



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Ref. No.: 12/08/04

**EMBARGO: Not for Publication or
Broadcast before 1830 hours on
Tuesday, 30 December 2008**

Monetary and Financial Developments November 2008
Highlights of the Press Release

- Commercial banks lowered the fixed deposit (FD) rates and the base lending rates (BLR) in response to the reduction in the Overnight Policy Rate from 3.50% to 3.25%.
- Net financing to the private sector from the banking system and capital market continued to expand at a combined annual rate of 13.1%.
- Headline inflation declined significantly to 5.7% in November, due to lower inflation in most of the food sub-categories and the downward adjustments to fuel prices by the Government.
- The capitalisation of the banking system remained strong with a risk-weighted capital ratio (RWCR) of 12.5% as at end-November.



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MONETARY AND FINANCIAL DEVELOPMENTS

November 2008

On a net basis, financing to the private sector through banking system loans and PDS outstanding continued to expand at a combined annual rate of 13.1% in November. On gross terms, however, financing raised by the private sector was slightly lower at RM53.1 billion. Total loans outstanding expanded at an annual growth rate of 10.7% as at end-November.

During the period 1 November – 24 November, the daily weighted average overnight interbank rate moved within a narrow range of 3.49% - 3.51%. Following the reduction in the Overnight Policy Rate (OPR) to 3.25% on 24 November, the daily weighted average overnight interbank rate traded lower within a narrow range of 3.24% - 3.25% during the period 25 November - 26 December. Interbank rates of other maturities also softened accordingly. As at 15 December, the average quoted FD rates for tenures between 1 and 12 months were within the range of 3.02% and 3.53%. In terms of the CBs' lending rates, the average base lending rate (BLR) was lower at 6.50% as at 15 December. Meanwhile the average lending rate (ALR) decreased to 5.98% in November (6.01% in October).

During the period 1 November to 26 December 2008, the ringgit appreciated by 2.4% against the US dollar. The ringgit, along with most regional currencies, had earlier depreciated in November due to portfolio outflows caused by the global de-leveraging process and heightened risk aversion

amid the global financial turmoil. In early December, however, the downward trend of the ringgit against the US dollar reversed together with other regional currencies as investor trimmed their long position in US dollar following the reduction in the Fed Funds rate to 0% - 0.25% on 17 December 2008. Against other major currencies, the ringgit appreciated against the pound sterling (13.6%), but depreciated against the euro (-6.3%) and the Japanese yen (-6.1%). Against regional currencies, the ringgit depreciated against the Philippine peso (-0.5%) and Singapore dollar (-0.2%), but appreciated against other regional currencies in the range of 2.2% to 3.6%.

Headline inflation declined significantly to 5.7% in November, due to lower inflation in most of the food sub-categories and the downward adjustments to fuel prices by the Government.

Broad money, or M3, expanded at a faster annual rate of 12.5% in November, reflecting the higher provision of credit to the private sector and expansionary Government operations.

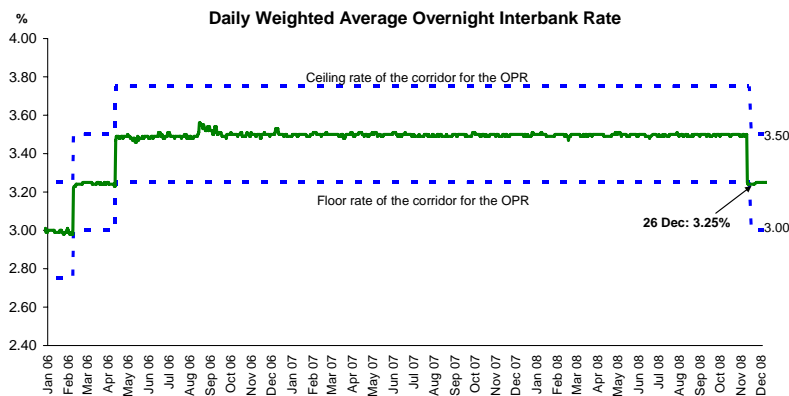
Net non-performing loans (NPLs) of the banking system declined amidst continued recoveries and reclassifications of NPLs to performing status, to account for 2.4% of total net loans. Banking system capitalisation remained strong with a risk-weighted capital ratio (RWCR) of 12.5%.

Interest rates decreased in response to the reduction in the OPR

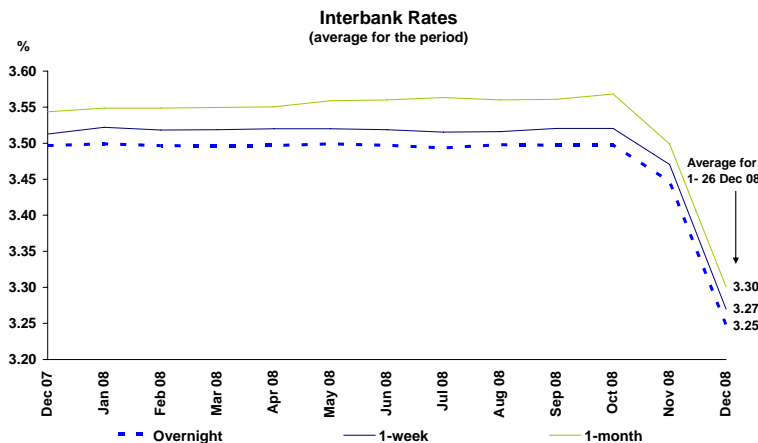
During the period 1 November – 24 November, the daily weighted average overnight interbank rate moved within a narrow range of 3.49% - 3.51%. Interbank rates of other maturities were relatively stable. Following the reduction in the Overnight Policy Rate (OPR) to 3.25% on 24 November, the daily weighted average overnight interbank rate traded lower within a narrow range of 3.24% - 3.25% during the period 25 November - 26 December. Interbank rates of other maturities also softened accordingly.

The average fixed deposit (FD) rates of commercial banks (CBs) moderated in November and December. As at 15 December, the average quoted FD rates for tenures between 1 and 12 months were within the range of 3.02% and 3.53%.

In terms of the CBs' lending rates, the average base lending rate (BLR) was lower at 6.50% as at 15 December (6.72% in end-October, 6.66% in end-November), as 20 banks had lowered their BLR in response to the reduction in the OPR. Meanwhile the average lending rate (ALR) decreased to 5.98% in November (6.01% in October).

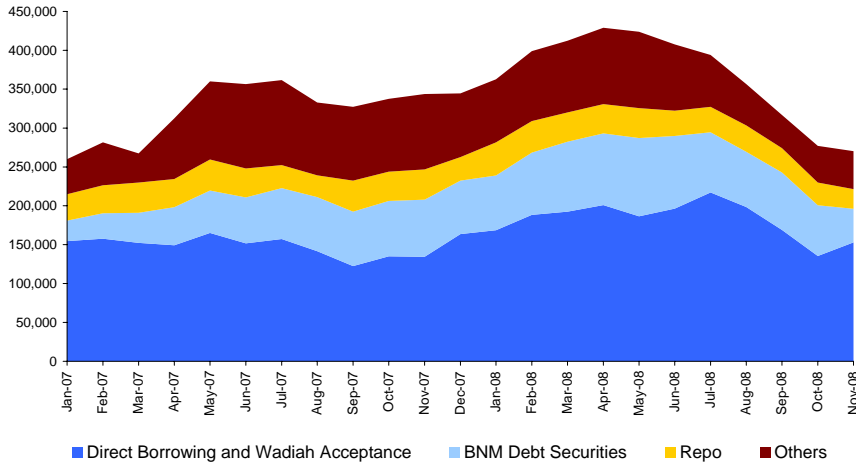


The average overnight interbank rate was lower following the reduction in the OPR



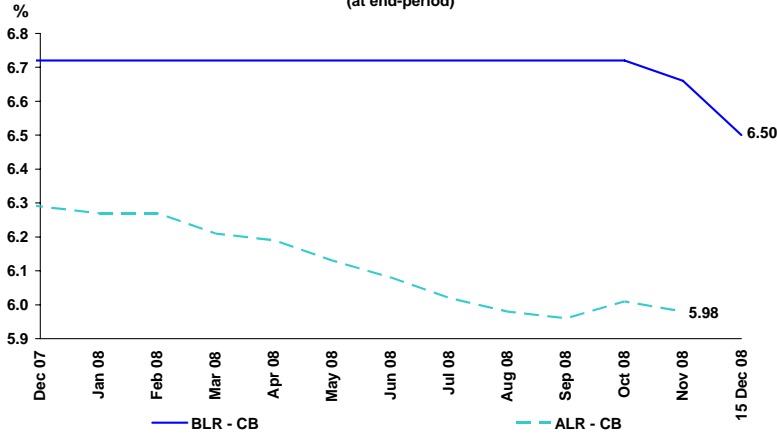
Other interbank rates softened following the reduction in the OPR

Outstanding Liquidity Placed with BNM
(At end-period, RM m)



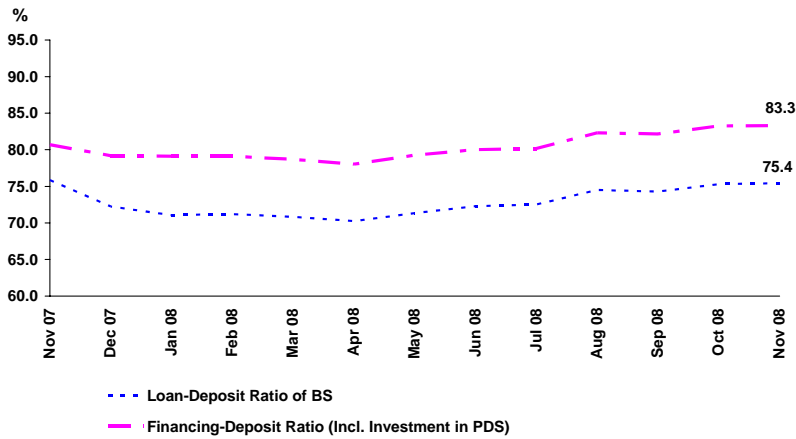
BNM continued to mop up excess liquidity in November

Lending Rates: CBs
(at end-period)

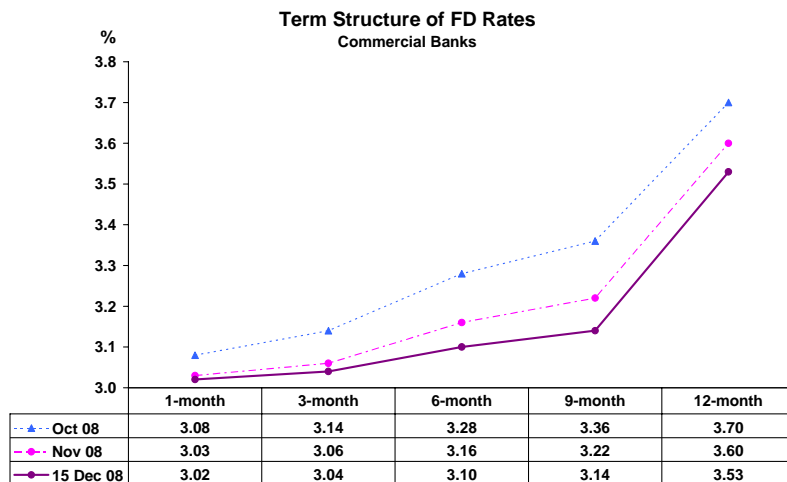


CBs' BLR and ALR trended lower in November

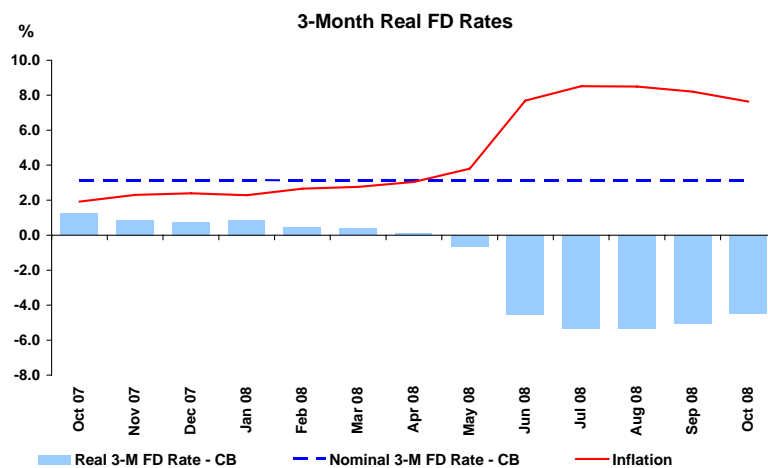
Liquidity Situation



The loan-deposit and financing-deposit ratios were relatively unchanged in November



Average FD rates softened in November

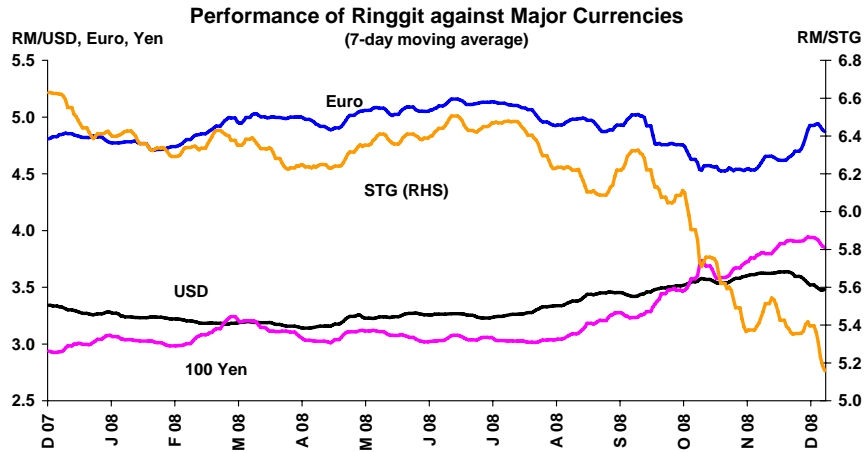


Negative real FD rates narrowed following lower inflation

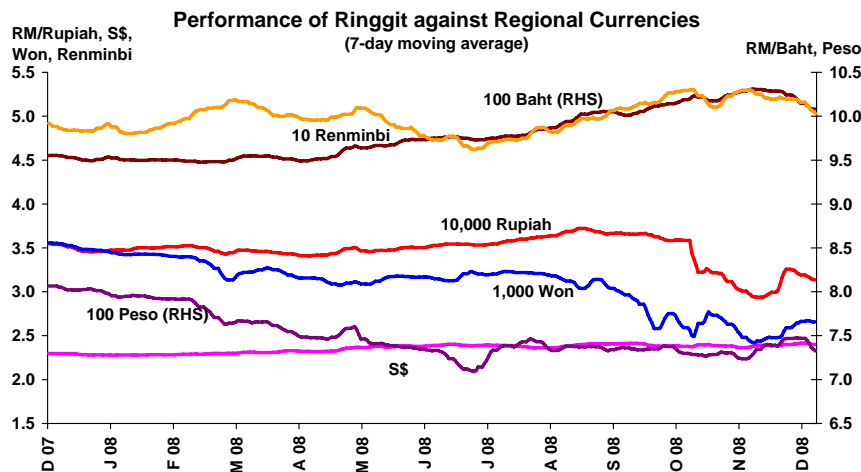
The ringgit appreciated against the US dollar

During the period 1 November to 26 December 2008, the ringgit appreciated by 2.4% against the US dollar. The ringgit, along with most regional currencies, had earlier depreciated in November due to portfolio outflows caused by the global de-leveraging process and heightened risk aversion amid the global financial turmoil. In early December, however, the downward trend of the ringgit against the US dollar reversed together with other regional currencies as investor trimmed their long position in US dollar following the reduction in the Fed Funds rate to 0% - 0.25% on 17 December 2008. Against other major currencies, the ringgit appreciated against the pound sterling (13.6%), but depreciated against the euro (-6.3%) and the Japanese yen (-6.1%). Against regional currencies, the ringgit depreciated against the

Philippine peso (-0.5%) and Singapore dollar (-0.2%), but appreciated against other regional currencies in the range of 2.2% to 3.6%.



The ringgit appreciated against the US dollar and pound sterling, but depreciated against the Japanese yen and the euro...



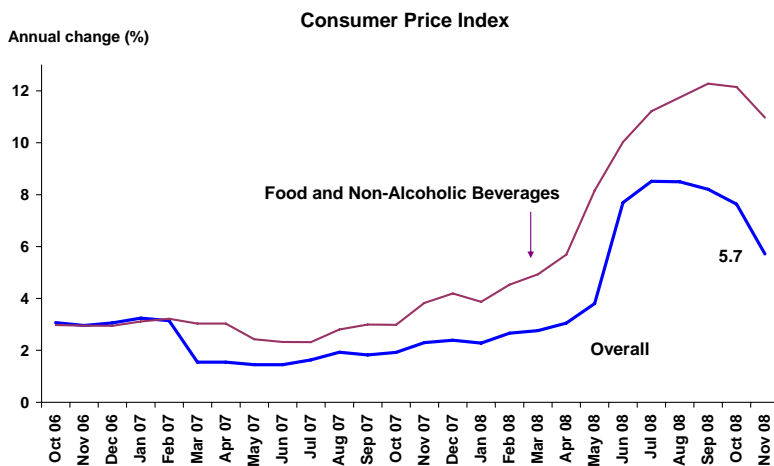
..whilst appreciating against most regional currencies

Performance of Ringgit against Selected Currencies

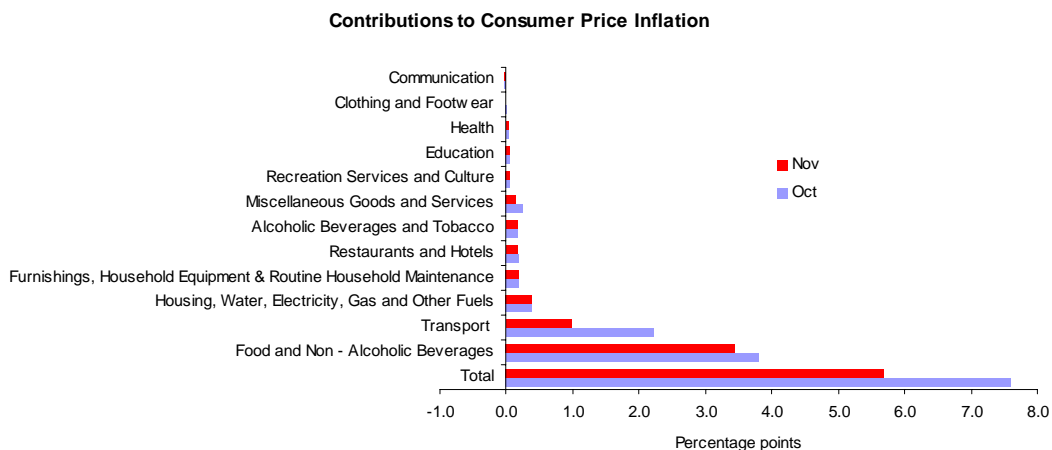
RM per foreign currency	End-period				% Change	
	Dec 07	Oct 08	Nov 08	26 Dec 08	End Dec 07 - 26 Dec 08	End Oct 08 - 26 Dec 08
US dollar	3.3065	3.5625	3.6175	3.4795	-5.0	2.4
Euro	4.8756	4.5794	4.6660	4.8877	-0.2	-6.3
Pound sterling	6.6070	5.8382	5.5684	5.1410	28.5	13.6
100 Japanese yen	2.9534	3.6127	3.7965	3.8462	-23.2	-6.1
Singapore dollar	2.2938	2.4050	2.4003	2.4109	-4.9	-0.2
100 Thai baht	9.8159	10.171	10.200	9.9557	-1.4	2.2
100 Philippine peso	8.0158	7.2767	7.4038	7.3099	9.7	-0.5
100 Indonesian rupiah	0.0352	0.0325	0.0297	0.0313	12.4	3.6
100 Korean won	0.3532	0.2787	0.2480	0.2701	30.8	3.2
Chinese renminbi	0.4527	0.5210	0.5296	0.5089	-11.1	2.4

Inflation declined significantly

Headline inflation declined significantly to 5.7% in November (Oct: 7.6%). By category, the CPI components that recorded considerably lower inflation rates were the *food and non-alcoholic beverages; transport; restaurants and hotels; and miscellaneous goods and services* categories. Prices in the *food and non-alcoholic beverages* category rose at a slower pace of 11.0% in November (Oct: 12.1%). Most of the food sub-categories recorded lower rates of price increases, which can be attributed to the lowering of the ceiling price of certain types of rice and the Government’s price reduction campaign among retailers. Price increases in the *transport* category declined to 6.2% in November (Oct: 13.9%) following the series of downward adjustments to fuel prices by the Government.



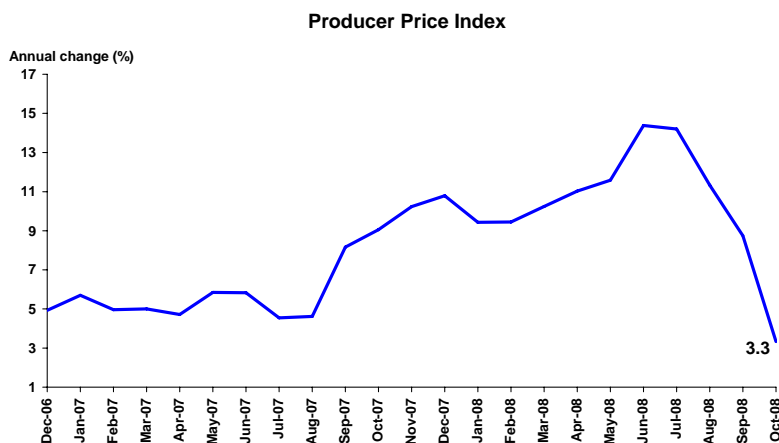
Inflation declined significantly to 5.7% in November



Producer price inflation decelerated in October

Producer price index (PPI) inflation declined significantly to 3.3% in October (Sept: 8.7%). With the exception of the *beverages and tobacco* category, all the components in the PPI recorded slower price increases compared to the previous month. Inflation in the commodity-based component of the PPI fell markedly to 7.6% (Sept: 24.2%), in line with the decline in global commodity prices. In the non-commodity-based component of the PPI, inflation also moderated to 1.6% (Sept: 2.5%).

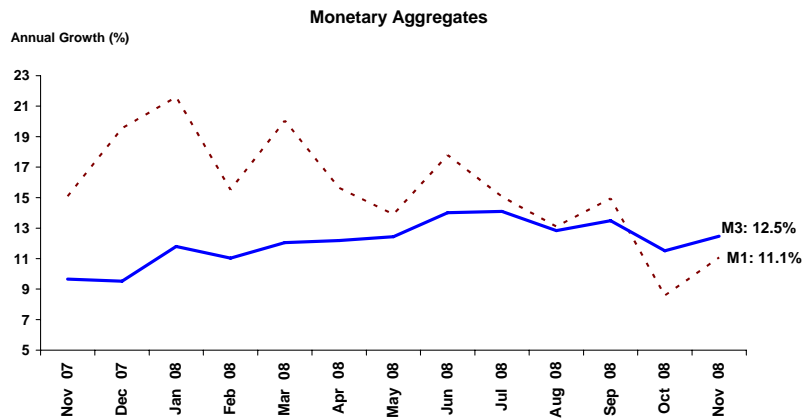
By composition, the inflation rate in the local component of the PPI declined to 4.3% in October (Sept: 11.8%). In the imported component of the PPI, inflation halved to 1.4% in October (Sept: 2.8%).



Producer price inflation declined significantly to 3.3% in October

Monetary aggregates expanded in November

In November, broad money or M3, increased by RM8.8 billion, to expand at a faster annual rate of 12.5%. The increase in M3 reflected the higher extension of credit to the private sector and expansionary Government operations. Meanwhile, foreign outflows continued to exert a contractionary impact on M3. The impact of foreign outflows, however, was smaller in November compared to previous months, as the magnitude of outflows lessened. M1 also increased in November, expanding at an annual pace of 11.1%, reflecting higher demand deposits during the month.



M3 Determinants

(RM billion)

	Change during period			
	Aug 08	Sep 08	Oct 08	Nov 08
M3	-8.1	8.2	-12.3	8.8
Net claims on Government	-4.7	10.7	-3.7	5.2
Claims on the private sector	16.2	8.3	5.2	10.9
Loans	12.9	5.1	1.6	7.6
Securities	3.2	3.2	3.6	3.4
Net foreign assets*	-22.3	-28.3	-22.7	-12.1
Other influences	2.7	17.6	8.8	4.7

* 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.

Banking system deposits increased in November

Total deposits with the banking system increased by RM9.6 billion or 12.4% (October: -RM8.7 billion; 10.9%). Payment of Government outlays and transfers to business enterprises and statutory authorities was one of the main contributing factors to the increase in deposits. By customer, placements by domestic business enterprises, individuals, statutory authorities and to some extent, the Federal Government increased the most. By type, the higher deposits placed was mainly in the form of Islamic and short-term money market deposits as well as NIDs.

Deposits by Holder
(RM million)

	Change during period			
	Aug 08	Sep 08	Oct 08	Nov 08
Federal Government	2,435	-1,533	-884	1,847
State Governments	799	-837	-111	-354
Statutory Authorities ¹	-1,171	-305	617	2,517
Financial Institutions	-1,441	10,998	-7,080	-642
Business Enterprises	-9,527	-5,528	-1,050	2,797
Individuals	1,507	4,701	356	2,814
Others ²	245	1,623	-530	623
Total	-7,152	9,118	-8,682	9,603

1/ Include local Governments

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

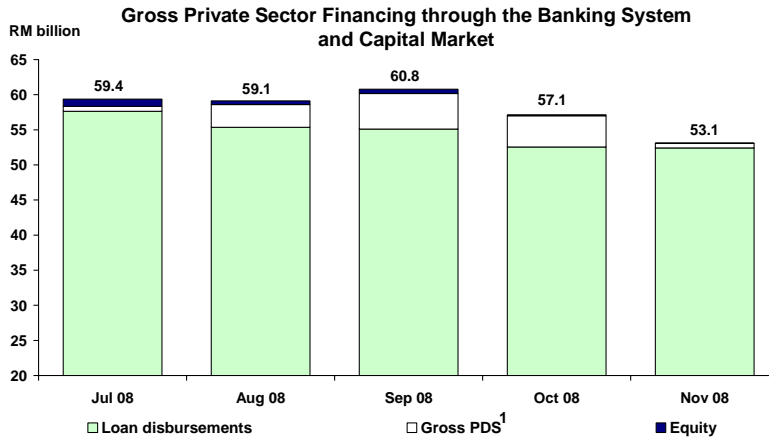
Deposits by Type
(RM million)

	Change during period			
	Aug 08	Sep 08	Oct 08	Nov 08
Fixed deposits	691	2,390	3,686	629
NIDs	-1,836	5,252	-532	1,415
Demand deposits	-778	260	-3,057	466
Savings deposits	69	820	-593	-258
Repos	-1,259	779	-2,661	-808
FX deposits	1,889	1,080	837	316
SPI deposits	3,630	-1,540	651	6,327
Others ¹	-9,559	78	-7,013	1,515
Total	-7,152	9,118	-8,682	9,603

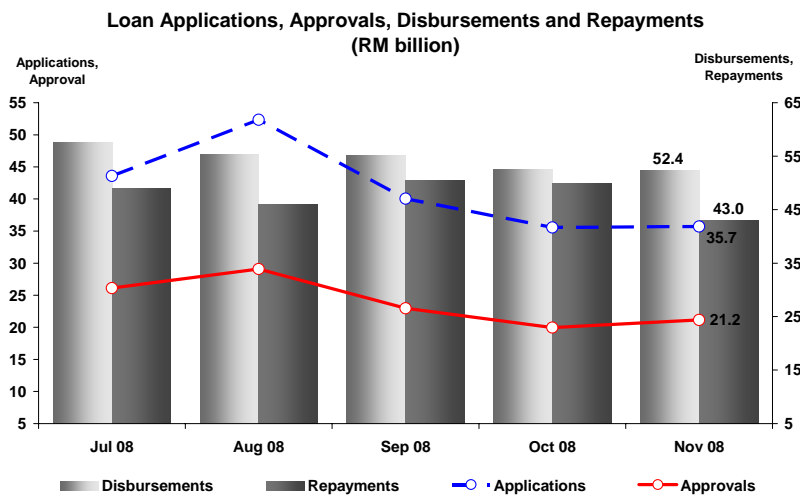
1/ Other deposits comprised mainly of short-term money market deposits

Sustained financing activity

On a net basis, financing to the private sector through banking system loans and PDS outstanding continued to expand at a combined annual rate of 13.1% (October: 13.4%). On gross terms, however, financing raised by the private sector from the banking system and the capital market was slightly lower at RM53.1 billion in November (October: RM57.1 billion). While loan disbursements were sustained during the month, there were lesser issuances of private debt securities (PDS).



Loan disbursements were sustained in November



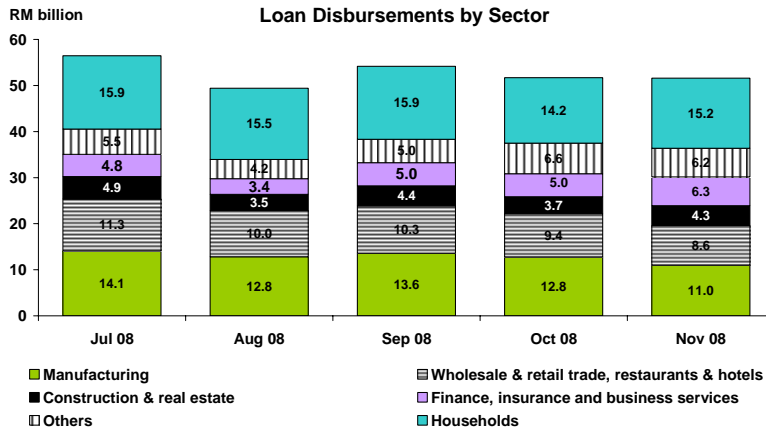
Steady increase in loan applications and approvals during the month ...

	Bank lending indicators			
	RM billion		Annual Growth (%)	
	Oct-08	Nov-08	Oct-08	Nov-08
Overall				
Loan applications	35.6	35.7	-7.9	-32.6
Loan approvals	20.0	21.2	-14.4	-44.0
Loan disbursements	52.6	52.4	8.2	7.5
Chg in Loans Outstanding ^{1/}	2.6	8.0	10.3	10.7
Businesses				
Loan applications	18.7	17.5	-2.5	-49.2
Loan approvals	9.1	9.6	-26.4	-64.5
Loan disbursements	38.3	37.2	16.5	9.1
Chg in Loans Outstanding ^{1/}	-0.2	-0.7	8.8	7.8
SMEs^{2/}				
Loan applications	7.3	6.9	-8.7	-35.7
Loan approvals	3.7	4.0	-12.6	-29.2
Loan disbursements	13.5	12.7	11.4	-3.4
Chg in Loans Outstanding ^{1/}	0.3	0.3	10.5	10.2
Households				
Loan applications	16.8	18.2	-13.3	-1.6
Loan approvals	10.8	11.6	-0.8	6.9
Loan disbursements	14.2	15.2	-9.4	3.7
Chg in Loans Outstanding ^{1/}	1.6	3.3	8.9	9.0

...accounted mainly by the household sector

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

^{2/} Include loans to individual businesses.



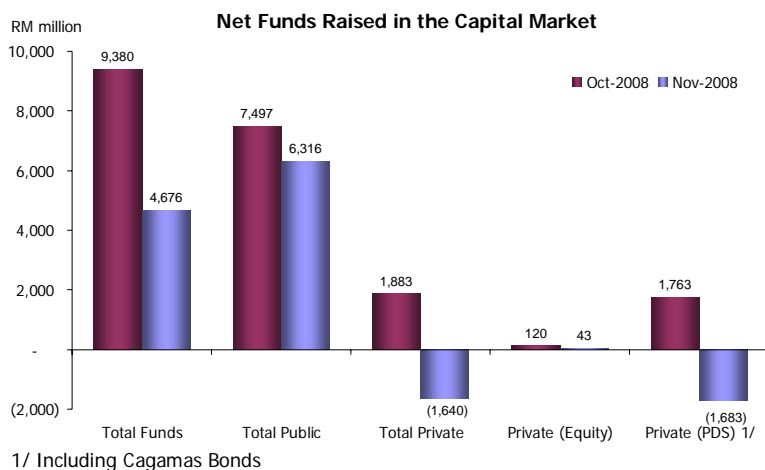
Loan disbursements remained broad-based

Demand for financing from the household sector was higher during the month. Loan applications and approvals rose, mainly supported by housing, personal, credit card and to some extent car loans. The higher loan disbursements registered during the month led to the further expansion in loans outstanding of the household sector by an annual growth rate of 9% at end-November (end-October: 8.9%).

In November, loans approved to the business sector were also higher. The increase was mainly observed in the *transport, storage and communication; construction; as well as real estate sectors*. With the sustained business loan disbursements, loans outstanding of the business sector continued to expand at an annual growth rate of 7.8% (end-October: 8.8%).

Lower net funds raised in the capital market

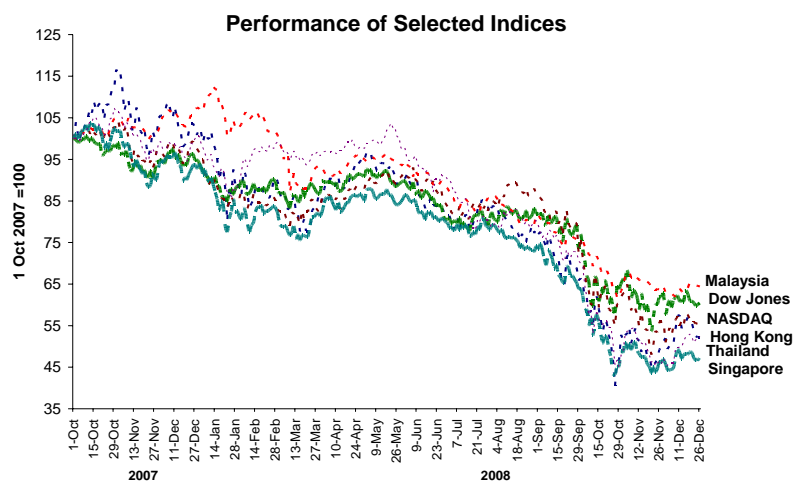
Total net funds raised in the capital market in November amounted to RM4.7 billion. Funds were raised by the public sector through the re-opening of the 3-year and 5-year Malaysian Government Securities, which amounted to RM8.9 billion. After adjusting for redemptions, net funds raised by the public sector totalled RM6.3 billion. Meanwhile, the private sector recorded a net redemption of RM1.6 billion. In the private debt securities (PDS) market, gross funds raised during the month was lower at RM756 million, with a total of nine companies raising funds to finance new activities and for refinancing.



KLCI recovered slightly in November

In November, the KLCI ended marginally higher to close at 866.1 (since end-October: 0.3%) due to improved investor sentiments following monetary and fiscal policy actions by governments around the world to support growth. Market capitalisation increased to RM656.6 billion (since end-October: 0.2%), while the daily average turnover increased to 750.0 million units (October: 686.6 million units).

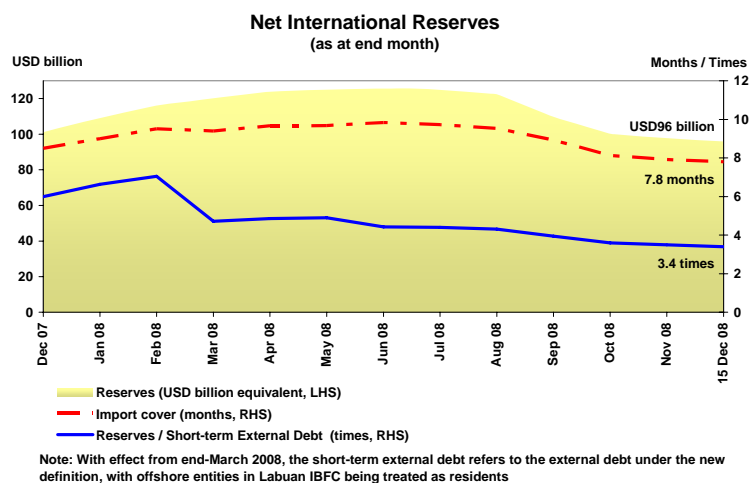
KLCI rebounded in November



As at 26 December, the KLCI ended higher at 867.4 points (since end-November: 0.1%). Overall market capitalisation was higher at RM657.1 billion (since end-November: 0.1%) and the daily average turnover decreased to 393.8 million units.

International reserves

The international reserves of Bank Negara Malaysia amounted to RM336.4 billion (equivalent to USD97.7 billion) as at 28 November 2008. As at 15 December 2008, the international reserves amounted to RM330.4 billion (equivalent to USD96 billion). The reserves position is sufficient to finance 7.8 months of retained imports and is 3.4 times the short-term external debt.



Banking system remained resilient amidst strong capitalisation

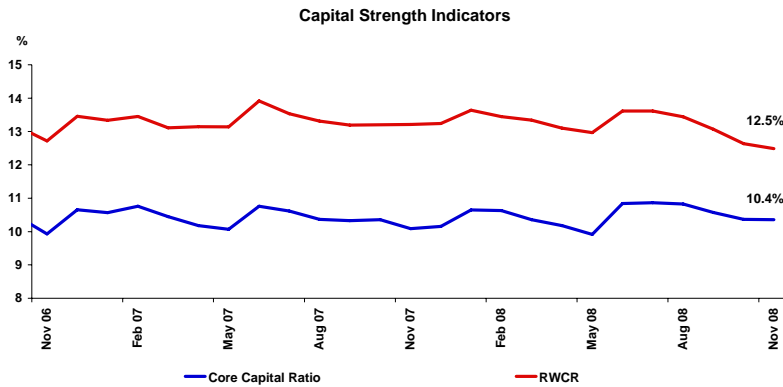
Net non-performing loans (NPLs) of the banking system declined to 2.4% of total net loans amidst continued recoveries and reclassifications of NPLs to performing status. Banking system capitalisation remained strong with a risk-weighted capital ratio (RWCR) and core capital ratio of 12.5% and 10.4% respectively. The new subordinated debt capital issued during the month was mainly channelled towards investments in subsidiaries arising from acquisition activities by a number of banking institutions.

Banking System Health Indicators

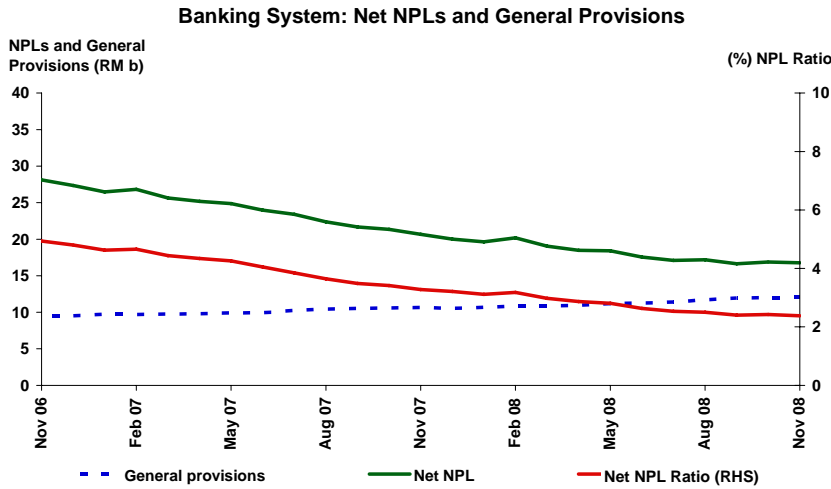
	2001	2002	2003	2004	2005	2006	2007	Sep 08	Oct 08	Nov 08
Capital (%) **										
Core capital ratio	11.1	11.1	11.1	11.4	10.7	10.7	10.2	10.6	10.4	10.4
RWCR	13.0	13.2	13.8	14.4	13.7	13.5	13.2	13.1	12.6	12.5
Net NPLs (3-month classification)										
% of net total loans	11.5	10.2	8.9	7.5	5.8	4.8	3.2	2.4	2.4	2.4
Amount (RM million)	46,254	43,110	40,013	36,668	31,332	27,360	20,011	16,660	16,878	16,780
GP / Net total loans (3-month, %)										
	2.1	2.1	2.0	1.9	1.8	1.7	1.7	1.7	1.7	1.7

* Figures include Islamic banks.

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



Banking system capitalisation remained strong...



...whilst the NPL level remained low

Bank Negara Malaysia
30 December 2008

Key Monetary and Financial Statistics

	Sep 08		Oct 08		Nov 08	
	Outs.	Ann. growth	Outs.	Ann. growth	Outs.	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
Monetary Aggregates						
Reserve money	73.6	16.9	69.5	16.0	69.1	10.3
M1	179.7	14.9	172.7	8.6	176.2	11.1
M2	883.5	15.6	870.8	13.3	880.9	14.4
M3	912.8	13.5	900.4	11.5	909.2	12.5
Banking System						
Total deposits	942.2	13.0	933.5	10.9	943.1	12.4
Total loans (including loans sold to Cagamas)	712.7	10.6	715.3	10.3	723.4	10.7
Loan-deposit ratio (%)		74.3		75.3		75.4
Financing-deposit ratio ¹ (%)		82.1		83.3		83.3
Loans applied (during the period)	40.1	-5.8	35.6	-7.9	35.7	-32.6
Loans approved (during the period)	23.0	-2.9	20.0	-14.4	21.2	-44.0
Loans disbursed (during the period)	55.1	9.1	52.6	8.2	52.4	7.5
Loans repaid (during the period)	50.6	24.5	49.9	12.6	43.0	-3.3
Banking System Health						
Risk-weighted Capital Ratio (RWCR) (%)		13.1		12.6		12.5
Net NPLs: 3-month classification (%)		2.4		2.4		2.4
International Reserves of BNM (end-period)						
Net Reserves in RM billion		379.3		345.5		336.4
Net Reserves in USD billion (equivalent)		109.7		100.2		97.7
Months of retained imports		8.9		8.1		7.9
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)		3.50		3.50		3.50
Interbank:	Overnight	3.49 [3.50]		3.49 [3.50]		3.24 [3.50]
	1-week	3.52 [3.52]		3.52 [3.52]		3.27 [3.52]
	1-month	3.57 [3.56]		3.57 [3.57]		3.31 [3.49]
Fixed deposits of commercial banks:	1-month	3.08		3.08		3.03
	3-month	3.14		3.14		3.06
BLR of commercial banks		6.72		6.72		6.66
ALR of commercial banks		5.96		6.01		5.98
Prices						
Consumer Price Index (CPI) (2005=100)		114.7	8.2	114.2	7.6	112.9
Producer Price Index (PPI) (2000=100)		145.5	8.7	139.4	3.3	n.a.
Exchange Rates of Ringgit against Selected Currencies (end-period)						
US dollar		3.4575		3.5625		3.6175
Euro		4.9636		4.5794		4.6660
Pound Sterling		6.2254		5.8382		5.5684
100 Japanese yen		3.3154		3.6127		3.7965
Singapore dollar		2.4153		2.4050		2.4003
100 Thai Baht		10.154		10.171		10.200
100 Philippine Peso		7.3159		7.2767		7.4038
100 Indonesian Rupiah		0.0367		0.0325		0.0297
100 Korean Won		0.2846		0.2787		0.2480
Capital Market						
Net funds raised (in Rmb) by:	public	2.8		7.5		6.3
	private	1.4		1.9		-1.6
Bursa Malaysia Composite Index (end-period)		1,018.7		863.6		866.1
Bursa Malaysia Market Capitalisation (Rmb, end-period)		770.5		655.3		656.6

¹ Refers to the ratio of loans and holdings of PDS by the banking system to deposits of the banking system.