



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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For immediate release

MONETARY AND FINANCIAL DEVELOPMENTS **March 2011**

Price Conditions: As at end March 2011, headline inflation, as measured by the Consumer Price Index (CPI), increased by 3.0% on an annual basis. The main contributors to inflation during the month were the *food and non-alcoholic beverages* and *transport* categories. Within the *food and non-alcoholic beverages* category, there was an increase in *meat* prices, which was partially offset by a slower increase in the price of *vegetables*. Meanwhile, inflation in the *transport* category was due to the higher cost of repairs and maintenance of private vehicles. On a month-on-month basis, headline inflation grew at a slower pace of 0.1% (February: 0.5%).

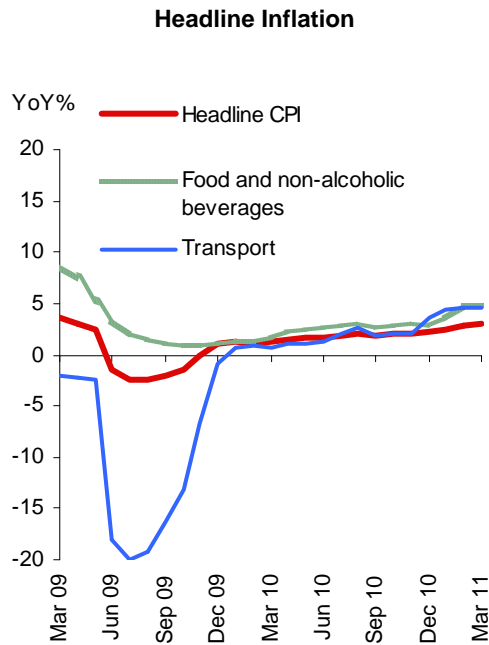
Monetary Conditions: Interbank rates were stable in March. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks was unchanged at 6.27% as at end of the month. Retail deposit rates were also stable. Broad money (M3) expanded at a higher annual rate of 8.2% in March. The increase in M3 reflected higher foreign inflows, credit extensions by the banking system to the private sector and higher government spending. Net financing to the private sector increased by RM12.8 billion in March driven mainly by an increase in loans outstanding, as PDS issuances moderated during the month. All major loan indicators increased compared to the previous month. 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 finance, insurance and business services* sectors. Household loans outstanding continued their steady rise, driven mainly by loans for the *purchase of residential properties; personal use* and the *purchase of securities*. Loan demand also increased as reflected in the higher loan applications 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 14.3% and 12.7% respectively. The level of net impaired loans remained stable to account for 2.2% of net loans. Loan loss coverage increased to 91.8%.

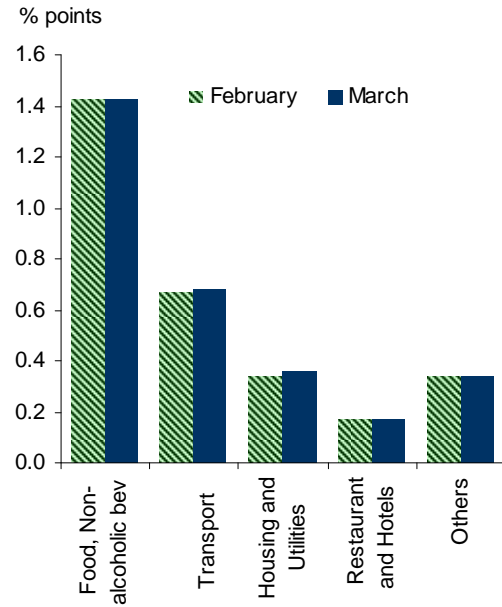
Exchange Rates and International Reserves: In March, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trade partners. While the ringgit appreciated against the US dollar, Japanese yen and Chinese renminbi, it depreciated against the Singapore dollar and euro. The ringgit's appreciation against the US dollar was in line with the regional currencies, amidst optimism on the growth outlook for Asia which boosted investor sentiments towards regional financial markets. There was, however, a temporary reversal during the month as a result of heightened risk-aversion following the earthquake that hit Japan on 11 March 2011. The ringgit subsequently returned to an appreciating path following the G7's announcement of joint intervention on the Japanese yen. In April, the ringgit broadly depreciated against the currencies of Malaysia's key trade partners. The international reserves of Bank Negara Malaysia stood at RM369.9 billion (equivalent to USD122.2 billion) as at 15 April 2011, sufficient to finance 9.8 months of retained imports and is 4.7 times the short-term external debt.

Bank Negara Malaysia
29 April 2011

Inflation rose more slowly on a month-on-month basis

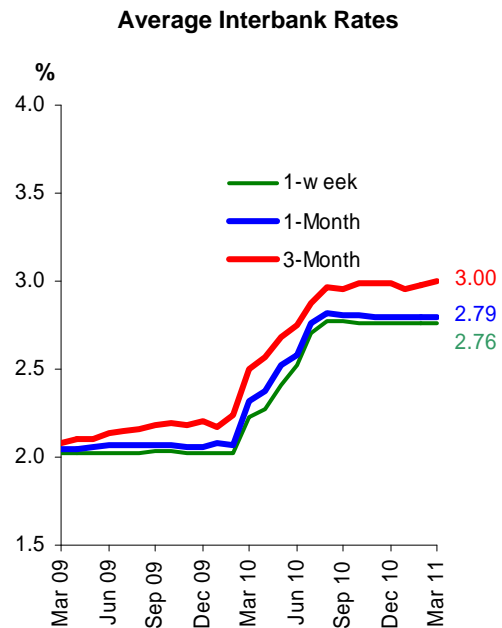
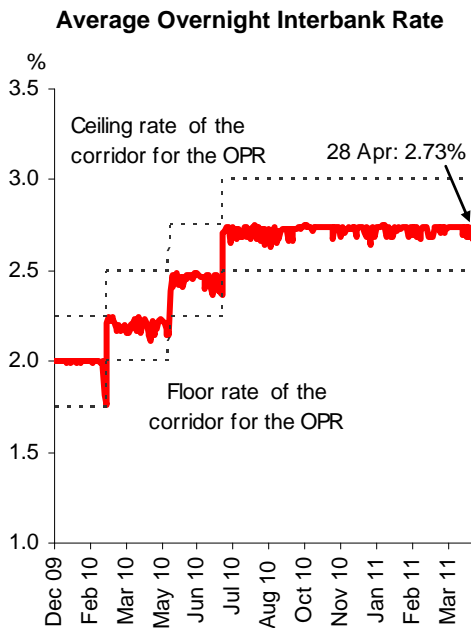


Headline Inflation: Component Contribution

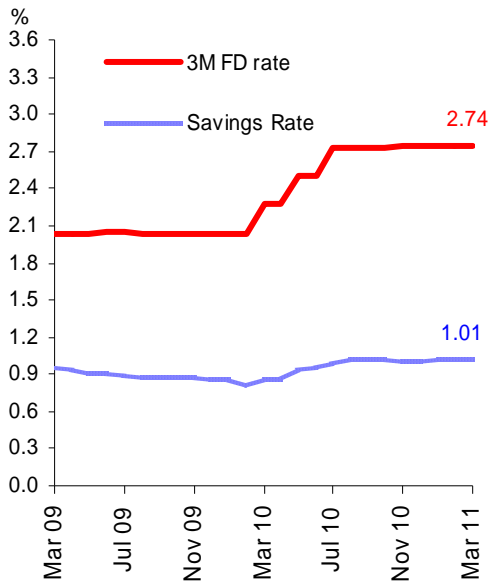


*Others include recreation services and culture, alcoholic beverages and tobacco, education, health, furnishings, household equipment and routine, communication clothing and footwear and miscellaneous goods and services

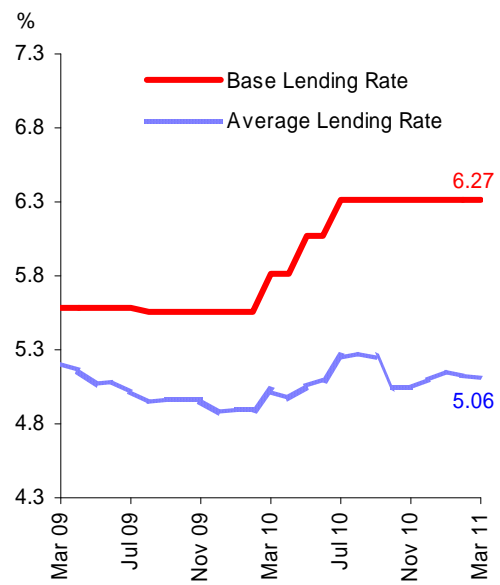
Interest rates were stable



Deposit Rates of Commercial Banks

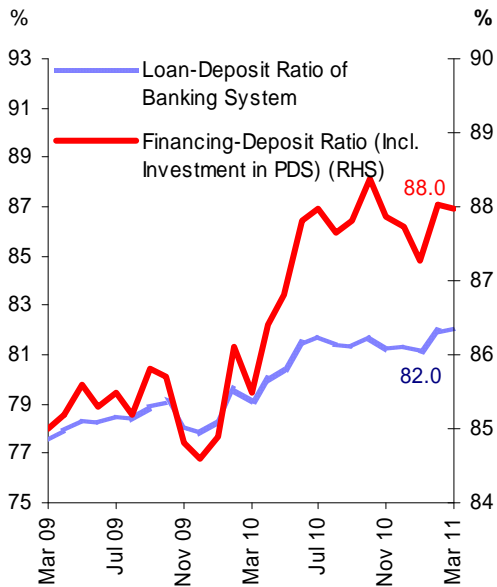


Lending Rates of Commercial Banks

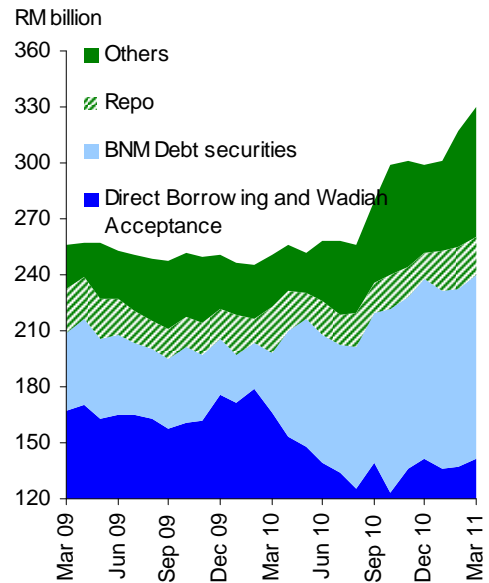


Liquidity in the banking system remains ample

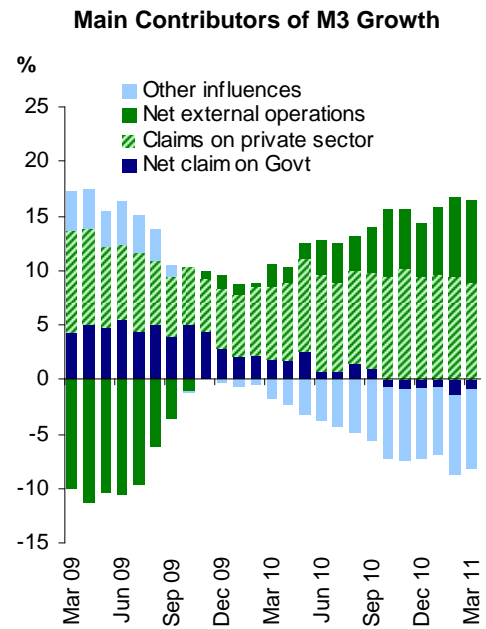
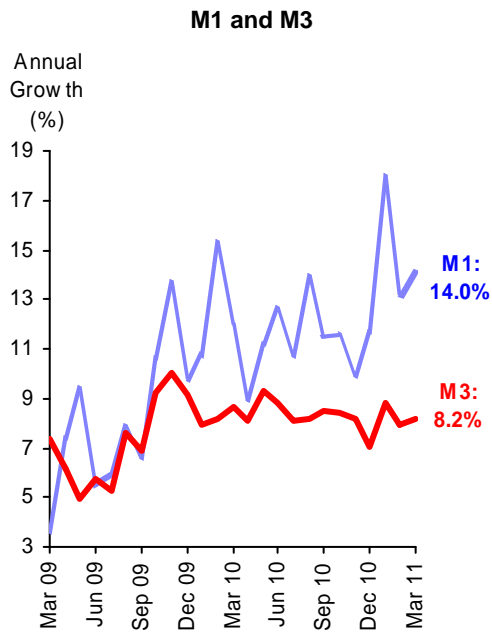
Loan-Deposit Ratio and Financing-Deposit Ratio



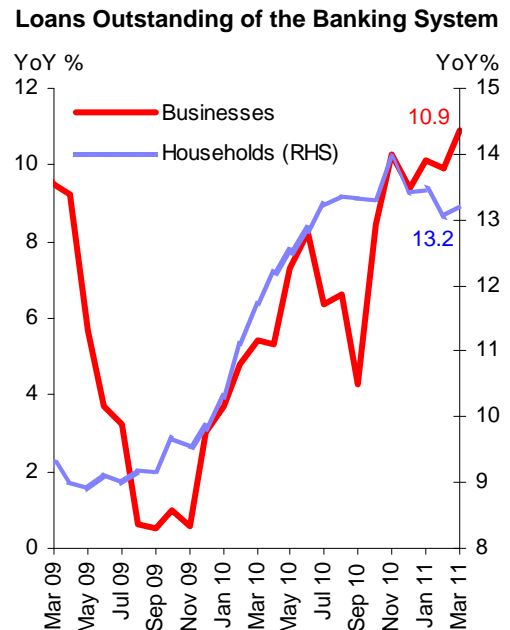
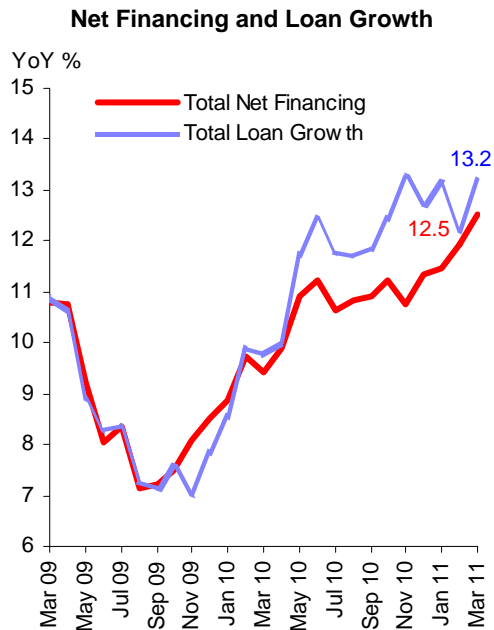
Outstanding Liquidity Placed With Bank Negara Malaysia



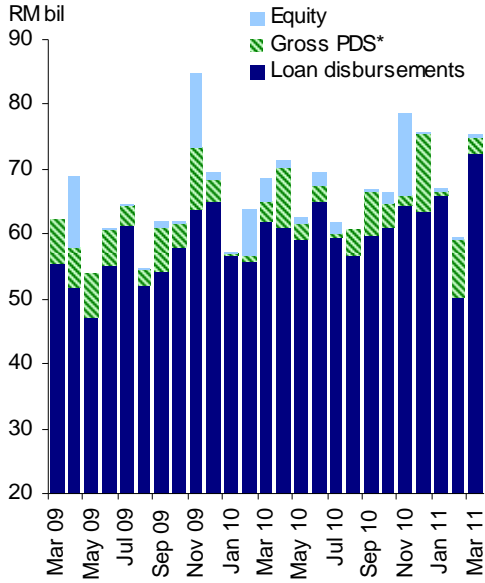
Broad money growth was sustained



Financing activity was strong in March

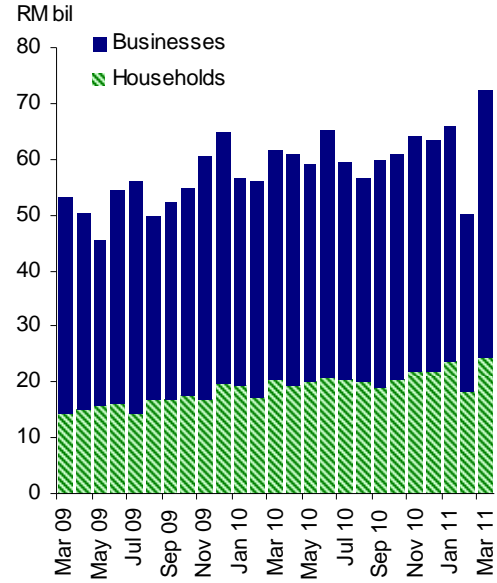


Gross Private Sector Financing

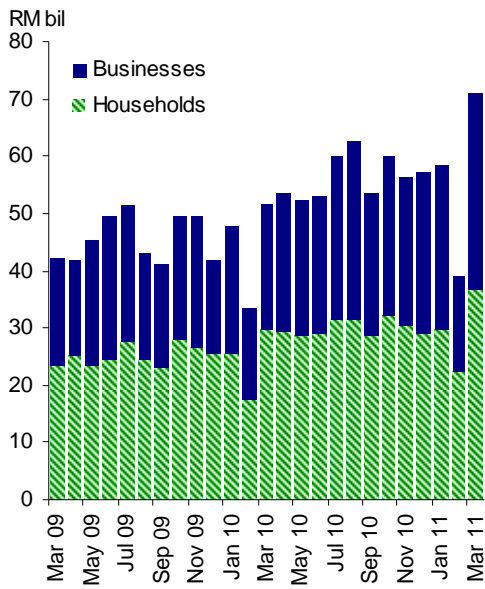


* Excludes foreign issuances

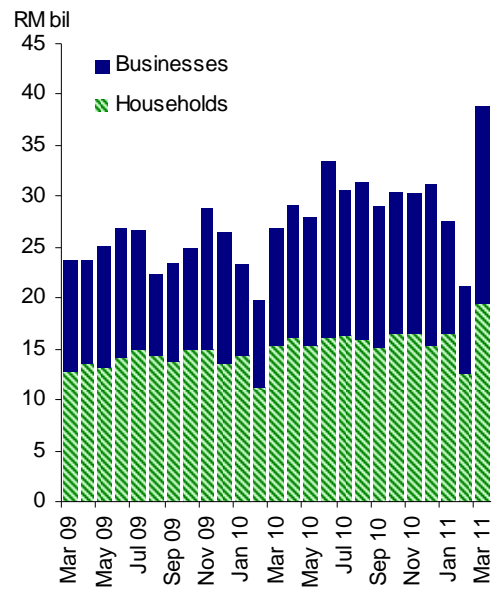
Loan Disbursements by the Banking System



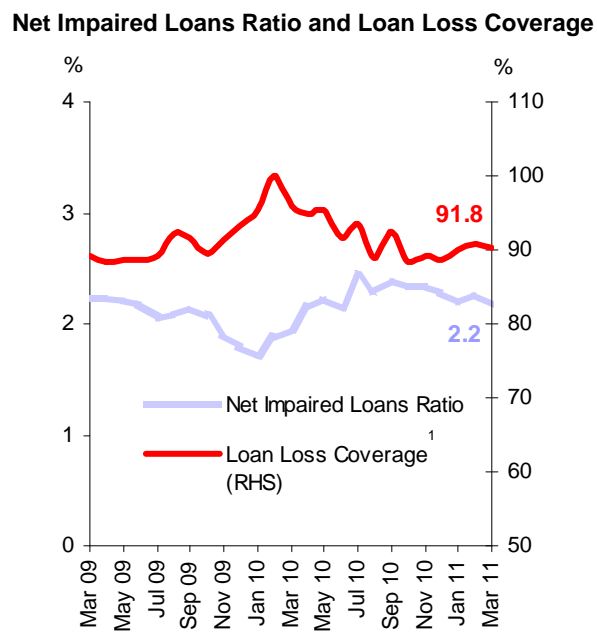
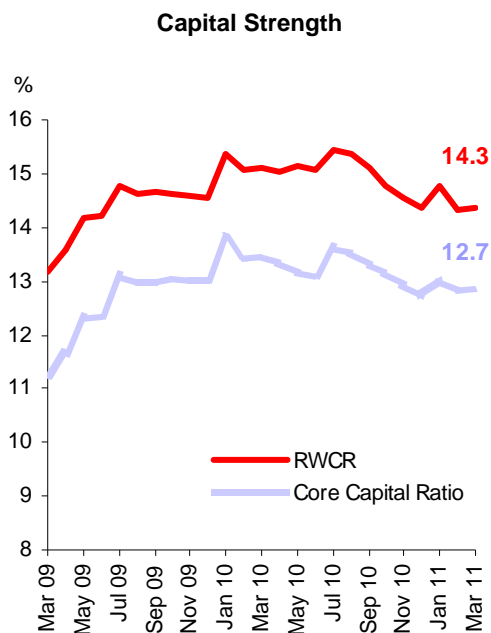
Loan Applications with the Banking System



Loan Approvals by the Banking System



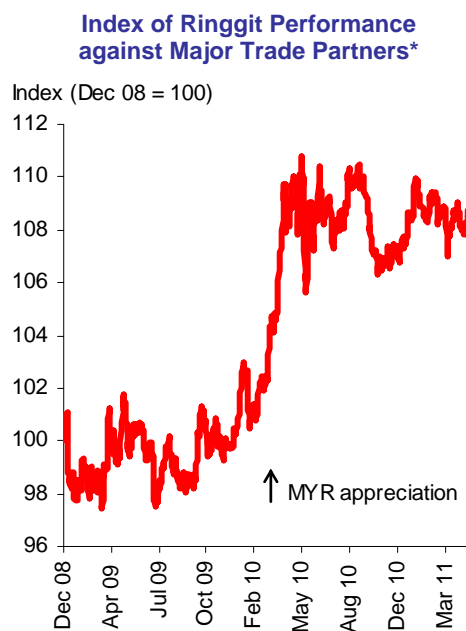
Banking system capitalisation remained strong with stable loan quality



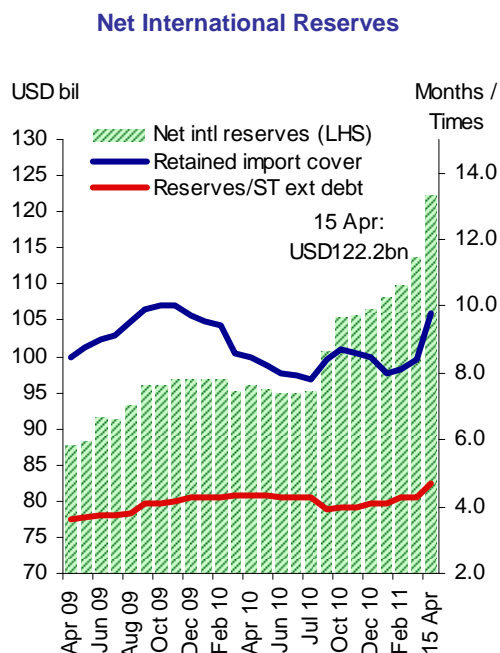
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Ringgit performance was mixed



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



Key Monetary and Financial Statistics

	Jan 11		Feb 11		Mar 11	
	O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
Monetary Aggregates						
Reserve money	68.1	16.4	63.1	5.6	61.9	9.5
M1	240.0	17.9	233.8	13.2	229.4	14.0
M2	1,082.4	9.1	1,074.3	8.3	1,088.6	8.6
M3	1,111.4	8.9	1,102.3	7.9	1,116.3	8.2
Banking System						
Net financing ¹	7.2	11.5	13.4	11.9	12.8	12.5
Loan-deposit ratio (%) ²		81.2		81.9		82.0
Financing-deposit ratio (%) ^{2&3}		87.3		88.0		88.0
Loans applied (during the period)	58.4	22.2	39.1	17.0	71.0	37.5
Loans approved (during the period)	27.5	17.6	21.2	7.1	39.0	44.7
Loans disbursed (during the period)	66.0	16.4	50.2	-10.2	72.5	17.3
Loans repaid (during the period)	58.5	16.7	47.6	2.8	62.0	6.8
Banking System Health						
Risk-weighted Capital Ratio (RWCR) (%)		14.3		14.4		14.3
Net Impaired Loans Ratio (%)		2.3		2.3		2.2
BNM International Reserves (end-period)						
Net Reserves in RM billion		333.5		338.6		344.5
Net Reserves in USD billion (equivalent)		108.1		109.8		113.8
Months of retained imports		8.0		8.1		8.4
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)		2.75		2.75		2.75
Interbank:	Overnight	2.74 [2.73]		2.72 [2.72]		2.74 [2.73]
	1-week	2.76 [2.76]		2.76 [2.76]		2.76 [2.76]
	1-month	2.80 [2.80]		2.79 [2.79]		2.79 [2.79]
Fixed deposits of commercial banks:	1-month	2.71		2.71		2.71
	3-month	2.74		2.74		2.74
BLR of commercial banks		6.27		6.27		6.27
ALR of commercial banks		5.10		5.07		5.06
Prices						
Consumer Price Index (CPI) (2010=100)		101.8		102.3		102.4
		2.4		2.9		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.