



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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MONETARY AND FINANCIAL DEVELOPMENTS February 2011

Price Conditions: Headline inflation, as measured by the Consumer Price Index (CPI), increased to 2.9% on an annual basis in February. This reflected mainly the higher global commodity and energy prices, which were translated into higher underlying inflation in the region and domestically, particularly for the food and fuel components. For Malaysia, the rise in food prices in February was also due to supply and adverse weather conditions during the Chinese New Year festivities. Subsequently, higher inflation was recorded in the *food at home* and *food away from home* sub-categories due to the increase in the price of *meat* and *vegetables*. Inflation in the *transport* category was higher during the month reflecting the adjustment in the price of RON97 petrol from RM2.40/litre to RM2.50/litre. Notably, inflation in both the *recreation services and culture* and *clothing and footwear* categories recorded an uptrend. The *recreation services and culture* category recorded higher inflation due mainly to the increase in the prices of gardening equipment, plants and flowers. Meanwhile, the increase in inflation in the *clothing and footwear* category was a result of higher global cotton prices.

Monetary Conditions: Interbank rates were stable in February. In terms of retail rates, the average base lending rate (BLR) of commercial banks was unchanged at 6.27% as at the end of the month. Retail deposit rates were also stable. Broad money (M3) expanded at a more moderate annual rate of 7.9% in February. During the month, the expansionary effects of higher credit extension by the banking system to the private sector and net foreign inflows were offset by the fund raising activities of the Government. Meanwhile, narrow money (M1) also expanded at a more moderate pace in February due to the return of currency to the banking system after the Chinese New Year festivities. Net financing to the private sector increased by RM13.4 billion in February on a month-on-month basis, driven by higher PDS issuances. PDS issuances rose due to several large issuances mainly for refinancing and working capital. Loans outstanding and other major loan indicators, however, moderated compared to the previous month as there were fewer working days due to the Chinese New Year holidays.

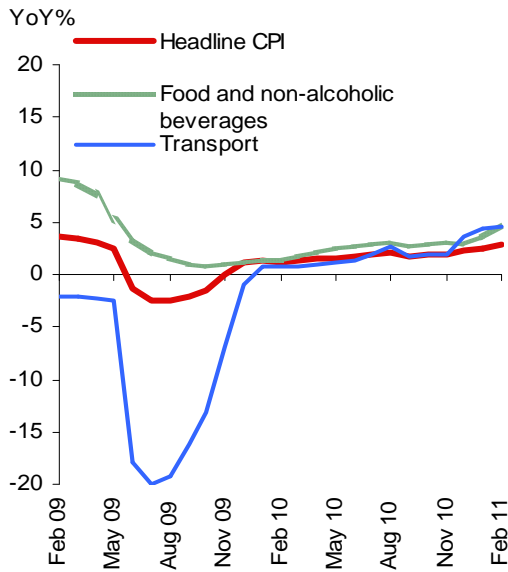
Banking System: The banking system remained well-capitalised, with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.3% and 12.6% respectively. The level of net impaired loans remained stable, accounting for 2.3% of net loans. Loan loss coverage was sustained at 90.5%.

Exchange Rates and International Reserves: In February, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trade partners. The ringgit appreciated against the US dollar on continued optimism about the growth outlook for Asia, which strengthened investor sentiments towards regional financial markets. In March, the ringgit appreciated against the currencies of all of Malaysia's major trading partners, with the exception of the euro. The international reserves of Bank Negara Malaysia stood at RM340.6 billion (equivalent to USD110.4 billion) as at 15 March 2011, sufficient to finance 8.9 months of retained imports and is 4.3 times the short-term external debt.

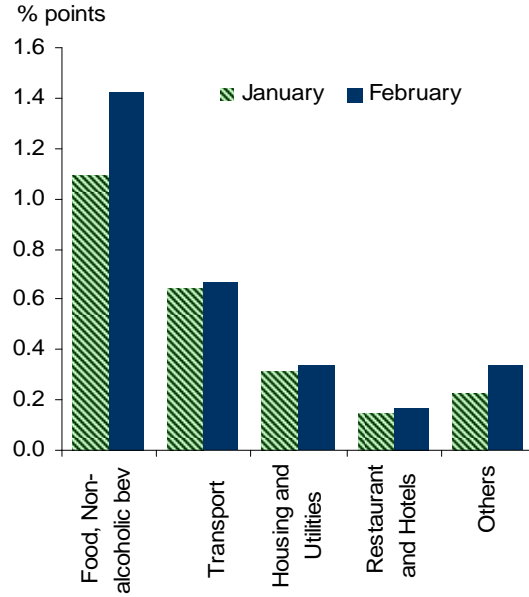
**Bank Negara Malaysia
31 March 2011**

Inflation increased in February

Headline Inflation



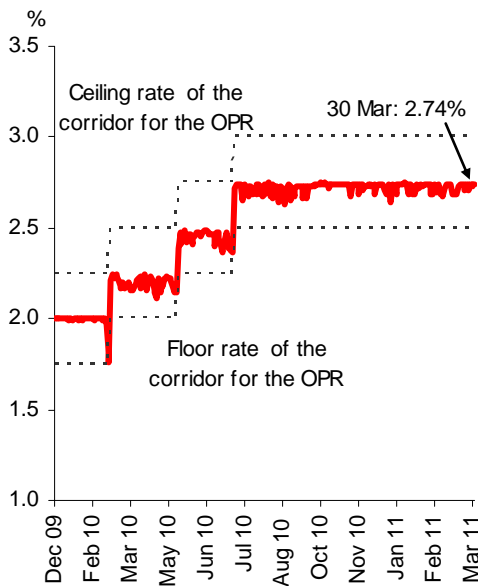
Headline Inflation: Component Contribution



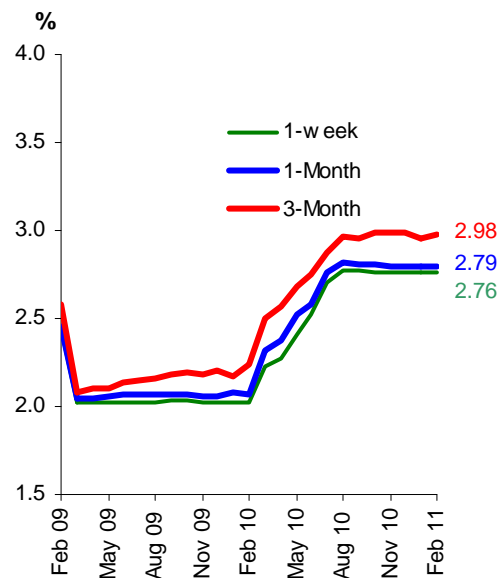
*Others include recreation services and culture, alcoholic beverages and tobacco, education, health, furnishings, household equipment and routine, communication clothing and footwear and miscellaneous goods and services

Interest rates were stable

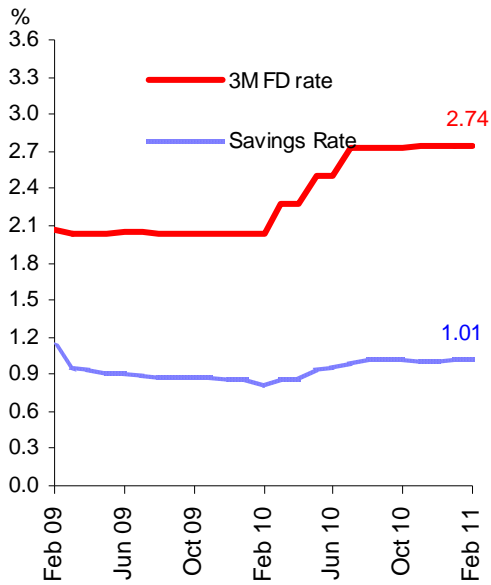
Average Overnight Interbank Rate



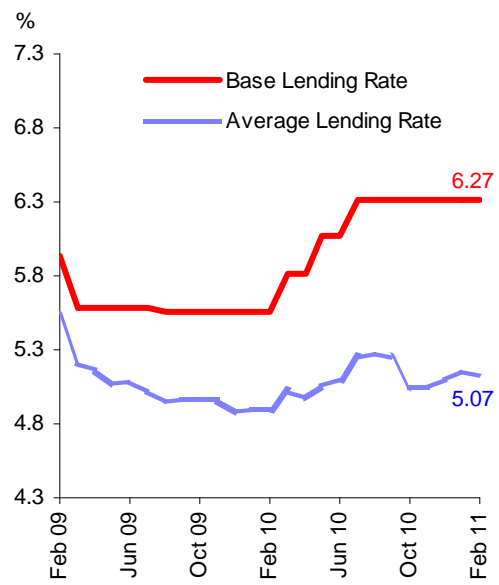
Average Interbank Rates



Deposit Rates of Commercial Banks

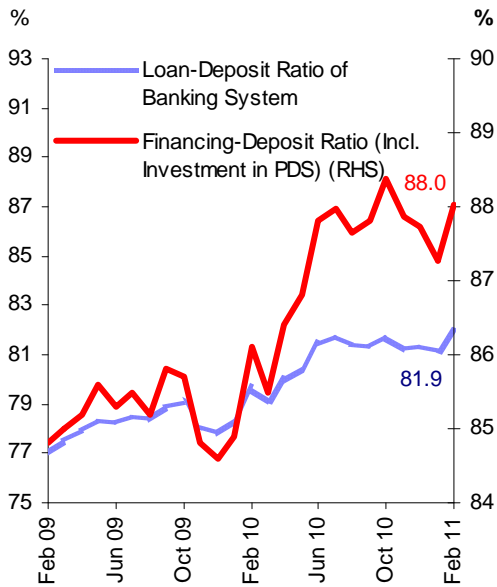


Lending Rates of Commercial Banks

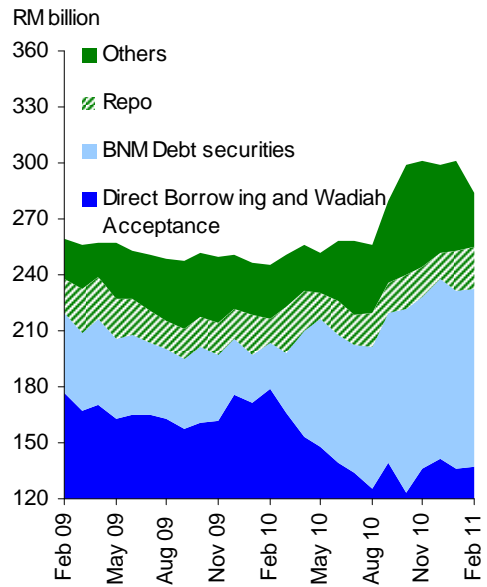


Liquidity in the banking system remains ample

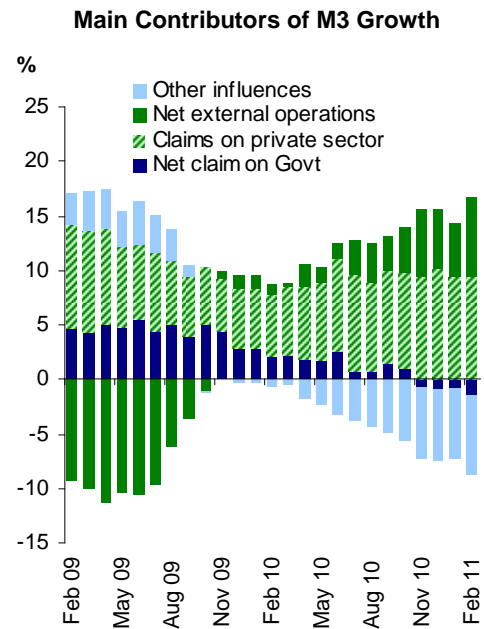
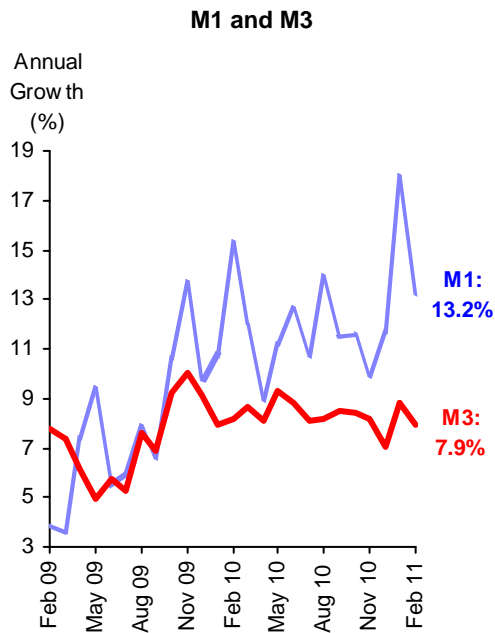
Loan-Deposit Ratio and Financing-Deposit Ratio



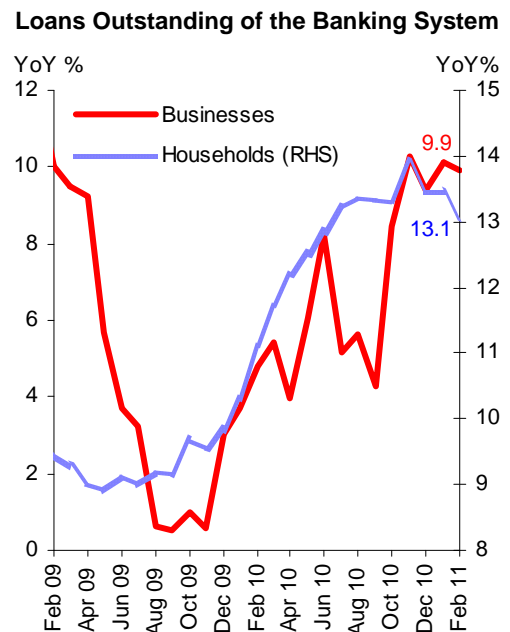
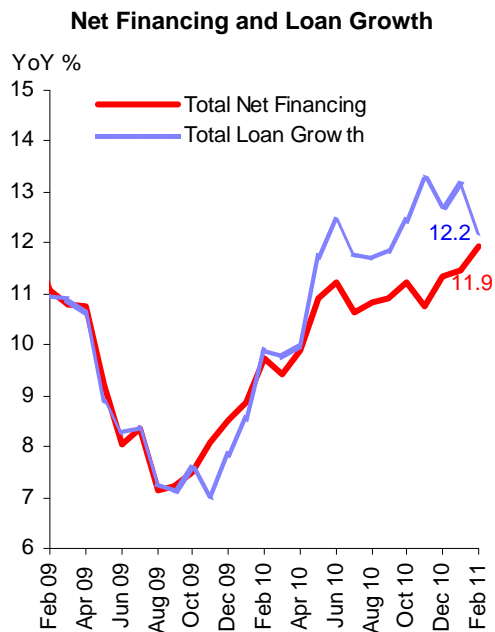
Outstanding Liquidity Placed With Bank Negara Malaysia



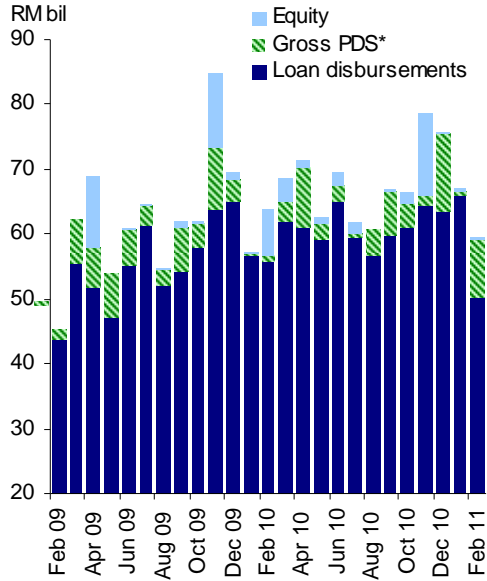
Broad money growth moderated



Financing activity remained robust in February

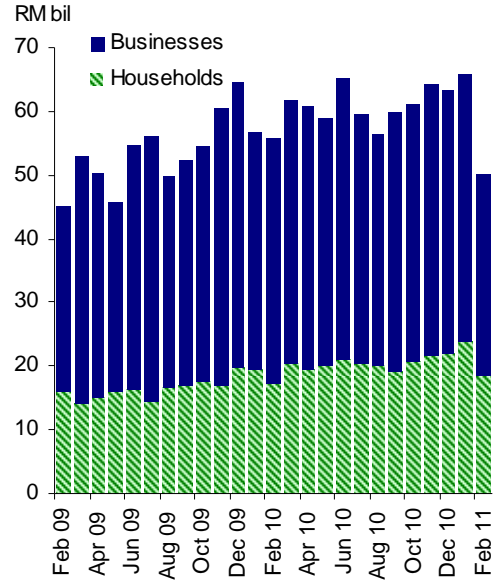


Gross Private Sector Financing

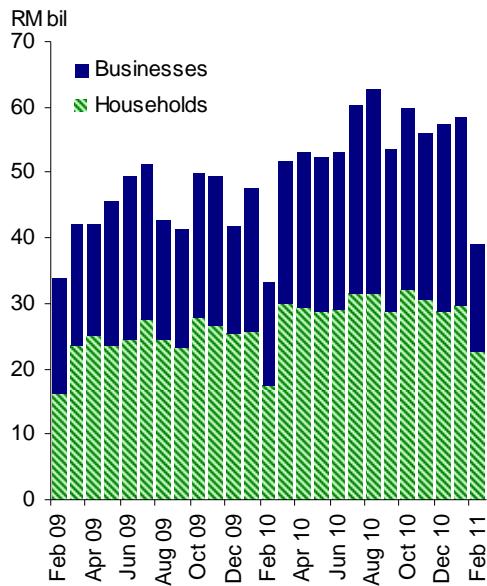


* Excludes foreign issuances

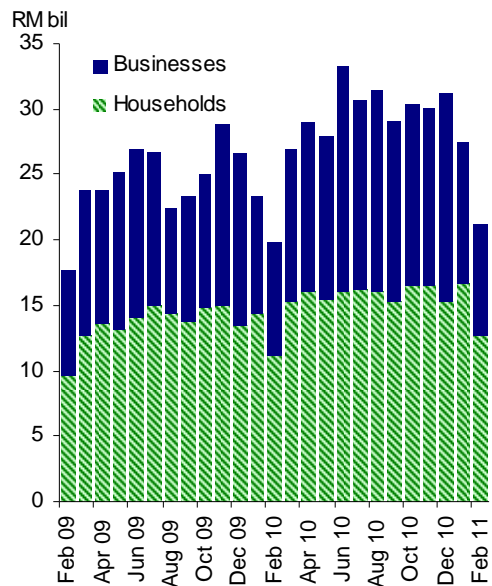
Loan Disbursements by the Banking System



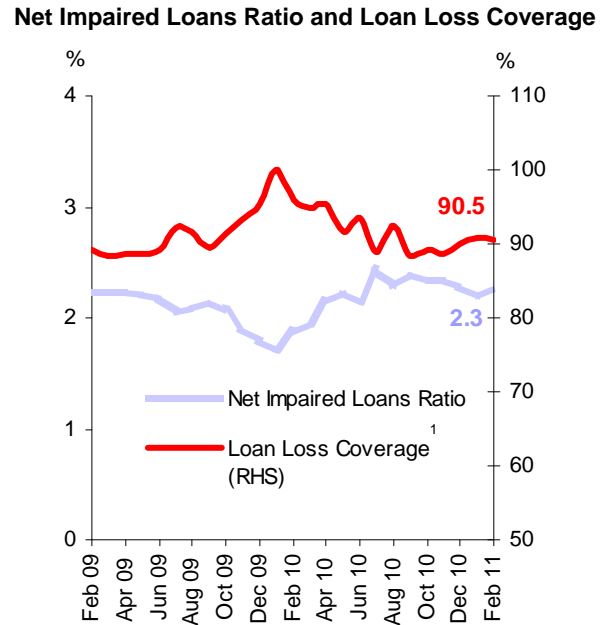
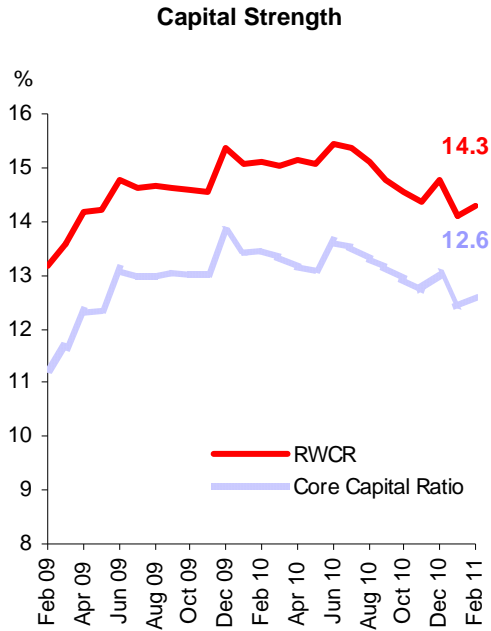
Loan Applications with the Banking System



Loan Approvals by the Banking System



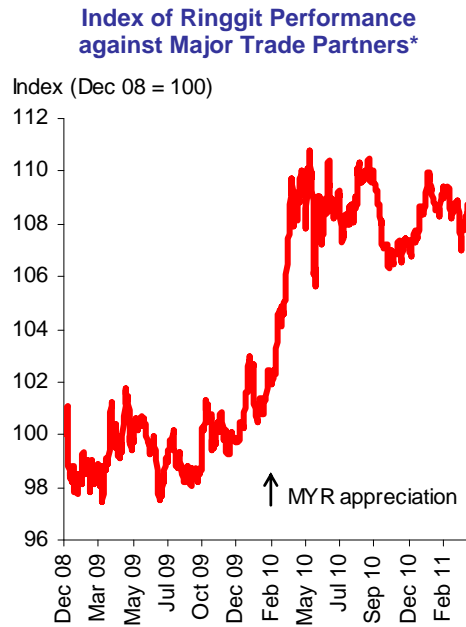
Banking system capitalisation remained strong with stable loan quality



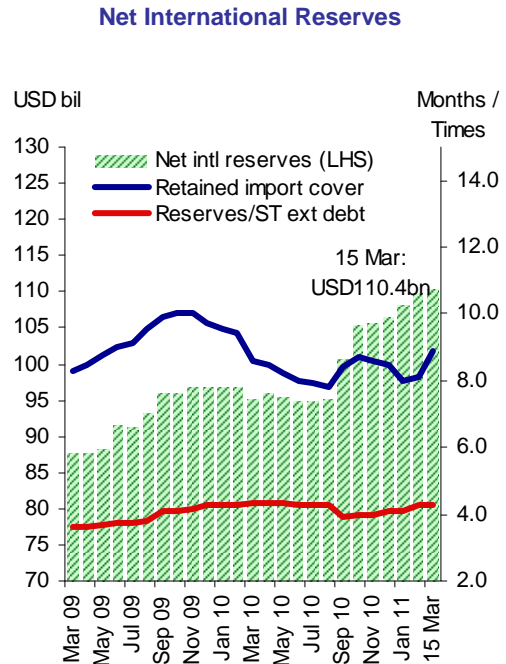
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

	Dec 10		Jan 11		Feb 11	
	O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
Monetary Aggregates						
Reserve money	61.3	11.8	68.1	16.4	63.1	5.6
M1	224.4	11.7	240.0	17.9	233.8	13.2
M2	1,060.2	7.2	1,082.4	9.1	1,074.3	8.3
M3	1,089.0	7.0	1,111.4	8.8	1,102.3	7.9
Banking System						
Net financing ¹	17.4	11.3	7.2	11.5	13.4	11.9
Loan-deposit ratio (%) ²	81.3		81.2		81.9	
Financing-deposit ratio (%) ^{2&3}	87.7		87.3		88.0	
Loans applied (during the period)	57.3	36.6	58.4	22.2	39.1	17.0
Loans approved (during the period)	31.2	17.3	27.5	17.6	21.2	7.1
Loans disbursed (during the period)	63.4	-2.6	66.0	16.4	50.2	-10.2
Loans repaid (during the period)	57.1	1.6	58.5	16.7	47.6	2.8
Banking System Health						
Risk-weighted Capital Ratio (RWCR) (%)	14.8		14.1		14.3	
Net Impaired Loans Ratio (%)	2.3		2.3		2.3	
BNM International Reserves (end-period)						
Net Reserves in RM billion	328.6		333.5		338.6	
Net Reserves in USD billion (equivalent)	106.5		108.1		109.8	
Months of retained imports	8.6		8.0		8.1	
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)	2.75		2.75		2.75	
Interbank:	Overnight	2.72 [2.73]	2.74 [2.73]	2.72 [2.72]	2.72 [2.72]	2.72 [2.72]
	1-week	2.77 [2.76]	2.76 [2.76]	2.76 [2.76]	2.76 [2.76]	2.76 [2.76]
	1-month	2.83 [2.79]	2.80 [2.80]	2.79 [2.79]	2.79 [2.79]	2.79 [2.79]
Fixed deposits of commercial banks:	1-month	2.71	2.71	2.71	2.71	2.71
	3-month	2.74	2.74	2.74	2.74	2.74
BLR of commercial banks	6.27		6.27		6.27	
ALR of commercial banks	5.05		5.10		5.07	
Prices						
Consumer Price Index (CPI) (2010=100)	101.2	2.2	101.8	2.4	102.3	2.9

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.