



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## SIARAN AKHBAR

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Thursday, 30 December 2010**

### **MONETARY AND FINANCIAL DEVELOPMENTS** **November 2010**

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**Price Conditions:** Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), was unchanged at 2.0% in November. Inflation during the month was driven by price increases in the *food and non-alcoholic beverages* category, which was due mainly to a rise in the *fish and seafood* sub-category resulting from a disruption to fish supply due to the monsoon season.

**Monetary Conditions:** Interbank rates were stable in November. In terms of retail rates, the average base lending rate (BLR) of commercial banks was unchanged at 6.27%. Retail deposit rates were also stable. Broad money (M3) increased by 8.2% during the month, reflecting mainly higher credit extension by the banking system to the private sector. Net financing to the private sector grew at a slower pace in November due mainly to lower PDS issuances. Banking system loans outstanding, on the other hand, expanded by 13.2% during the month with higher loans extended to businesses in the *transport, storage and communication; manufacturing, real estate, construction* and *finance, insurance and business services* sectors. Loans to households also continued to increase. Loan applications from both businesses and households also remained at a high level.

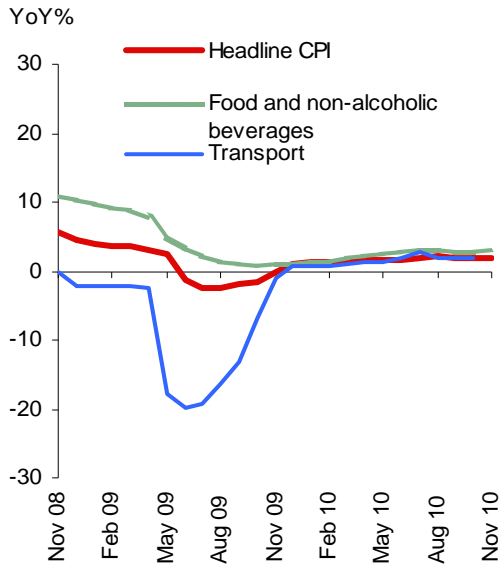
**Banking System:** Capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio at 14.4% and 12.7% respectively. The level of non-performing loans (NPLs), including impaired loans, remained stable at 2% of net loans. Loan loss coverage was sustained at above 90%.

**Exchange Rates and International Reserves:** In November, the ringgit recorded a mixed performance against Malaysia's major trade partners. While the ringgit appreciated against the euro and Japanese yen, it depreciated against the US dollar and Chinese renminbi. The ringgit's depreciation against the US dollar was in line with regional currencies, amid higher risk aversion following concerns over the European sovereign debt problems and the ongoing geopolitical tensions in the Korean Peninsula. In December, the ringgit posted a stronger performance, appreciating against most of the currencies of our major trade partners, except the Japanese yen and the euro. The international reserves of Bank Negara Malaysia stood at RM326.7 billion (equivalent to USD105.9 billion) as at 15 December 2010, sufficient to finance 8.5 months of retained imports and is 4 times the short-term external debt.

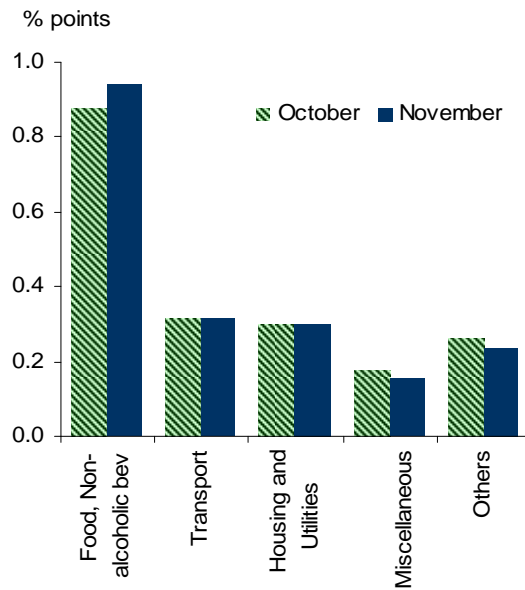
**Bank Negara Malaysia**  
**30 December 2010**

## Inflation was unchanged in November

### Headline Inflation



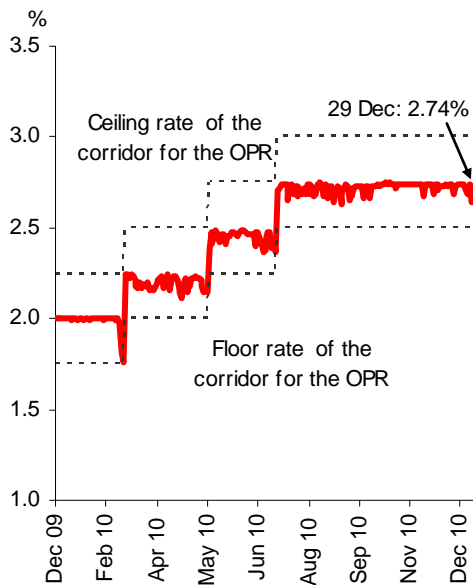
### Headline Inflation: Component Contribution



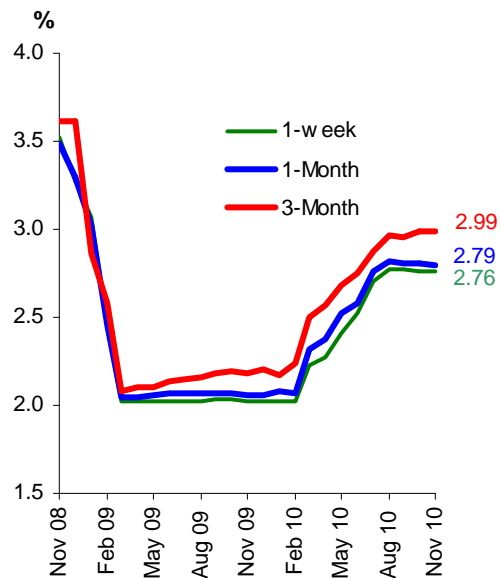
\* Others include recreation services and culture, alcoholic beverages and tobacco, restaurant and hotels, education, health, furnishings, household equipment and routine, communication, and clothing and footwear

## Interest rates were stable

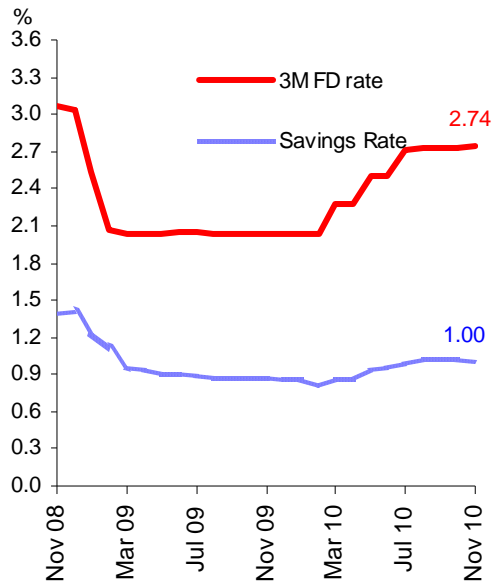
### Average Overnight Interbank Rate



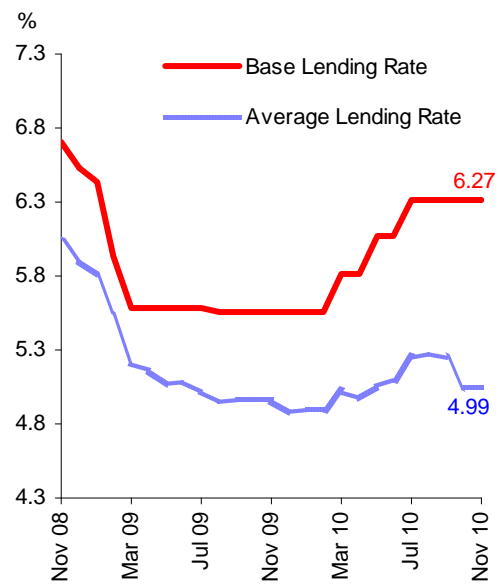
### Average Interbank Rates



**Deposit Rates of Commercial Banks**

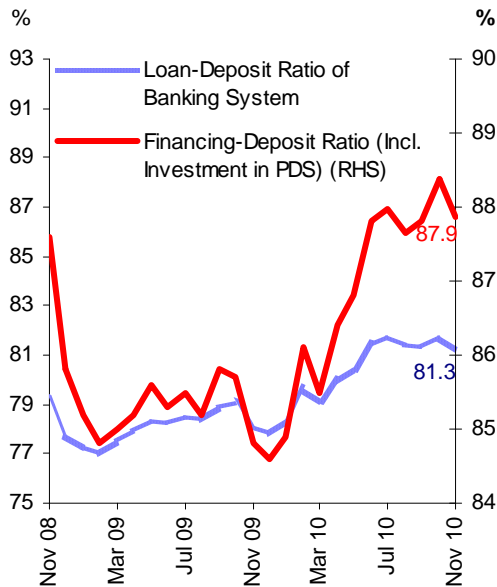


**Lending Rates of Commercial Banks**

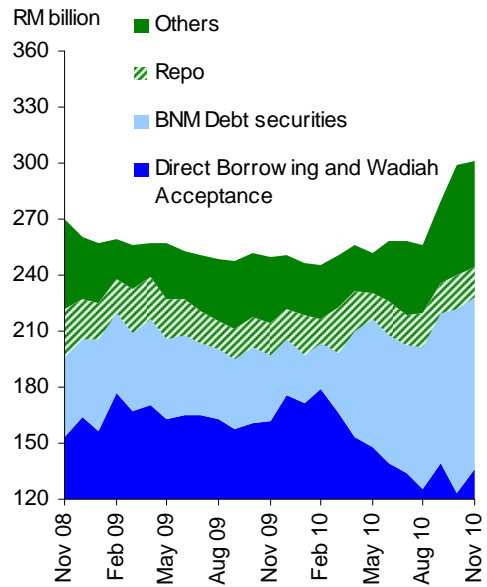


**Liquidity in the banking system remains ample**

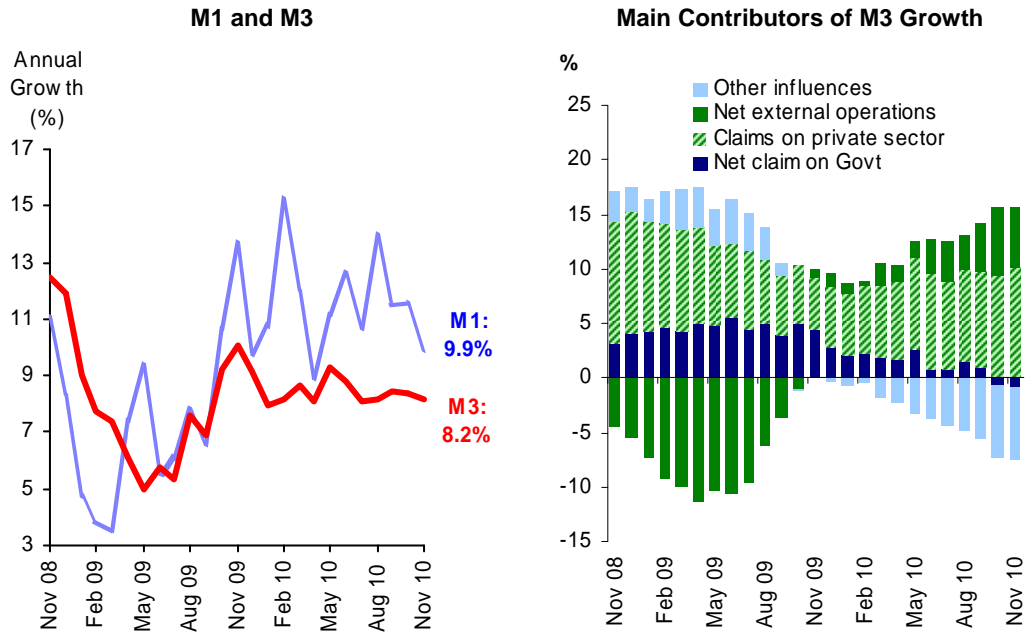
**Loan-Deposit Ratio and Financing-Deposit Ratio**



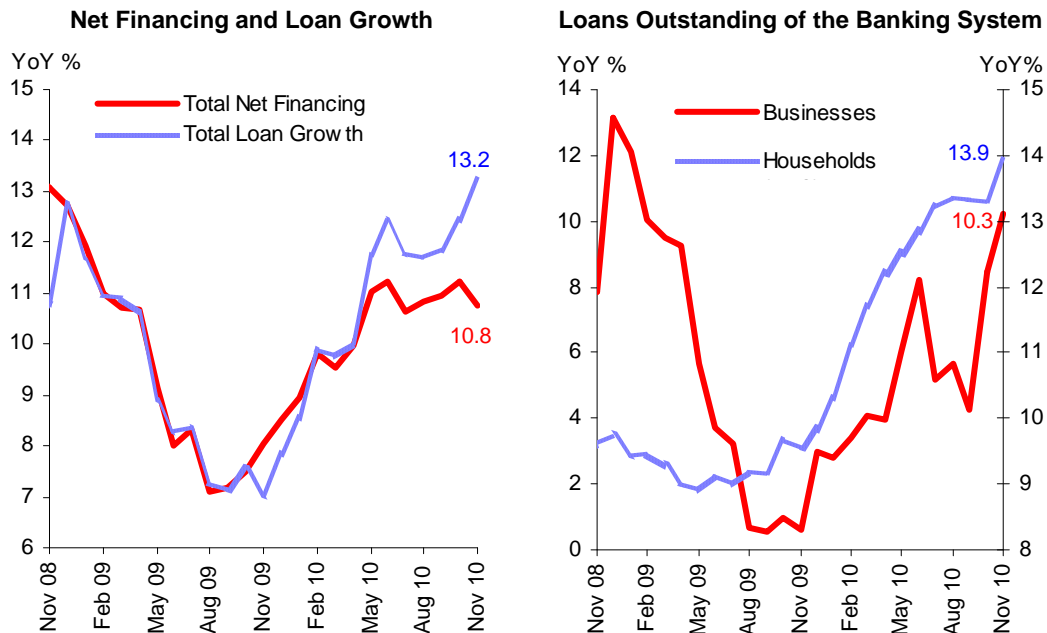
**Outstanding Liquidity Placed With Bank Negara Malaysia**



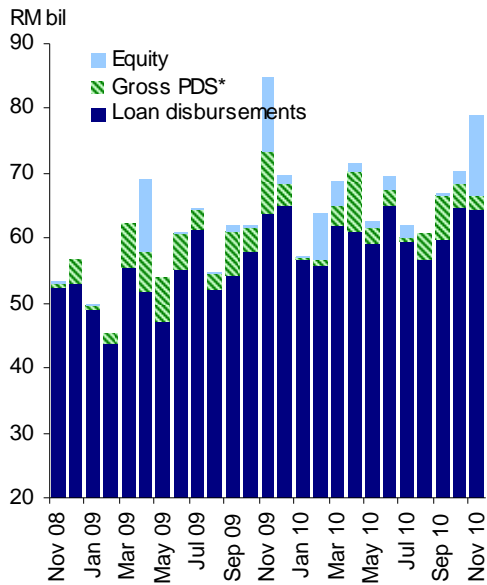
**Broad money growth was sustained**



**Financing activity remained robust in November**

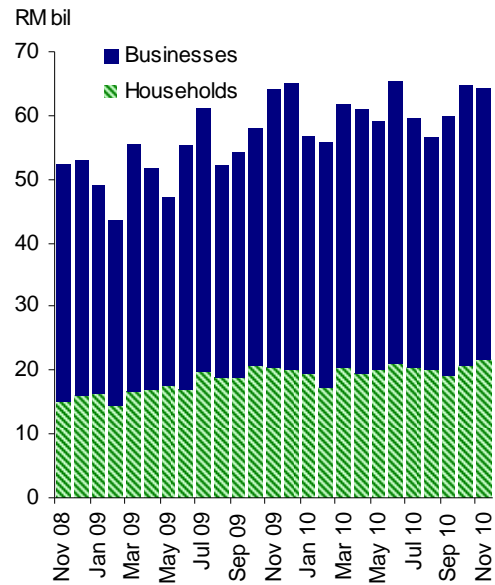


### Gross Private Sector Financing

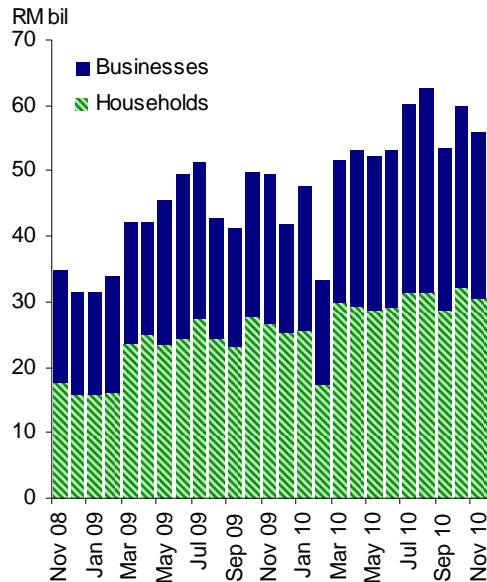


\* Excludes foreign issuances

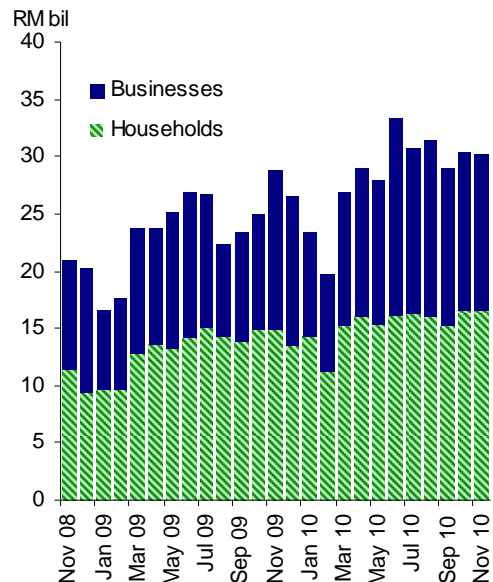
### Loan Disbursements by the Banking System



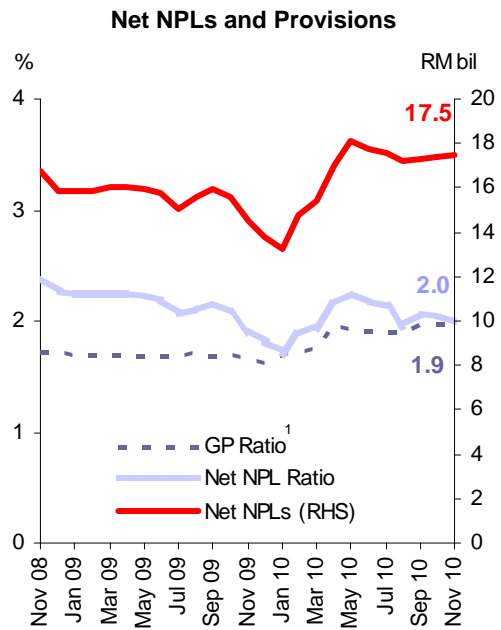
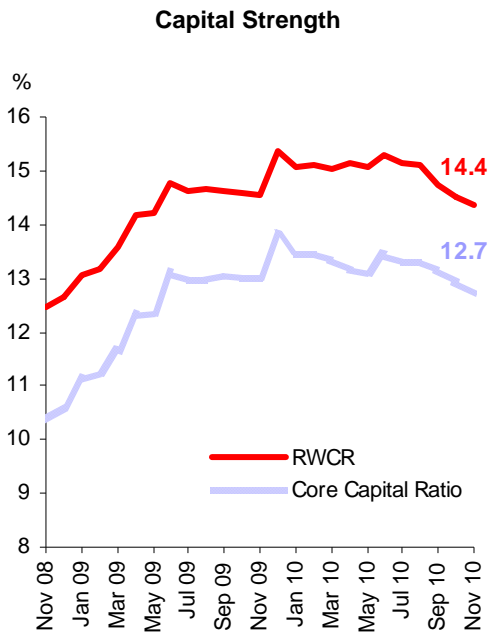
### Loan Applications with the Banking System



### Loan Approvals by the Banking System



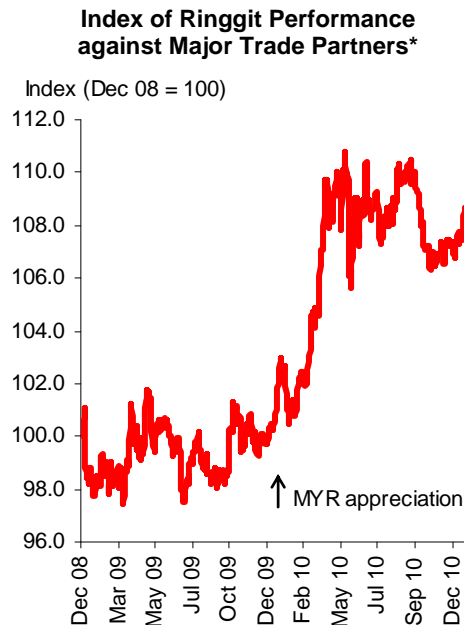
## Banking system capitalisation remained strong with stable loan quality



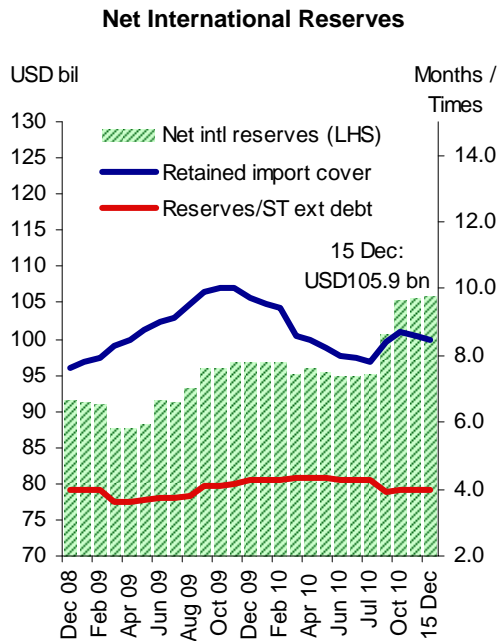
\* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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



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### Key Monetary and Financial Statistics

	Sep 10		Oct 10		Nov 10	
	O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
<b>Monetary Aggregates</b>						
Reserve money	57.6	3.2	58.5	11.1	57.6	4.3
M1	213.4	11.5	213.1	11.6	220.0	9.9
M2	1,028.8	8.3	1,035.9	8.4	1,051.4	8.1
M3	1,058.5	8.5	1,065.7	8.4	1,082.1	8.2
<b>Banking System</b>						
Net financing <sup>1</sup>	11.3	10.9	11.7	11.2	8.8	10.8
Loan-deposit ratio (%) <sup>2</sup>	81.2		81.7		81.3	
Financing-deposit ratio (%) <sup>2&amp;3</sup>	87.8		88.4		87.9	
Loans applied (during the period)	53.6	29.6	60.1	20.8	56.0	13.2
Loans approved (during the period)	29.0	23.9	30.4	21.4	30.2	4.7
Loans disbursed (during the period)	59.9	10.4	64.8	11.8	64.3	0.7
Loans repaid (during the period)	55.3	11.6	57.1	8.9	57.1	6.3
<b>Banking System Health</b>						
Risk-weighted Capital Ratio (RWCR) (%)	14.8		14.5		14.4	
Net NPLs: 3-month classification (%)	2.1		2.0		2.0	
<b>BNM International Reserves (end-period)</b>						
Net Reserves in RM billion	310.7		324.9		326.4	
Net Reserves in USD billion (equivalent)	100.7		105.3		105.8	
Months of retained imports	8.4		8.7		8.8	
<b>Interest Rates at end-period [average for the month]</b>						
Overnight Policy Rate (OPR)	2.75		2.75		2.75	
Interbank:	Overnight	2.73 [2.71]	2.74 [2.74]	2.73 [2.73]	2.73 [2.73]	
	1-week	2.76 [2.77]	2.77 [2.76]	2.76 [2.76]	2.76 [2.76]	
	1-month	2.81 [2.81]	2.78 [2.81]	2.79 [2.79]	2.79 [2.79]	
Fixed deposits of commercial banks:	1-month	2.71	2.71	2.71	2.71	
	3-month	2.73	2.73	2.74	2.74	
BLR of commercial banks		6.27	6.27	6.27	6.27	
ALR of commercial banks		5.19	4.99	4.99	4.99	
<b>Prices</b>						
Consumer Price Index (CPI) (2005=100)	114.4	1.8	114.7	2.0	115.0	2.0

<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.