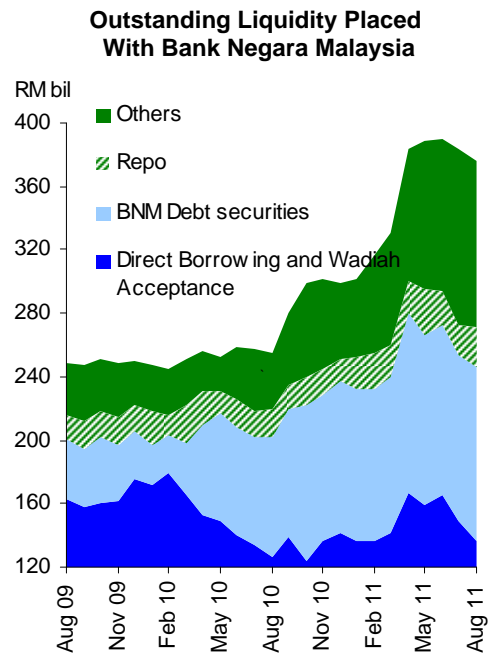


Source: Bank Negara Malaysia

Liquidity in the banking system remained ample

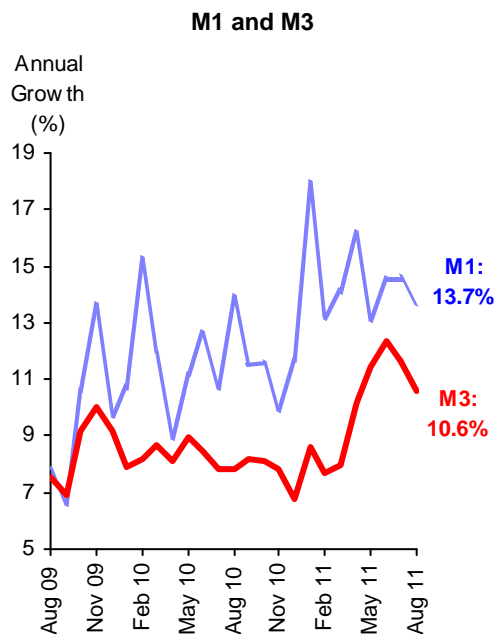


Source: Bank Negara Malaysia

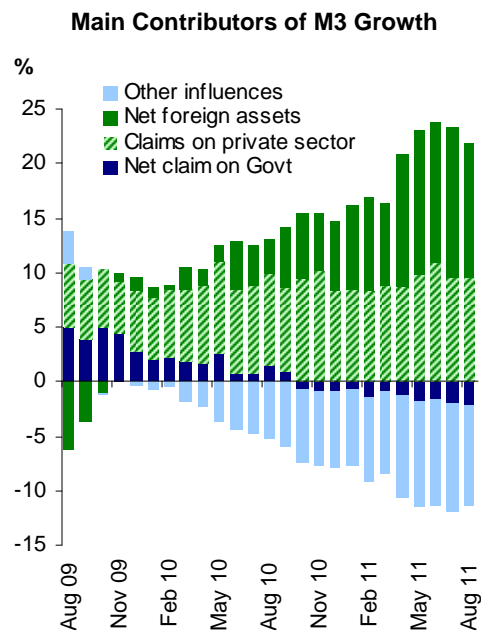


Source: Bank Negara Malaysia

Broad money growth moderated

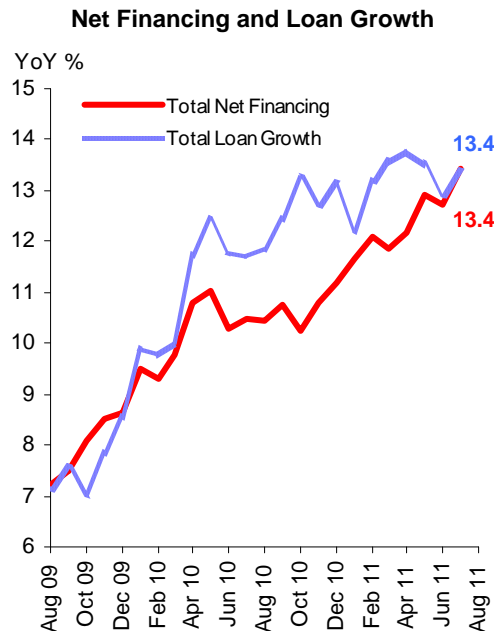


Source: Bank Negara Malaysia



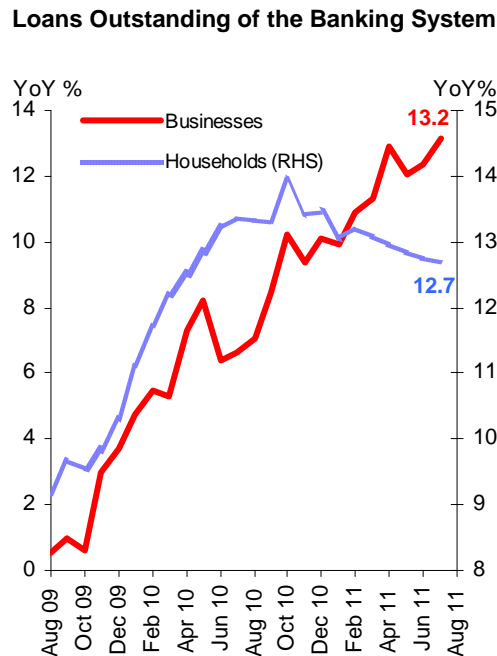
Source: Bank Negara Malaysia

Financing activity was strong in August



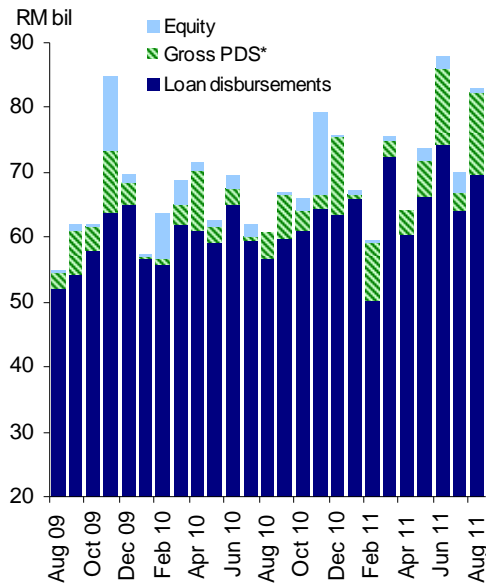
* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

Source: Bank Negara Malaysia



Source: Bank Negara Malaysia

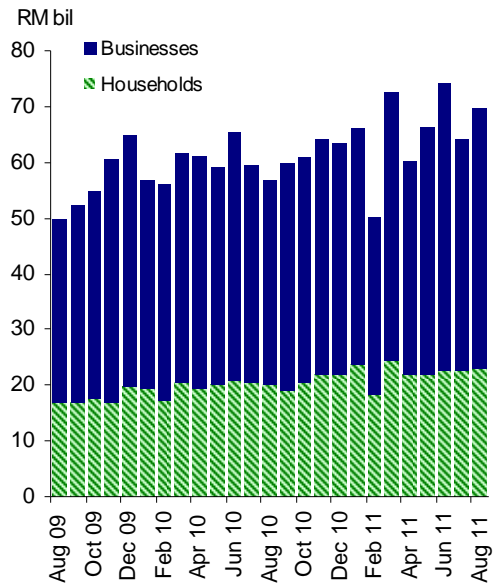
Gross Private Sector Financing



* Excludes foreign issuances

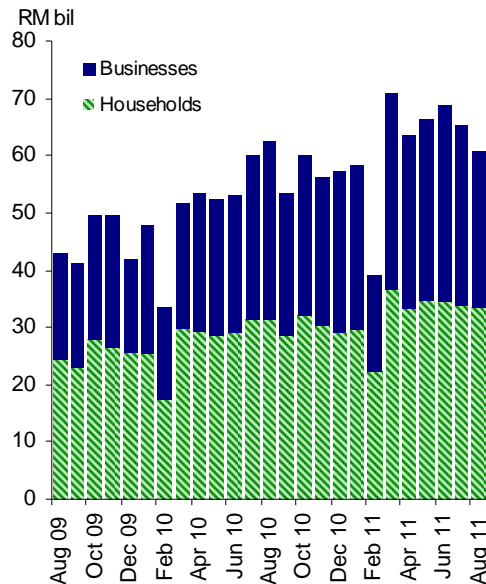
Source: Bank Negara Malaysia

Loan Disbursements by the Banking System



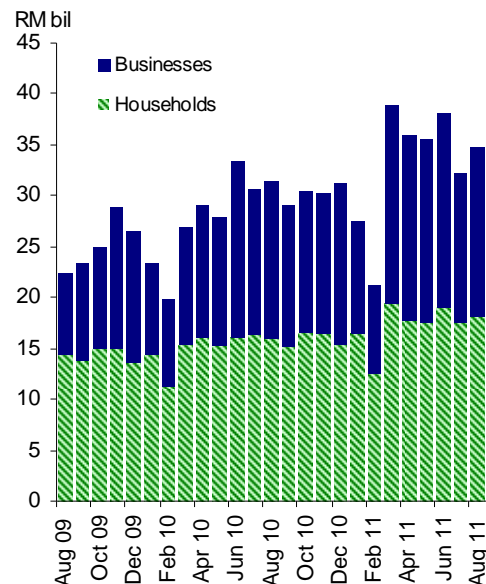
Source: Bank Negara Malaysia

Loan Applications with the Banking System



Source: Bank Negara Malaysia

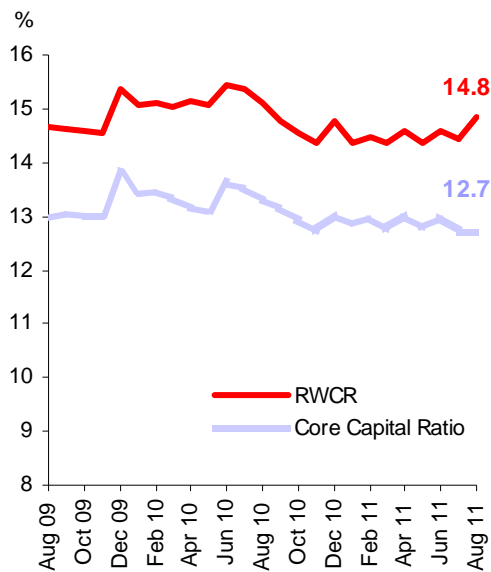
Loan Approvals by the Banking System



Source: Bank Negara Malaysia

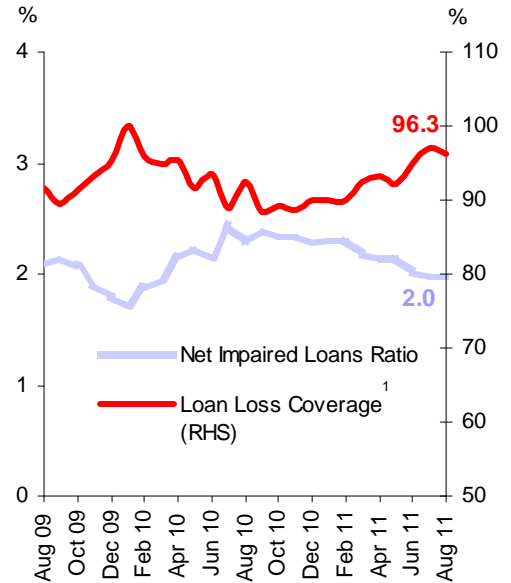
Banking system capitalisation remained strong with stable loan quality

Capital Strength



Source: Bank Negara Malaysia

Net Impaired Loans Ratio and Loan Loss Coverage



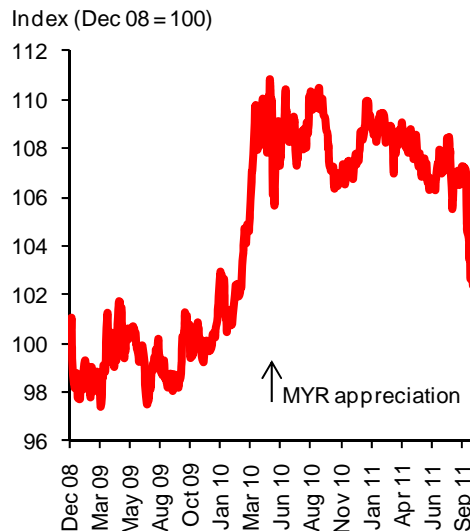
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Source: Bank Negara Malaysia

The ringgit depreciated against currencies of major trade partners

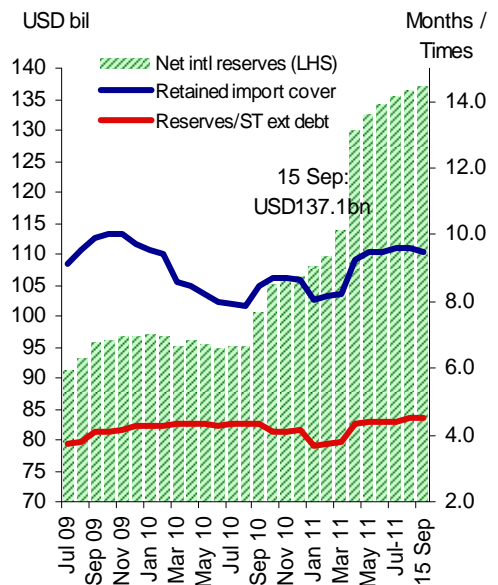
Index of Ringgit Performance against Major Trade Partners*



* 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

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

Key Monetary and Financial Statistics							
		Jun 11		Jul 11		Aug 11	
		O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
		(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
Monetary Aggregates							
Reserve money		76.3	37.1	87.9	56.8	95.3	58.1
M1		239.4	14.5	235.5	14.5	243.9	13.7
M2		1,132.1	12.4	1,127.9	11.6	1,133.4	10.8
M3		1,159.0	12.4	1,156.4	11.6	1,160.3	10.6
Banking System							
Net financing ¹		1,261.2	12.8	1,263.8	12.6	1,282.1	13.4
Loan-deposit ratio (%) ²		81.8		82.2		82.9	
Financing-deposit ratio (%) ^{2&3}		87.8		88.3		89.2	
Loans applied (during the period)		68.9	29.9	65.3	8.5	60.9	-2.7
Loans approved (during the period)		38.1	14.2	32.3	5.1	34.7	10.3
Loans disbursed (during the period)		74.3	14.1	64.0	7.5	69.7	23.0
Loans repaid (during the period)		63.6	18.3	63.6	11.8	61.9	17.3
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		14.6		14.4		14.8	
Net Impaired Loans Ratio (%)		2.0		2.0		2.0	
BNM International Reserves (end-period)							
Net Reserves in RM billion		406.2		409.5		412.1	
Net Reserves in USD billion (equivalent)		134.3		135.4		136.3	
Months of retained imports		9.5		9.6		9.6	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	2.97 [2.96]		2.98 [2.93]		2.99 [2.97]	
	1-week	3.01 [3.01]		3.01 [3.01]		3.01 [3.01]	
	1-month	3.08 [3.05]		3.05 [3.05]		3.05 [3.05]	
Fixed deposits of commercial banks:	1-month	2.95		2.95		2.96	
	3-month	2.99		3.00		3.01	
BLR of commercial banks		6.54		6.54		6.54	
ALR of commercial banks		5.07		5.03		5.05	
Prices							
Consumer Price Index (CPI) (2010=100)		103.2	3.5	103.4	3.4	103.6	3.3
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.							

Note: The source of all data in this publication is from Bank Negara Malaysia, with the exception of the inflation data which is sourced from the Department of Statistics Malaysia.