



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## SIARAN AKHBAR

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### **MONETARY AND FINANCIAL DEVELOPMENTS May 2011**

**Price Conditions:** Headline inflation, as measured by the Consumer Price Index (CPI), increased to 3.3% on an annual basis. The main contributors to inflation during the month were the *food and non-alcoholic beverages* and *transport* categories. Higher food prices were mainly due to the increase in *meat* prices. Inflation in the *transport* category increased during the month reflecting the effect from the upward adjustment in the price of RON97 from RM2.70/litre to RM2.90/litre due to the rise in the price of WTI crude oil in April.

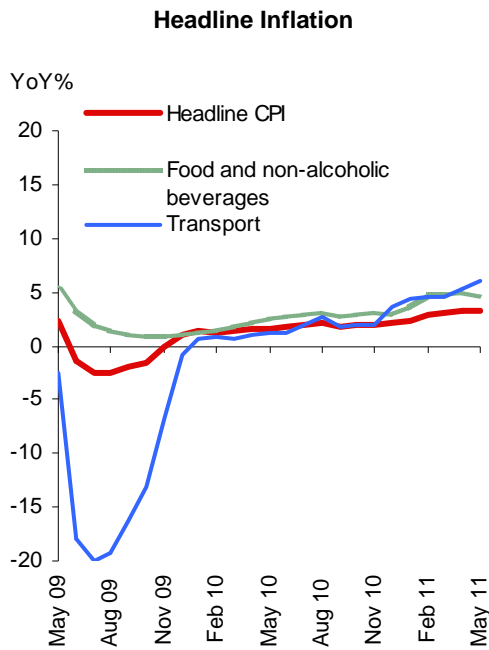
**Monetary Conditions:** Following the Monetary Policy Committee's (MPC) decision to raise the Overnight Policy Rate (OPR) by 25 basis points to 3.00% on 5 May 2011, interbank rates across all maturities adjusted upwards. In terms of retail rates, deposit rates were revised upwards by between 24 to 28 basis points. Similarly, the average base lending rate (BLR) of commercial banks rose from 6.27% to 6.54%, with all domestic commercial banks adjusting their respective BLRs by 30 basis points. Broad money (M3) increased by 11.1% on an annual basis. The increase during the month reflected mainly credit extension by the banking system to the private sector and higher trade inflows. Net financing to the private sector expanded in May due to higher private debt security (PDS) issuances and an increase in banking system loans during the month. PDS issuances rose due to several large issuances, mainly by the finance sector. Loans outstanding to businesses also expanded largely due to higher loans extended to the *real estate; manufacturing; wholesale and retail trade, restaurants and hotels; and finance* sectors. Loans to households continued to rise steadily, driven mainly by loans for the *purchase of residential and non-residential properties; personal use and passenger cars*. Loan applications continued to increase in May, with higher loan demand from both businesses and households.

**Banking System:** The banking system remained well-capitalised with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.4% and 12.8% respectively. The level of net impaired loans remained stable to account for 2.1% of net loans. Loan loss coverage stood at 92.2%.

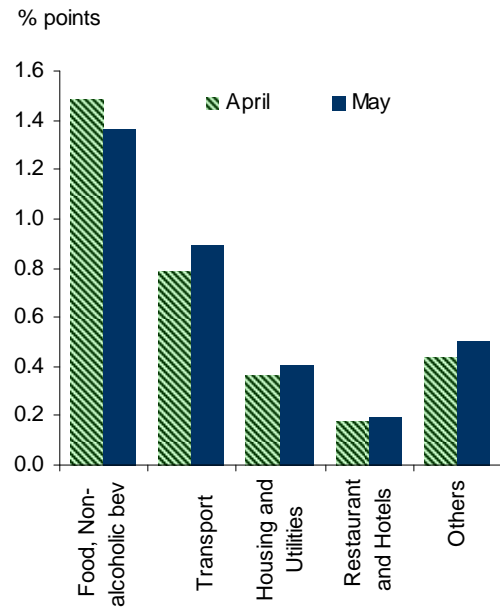
**Exchange Rates and International Reserves:** In May, the ringgit broadly depreciated against most of the currencies of Malaysia's major trade partners with the exception of the euro. The ringgit's depreciation was in line with the regional trend due to the heightened global risk aversion amid concerns over the sovereign debt crisis in Europe. In June, the ringgit continued to depreciate against the currencies of Malaysia's key trading partners, with the exception of the euro. The international reserves of Bank Negara Malaysia stood at RM402.6 billion (equivalent to USD133.2 billion) as at 15 June 2011, sufficient to finance 9.5 months of retained imports and were 4.4 times the short-term external debt.

**Bank Negara Malaysia**  
**30 June 2011**

## Inflation rose in May

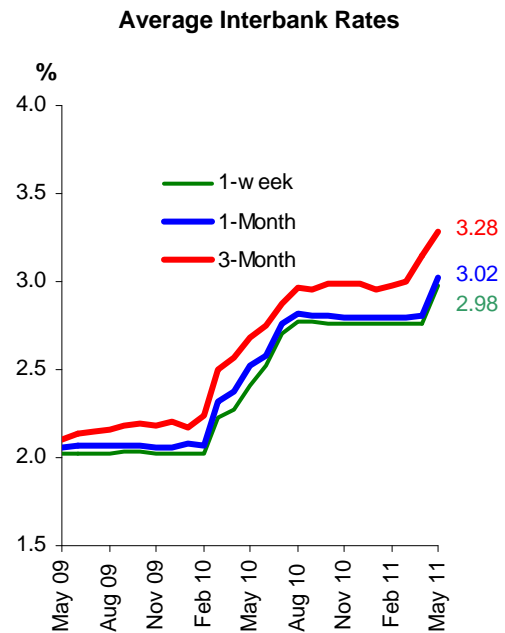
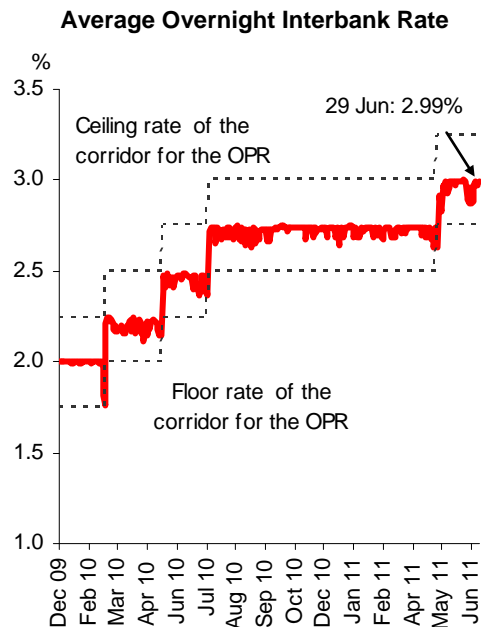


## Headline Inflation: Component Contribution

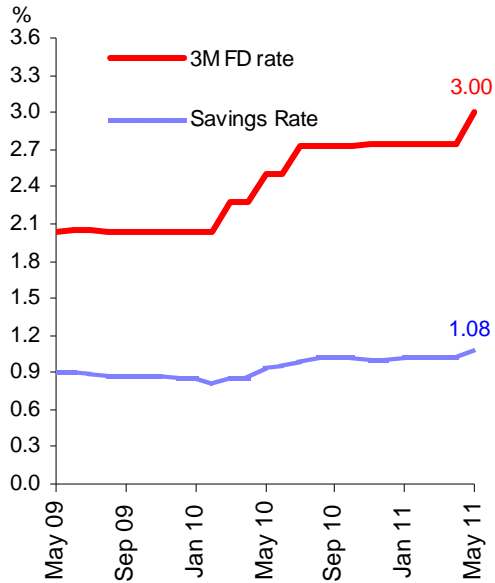


\*Others include recreation services and culture; alcoholic beverages and tobacco; education; health; furnishings; household equipment and routine; communication clothing and footwear, and miscellaneous goods and services

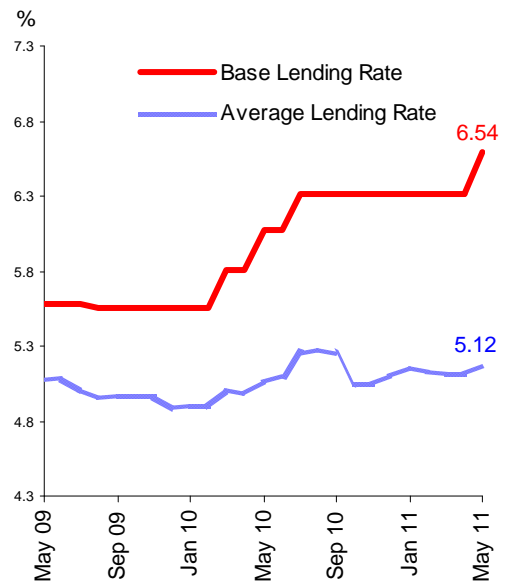
## Interest rates trended higher in May following the OPR increase



**Deposit Rates of Commercial Banks**

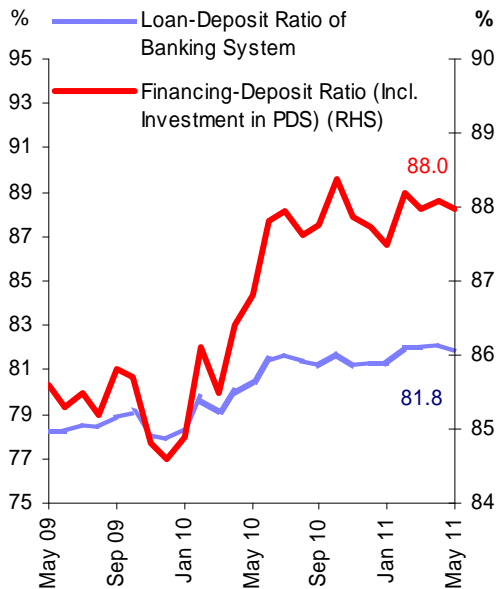


**Lending Rates of Commercial Banks**

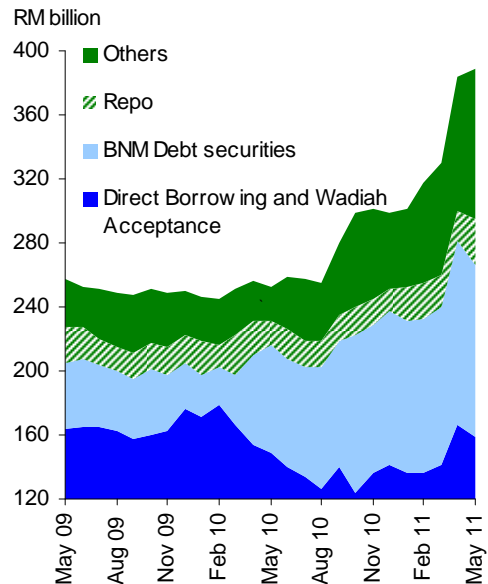


**Liquidity in the banking system remains ample**

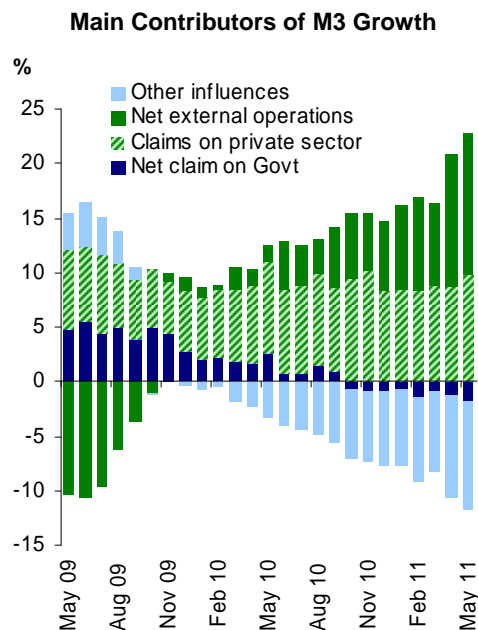
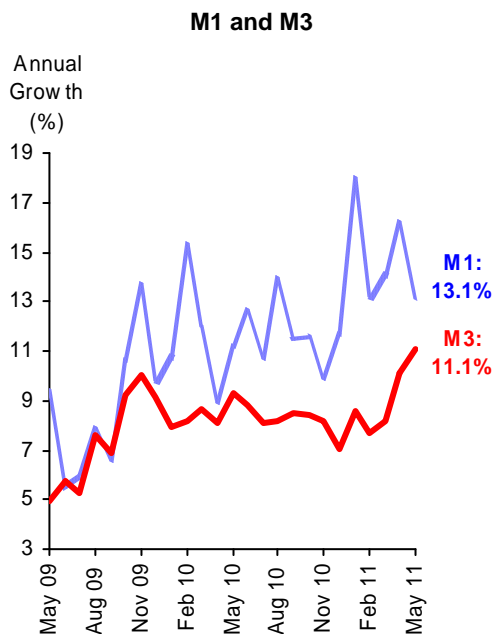
**Loan-Deposit Ratio and Financing-Deposit Ratio**



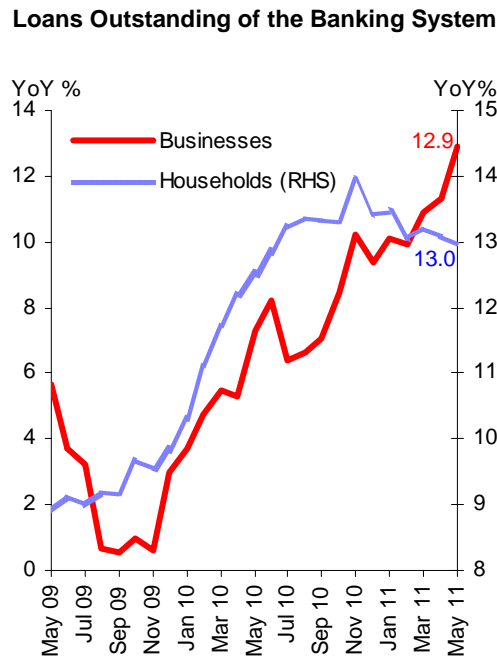
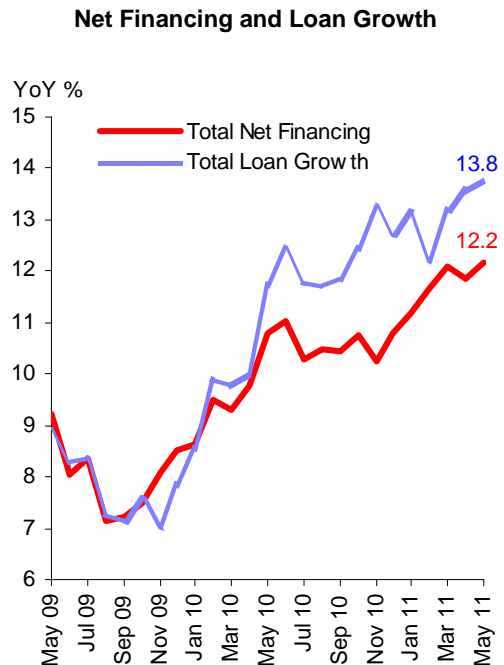
**Outstanding Liquidity Placed With Bank Negara Malaysia**



## Broad money growth was higher

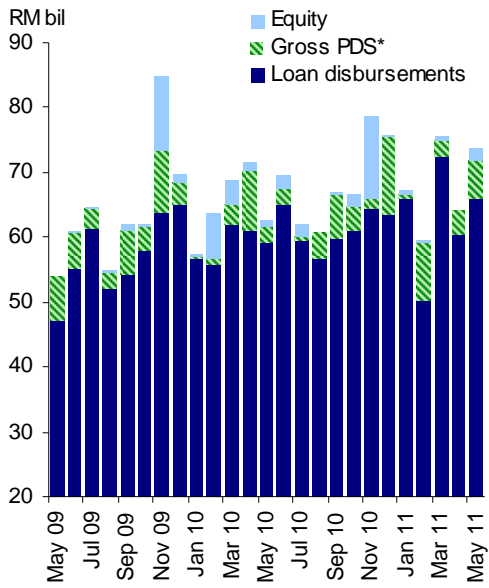


## Financing activity expanded in May



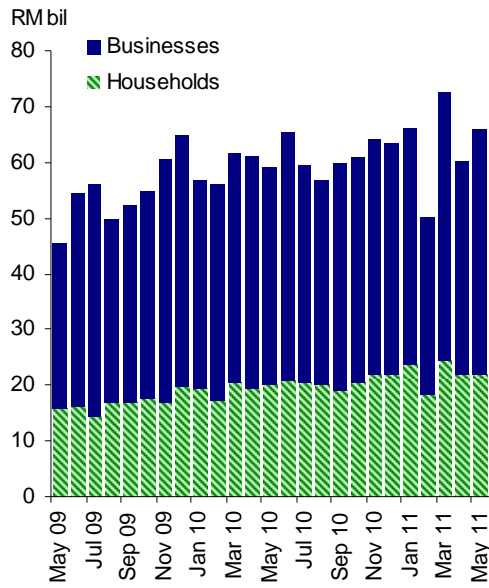
\* Net financing comprises of banking system loans and private debt securities (PDS) outstanding (excluding non-residents and Cagamas)

### Gross Private Sector Financing

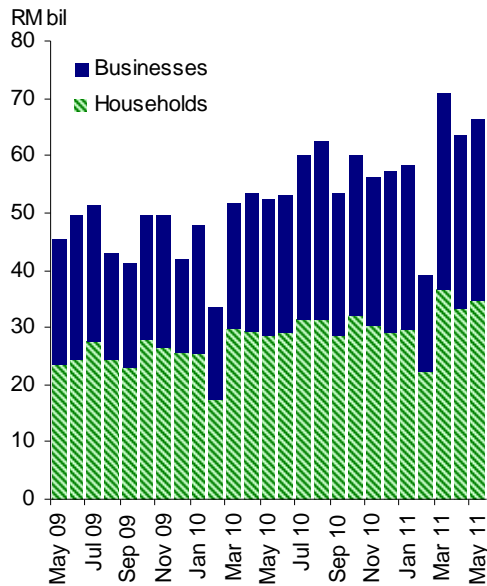


\* Excludes foreign issuances

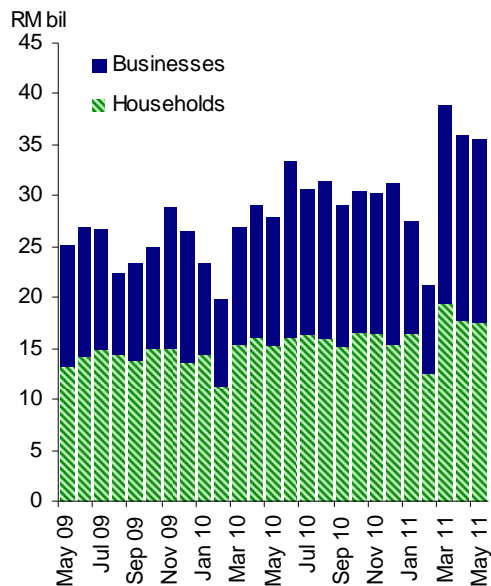
### Loan Disbursements by the Banking System



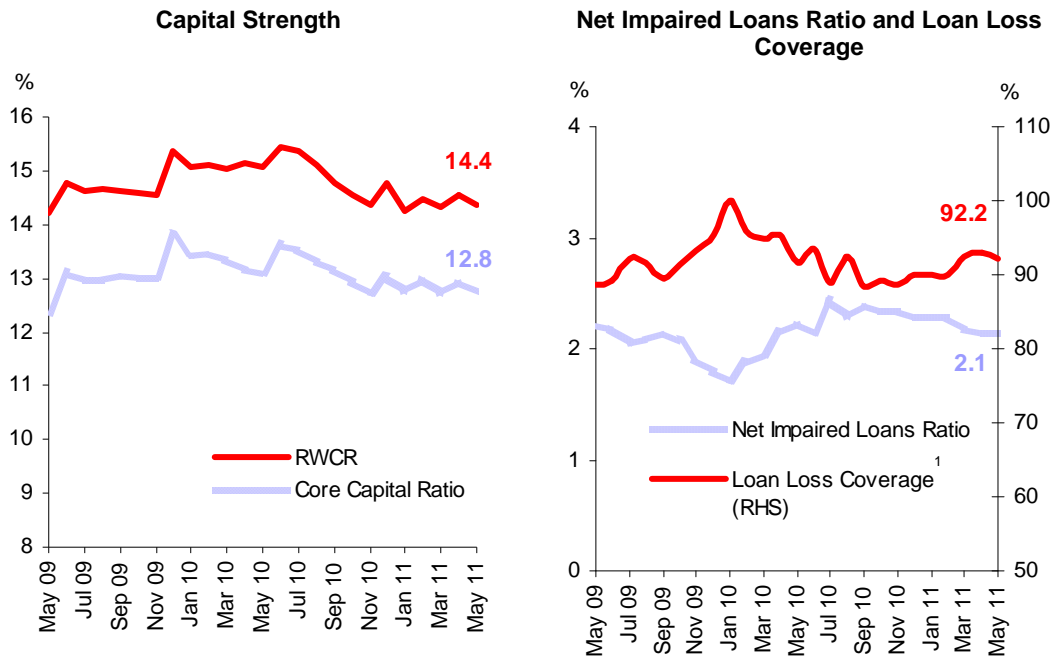
### Loan Applications with the Banking System



### Loan Approvals by the Banking System



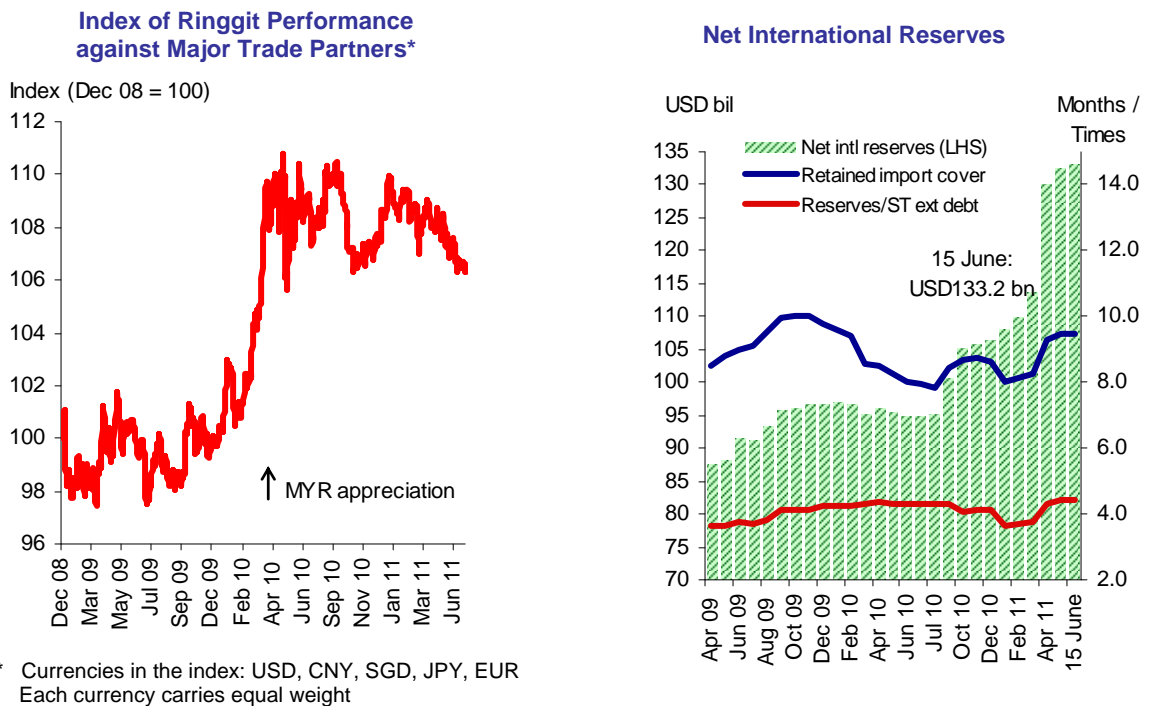
## Banking system capitalisation remained strong with stable loan quality



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

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

## The ringgit depreciated against most currencies of major trade partners



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

### Key Monetary and Financial Statistics

	Mar 11		Apr 11		May 11	
	O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
<b>Monetary Aggregates</b>						
Reserve money	61.9	9.5	70.5	25.2	77.2	33.5
M1	229.4	14.0	231.0	16.2	234.0	13.1
M2	1,088.6	8.6	1,103.1	10.7	1,117.0	11.6
M3	1,114.1	8.0	1,129.3	10.1	1,145.4	11.1
<b>Banking System</b>						
Net financing <sup>1</sup>	12.7	12.1	10.6	11.9	17.5	12.2
Loan-deposit ratio (%) <sup>2</sup>		82.2		82.1		81.8
Financing-deposit ratio (%) <sup>2&amp;3</sup>		88.1		88.1		88.0
Loans applied (during the period)	71.0	37.5	63.7	19.5	66.4	27.0
Loans approved (during the period)	39.0	44.7	36.0	24.0	35.5	26.9
Loans disbursed (during the period)	72.5	17.3	60.3	-1.1	66.2	11.9
Loans repaid (during the period)	62.0	6.8	56.0	-2.0	54.1	6.6
<b>Banking System Health</b>						
Risk-weighted Capital Ratio (RWCR) (%)		14.4		14.5		14.4
Net Impaired Loans Ratio (%)		2.2		2.1		2.1
<b>BNM International Reserves (end-period)</b>						
Net Reserves in RM billion		344.5		393.2		401.4
Net Reserves in USD billion (equivalent)		113.8		130.0		132.7
Months of retained imports		8.2		9.3		9.5
<b>Interest Rates at end-period [average for the month]</b>						
Overnight Policy Rate (OPR)		2.75		2.75		3.00
Interbank:	Overnight	2.74 [2.73]		2.63 [2.72]		2.99 [2.91]
	1-week	2.76 [2.76]		2.76 [2.76]		3.01 [2.98]
	1-month	2.79 [2.79]		2.76 [2.81]		3.11 [3.02]
Fixed deposits of commercial banks:	1-month	2.71		2.71		2.95
	3-month	2.74		2.74		3.00
BLR of commercial banks		6.27		6.27		6.54
ALR of commercial banks		5.06		5.06		5.12
<b>Prices</b>						
Consumer Price Index (CPI) (2010=100)		102.4		102.6		102.9
		3.0		3.2		3.3

<sup>1</sup> Comprises of banking system loans outstanding and private debt securities (PDS) outstanding (excludes non-resident and Cagamas)

<sup>2</sup> Excludes transactions by financial institutions.

<sup>3</sup> Refers to the ratio of loans and holdings of PDS by the banking system to deposits of the banking system.