



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 11/10/13

**EMBARGO: Not for
publication or broadcast
before 1930 hours on Tuesday,
30 November 2010**

Monetary and Financial Developments October 2010

Price Conditions: Headline inflation in October, as measured by the Consumer Price Index (CPI), increased to 2.0% on an annual basis. This was largely the result of price increases in the *food and non-alcoholic beverages* and *transport* categories. Higher food prices were mainly driven by higher prices for *vegetables* and *milk, cheese and eggs* sub-categories. The *alcoholic beverages and tobacco* category registered a significant increase, resulting mainly from the higher prices of premium cigarettes during the month. Meanwhile, the increase in transport prices was mainly due to the *transport services* sub-category.

Monetary Conditions: Interbank rates were stable in October. In terms of retail interest 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 during the month, reflecting mainly higher foreign inflows and credit extension by the banking system to the private sector. The increase, however, was partially offset by the placement of Government deposits with Bank Negara Malaysia following a large issuance of MGS and higher revenue receipts. Net financing to the private sector increased by RM11.3 billion in October driven mainly by higher loan disbursements, while PDS issuances moderated during the month. The expansion in loans outstanding to businesses was largely due to higher loans extended to the *finance, insurance and business services* and *electricity, gas and water supply* sectors. Meanwhile, household loans outstanding continued to rise steadily, driven mainly by loans for the purchase of residential properties. Loan demand remained robust, with loan applications from both businesses and households increasing on a month-on-month basis in October, after a slight moderation in September.

Banking System: The banking system remained well-capitalised with the risk-weighted capital ratio (RWCR) and core capital ratio at 14.4% and 12.8% respectively. The level of non-performing loans (NPLs) including impaired

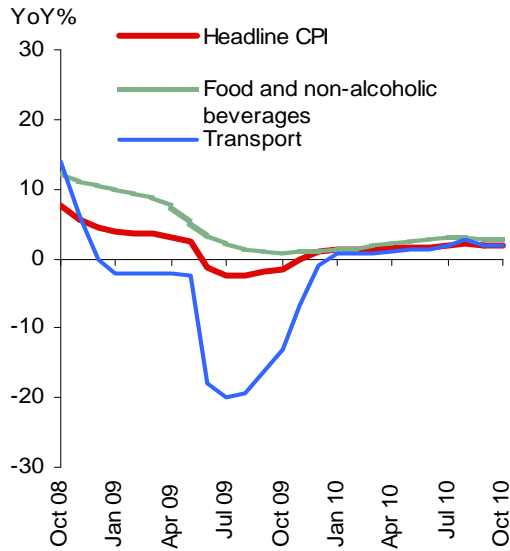
loans accounted for 2% of net loans. Loan loss coverage remained above 90%.

Exchange Rates and International Reserves: In October, country specific factors led to an appreciation of the currencies of Malaysia's major trading partners against the ringgit. In November, the ringgit's performance was mixed. While the ringgit strengthened against the euro and Japanese yen, it depreciated against the US dollar, Chinese renminbi and Singapore dollar. The euro weakened against most currencies following renewed concerns over the sovereign debt problems. The international reserves of Bank Negara Malaysia stood at RM326.5 billion (equivalent to USD105.8 billion) as at 15 November 2010, sufficient to finance 8.8 months of retained imports and is 4.0 times the short-term external debt.

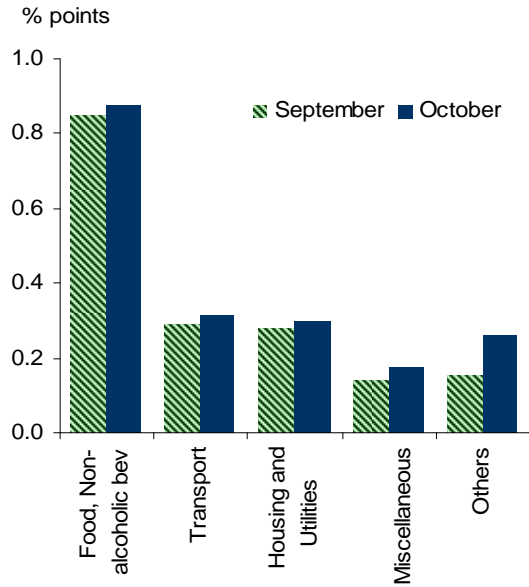
Bank Negara Malaysia
30 November 2010

Inflation increased in October

Headline Inflation



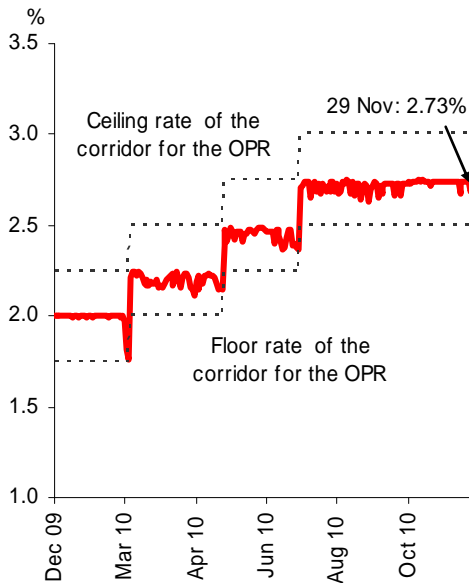
Headline Inflation: Component Contribution



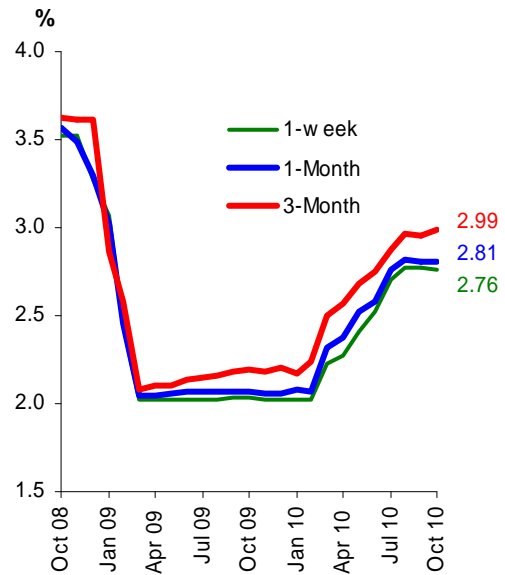
* Others include recreation services and culture, alcoholic beverages and tobacco, restaurant and hotels, education, health, furnishings, household equipment and routine, communication, and clothing and footwear

Interest rates were stable

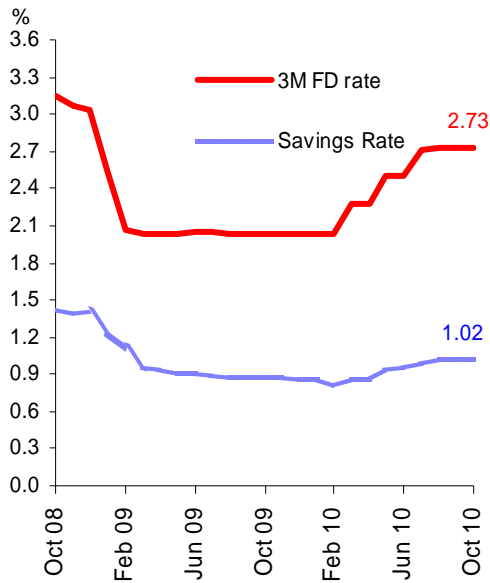
Average Overnight Interbank Rate



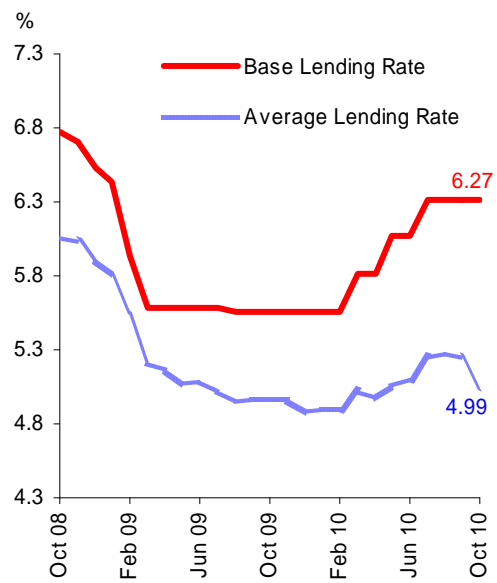
Average Interbank Rates



Deposit Rates of Commercial Banks

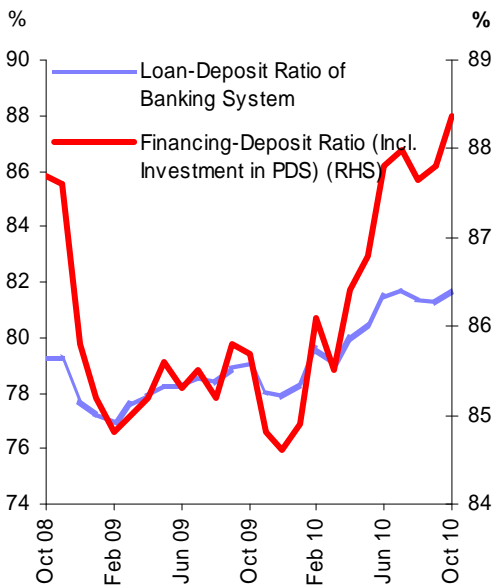


Lending Rates of Commercial Banks

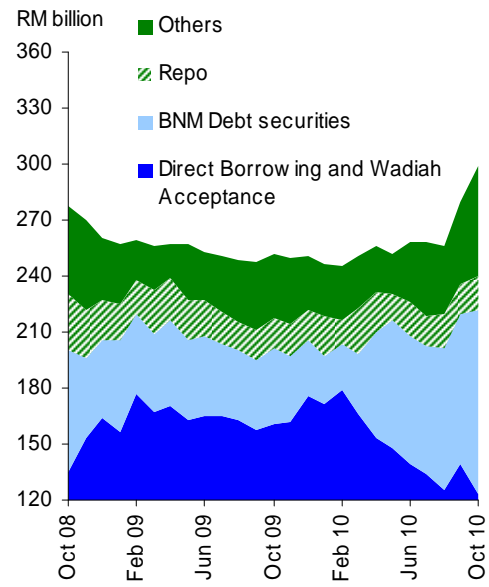


Liquidity in the banking system remains ample

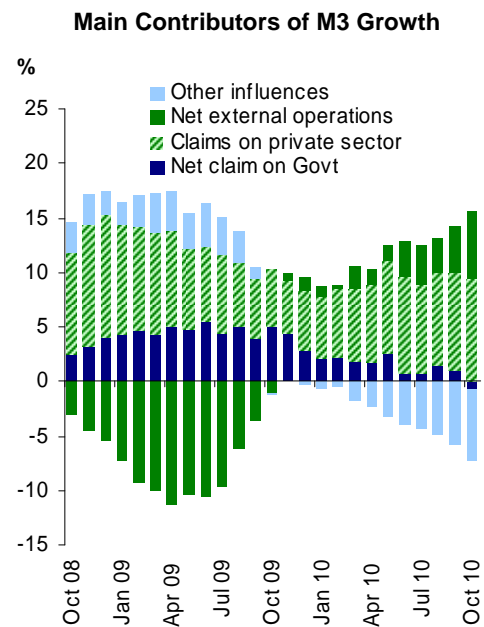
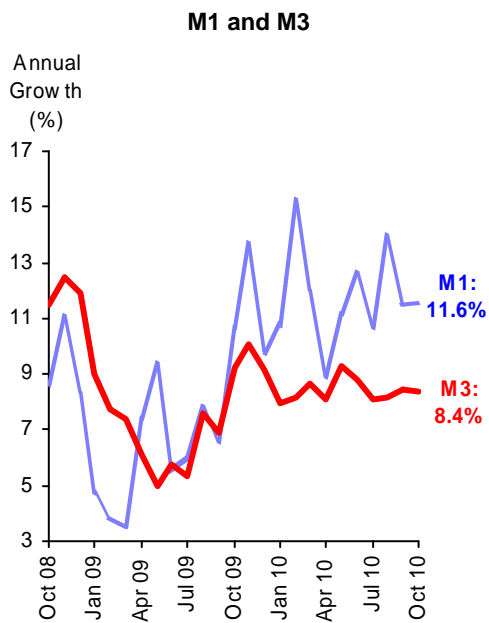
Loan-Deposit Ratio and Financing-Deposit Ratio



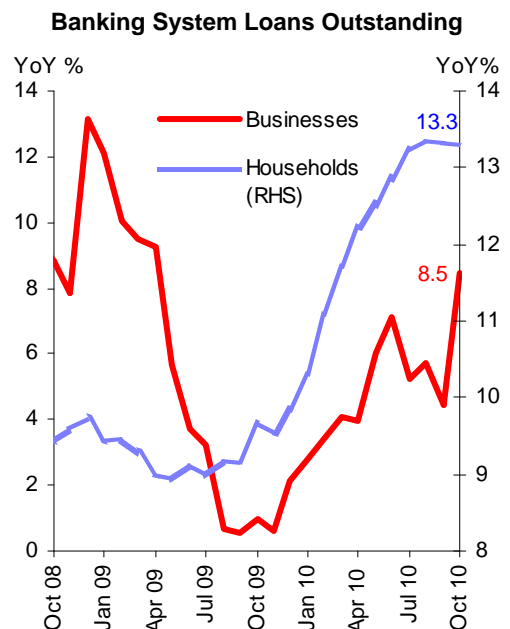
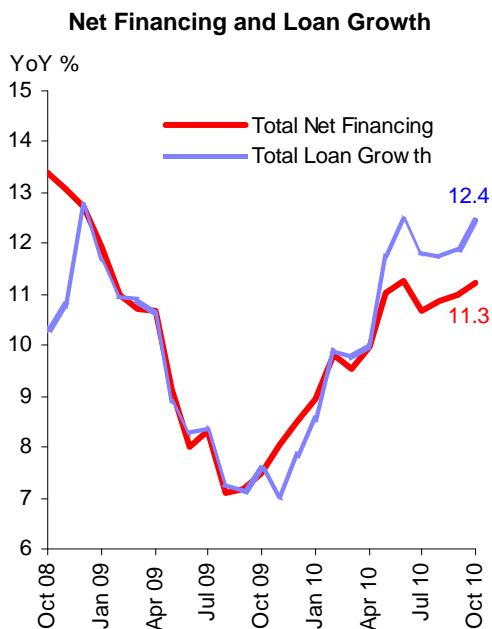
Outstanding Liquidity Placed With Bank Negara Malaysia



Broad money growth was sustained

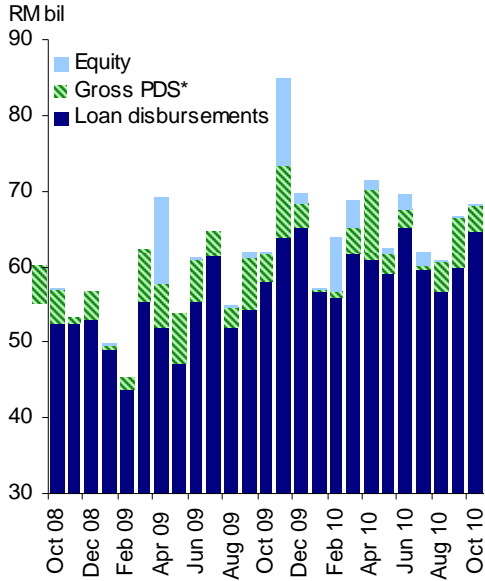


Higher financing activity in October



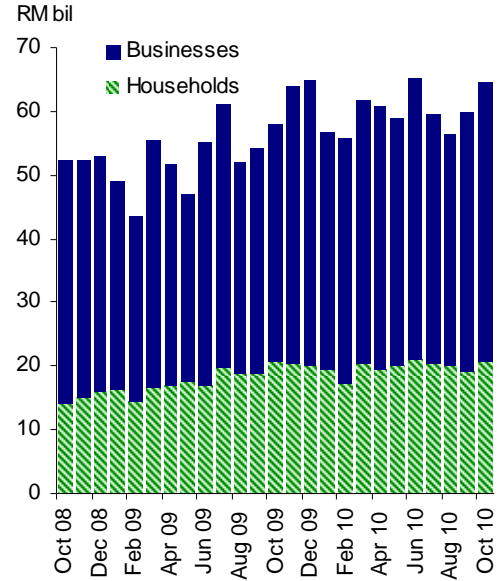
* Net financing comprised of banking system loans outstanding and private debt securities (PDS) outstanding (exclude non residents and Cagamas)

Gross Private Sector Financing

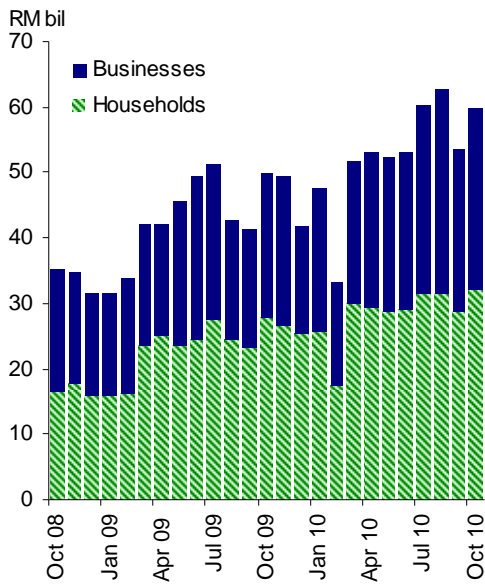


* Excludes foreign issuances

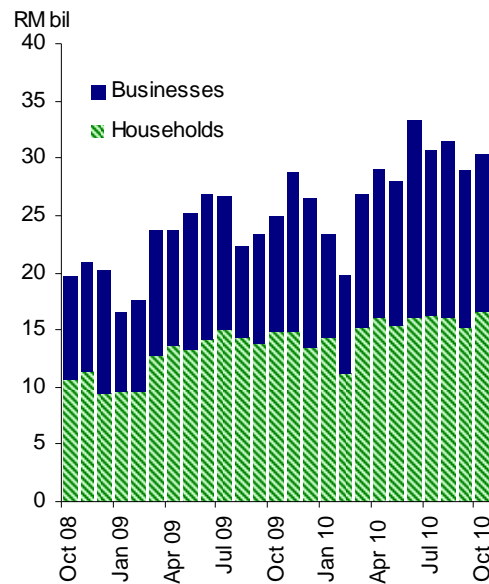
Loan Disbursements by the Banking System



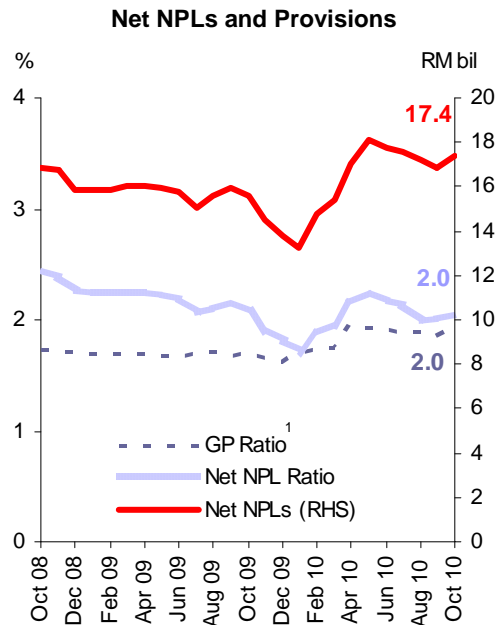
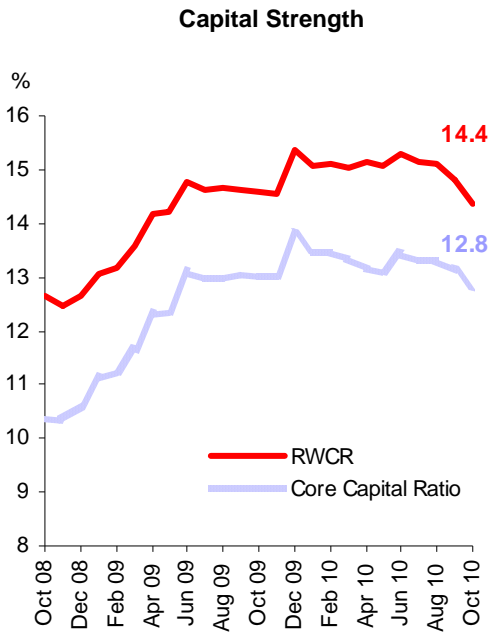
Loan Applications with the Banking System



Loan Approvals by the Banking System



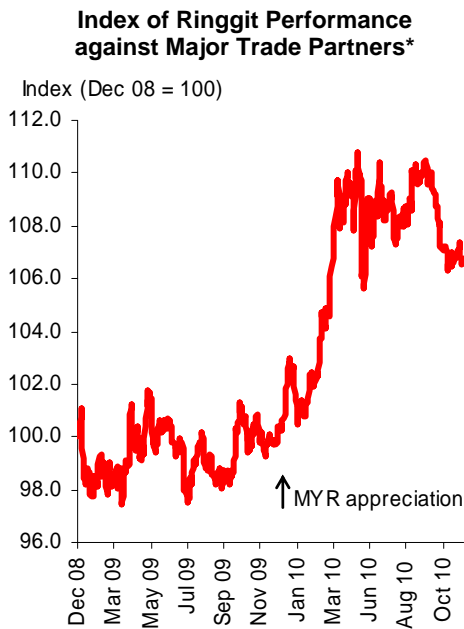
Banking system capitalisation remained strong with stable loan quality



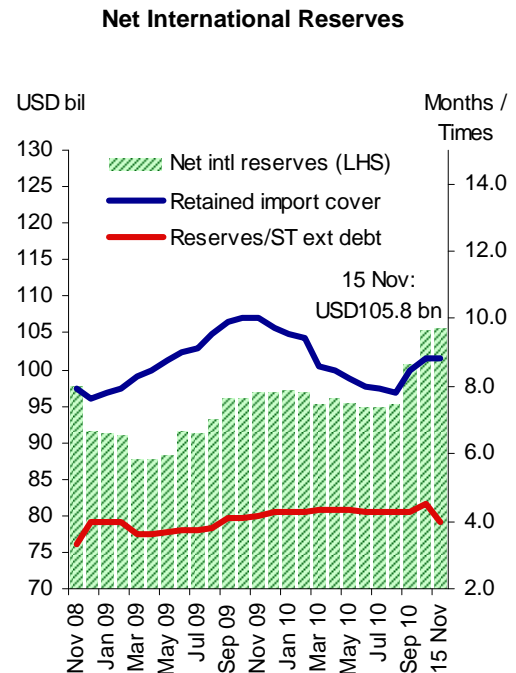
* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

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

Ringgit depreciated against major trade partners



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



Key Monetary and Financial Statistics

	Aug 10		Sep 10		Oct 10	
	O/stg	Ann. growth	O/stg	Ann. growth	O/stg	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
Monetary Aggregates						
Reserve money	60.3	11.6	57.6	3.2	58.5	11.1
M1	214.4	13.9	213.4	11.5	213.1	11.6
M2	1,023.0	8.2	1,028.8	8.3	1,035.9	8.4
M3	1,052.5	8.2	1,058.5	8.5	1,065.7	8.4
Banking System						
Net financing ¹	7.9	10.9	11.4	11.0	11.3	11.2
Loan-deposit ratio (%) ²		81.4		81.3		81.7
Financing-deposit ratio (%) ^{2&3}		87.6		87.8		88.4
Loans applied (during the period)	62.6	46.0	53.6	29.6	60.1	20.8
Loans approved (during the period)	31.4	40.1	29.0	23.9	30.4	21.4
Loans disbursed (during the period)	56.7	9.0	59.9	10.4	64.8	11.8
Loans repaid (during the period)	52.8	16.6	55.3	11.6	57.1	8.9
Banking System Health						
Risk-weighted Capital Ratio (RWCR) (%)	15.1		14.8		14.4	
Net NPLs: 3-month classification (%)	2.1		2.0		2.0	
BNM International Reserves (end-period)						
Net Reserves in RM billion	311.3		310.7		324.9	
Net Reserves in USD billion (equivalent)	95.2		100.7		105.3	
Months of retained imports	7.8		8.4		8.8	
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)		2.75		2.75		2.75
Interbank:	Overnight	2.72 [2.71]		2.73 [2.71]		2.74 [2.74]
	1-week	2.75 [2.77]		2.76 [2.77]		2.77 [2.76]
	1-month	2.83 [2.82]		2.81 [2.81]		2.78 [2.81]
Fixed deposits of commercial banks:	1-month	2.71		2.71		2.71
	3-month	2.73		2.73		2.73
BLR of commercial banks		6.27		6.27		6.27
ALR of commercial banks		5.22		5.19		4.99
Prices						
Consumer Price Index (CPI) (2005=100)	114.4	2.1	114.4	1.8	114.7	2.0

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.