



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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or broadcast before 1800 hours
on Monday, 28 February 2011**

MONETARY AND FINANCIAL DEVELOPMENTS **January 2011**

Price Conditions: Headline inflation, as measured by the Consumer Price Index (CPI), was higher in January, increasing by 2.4% on an annual basis. This largely reflected the high commodity and energy prices in the global economy that was translated into higher food and fuel prices. As with other global and regional economies, inflation in Malaysia during the month was largely the result of price increases in the *food and non-alcoholic beverages* and *transport* categories. The increase in food prices was largely for both the *food at home* and *food away from home* sub-categories, reflecting the higher prices of vegetables and fruits. Higher transport prices reflected the increases in prices for retail fuel and engine oil, and the cost of car service and repairs during the month.

Monetary Conditions: Interbank rates were stable in January. In terms of retail 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. Meanwhile, broad money (M3) expanded at a faster pace in January. The increase in M3 reflected higher foreign inflows and faster credit extension by the banking system to the private sector. Narrow money (M1) also increased significantly reflecting higher demand for currency in the lead up to the festive season. Net financing to the private sector increased by RM7.2 billion in January driven mainly by increased loans outstanding, while PDS issuances moderated during the month. The expansion in loans outstanding to businesses was largely due to higher loans extended to the *manufacturing, wholesale and retail, restaurants and hotels; transport, storage and communication* and *finance* sectors. Household loans outstanding continued its steady rise, driven mainly by loans for the *purchase of residential properties; passenger cars* and *securities*. Loan demand remained robust with higher loan applications, particularly from the household sector.

Diterbitkan oleh:

Jabatan Komunikasi Korporat, 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



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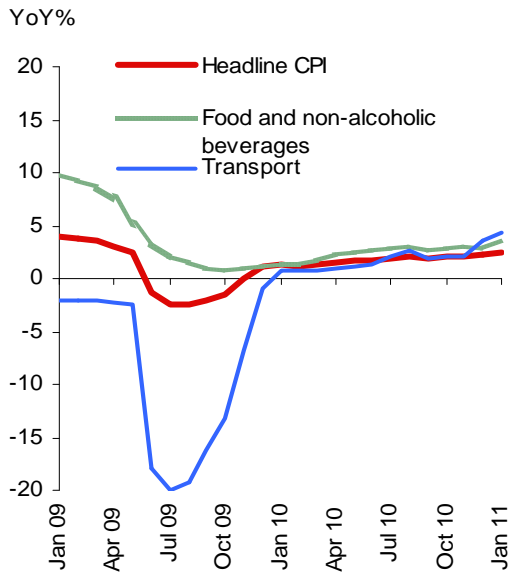
Banking System: The level of capitalisation of the banking system remained intact, although the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) declined to 14.1% and 12.4% respectively. This was largely attributed to the distribution of retained earnings by a banking group. The level of net impaired loans amounted to 2.2% of net loans, whilst the loan loss coverage was slightly above 90%.

Exchange Rates and International Reserves: In January, the ringgit appreciated against most of Malaysia's major trade partners, except the euro. The positive growth outlook in Asia relative to the developed economies continued to support the regional currencies, as it lifted investor sentiments towards regional economies and financial markets. In February, the ringgit continued to strengthen against most currencies. The international reserves of Bank Negara Malaysia stood at RM338 billion (equivalent to USD109.6 billion) as at 14 February 2011, sufficient to finance 8.1 months of retained imports and is 4.3 times the short-term external debt.

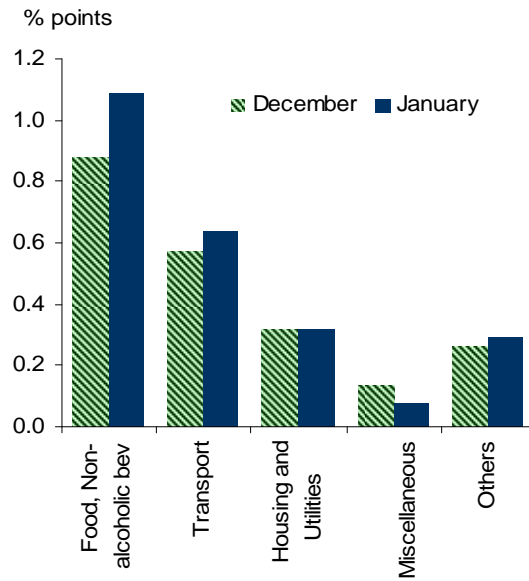
Bank Negara Malaysia
28 February 2011

Inflation increased in January

Headline Inflation



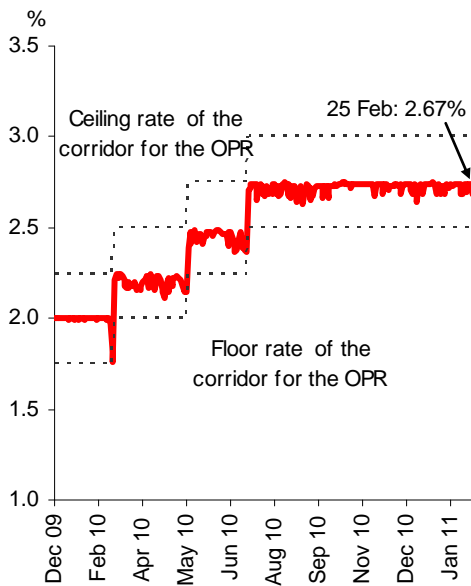
Headline Inflation: Component Contribution



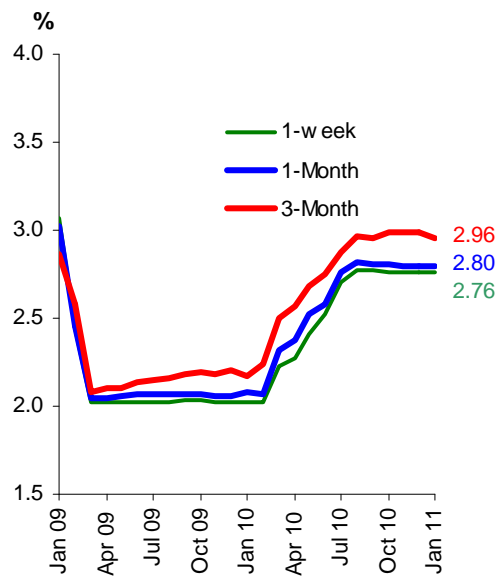
* Others include recreation services and culture, alcoholic beverages and tobacco, restaurant and hotels, education, health, furnishings, household equipment and routine, communication, and clothing and footwear

Interest rates were stable

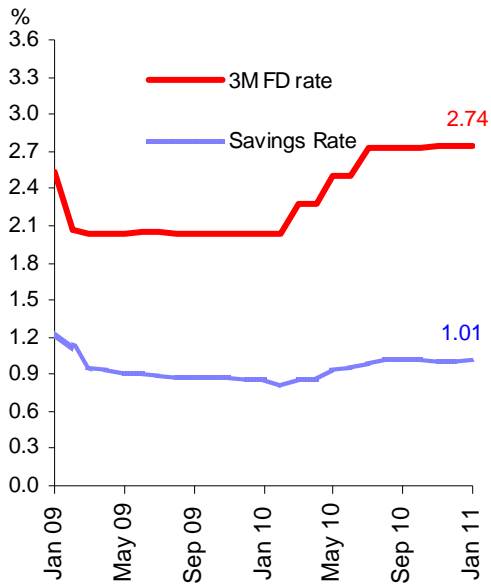
Average Overnight Interbank Rate



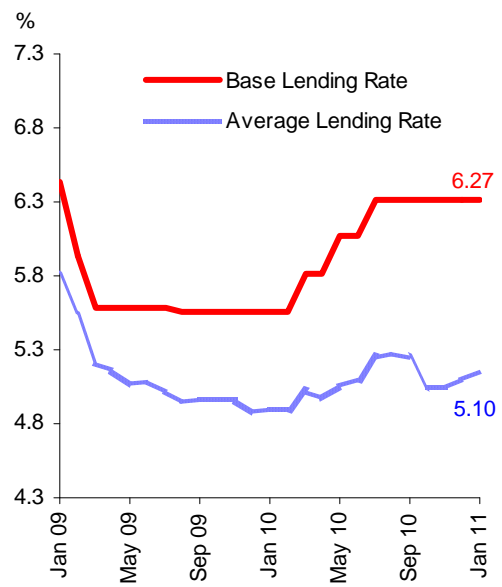
Average Interbank Rates



Deposit Rates of Commercial Banks

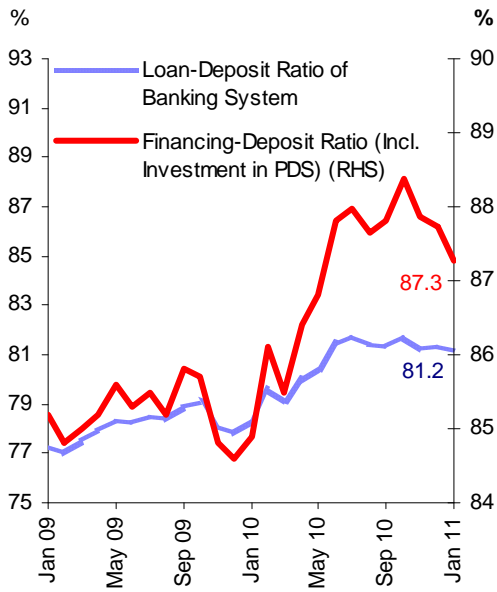


Lending Rates of Commercial Banks

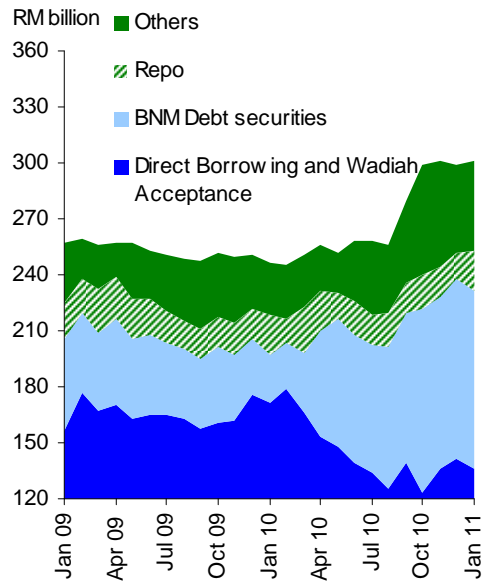


Liquidity in the banking system remains ample

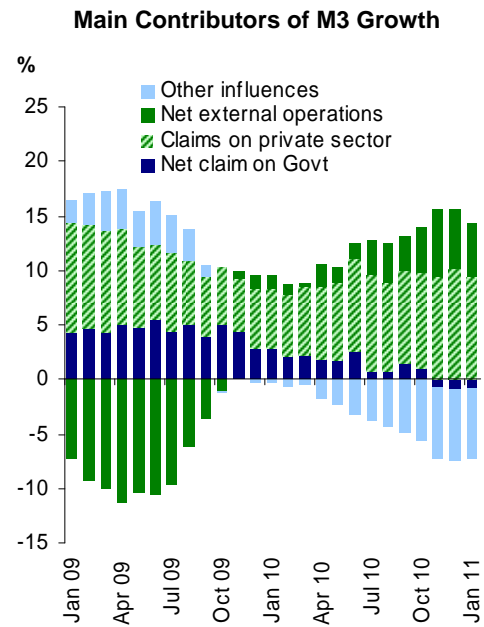
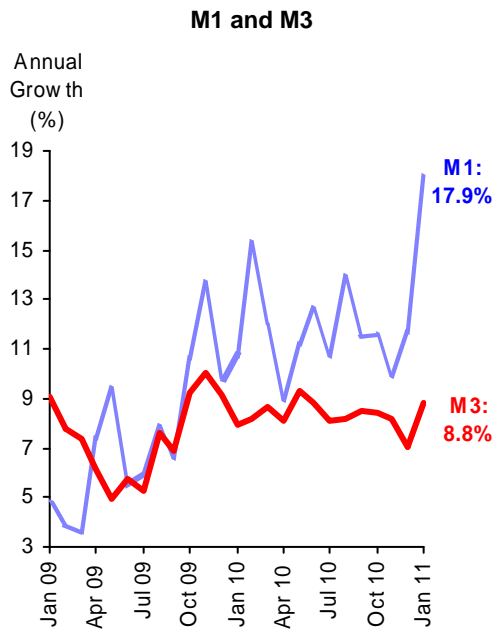
Loan-Deposit Ratio and Financing-Deposit Ratio



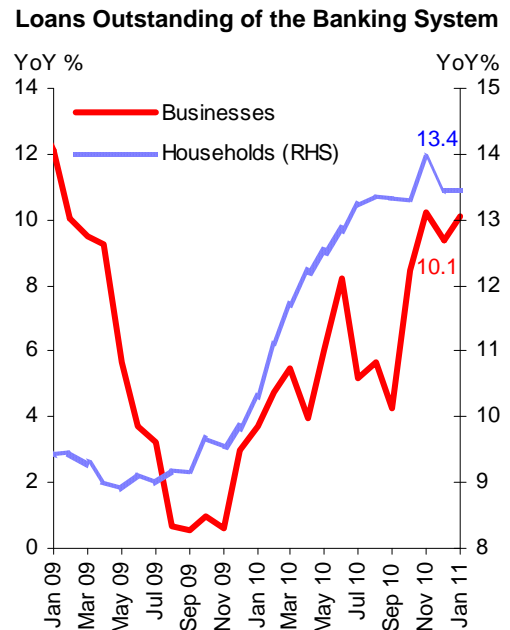
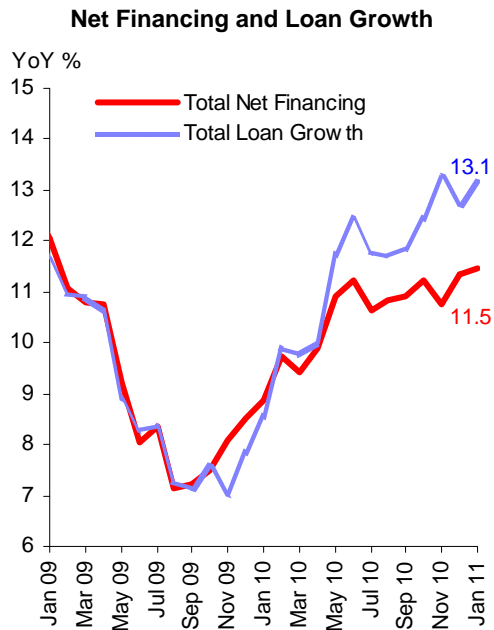
Outstanding Liquidity Placed With Bank Negara Malaysia



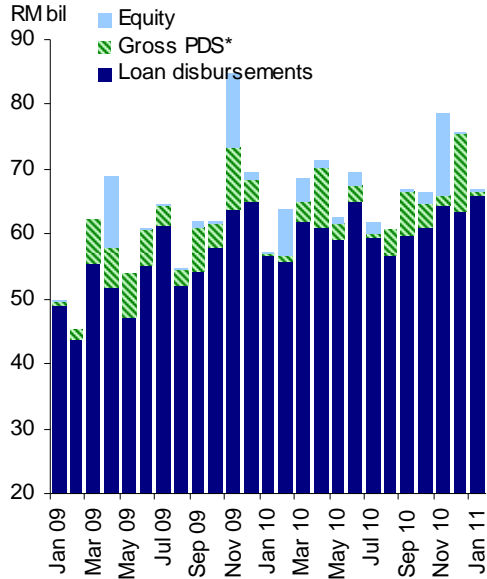
Broad money growth was sustained



Financing activity remained robust in January

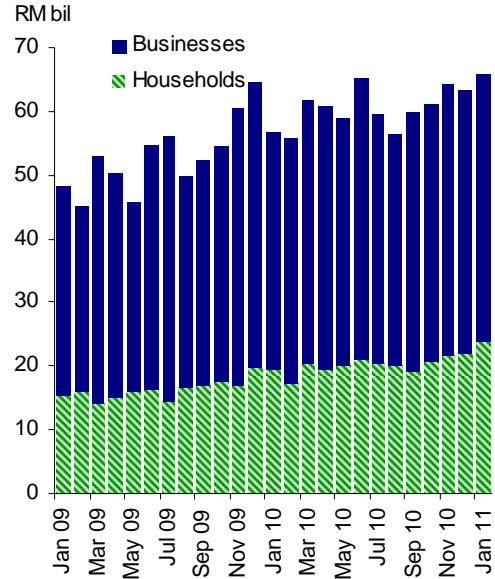


Gross Private Sector Financing

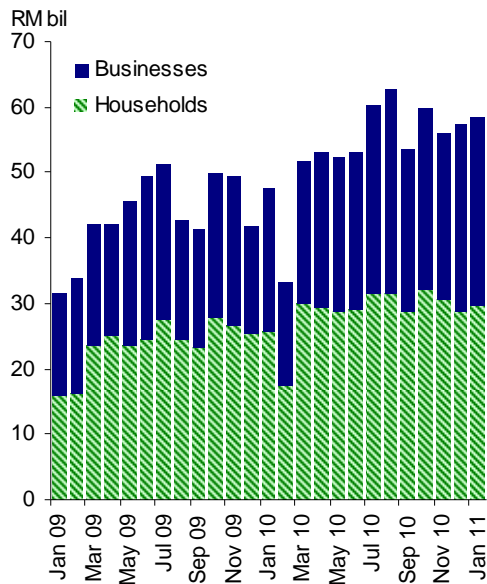


* Excludes foreign issuances

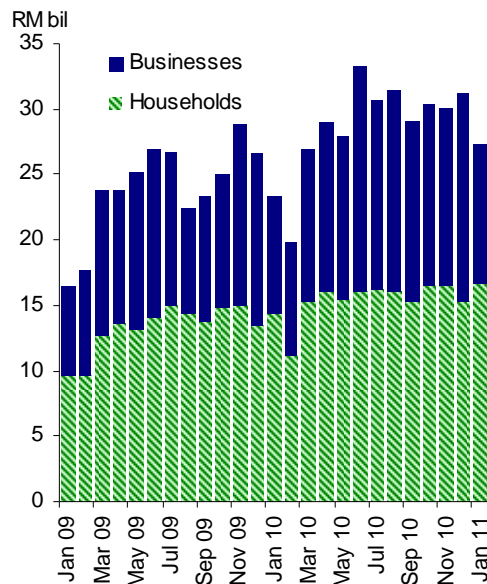
Loan Disbursements by the Banking System



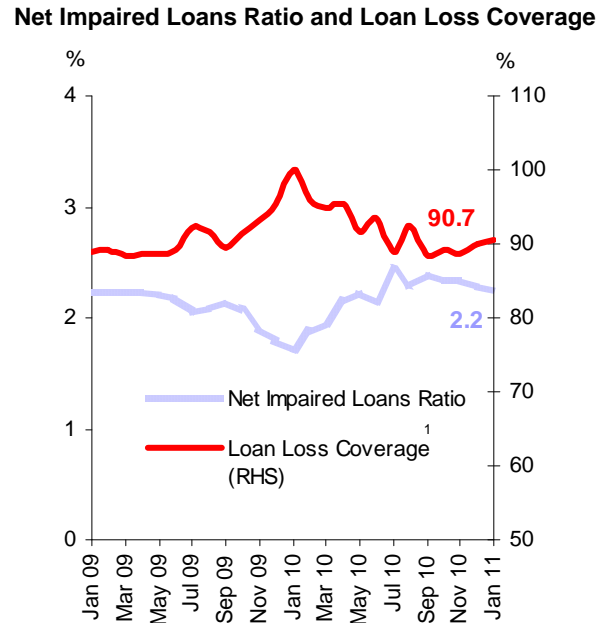
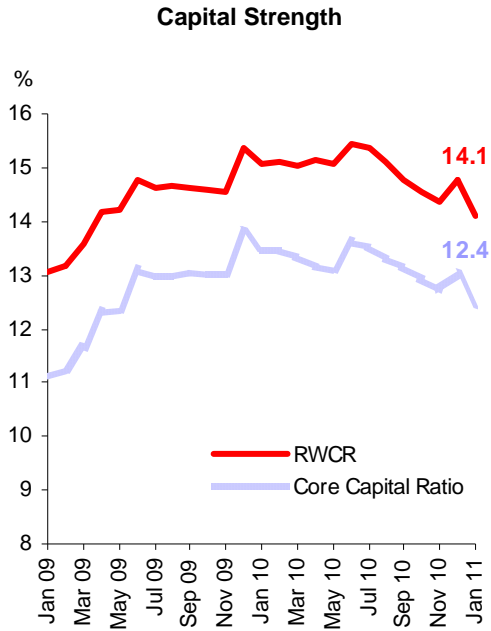
Loan Applications with the Banking System



Loan Approvals by the Banking System



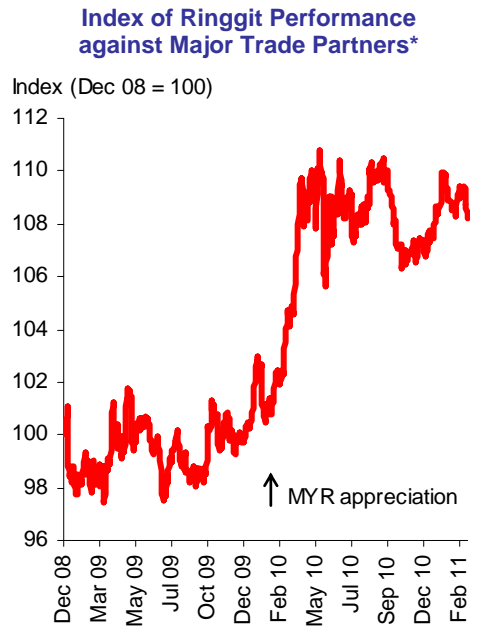
Banking system capitalisation remained strong with stable loan quality



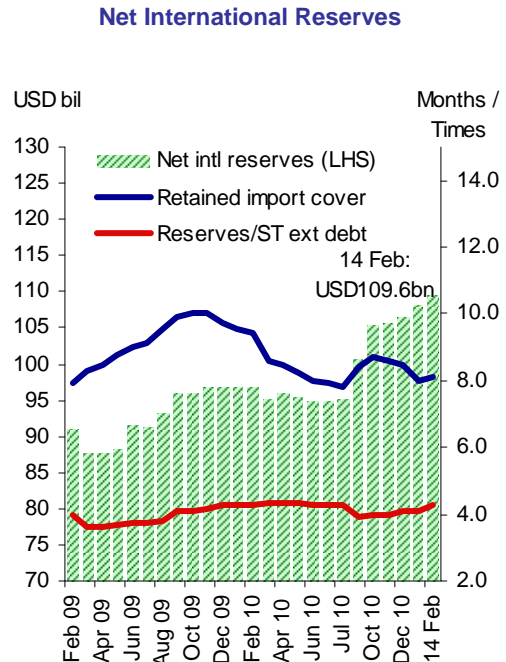
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Ringgit strengthened against currencies of major trade partners



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



Key Monetary and Financial Statistics

	Nov 10		Dec 10		Jan 11		
	O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth	
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)	
Monetary Aggregates							
Reserve money	57.6	4.3	61.3	11.8	68.1	16.4	
M1	220.0	9.9	224.4	11.7	240.0	17.9	
M2	1,051.5	8.1	1,060.2	7.2	1,082.4	9.1	
M3	1,082.2	8.2	1,089.0	7.0	1,111.4	8.8	
Banking System							
Net financing ¹	8.8	10.8	17.4	11.3	7.2	11.5	
Loan-deposit ratio (%) ²		81.3		81.3		81.2	
Financing-deposit ratio (%) ^{2&3}		87.9		87.7		87.3	
Loans applied (during the period)	56.1	13.3	57.3	36.6	58.4	22.2	
Loans approved (during the period)	30.2	4.7	31.2	17.3	27.4	17.3	
Loans disbursed (during the period)	64.4	0.8	63.4	-2.6	65.9	16.2	
Loans repaid (during the period)	57.4	6.8	57.1	1.6	58.4	16.4	
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		14.3		14.8		14.1	
Net Impaired Loans Ratio (%)		2.3		2.3		2.2	
BNM International Reserves (end-period)							
Net Reserves in RM billion		326.4		328.6		333.5	
Net Reserves in USD billion (equivalent)		105.8		106.5		108.1	
Months of retained imports		8.6		8.5		8.7	
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		2.75		2.75		2.75	
Interbank:	Overnight	2.73 [2.73]		2.72 [2.73]		2.74 [2.73]	
	1-week	2.76 [2.76]		2.77 [2.76]		2.76 [2.76]	
	1-month	2.79 [2.79]		2.83 [2.79]		2.80 [2.80]	
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		4.99		5.05		5.10	
Prices							
Consumer Price Index (CPI) (2010=100)		100.8	2.0	101.2	2.2	101.8	2.4

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.