



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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EMBARGO: For immediate release

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

- Gross banking system loans and PDS outstanding were higher in March, with all major loan indicators increasing; across both business and household sectors
- The Consumer Price Index (CPI) increased at an annual rate of 1.3% in March
- Commercial banks' lending rates and average fixed deposit rates have increased following the 25 basis point increase in the OPR
- The banking system's capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.9% and 13.2% respectively

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MONETARY AND FINANCIAL DEVELOPMENTS

March 2010

Gross financing by the banking system and the capital market was higher at RM68.8 billion in March. All major loan indicators across both business and household sectors improved compared to the previous month.

Following the increase in the OPR from 2.00% to 2.25% on 4 March, the average overnight interbank rate traded 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 adjusted upwards. The average fixed deposit (FD) rates also rose in tandem.

Between 1 March and 29 April 2010, the ringgit appreciated by 6.3% against the US dollar. The ringgit also appreciated against the Japanese yen (11.7%), euro (8.5%) and pound sterling (7.7%). Against regional currencies (excluding the renminbi), the ringgit recorded an appreciation within the range of 2.2% to 4%.

The Consumer Price Index (CPI) increased by 1.3% in March on an annual basis (February: 1.2%). Headline inflation was largely the result of price increases in the *food and non-alcoholic beverages* category, and the slight rise in the *housing, water, electricity, gas and other fuels* category. These were, however, off-set by a slower increase in price for *transport and miscellaneous goods and services* categories.

Broad money (M3) grew at a higher annual rate of 8.7%. The increase in broad money was supported by capital inflows and higher credit extended by the banking system to the private sector.

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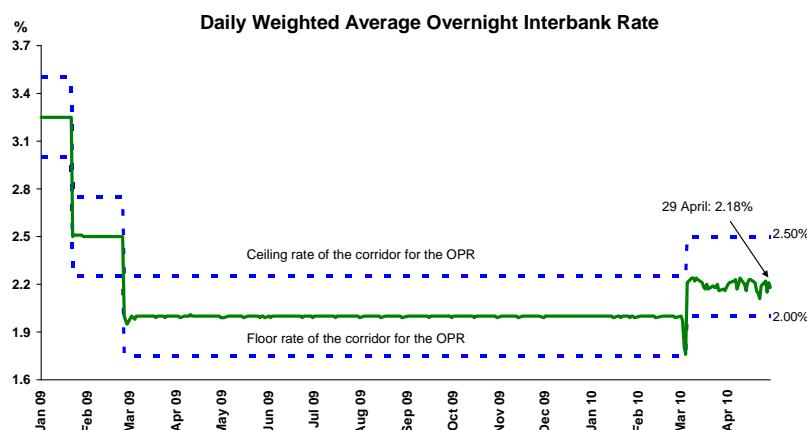
The banking system's capitalisation remained strong with the risk-weighted capital ratio (RWCR) and core capital ratio (CCR) at 14.9% and 13.2% respectively. The level of non-performing loans including impaired loans remained stable at 1.8% of net loans.

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

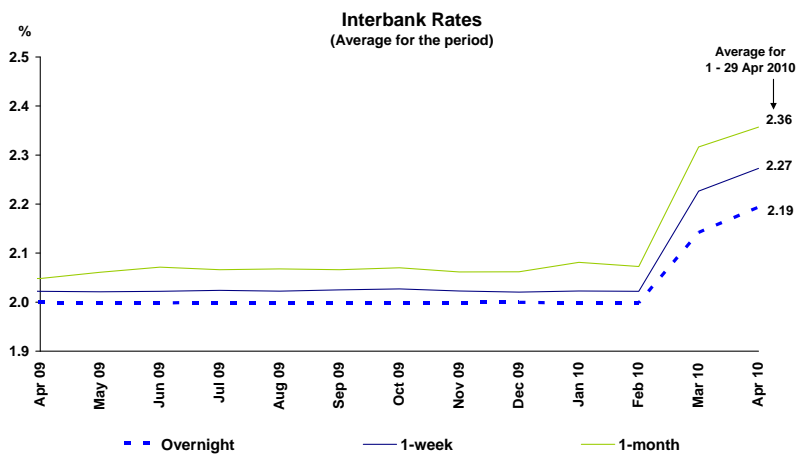
During the period 1 - 4 March 2010 the average overnight interbank rate traded lower and close to the floor rate of the corridor for the Overnight Policy Rate (OPR). This was due mainly to exceptional interest shown by market participants in overnight placements with the Bank ahead of the March Monetary Policy Committee (MPC) meeting. Following the MPC's decision to raise the OPR from 2.00% to 2.25% on 4 March, rates in the interbank market were adjusted upwards. From 5 March to 29 April 2010, the daily weighted average overnight interbank rate traded higher within a range of 2.11% - 2.24%. Interbank rates of other maturities also rose accordingly.

Adjustments were also seen in the retail rates of banks following the increase in the OPR. For commercial banks' lending rates, the average base lending rate (BLR) rose to 5.76% as at 15 April (end-February: 5.51%). Similarly, the average lending rate (ALR) was also higher at 4.96% as at end-March (4.85% in January and February).

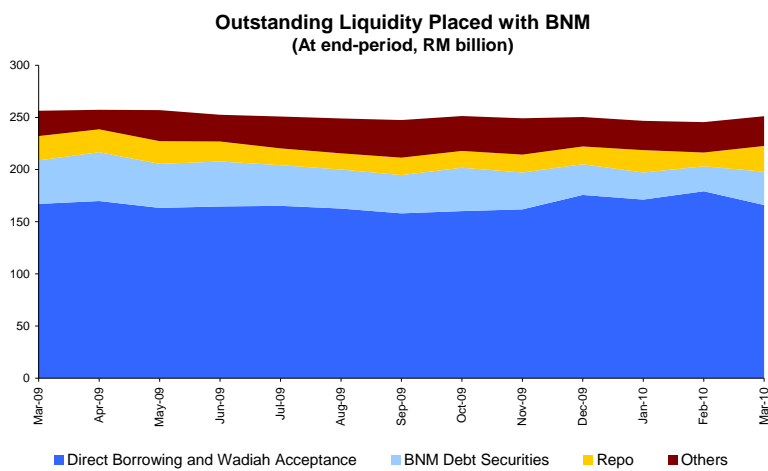
The average fixed deposit (FD) rates of commercial banks (CBs) also increased in March. As at 15 April, the average quoted fixed deposit rates for tenures between 1 and 12 months were within a higher range of 2.25% and 2.65%.



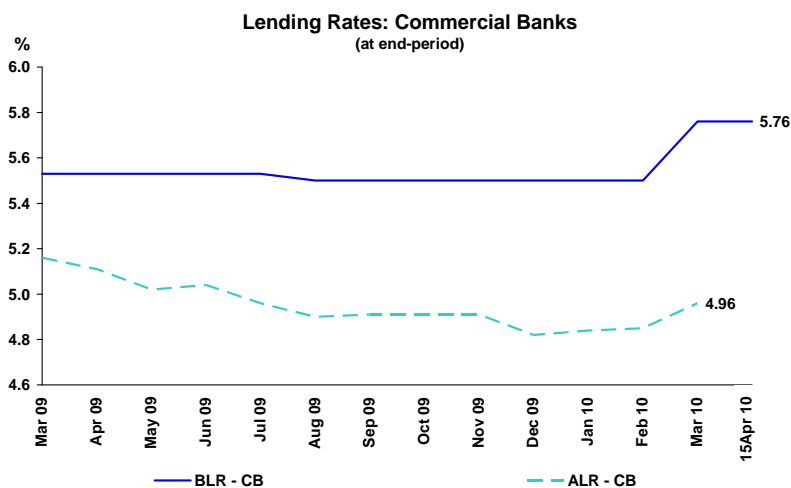
The average overnight interbank rate moved higher to reflect the increase in the OPR on 4 March



Other interbank rates also rose after the increase in the OPR

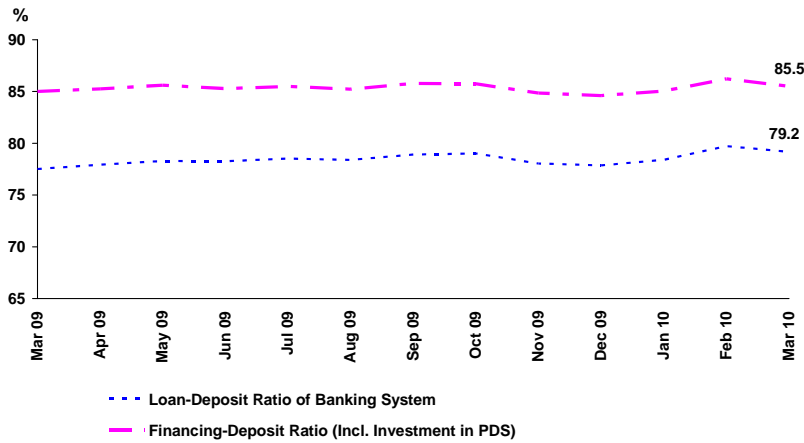


BNM continued to absorb excess liquidity



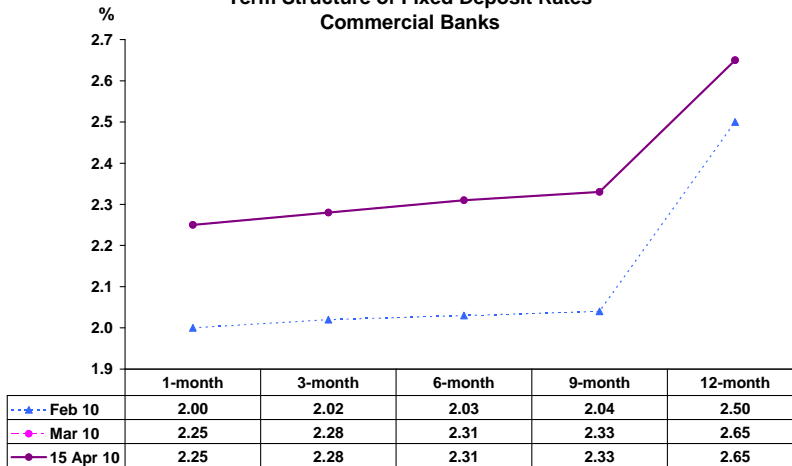
Commercial banks' lending rates adjusted upwards in March.

Liquidity Situation



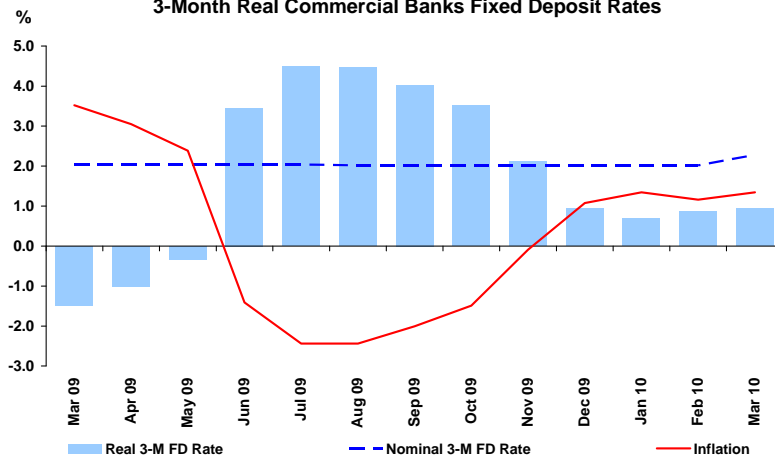
The loan-deposit and financing-deposit ratios decreased in March, as the increase in deposits outpaced the growth in loans

Term Structure of Fixed Deposit Rates Commercial Banks



Following the increase in the OPR, average fixed deposit rates also rose in March

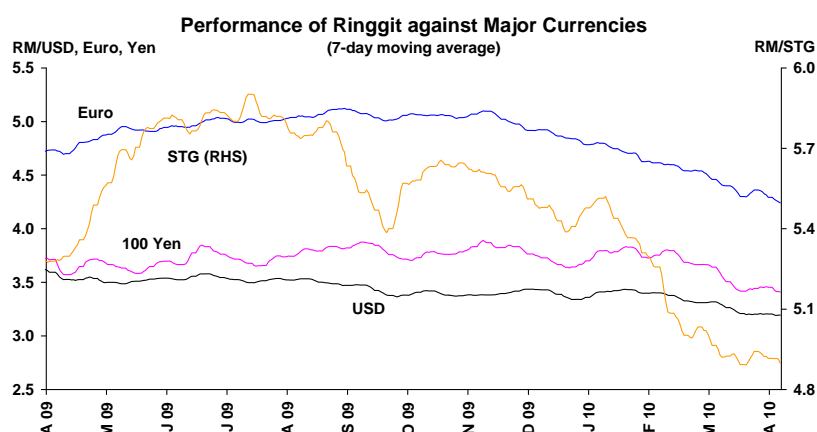
3-Month Real Commercial Banks Fixed Deposit Rates



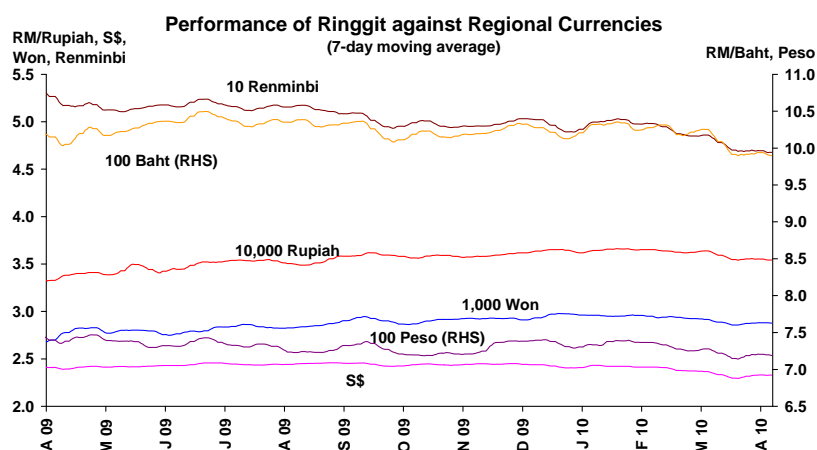
As a result, real fixed deposit rates were higher

The ringgit strengthened

After recording a broad depreciating trend in most of 2008 and 2009 following global deleveraging in the aftermath of the financial crisis, ringgit has strengthened in recent periods, along with other regional currencies. Between 1 March and 29 April 2010, the ringgit appreciated by 6.3% against the US dollar as further signs of global and regional economic recovery contributed to favourable investor sentiments towards the regional financial markets. During the same period, the ringgit also appreciated against the Japanese yen (11.7%), euro (8.5%) and pound sterling (7.7%). The yen depreciated against most currencies as optimism about the global economic recovery led to increased yen carry trade activity. Against regional currencies (excluding the renminbi), the ringgit recorded an appreciation within the range of 2.2% to 4%.



The ringgit strengthened against major currencies



The ringgit also appreciated against regional currencies

Performance of Ringgit against Selected Currencies

RM per foreign currency	End-period				% Change	
	Dec 09	Feb 10	Mar 10	29 Apr 10	End Dec 09 - 29 Apr 10	End Feb 10 - 29 Apr 10
US dollar	3.4245	3.4090	3.2730	3.2055	6.8	6.3
Euro	4.9191	4.5943	4.3850	4.2357	16.1	8.5
Pound sterling	5.5001	5.2359	4.9326	4.8610	13.1	7.7
100 Japanese yen	3.7076	3.8047	3.5017	3.4152	8.6	11.4
Singapore dollar	2.4401	2.4149	2.3354	2.3363	4.4	3.4
100 Thai baht	10.271	10.318	10.111	9.9165	3.6	4.0
100 Philippine peso	7.4196	7.3652	7.2236	7.1856	3.3	2.5
100 Indonesian rupiah	0.0364	0.0365	0.0359	0.0355	2.6	2.7
100 Korean won	0.2937	0.2937	0.2889	0.2875	2.2	2.2
Chinese renminbi	0.5016	0.4993	0.4795	0.4696	6.8	6.3

Consumer price inflation remained low in March

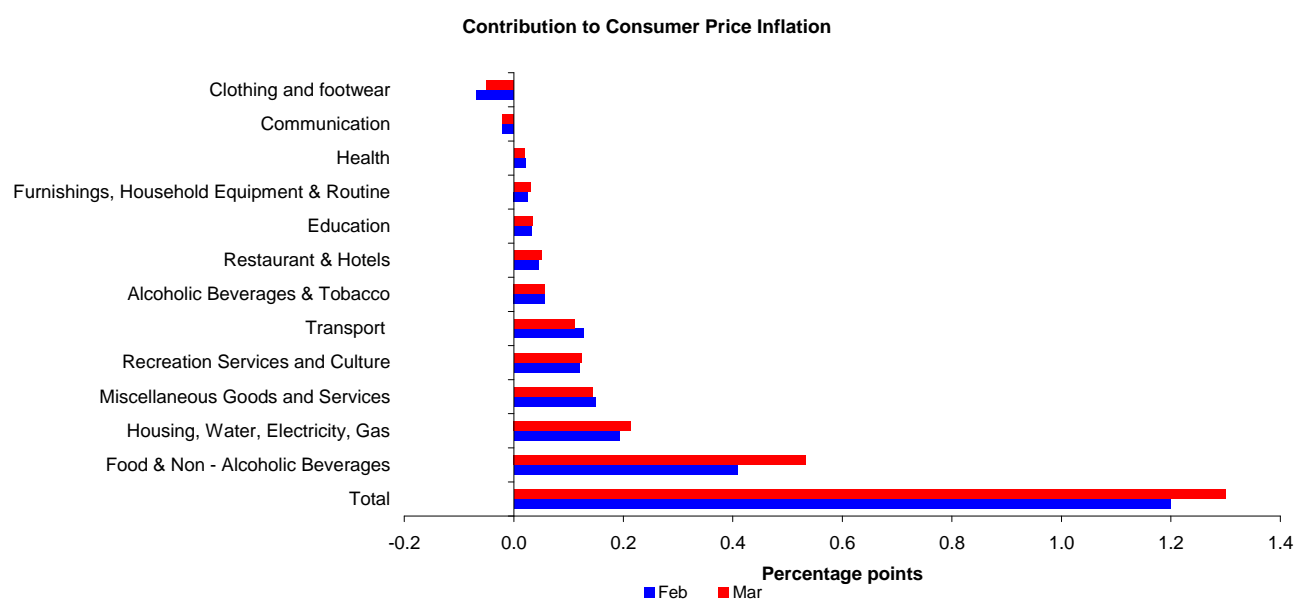
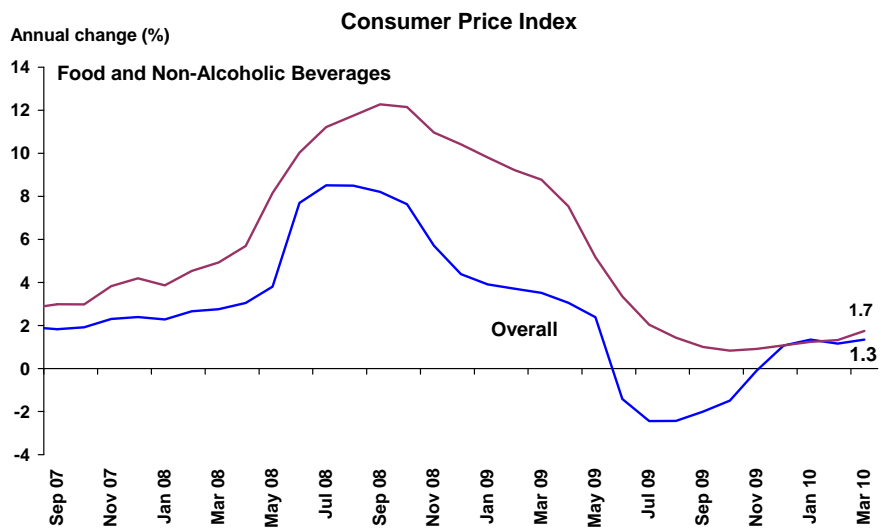
On an annual basis, the Consumer Price Index (CPI) recorded a small increase of 1.3% in March (February: 1.2%). Headline inflation was largely the result of price increases in the *food and non-alcoholic beverages* category which increased to 1.7% in March (February: 1.3%) due mainly to price increases in the *fish and seafood, meat and vegetables* sub-categories. Prices in the *housing, water, electricity, gas and other fuels* category also increased slightly by 1.0% during the month (February: 0.9%). This was off-set by a slower increase in the price for *transport* (March: 0.7%, February: 0.8%) and *miscellaneous goods and services* (March: 2.4%, February: 2.5%) categories.

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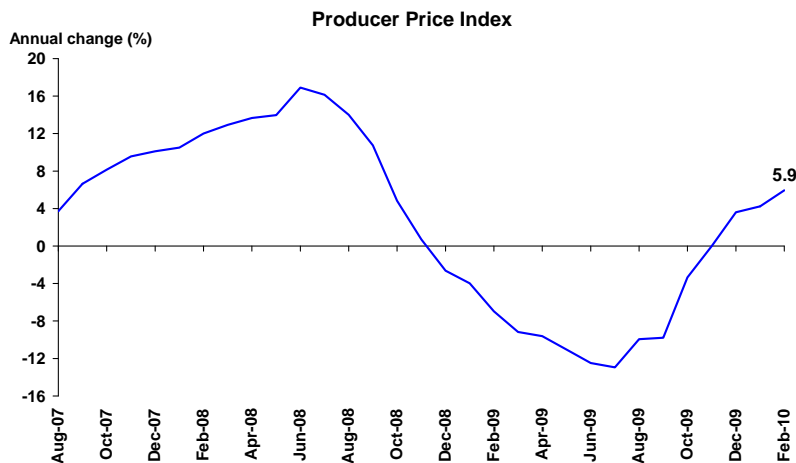
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Producer prices increased in February

Producer prices, as reflected by the Producer Price Index (PPI), increased by 5.9% in February (January: 4.2%). The rise was driven mainly by the higher increase in prices of 16.8% in the commodity-related components of during the month (January: 12.0%). In the non-commodity-related components of the PPI, prices increased by 3.0% (January: 2.1%). On a month-on-month basis, producer prices increased by 0.1% (January: 0.3%).

In terms of composition, prices in the local component of the PPI increased further by 7.9% (January: 5.1%). This reflected mainly higher prices of *mineral, fuel lubricants, animal and vegetable oils and fats, and chemicals*. The imported component of the PPI, however, increased at a slower pace of 2.1% (January: 2.4%)



M3 expanded in March

In March, broad money (M3) grew at a higher annual rate of 8.7%. On a month-on-month basis, M3 increased by RM10.7 billion. The increase in broad money was underpinned by capital inflows. However, the net expansionary impact of foreign inflows on broad money was mitigated with the decline in net claims on Government and other inflows. The decline in *net claims on Government* and *other inflows* reflected the fact that a part of the inflows during the month were used to purchase Bank Negara Malaysia and Government securities owned by the banking system. Broad money expansion was also supported by higher credit extension by the banking system to the private sector.

M3 Determinants

(RM billion)

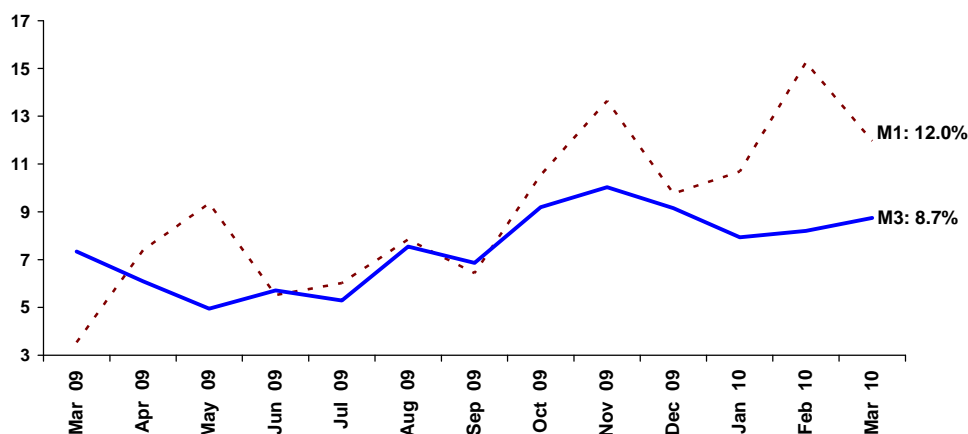
	Change during period			
	Dec 09	Jan 10	Feb 10	Mar 10
M3	16.8	3.7	0.7	10.7
Net claims on Government	6.8	-0.3	0.4	-2.0
Claims on the private sector	10.4	6.0	6.8	4.0
<i>Loans</i>	9.8	6.9	8.9	4.2
<i>Securities</i>	0.7	-0.8	-2.0	-0.2
Net foreign assets*	2.4	-0.3	-4.9	16.5
Other influences	-2.8	-1.7	-1.6	-7.9

* 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.

Monetary Aggregates

Annual Growth (%)



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Banking system deposits expanded in March

Total deposits placed with the banking system increased by RM20 billion on a month-on-month basis in March (February: -RM9.8 billion). On an annual basis, deposits expanded at a higher rate of 8.4% (February: 7.4%). All customer groups experienced an increase in their deposits with the exception of the Federal Government. By type, all deposits, except for demand and savings deposits, expanded during the month.

Deposits by Holder

(RM million)

	Change during period			
	Dec 09	Jan 10	Feb 10	Mar 10
Federal Government	-482	1,128	-1,389	-2,479
State Governments	-162	140	1,634	1,538
Statutory Authorities ¹	-292	-169	549	1,121
Financial Institutions	15,149	-11,124	-2,970	12,047
<i>of which:</i>				
<i>Banking Institutions</i>	4,635	-6,620	-7,385	6,496
<i>Non-Bank Financial Institutions</i>	8,505	-4,669	4,341	4,552
Business Enterprises	-945	2,729	-10,564	4,531
Individuals	5,220	2,341	1,294	2,586
Others ²	1,364	643	1,622	677
Total	19,851	-4,312	-9,825	20,022

1/ Include local Governments

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

Deposits by Type

(RM million)

	Change during period			
	Dec 09	Jan 10	Feb 10	Mar 10
Fixed deposits	-97	982	810	-866
NIDs	3,276	-9,343	-4,957	4,193
Demand deposits	-336	1,059	946	-3,071
Savings deposits	1,912	468	-167	417
Repos	480	829	-640	644
FX deposits	2,453	55	318	4,404
IBS deposits ¹	5,182	2,472	-1,873	2,168
Others ²	6,981	-834	-4,263	12,131
Total	19,851	-4,312	-9,825	20,022

1/ IBS deposits refers to Islamic banking system deposits

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

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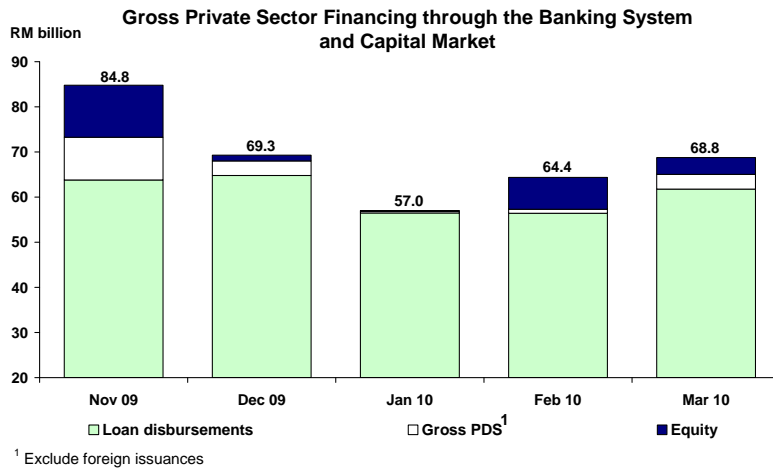
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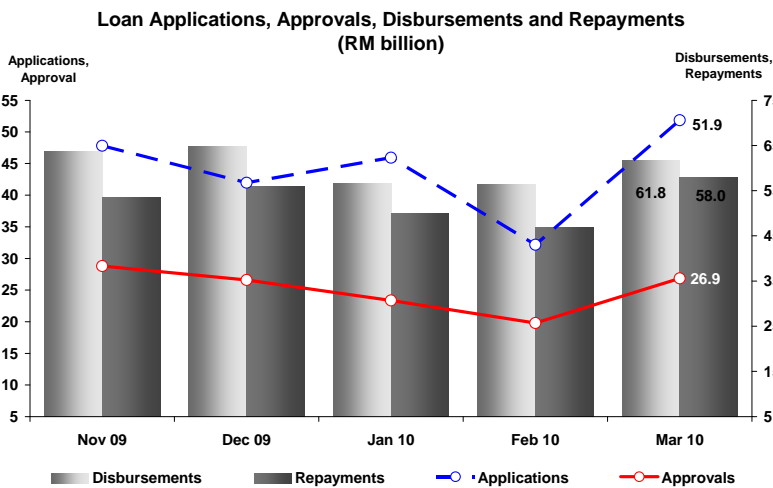
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Financing activity improved in March

Gross financing provided by the banking system and the capital market was higher at RM68.8 billion in March (February: RM64.4 billion). On a net basis, banking system loans and PDS outstanding expanded at an annual rate of 9.5% as at end-March (February: 9.9%).



Further expansion in gross financing



All loan indicators increased in March...

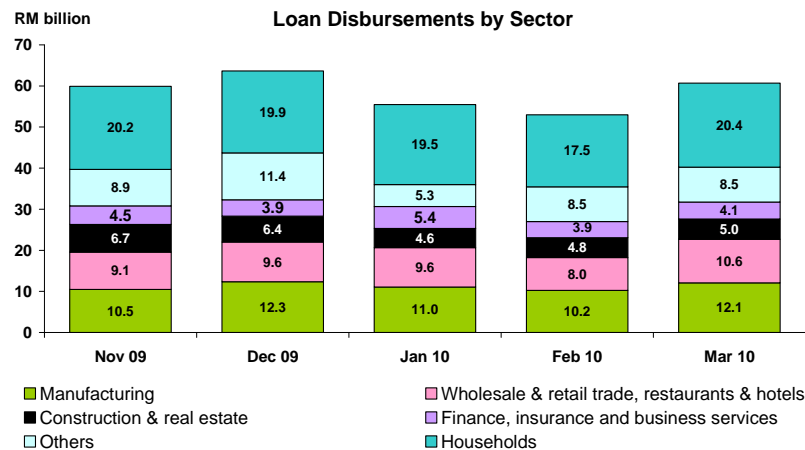
Bank lending indicators						
	RM billion			Annual Growth (%)		
	Feb-10	Mar-10	J-M 10	Feb-10	Mar-10	J-M 10
Overall						
Loan applications	32.2	51.9	130.0	-5.0	23.0	20.8
Loan approvals	19.8	26.9	70.0	11.8	12.6	20.6
Loan disbursements	56.4	61.8	174.7	29.2	11.4	17.9
Chg in Loans Outstanding ^{1/}	11.6	3.7	22.4	10.0	9.8	9.8
Businesses						
Loan applications	16.0	21.8	60.0	-8.9	16.7	15.3
Loan approvals	8.6	11.6	29.2	7.4	4.1	11.7
Loan disbursements	38.9	41.4	117.3	32.9	6.7	16.3
Chg in Loans Outstanding ^{1/}	1.5	1.3	4.7	4.2	4.7	4.7
SMEs^{2/}						
Loan applications	7.5	10.9	27.9	13.0	38.7	38.1
Loan approvals	3.1	5.0	12.9	3.6	45.5	45.7
Loan disbursements	11.1	12.8	35.5	-1.3	11.2	2.4
Chg in Loans Outstanding ^{1/3/}	0.7	1.2	2.5	2.1	3.2	3.2
Households						
Loan applications	16.1	30.1	69.9	-0.7	28.0	26.0
Loan approvals	11.2	15.3	40.8	15.4	20.1	27.8
Loan disbursements	17.5	20.4	57.4	21.7	22.2	21.3
Chg in Loans Outstanding ^{1/}	4.6	4.1	14.1	11.2	11.8	11.8

... across both business and household sectors

^{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 7.2% year-on-year as at end-March 2010.



Loan disbursements remained broad-based

In March, all major loan indicators increased compared to their levels in the previous month. In particular, loan applications from households expanded significantly, reflecting mainly higher demand for loans to purchase residential and non-residential property and passenger cars. Loan disbursements were also higher, leading to a further expansion in household loans outstanding at an annual rate of 11.8% as at end-March (February: 11.2%).

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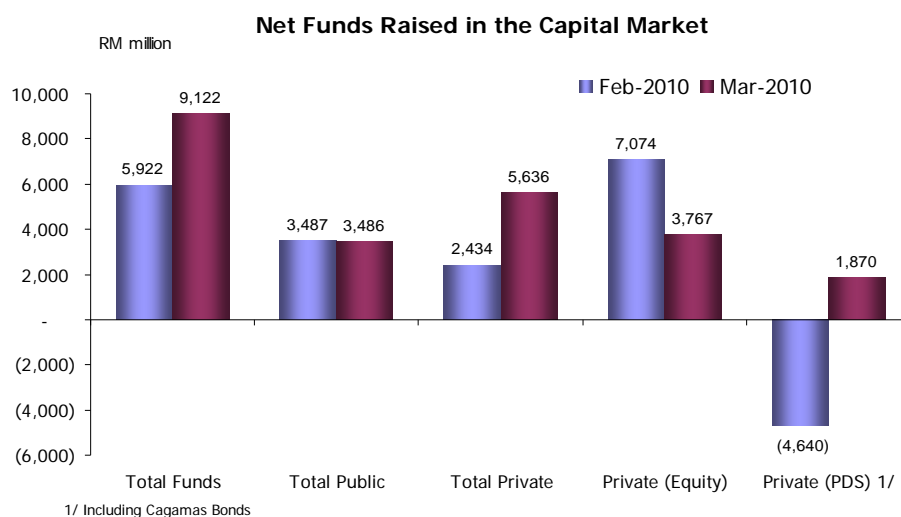
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Demand for loans from the business sector was also stronger, with higher applications registered across all major economic sectors. Meanwhile, the notable increase in loan disbursements was mainly to fund working capital requirements. As a result, business loans outstanding increased by a higher annual rate of 4.7% as at end-March (February: 4.2%).

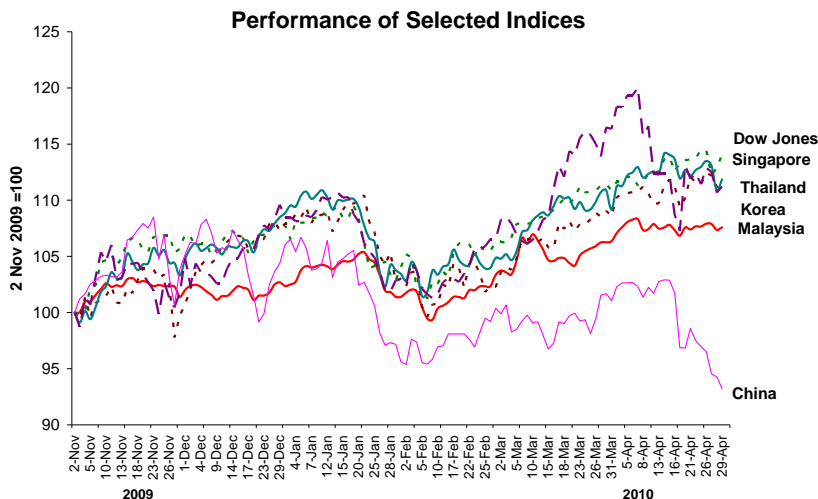
Funds raised in the capital market increased

Gross funds raised in the capital market increased to RM14.2 billion in March (February: RM11.4 billion). Fund raising activity was equally driven by both the private and the public sectors. In the private sector, gross funds raised amounted to RM7.2 billion. The bulk of funds were raised by a large rights issue by a firm in the transport industry and a large issuance of private debt securities (PDS) by a financial institution. Funds mobilised were mainly for the financing of new activity and working capital (96.2% of new PDS issues). In the public sector, gross funds of RM7.0 billion were raised through the new issuance of 7.5-year Malaysian Government Securities (MGS) and 5.5-year Government Investment Issues (GII). After adjusting for larger redemptions, net funds raised in the public sector amounted to RM3.5 billion.



KLCI rose further

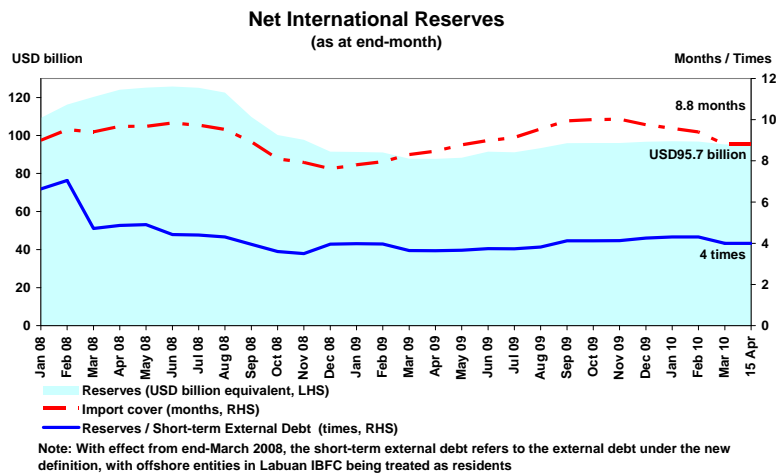
In March, the FBM KLCI closed higher at 1,320.6 (end-February: 1,270.8) in line with regional markets. The increase in the KLCI was led mainly by finance stocks due to positive sentiments on strengthening economic growth prospects. Stronger fundamentals also attracted foreign participation in the domestic market. Market capitalisation rose to RM1.06 trillion (since end-February: +4.5%) and the daily average turnover increased to 968.3 million units (February: 740.1 million units).



As at 29 March, the FBM KLCI increased further to 1,335.9 (since end-March: +1.2%) and market capitalisation was also higher at RM1.07 trillion.

International reserves

The net international reserves of Bank Negara Malaysia amounted to RM313.1 billion (equivalent to USD95.7 billion) as at 15 April 2010. The reserves position is sufficient to finance 8.8 months of retained imports and is 4 times the short-term external debt.



Strong banking system capitalisation and stable level of non-performing loans

The banking system remained well capitalised with the risk-weighted capital ratio (RWCR) and core capital ratio at 14.9% and 13.2% respectively. Capital base was slightly lower following dividend payouts by a few banks. The level of non-performing loans including impaired loans remained stable at 1.8% of net loans. Loan loss coverage remained high at approximately 90%.

Banking System Health Indicators ¹

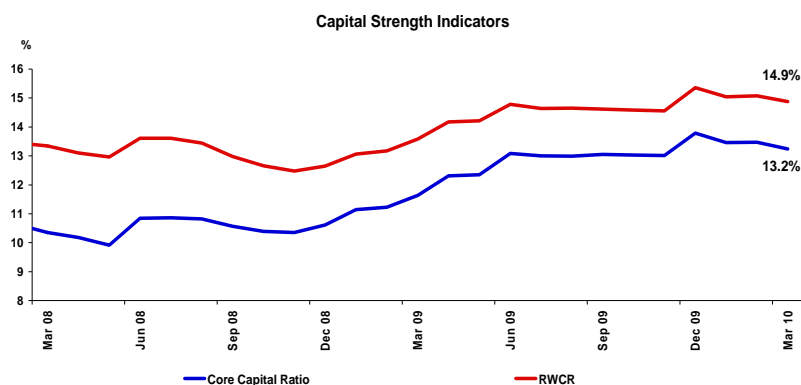
	2003	2004	2005	2006	2007	2008	2009	Jan 10	Feb 10	Mar 10
Capital (%)²										
Core capital ratio	11.1	11.4	10.7	10.7	10.2	10.6	13.8	13.5	13.5	13.2
RWCR	13.8	14.4	13.7	13.5	13.2	12.6	15.4	15.0	15.1	14.9
Net Non-Performing Loans ³										
% of net total loans	8.9	7.5	5.8	4.8	3.2	2.2	1.8	1.8	1.9	1.8
Amount (RM million)	40,013	36,668	31,332	27,360	20,011	15,889	13,788	13,653	15,040	14,487
General Provisions ⁴ / Net loans ³										
(%)	2.0	1.9	1.8	1.7	1.7	1.7	1.6	1.7	1.7	1.7

¹ Figures include Islamic banks.

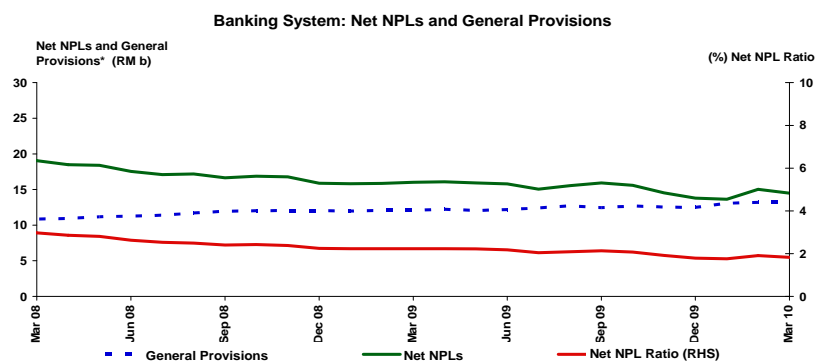
² Beginning January 2008, RWCR and CCR are computed based on Basel II for banking institutions that have adopted the standardised approach

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...



...whilst the level of NPLs remained stable

Bank Negara Malaysia
30 April 2010

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Key Monetary and Financial Statistics

	Jan 10		Feb 10		Mar 10	
	Outs.	Ann. growth	Outs.	Ann. growth	Outs.	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
Monetary Aggregates						
Reserve money	58.5	-20.6	59.7	-1.3	56.5	4.5
M1	203.5	10.7	206.6	15.3	201.2	12.0
M2	991.7	8.2	991.7	8.4	1,003.2	8.8
M3	1,020.9	7.9	1,021.6	8.2	1,032.3	8.7
Banking System						
Total deposits	1,058.6	8.4	1,048.8	7.4	1,068.8	8.4
Total loans (including loans sold to Cagamas)	790.6	8.6	802.2	10.0	805.9	9.8
Loan-deposit ratio (%) ¹	78.4		79.7		79.2	
Financing-deposit ratio (%) ^{1 & 2}	85.0		86.2		85.5	
Loans applied (during the period)	45.9	45.6	32.2	-5.0	51.9	23.0
Loans approved (during the period)	23.4	41.5	19.8	11.8	26.9	12.6
Loans disbursed (during the period)	56.5	15.2	56.4	29.2	61.8	11.4
Loans repaid (during the period)	50.0	4.9	46.8	11.7	58.0	19.8
Banking System Health						
Risk-weighted Capital Ratio (RWCR) (%)	15.0		15.1		14.9	
Net NPLs: 3-month classification (%)	1.8		1.9		1.8	
BNM International Reserves (end-period)						
Net Reserves in RM billion	332.2		331.8		311.6	
Net Reserves in USD billion (equivalent)	97.0		96.8		95.3	
Months of retained imports	9.6		9.4		8.8	
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)	2.00		2.00		2.25	
Interbank:						
Overnight	1.99 [2.00]		1.99 [2.00]		2.18 [2.14]	
1-week	2.02 [2.02]		2.02 [2.02]		2.26 [2.23]	
1-month	2.08 [2.08]		2.10 [2.07]		2.35 [2.32]	
Fixed deposits of commercial banks:						
1-month	2.00		2.00		2.25	
3-month	2.03		2.03		2.28	
BLR of commercial banks	5.51		5.51		5.76	
ALR of commercial banks	4.85		4.85		4.96	
Prices						
Consumer Price Index (CPI) (2005=100)	113.2	1.3	113.2	1.2	113.2	1.3
Producer Price Index (PPI) (2005=100)	115.8	4.2	115.9	5.9	n.a.	n.a.
Exchange Rates of Ringgit against Selected Currencies (end-period)						
US dollar	3.4130		3.4090		3.2730	
Euro	4.7625		4.5943		4.3850	
Pound Sterling	5.5106		5.2359		4.9326	
100 Japanese yen	3.7943		3.8047		3.5017	
Singapore dollar	2.4299		2.4149		2.3354	
100 Thai Baht	10.303		10.318		10.111	
100 Philippine Peso	7.3162		7.3652		7.2236	
100 Indonesian Rupiah	0.0365		0.0365		0.0359	
100 Korean Won	0.2955		0.2937		0.2889	
Capital Market						
Net funds raised (in RMb) by:						
public	8.5		3.5		3.5	
private	-1.0		2.4		5.6	
Bursa Malaysia Composite Index (end-period)	1,259.2		1,270.8		1,320.6	
Bursa Malaysia Market Capitalisation (RMb, end-period)	1,001.7		1,015.7		1,061.1	

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.