



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 05/10/12

**EMBARGO: Not for publication or
broadcast before 1700 hours on
Monday, 31 May 2010**

Monetary and Financial Developments in April 2010 **Highlights of the Press Release**

- Gross banking system loans and PDS outstanding were higher in April
- Major loan indicators for the business sector improved
- The Consumer Price Index (CPI) rose to 1.5%
- The banking system's capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 15.1% and 13.1% respectively

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MONETARY AND FINANCIAL DEVELOPMENTS

April 2010

Gross financing to the private sector through the banking system and the capital market increased to RM71.4 billion in April, reflecting mainly higher PDS issuances during the month. Major loan indicators for the business sector improved, while those for the household sectors were sustained.

Following the increase in the OPR to 2.5% on 13 May, the daily overnight interbank rate trended higher and interbank rates of other maturities also rose accordingly. In terms of the commercial banks' lending rates, both the average base lending rate and the average lending rate were relatively unchanged as at 15 May and end-April respectively. The average fixed deposit (FD) rates were also stable as at 15 May.

From 1 April to 27 May 2010, the ringgit depreciated against the U.S. dollar by 1.1%. The ringgit also depreciated against the Japanese yen (-4.8%), but appreciated against the euro (8.3%) and pound sterling (3.4%). Against regional currencies, the ringgit performance appreciated against the Korean won (7.9%), Philippine peso (1.5%) and Indonesian rupiah (1.0%) but depreciated against the Chinese renminbi (-1.1%), Singapore dollar (-0.6%), and Thai baht (-0.5%).

Headline inflation was higher at 1.5% in April. The increase in headline inflation was largely the result of price increases in the *food and non-alcoholic beverages* category.

Broad money (M3) grew at an annual rate of 8.1%, but moderated on a month-on-month basis reflecting mainly the purchase of Bank Negara Malaysia debt securities by the private sector from the banking institutions.

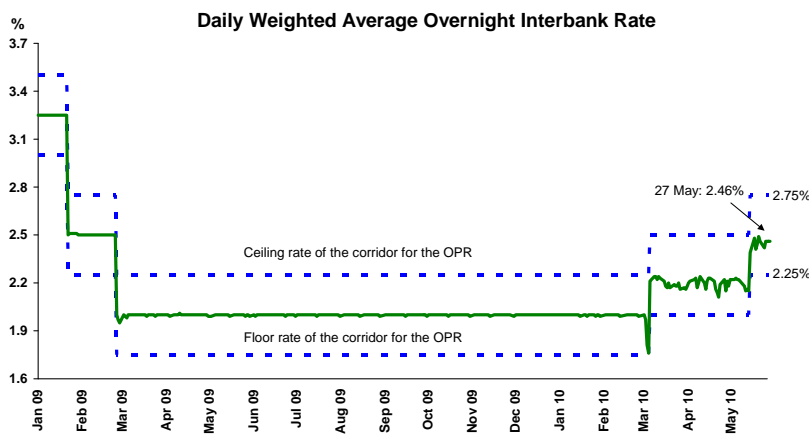
The banking system's capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 15.1% and 13.1% respectively. The level of non-performing loans (NPLs) including impaired loans remained stable at 2% of net loans.

Interest rates edged higher in response to the increase in the OPR

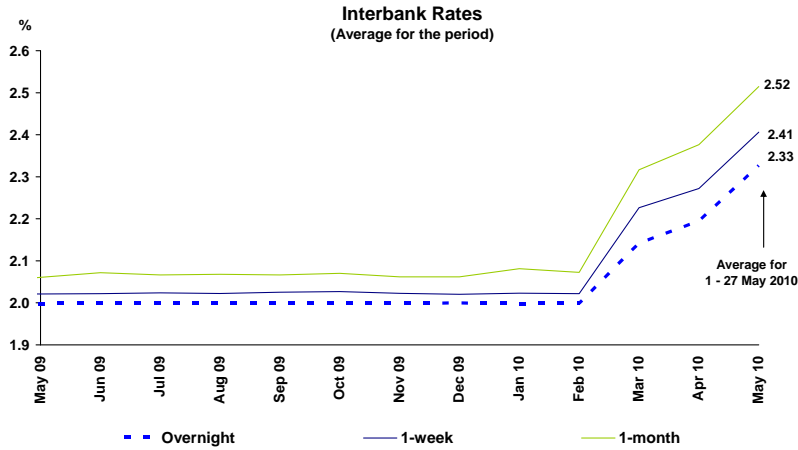
During the period 1 April - 13 May 2010 the daily weighted average overnight interbank rate moved within a range of 2.11% - 2.24%. Following the increase in the OPR to 2.50% on 13 May, the daily weighted average overnight interbank rate trended higher within a range of 2.39% - 2.49% during the period 14 – 27 May. Interbank rates of other maturities also rose accordingly. Market conditions remained orderly as the financial institutions transitioned to the new interest rate level.

In terms of the commercial banks' lending rates, the average base lending rate (BLR) was unchanged at 5.76% as at 15 May. Similarly, the average lending rate (ALR) was relatively unchanged at 4.93% as at end-April (4.96% in March and 4.85% in February).

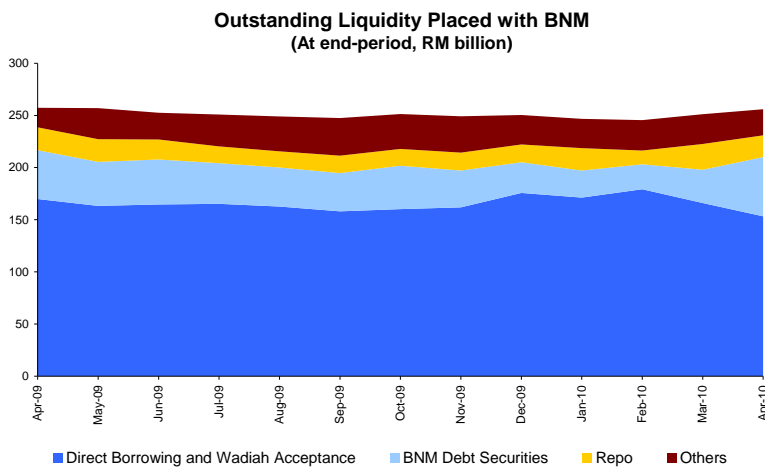
The average fixed deposit (FD) rates of commercial banks (CBs) were also relatively unchanged between April and mid-May. As at 15 May, the average quoted fixed deposit rates for tenures between 1 and 12 months were within the range of 2.26% and 2.68%.



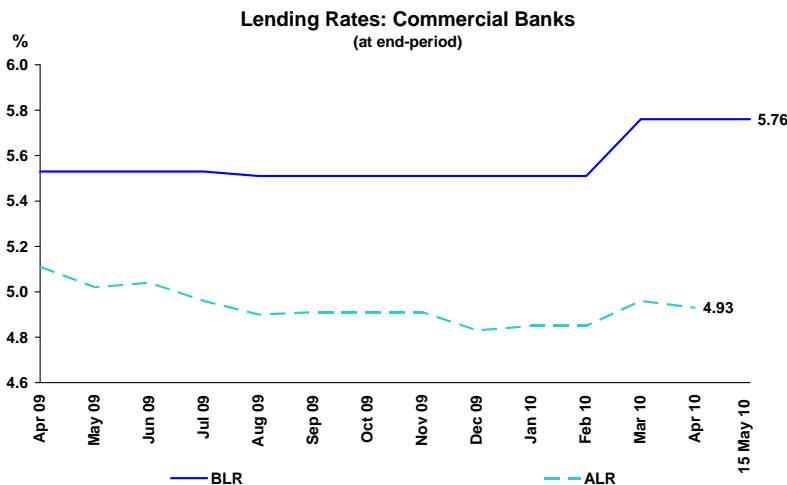
The average overnight interbank rate moved higher to reflect the increase in the OPR on 13 May



Other interbank rates also rose after the increase in the OPR

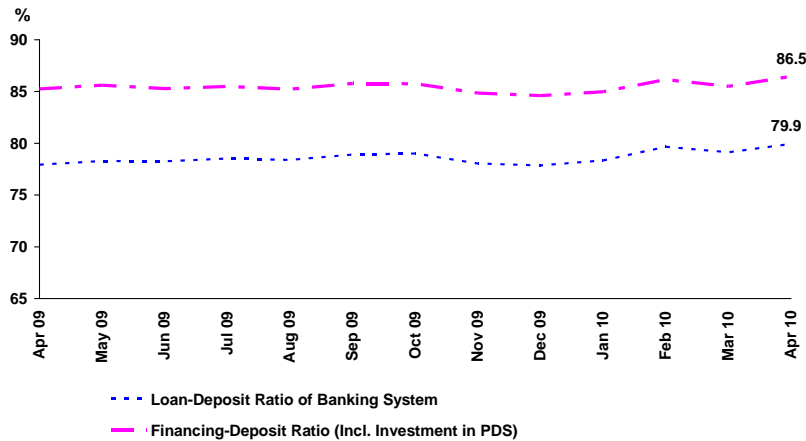


BNM continued to absorb excess liquidity



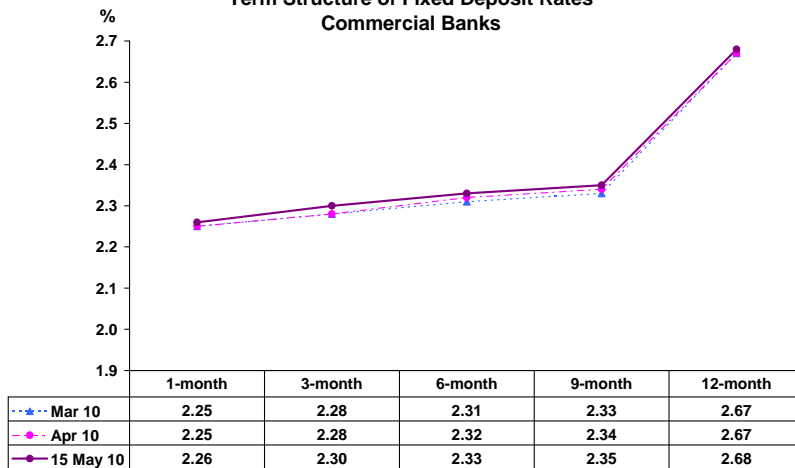
Quoted BLR of the commercial banks were stable in April

Liquidity Situation



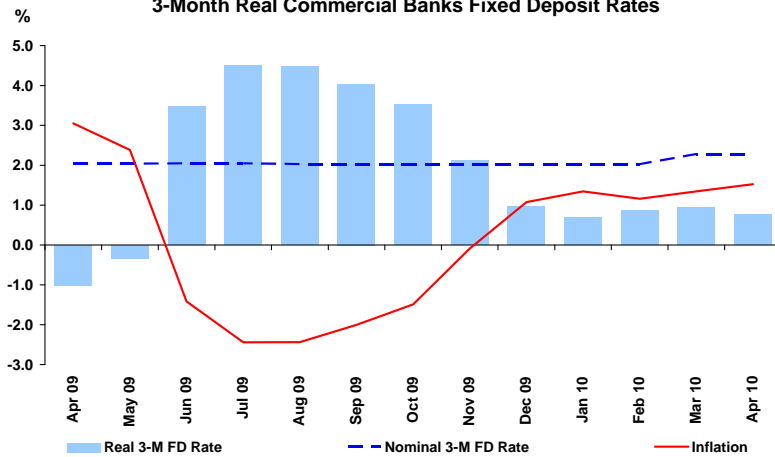
The loan-deposit and financing-deposit ratios increased in April, reflecting the sustained increase in financing

Term Structure of Fixed Deposit Rates Commercial Banks



Average fixed deposit rates were relatively unchanged

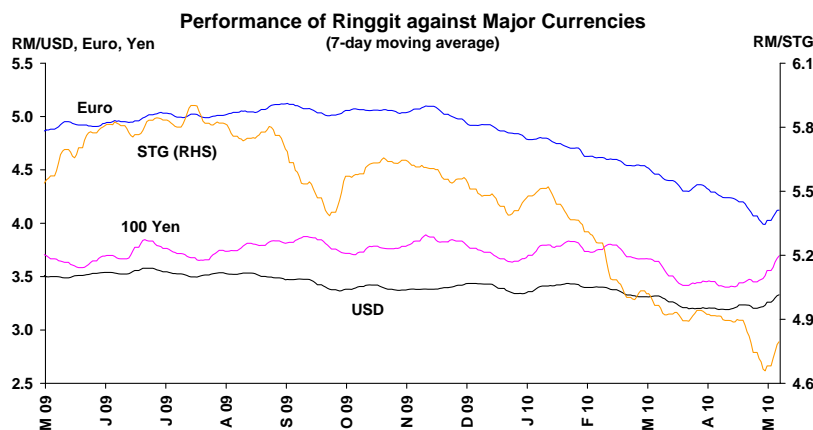
3-Month Real Commercial Banks Fixed Deposit Rates



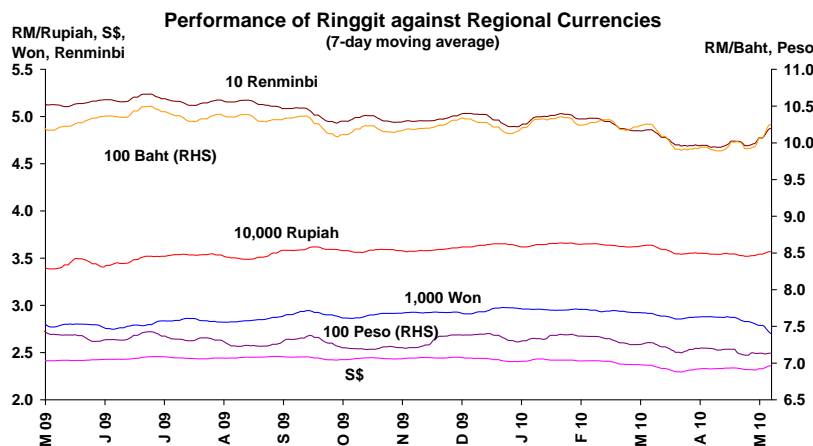
Real fixed deposit rates moderated slightly

The ringgit depreciated against the US dollar

From 1 April to 27 May 2010, the ringgit depreciated against the U.S. dollar by 1.1%. The ringgit initially appreciated against the U.S. dollar until 14 May as further signs of global and regional economic recovery contributed to favourable investor sentiment towards regional financial markets. However, the appreciation trend reversed in mid-May as a result of heightened investor risk aversion following the sovereign debt crisis in Europe and increased geopolitical tensions in East Asia. The ringgit also depreciated against the Japanese yen (-4.8%), but appreciated against the euro (8.3%) and pound sterling (3.4%). Against regional currencies, the ringgit appreciated against the Korean won (7.9%), Philippine peso (1.5%) and Indonesian rupiah (1.0%) but depreciated against the Chinese renminbi (-1.1%), Singapore dollar (-0.6%), and Thai baht (-0.5%).



Ringgit performance was mixed against major currencies



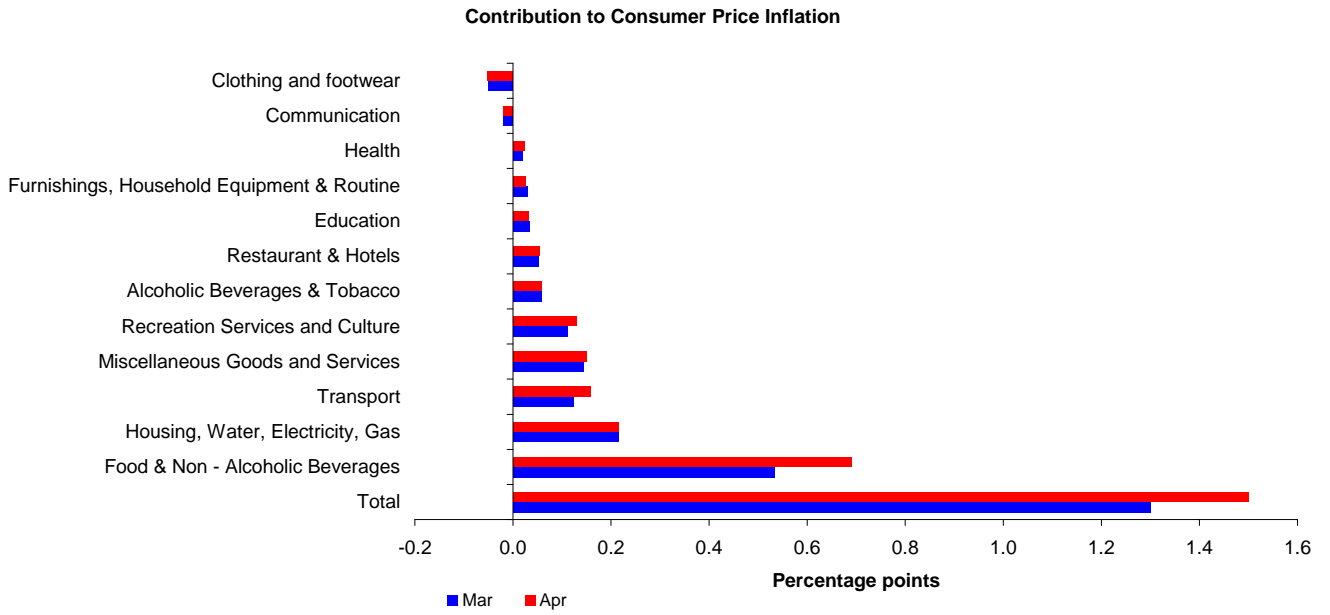
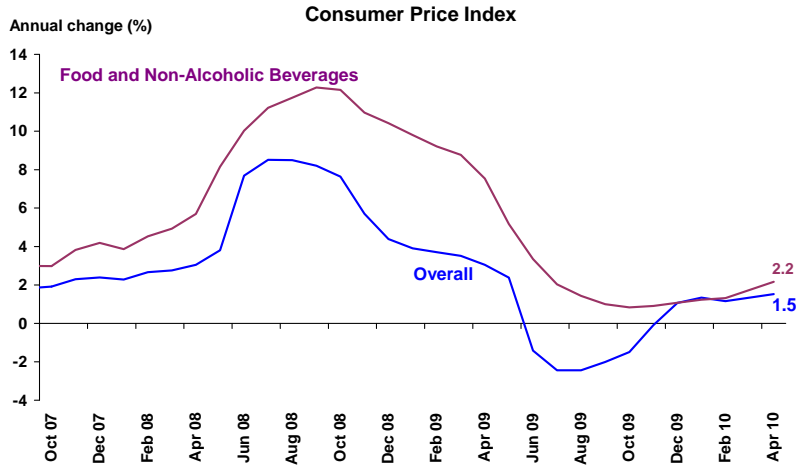
The ringgit's performance was also mixed against regional currencies

Performance of Ringgit against Selected Currencies

RM per foreign currency	End-period				% Change	
	Dec 09	Mar 10	Apr 10	27 May 10	End Dec 09 - 27 May 10	End Mar 10 - 27 May 10
US dollar	3.4245	3.2730	3.1905	3.3105	3.4	-1.1
Euro	4.9191	4.3850	4.2284	4.0473	21.5	8.3
Pound sterling	5.5001	4.9326	4.8981	4.7701	15.3	3.4
100 Japanese yen	3.7076	3.5017	3.3951	3.6781	0.8	-4.8
Singapore dollar	2.4401	2.3354	2.3322	2.3497	3.8	-0.6
100 Thai baht	10.271	10.111	9.8731	10.166	1.0	-0.5
100 Philippine peso	7.4196	7.2236	7.1632	7.1171	4.3	1.5
100 Indonesian rupiah	0.0364	0.0359	0.0354	0.0356	2.4	1.0
100 Korean won	0.2937	0.2889	0.2880	0.2679	9.6	7.9
Chinese renminbi	0.5016	0.4795	0.4674	0.4847	3.5	-1.1

Consumer price inflation edged up in April

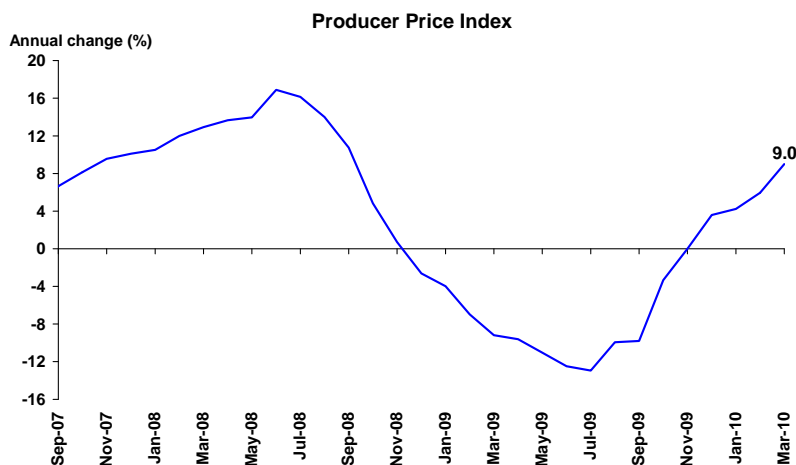
The Consumer Price Index (CPI) was higher at 1.5% in April (March: 1.3%). The increase in headline inflation was largely the result of price increases in the *food and non-alcoholic beverages* category, which rose by 2.2% in April (March: 1.7%) due mainly to higher prices of *meat* and *vegetables*. Prices in the *transport* and *miscellaneous goods and services* categories also increased by 1.0% and 2.5% respectively during the month (March: 0.7%, 2.4%).



Producer prices increased in March

Producer prices, as reflected by the Producer Price Index (PPI), increased by 9.0% in March (February: 5.9%). The rise was driven mainly by higher prices for commodity-related components, which increased by 26.5% during the month (February: 16.8%). In the non-commodity-related components of the PPI, prices increased by 4.4% (February: 3.0%). On a month-on-month basis, producer prices increased by 1.5% (February: 0.1%).

In terms of composition, prices in the local component of the PPI increased further by 12.3% (February: 7.9%). This reflected mainly higher prices of *mineral fuels, lubricants etc.* The imported component of the PPI, however, remained unchanged at 2.1% (February: 2.1%).



M3 grew on an annual basis

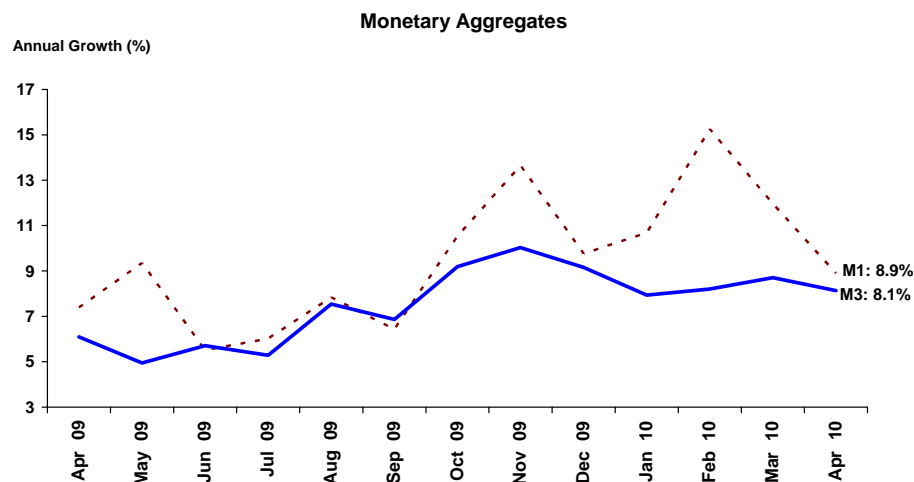
In April, broad money (M3) grew at an annual rate of 8.1%. On a month-on-month basis, M3 moderated by RM6.7 billion. The decrease in broad money reflected mainly the purchase of Bank Negara Malaysia debt securities by the private sector from the banking institutions. The drawdown of deposits to finance the purchase of these securities had a contractionary impact on M3, which was captured under the *other influences* category. The decrease in M3 was partially mitigated by higher Government spending and credit extension by the banking system to the private sector.

M3 Determinants (RM billion)

	Change during period			
	Jan 10	Feb 10	Mar 10	Apr 10
M3	3.7	0.7	10.3	-6.7
Net claims on Government	-0.3	0.4	-2.3	1.7
Claims on the private sector	5.4	6.8	4.5	8.4
Loans	6.2	8.8	4.7	4.3
Securities	-0.8	-2.0	-0.2	4.1
Net foreign assets*	-0.3	-4.9	16.5	1.3
Other influences	-1.0	-1.6	-8.5	-18.2

* Pre-revaluation of the international reserves

M3 has been revised to include *Other Deposits* from December 1999 onwards. *Other Deposits* were previously excluded from the compilation of M3.



Diterbitkan oleh:

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Total banking system deposits grew on an annual basis

Total deposits placed with the banking system in April grew by 8.1% annually (March: 8.4%). On a month-on-month basis, total deposits declined by RM4.0 billion (March: +RM20 billion). The decline in deposits mainly reflected withdrawals of FX deposits by several large business enterprises. Demand deposits also fell during the period.

Deposits by Holder (RM million)

	Change during period			
	Jan 10	Feb 10	Mar 10	Apr 10
Federal Government	1,128	-1,389	-2,319	51
State Governments	140	1,634	1,662	329
Statutory Authorities ¹	-169	549	1,876	-836
Financial Institutions	-11,124	-2,970	16,221	3,818
<i>of which:</i>				
<i>Banking Institutions</i>	-6,620	-7,385	6,573	786
<i>Non-Bank Financial Institutions</i>	-4,669	4,341	8,646	2,769
Business Enterprises	2,729	-9,619	5,715	-8,576
Individuals	2,341	287	3,514	1,967
Others ²	643	1,684	-6,648	-758
Total	-4,312	-9,825	20,022	-4,005

1/ Include local Governments

2/ Consist of domestic other entities and foreign non-bank entities

Deposits by Type (RM million)

	Change during period			
	Jan 10	Feb 10	Mar 10	Apr 10
Fixed deposits	982	810	-866	1,080
NIDs	-9,343	-4,957	4,193	0
Demand deposits	1,059	946	-3,071	-1,808
Savings deposits	468	-167	417	-512
Repos	829	-640	644	919
FX deposits	55	318	4,404	-6,094
IBS deposits ¹	2,472	-1,873	2,168	299
Others ²	-834	-4,263	12,131	2,111
Total	-4,312	-9,825	20,022	-4,005

1/ IBS deposits refers to Islamic banking system deposits

2/ Other deposits comprised mainly of short-term money market deposits

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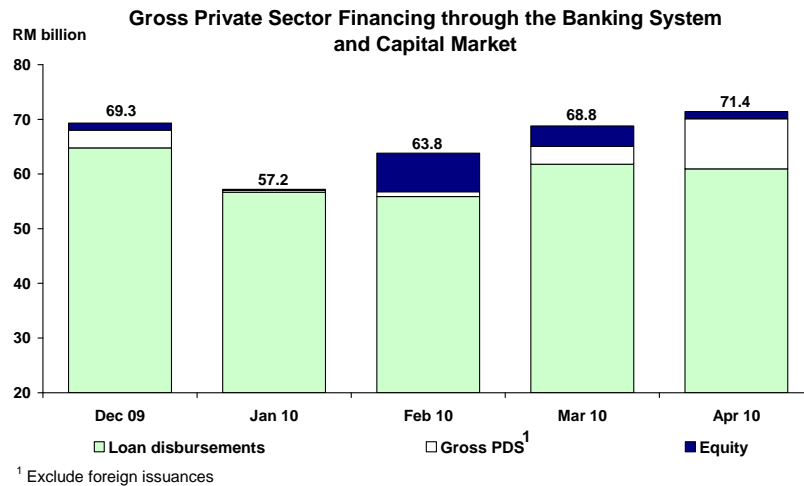
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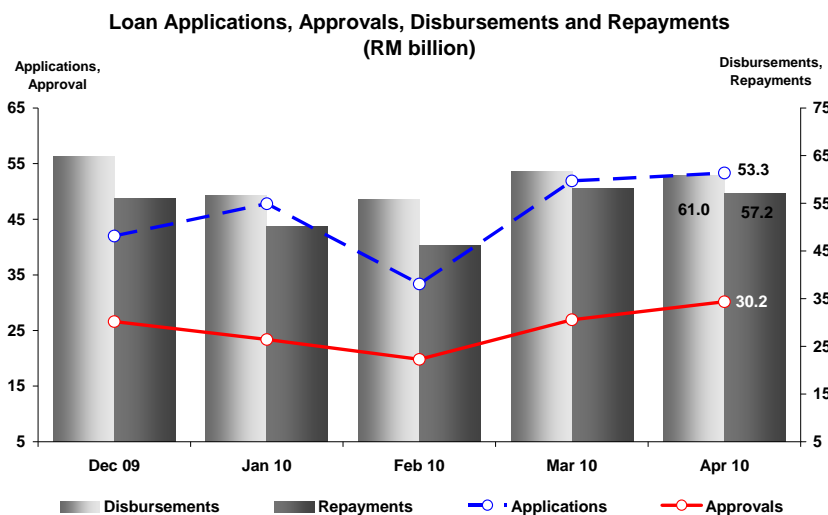
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Higher gross financing activity in April

Gross financing to the private sector through the banking system and the capital market was higher at RM71.4 billion in April (March: RM68.8 billion). The increase reflected mainly larger PDS issuances during the month. On a net basis, banking system loans and PDS outstanding expanded at an annual rate of 10% as at end-April (March: 9.8%).



Gross financing expanded further in April



Continued improvement in loan applications and approvals...

In April, demand for financing from the business sector was stronger compared to the previous month as reflected by the increase in loan applications. Subsequently, loan approvals to businesses expanded, mainly to meet working capital requirements of the *education, health and others* as well as *real estate* sectors. Meanwhile, high business loan disbursements led to

the continued expansion in business loans outstanding by an annual rate of 4.0% as at end-April (end-March: 4.3%).

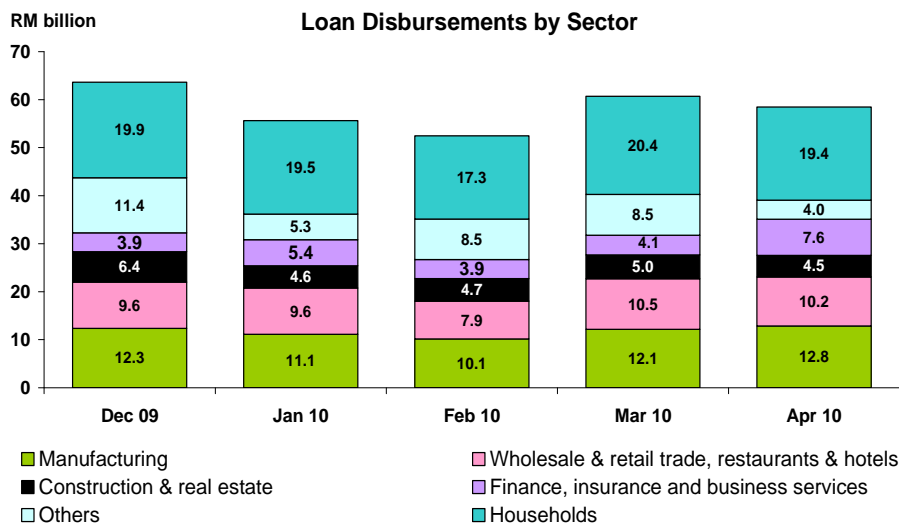
	Bank lending indicators					
	RM billion			Annual Growth (%)		
	Mar-10	Apr-10	J-A 10	Mar-10	Apr-10	J-A 10
Overall						
Loan applications	51.9	53.3	186.3	23.0	26.8	24.6
Loan approvals	26.9	30.2	100.3	12.9	26.7	22.5
Loan disbursements	61.8	61.0	235.3	11.4	17.5	17.6
Chg in Loans Outstanding ^{1/}	4.2	4.7	26.9	9.8	10.0	10.0
Businesses						
Loan applications	21.8	23.9	83.9	16.8	40.2	21.5
Loan approvals	11.7	13.5	42.7	4.8	32.4	17.8
Loan disbursements	41.4	41.6	158.7	6.7	19.0	16.9
Chg in Loans Outstanding ^{1/}	2.3	-0.7	2.9	4.3	4.0	4.0
SMEs^{2/}						
Loan applications	10.9	11.7	39.7	38.7	38.3	38.2
Loan approvals	5.0	5.4	18.3	45.5	62.0	50.1
Loan disbursements	12.8	12.6	48.1	11.1	11.7	4.6
Chg in Loans Outstanding ^{1/3/}	1.3	1.0	3.4	3.1	4.6	4.6
Households						
Loan applications	30.1	29.4	102.4	28.0	17.7	27.2
Loan approvals	15.3	16.7	57.5	20.1	22.5	26.2
Loan disbursements	20.4	19.4	76.6	22.1	14.5	19.0
Chg in Loans Outstanding ^{1/}	4.2	5.1	19.0	11.7	12.2	12.2

... mainly due to higher demand for financing from the business sector

^{1/} The annual growth in outstanding amount as at end-period.

^{2/} Include loans to individual businesses.

^{3/} The smaller increase in SME loans outstanding partly reflected the exclusion of a number of companies from the SME classification, as they have grown beyond the definition of SME. Without this exclusion, SME loans outstanding would have increased by 8.6% year-on-year as at end-April 2010.

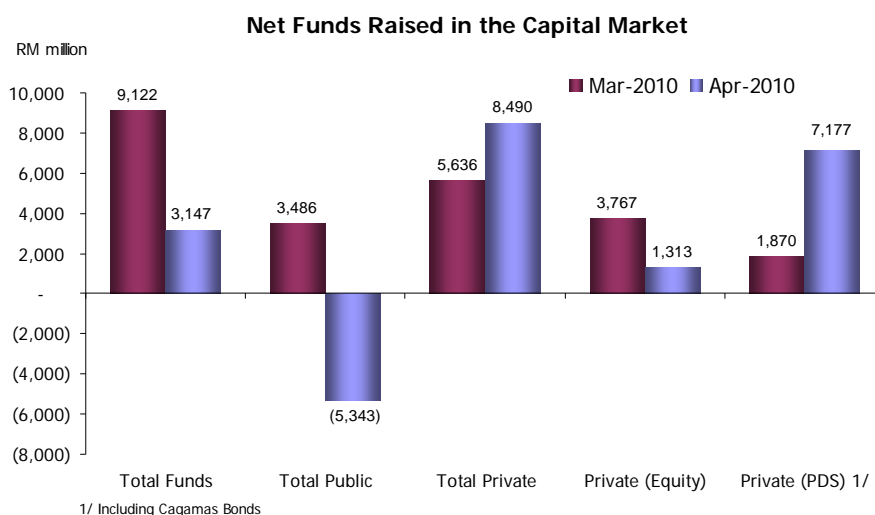


Loan disbursements remained broad-based

For the household sector, loan approvals expanded further, mainly for the purchase of *residential* and *non-residential properties* and *personal use*. At end-April, household loans outstanding increased further by 12.2% (end-March: 11.7%).

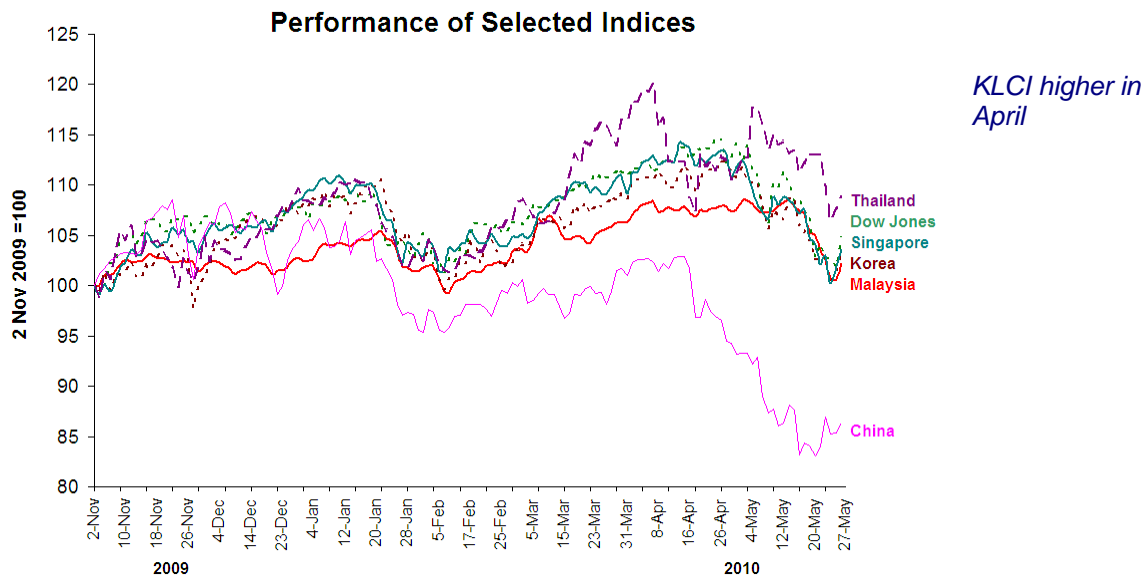
Stronger fund raising activity by the private sector

Gross funds raised in the capital market increased to RM16 billion in April (March: RM14.2 billion). The increase was due mainly to stronger fund raising by the private sector (April: RM10.4 billion; March: RM7.2 billion). Funds raised through the PDS market increased significantly to RM9.1 billion (March: RM3.4 billion). The rise in PDS during the month was due to several large issuances by several financial institutions. In the public sector, gross funds of RM5.6 billion were raised through the new issuance of a 20-year Malaysian Government Securities (MGS) and the re-opening of 5-year MGS. After adjusting for larger redemptions from the public sector, total net funds raised in the capital market amounted to RM3.1 billion during the month.



KLCI rose further in April

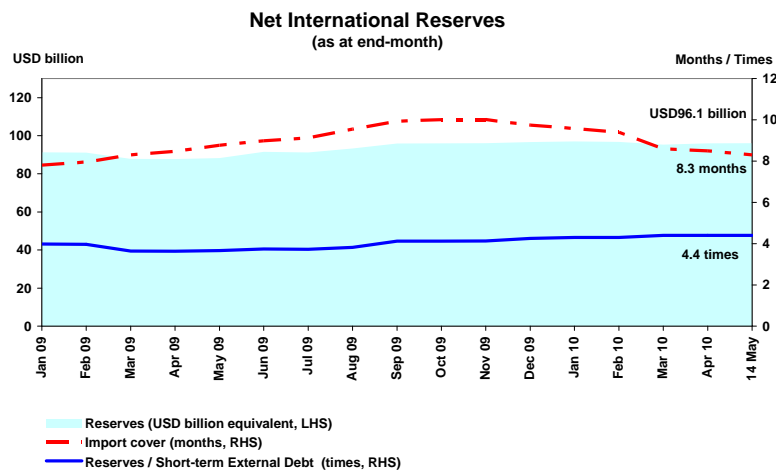
In April, the FBM KLCI closed higher at 1,346.4 (end-March: 1,320.6) led mainly by finance and industrial stocks. The local market was supported by improved market sentiments and increased investor risk appetite on expectations of strengthening economic growth prospects. Market capitalisation rose to RM1.08 trillion (since end-March: +1.8%) and the daily average turnover increased to 1.02 billion units (March: 968.3 million units).



As at 27 May, the FBM KLCI declined to 1269.16 (since end-April: -5.7%) and market capitalisation was lower at RM1.01 trillion.

International reserves

The net international reserves of Bank Negara Malaysia amounted to RM314.2 billion (equivalent to USD96.1 billion) as at 14 May 2010. The reserves position is sufficient to finance 8.3 months of retained imports and is 4.4 times the short-term external debt.



Banking system well-capitalised and the level of non-performing loans remained stable

Banking system capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 15.1% and 13.1% respectively. Capital base increased by 2.2% due to capital raising exercise and the inclusion of audited profits. The level of non-performing loans (NPLs) including impaired loans remained stable amounting to 1.8% of net loans. Loan loss coverage remained high at above 90%.

Banking System Health Indicators ¹

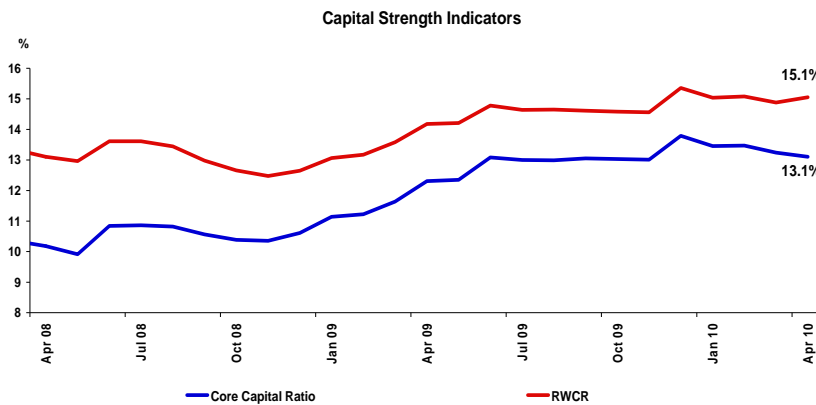
	2003	2004	2005	2006	2007	2008	2009	Feb 10	Mar 10	Apr 10
Capital (%)²										
Core capital ratio	11.1	11.4	10.7	10.7	10.2	10.6	13.8	13.5	13.2	13.1
RWCR	13.8	14.4	13.7	13.5	13.2	12.6	15.4	15.1	14.9	15.1
Net Non-Performing Loans ³										
% of net total loans	8.9	7.5	5.8	4.8	3.2	2.2	1.8	1.9	1.8	1.8
Amount (RM million)	40,013	36,668	31,332	27,360	20,011	15,889	13,788	15,064	14,583	14,635
General Provisions ⁴ / Net loans ³										
(%)	2.0	1.9	1.8	1.7	1.7	1.7	1.6	1.7	1.7	1.8

¹ Figures include Islamic banks.

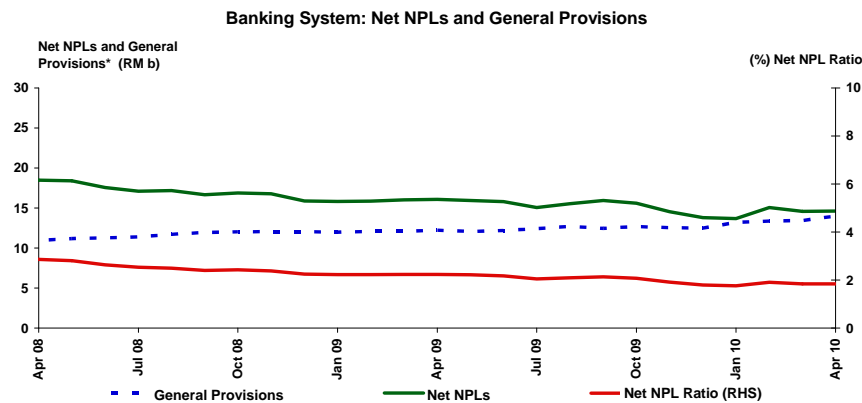
² Beginning January 2008, RWCR and CCR are computed based on Basel II for banking institutions that have adopted the standardised approach

³ Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks.

⁴ For banks that have adopted FRS139, the figures from January onwards reflect the collective impairment provisions.



Banking system capitalisation remained strong...



* Beginning January 2010, loans are reported based on FRS139. The adoption of FRS139 requirement is based on the financial year of the banks. For banks that have adopted FRS139, the figures from January onwards reflect the collective impairment provisions.

...whilst the level of NPLs remained stable

Bank Negara Malaysia
31 May 2010

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Key Monetary and Financial Statistics

	Feb 10		Mar 10		Apr 10	
	Outs.	Ann. growth	Outs.	Ann. growth	Outs.	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
Monetary Aggregates						
Reserve money	59.7	-1.3	56.5	4.5	56.3	4.7
M1	206.6	15.3	201.2	12.0	198.9	8.9
M2	991.7	8.4	1,002.8	8.8	996.5	8.5
M3	1,021.6	8.2	1,031.9	8.7	1,025.3	8.1
Banking System						
Total deposits	1,048.8	7.4	1,068.8	8.4	1,064.8	8.1
Total loans (including loans sold to Cagamas)	801.5	9.9	805.7	9.8	810.4	10.0
Loan-deposit ratio (%) ¹	79.7		79.1		79.9	
Financing-deposit ratio (%) ^{1 & 2}	86.2		85.5		86.5	
Loans applied (during the period)	33.4	-1.4	51.9	23.0	53.3	26.8
Loans approved (during the period)	19.8	12.0	26.9	12.9	30.2	26.7
Loans disbursed (during the period)	55.9	27.9	61.8	11.4	61.0	17.5
Loans repaid (during the period)	46.2	10.2	58.1	19.9	57.2	16.4
Banking System Health						
Risk-weighted Capital Ratio (RWCR) (%)	15.1		14.9		15.1	
Net NPLs: 3-month classification (%)	1.9		1.8		1.8	
BNM International Reserves (end-period)						
Net Reserves in RM billion	331.8		311.6		313.9	
Net Reserves in USD billion (equivalent)	96.8		95.3		96.0	
Months of retained imports	9.4		8.6		8.5	
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)	2.00		2.25		2.25	
Interbank:						
Overnight	1.99 [2.00]		2.18 [2.14]		2.22 [2.20]	
1-week	2.02 [2.02]		2.26 [2.23]		2.26 [2.27]	
1-month	2.10 [2.07]		2.35 [2.32]		2.56 [2.37]	
Fixed deposits of commercial banks:						
1-month	2.00		2.25		2.25	
3-month	2.03		2.28		2.28	
BLR of commercial banks	5.51		5.76		5.76	
ALR of commercial banks	4.85		4.96		4.93	
Prices						
Consumer Price Index (CPI) (2005=100)	113.2	1.2	113.2	1.3	113.2	1.5
Producer Price Index (PPI) (2005=100)	115.9	5.9	117.6	9.0	n.a.	n.a.
Exchange Rates of Ringgit against Selected Currencies (end-period)						
US dollar	3.4090		3.2730		3.1905	
Euro	4.5943		4.3850		4.2284	
Pound Sterling	5.2359		4.9326		4.8981	
100 Japanese yen	3.8047		3.5017		3.3951	
Singapore dollar	2.4149		2.3354		2.3322	
100 Thai Baht	10.318		10.111		9.873	
100 Philippine Peso	7.3652		7.2236		7.1632	
100 Indonesian Rupiah	0.0365		0.0359		0.0354	
100 Korean Won	0.2937		0.2889		0.2880	
Capital Market						
Net funds raised (in RMb) by:						
public	3.5		3.5		-5.3	
private	2.4		5.6		8.5	
Bursa Malaysia Composite Index (end-period)	1,270.8		1,320.6		1,346.4	
Bursa Malaysia Market Capitalisation (RMb, end-period)	1,015.7		1,061.1		1,079.7	

¹ Exclude financial institutions transaction.

² Refers to the ratio of loans and holdings of PDS by the banking system to deposits of the banking system.