



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Ref. No.: 05/08/10

**EMBARGO: Not for publication or
broadcast before 1800 hours on
Wednesday, 28 May 2008**

PRESS RELEASE

Monetary and Financial Developments April 2008 **Highlights of the Press Release**

- The domestic financial markets were relatively resilient despite the prevailing external uncertainties.
- Private sector demand for financing continued to increase. Net financing through banking system loans and PDS outstanding expanded at a combined annual rate of 12.1% in April.
- The banking system's capitalisation remained strong. The risk-weighted capital ratio (RWCR) and core capital ratio stabilised at 13% and 10.1% respectively, while the net non-performing loans (NPLs) ratio improved further to 2.9%.
- Headline inflation rose to 3% in April, as prices in the *food and non-alcoholic beverages* category of the CPI rose by 5.7%. Excluding the *food and non-alcoholic beverages* category, however, inflation was unchanged at 1.8% compared to last month.



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MONETARY AND FINANCIAL DEVELOPMENTS April 2008

In April, gross financing raised by the private sector increased to RM60.3 billion, reflecting higher loan disbursements and issuances of private debt securities (PDS). On a net basis, financing to the private sector through banking system loans and PDS outstanding expanded at a combined annual rate of 12.1%. Total loans outstanding advanced by 10.1% with relatively steady growth in both business and household loans. Loan applications, approvals and disbursements in both the business and household sectors were higher compared to the previous month and also registered strong annual growth rates.

Interbank rates for all maturities were relatively steady. Fixed deposit rates remained relatively unchanged while the average lending rate of commercial banks was marginally lower.

The ringgit exchange rate recorded a mixed performance in the period 1 April to 27 May 2008. The ringgit continued on an upward trend, supported by sustained net inflows, the weakness of the US dollar, as well as overall optimism about the performance of the Asian economies. The ringgit, however, was affected

by changing investor sentiments arising from concerns over the effect of higher oil prices on regional economic growth, and developments in the global financial markets which created volatility in capital flows. In May, the ringgit depreciated against the US dollar due to market expectations that the Federal Reserve will pause its easing of interest rates. During the period 1 April to 27 May 2008, the ringgit depreciated against the US dollar (-1.9%), the euro (-1.8%) and the pound sterling (-1.2%), but appreciated against the Japanese yen (1.5%). The ringgit recorded a mixed performance against regional currencies, appreciating against the Korean won (3.2%), the Philippine peso (2.8%) and the Thai baht (0.6%) but depreciating against the Singapore dollar (-3.2%), the Chinese renminbi (-2.9%) and the Indonesian rupiah (-0.4%).

Headline inflation rose to 3% in April 2008 (March: 2.8%), as prices in the *food and non-alcoholic beverages* category of the CPI rose by 5.7% (4.9% in March). The increase in food inflation was broad-based, with both the food at home and the food away from home sub-categories recording higher prices. Excluding the *food and non-alcoholic beverages* category, however, inflation was unchanged at 1.8% compared to last month.

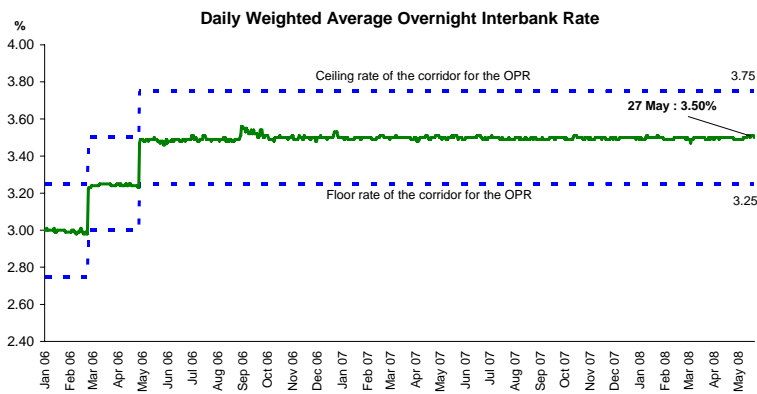
Broad money, or M3, increased at an annual rate of 12.2% as at end-April, largely reflecting trade and capital inflows, as well as higher bank lending to the private sector.

The banking system's capitalisation remained strong with a risk-weighted capital ratio (RWCR) of 13% as at end-April 2008. Meanwhile, the net non-performing loans (NPLs) ratio improved further to 2.9%.

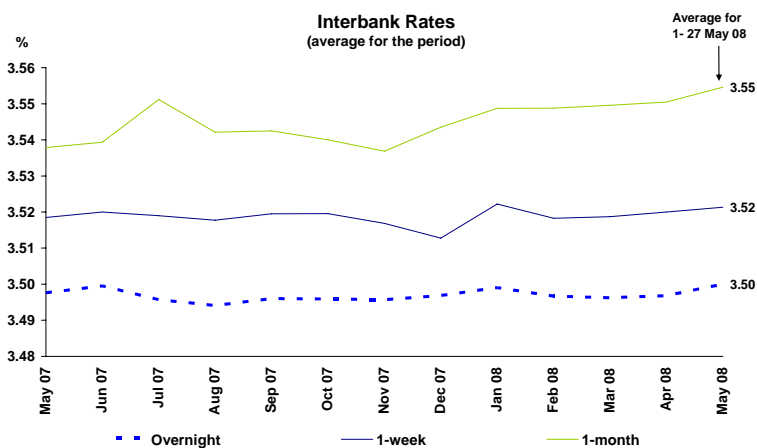
Interest rates remained stable

During the period 1 April – 27 May, the daily weighted average overnight interbank rate moved within a narrow range of 3.49% - 3.51%. Interbank rates of other maturities were also relatively stable.

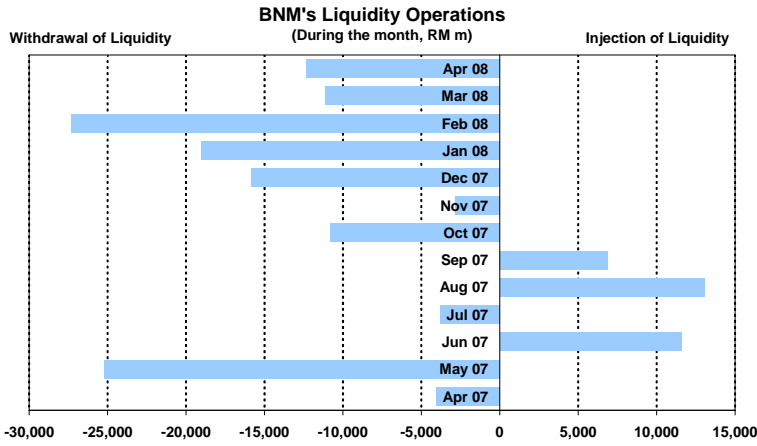
The average fixed deposit (FD) rates of commercial banks (CBs) remained relatively unchanged in April and May. As at 15 May 2008, the average quoted FD rates for tenures between 1 and 12 months were within the range of 3.08% and 3.70%. In terms of CBs' lending rates, the average base lending rate (BLR) was unchanged at 6.72%, while the average lending rate (ALR) was marginally lower at 6.19% in April (6.21% in March).



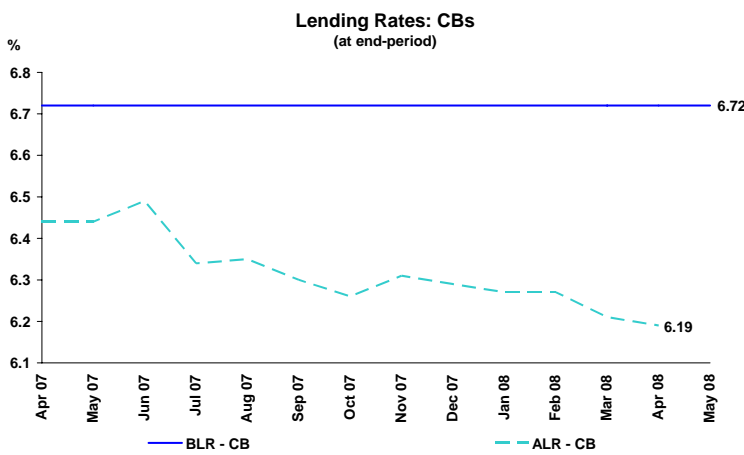
The average overnight interbank rate moved within a narrow range



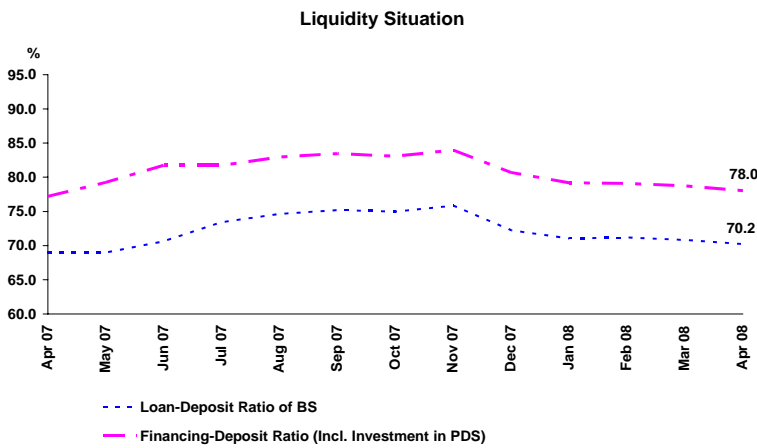
Other interbank rates remained largely unchanged



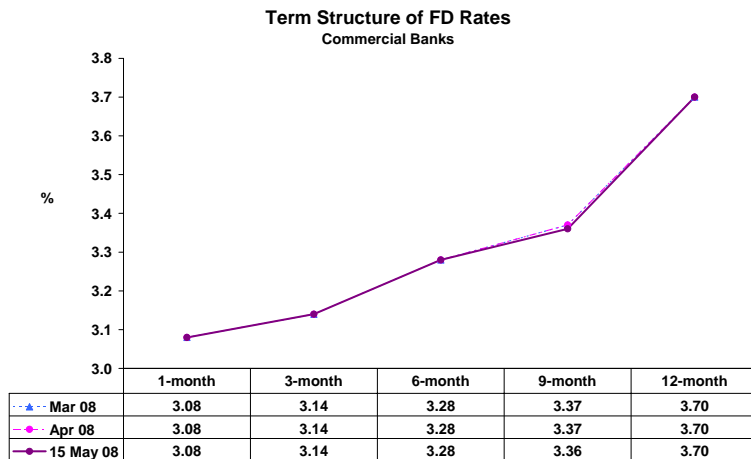
BNM withdrew excess liquidity from the interbank market in April



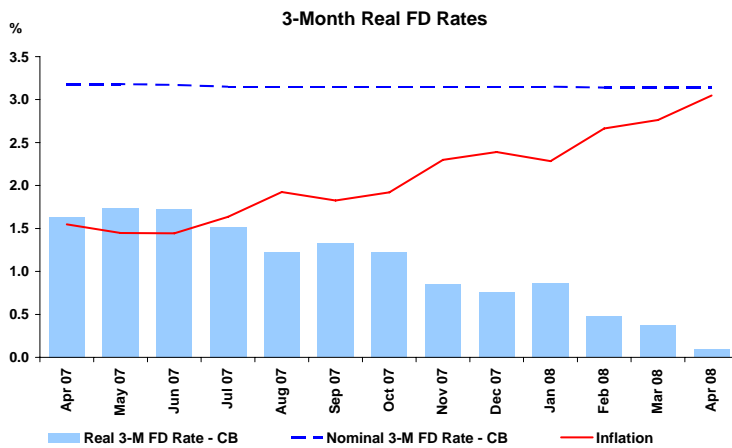
CBs' ALR maintained its gradual downward trend due to competition amidst ample liquidity conditions



The financing-deposit and loan-deposit ratios moderated slightly in April



Average FD rates were relatively unchanged

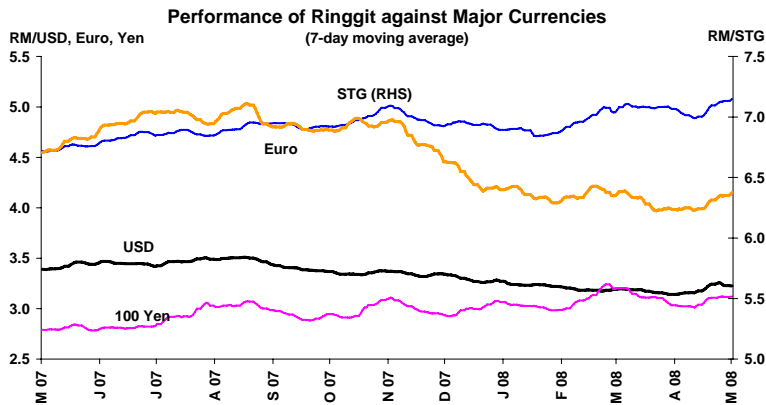


The real 3-month FD rate was lower

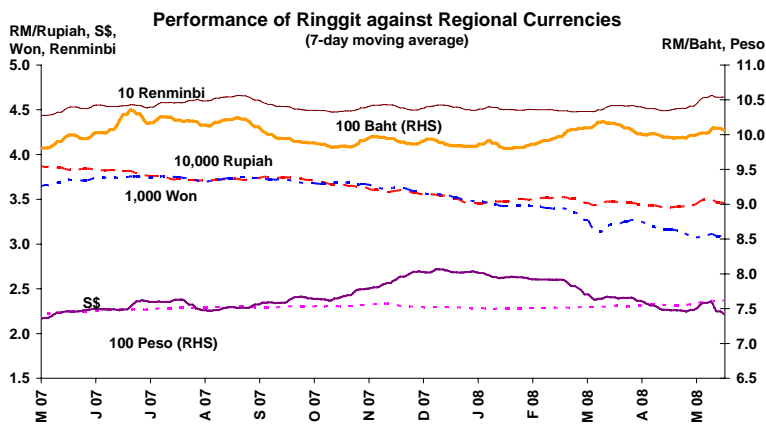
Mixed performance of the ringgit

The ringgit exchange rate recorded a mixed performance in the period 1 April to 27 May 2008. The ringgit continued on an upward trend, supported by sustained net inflows, the weakness of the US dollar, as well as overall optimism about the performance of the Asian economies. The ringgit, however, was affected by changing investor sentiments arising from concerns over the effect of higher oil prices on regional economic growth, and developments in the global financial markets which created volatility in capital flows. In May, the ringgit depreciated against the US dollar due to market expectations that the Federal Reserve will pause its easing of interest rates.

During the period 1 April to 27 May 2008, the ringgit depreciated against the US dollar (-1.9%), the euro (-1.8%) and the pound sterling (-1.2%), but appreciated against the Japanese yen (1.5%). The ringgit recorded a mixed performance against regional currencies, appreciating against the Korean won (3.2%), the Philippine peso (2.8%) and the Thai baht (0.6%) but depreciating against the Singapore dollar (-3.2%), the Chinese renminbi (-2.9%) and the Indonesian rupiah (-0.4%).



The ringgit depreciated against most major currencies...



..and recorded a mixed performance against regional currencies

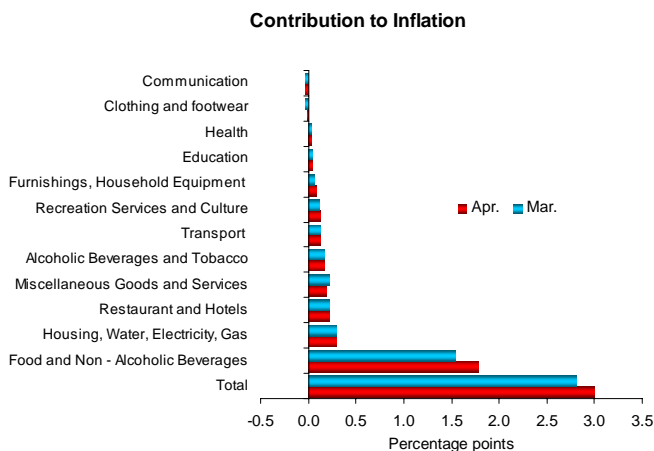
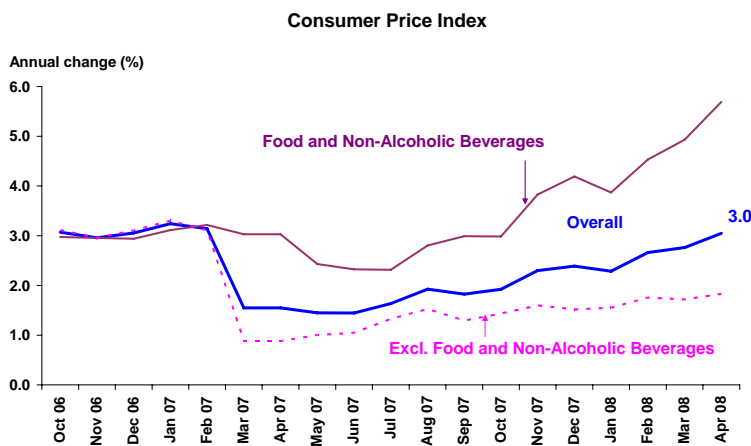
Performance of Ringgit against Selected Currencies

RM per foreign currency	End-period				% Change	
	Dec 07	Mar 08	Apr 08	27 May 08	End Dec 07 - 27 May 08	End Mar 08 - 27 May 08
US dollar	3.3065	3.1875	3.1580	3.2485	1.8	-1.9
Euro	4.8756	5.0369	4.9183	5.1289	-4.9	-1.8
Pound sterling	6.6070	6.3586	6.2168	6.4380	2.6	-1.2
100 Japanese yen	2.9534	3.1912	3.0338	3.1440	-6.1	1.5
Singapore dollar	2.2938	2.3102	2.3186	2.3861	-3.9	-3.2
100 Thai baht	9.8159	10.108	9.9449	10.046	-2.3	0.6
100 Philippine peso	8.0158	7.6421	7.4777	7.4328	7.8	2.8
100 Indonesian rupiah	0.0352	0.0346	0.0342	0.0347	1.5	-0.4
100 Korean won	0.3532	0.3211	0.3151	0.3111	13.6	3.2
Chinese renminbi	0.4527	0.4545	0.4512	0.4681	-3.3	-2.9

Headline inflation increased in April

Headline inflation rose to 3% in April (March: 2.8%), as prices in the *food and non-alcoholic beverages* category of the CPI rose by 5.7% (4.9% in March). The increase in food inflation was broad-based, with both the food at home and the food away from home sub-categories recording higher prices. With a weight of 31.4% in the CPI basket, the *food and non-alcoholic beverages* category contributed about 1.8 percentage points or close to 60% of the increase in headline inflation. Excluding the *food and non-alcoholic beverages* category, however, inflation was unchanged at 1.8% compared to last month. Meanwhile, the *clothing and footwear* and *communication* categories continued to register falling prices.

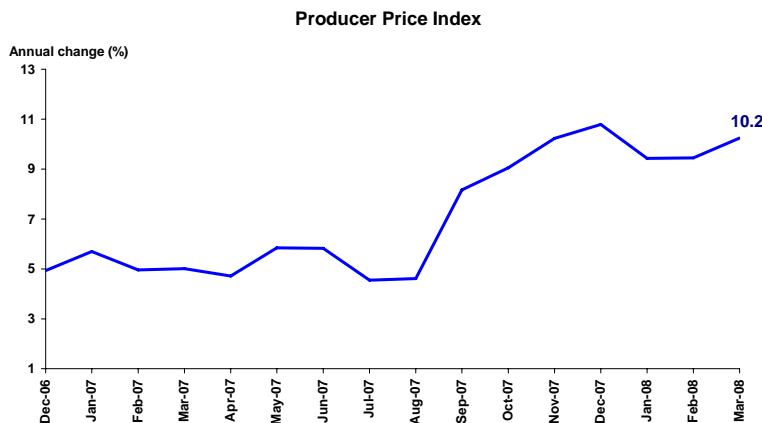
Inflation increased to 3% in April



Producer price inflation rose

In March, the producer price inflation increased to 10.2% (February: 9.4%). Prices in the non-commodity-based component of the PPI rose to 1.5% during the period (February: 1.4%) following price increases in categories such as *food and live animals* and *manufactured goods classified chiefly by material*. Meanwhile, the rate of price increases for the commodity-based PPI rose to 34.9% (February: 32.5%), as global prices for raw commodities such as crude oil and crude palm oil increased further.

In terms of constituents, prices in the local component of the PPI increased at an annual rate of 12.1% (Feb: 10.6%). The increase reflected higher prices in several categories such as *food and live animals*; *mineral fuels, lubricants and related materials*; *animal and vegetable oils and fats* and *manufactured goods classified chiefly by material*. Meanwhile, the annual growth rate of the imported component of the PPI was lower at 6.3% (Feb: 7%) and was due to the slower price increases in most of the categories, especially for *machinery and transport equipment* and *manufactured goods classified chiefly by material*.



Monetary aggregates expanded in April

In the month of April, broad money, or M3, increased by RM9.2 billion to grow by 12.2% on an annual basis. The increase largely reflected trade and capital inflows, as well as higher bank lending to the private sector. The expansionary impact of these inflows on M3, however, were partially mitigated by fund raising activity by the Government and Bank Negara Malaysia's sterilisation operations. The latter was reflected by the decline in the *other influences* category.

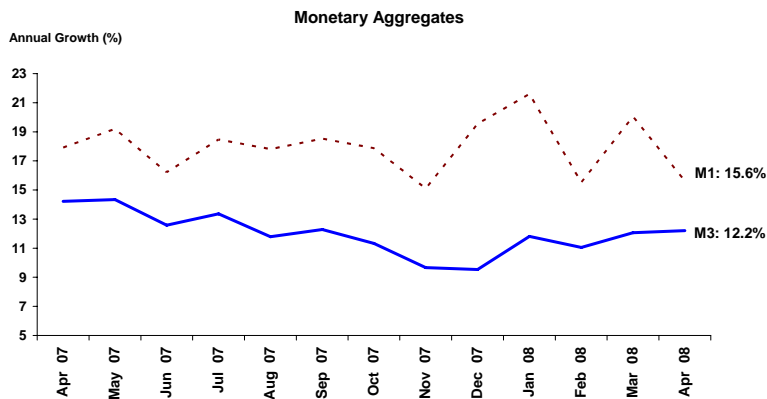
M1 decreased by RM3.6 billion, reflecting lower demand deposits held by businesses in April.

M3 Determinants
(RM billion)

	Change during period			
	Jan 08	Feb 08	Mar 08	Apr 08
M3	35.0	8.6	8.0	9.2
Net claims on Government	2.4	-4.7	4.0	-2.7
Claims on the private sector	8.7	4.1	4.5	4.8
<i>Loans</i>	7.3	5.4	3.7	4.2
<i>Securities</i>	1.4	-1.3	0.8	0.6
Net external operations *	21.0	19.5	5.2	19.4
Other influences	2.9	-10.4	-5.6	-12.3

* 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 expanded further

Total deposits with the banking system increased further by RM14.3 billion on a month on month basis or at an annual rate of 9.6% in April (March: RM11 billion; 8.4%). During the month, there were higher deposit placements by financial institutions, business enterprises and to a lesser extent, individuals. This in part was attributable to the higher trade and capital inflows during the month. By type, the increase in deposits was mainly in the form of short-term money market deposits, repos and SPI deposits.

Deposits by Holder (RM million)

	Change during period			
	Jan 08	Feb 08	Mar 08	Apr 08
Federal Government	-141	724	-244	-129
State Governments	-147	1,362	129	-131
Statutory Authorities ¹	-476	-621	1,362	148
Financial Institutions	3,088	3,800	2,692	6,848
Business Enterprises	16,768	-1,586	5,017	4,192
Individuals	4,866	5,187	584	2,393
Others ²	1,832	-1,592	1,452	1,002
Total	25,790	7,273	10,992	14,323

1/ Include local Governments

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

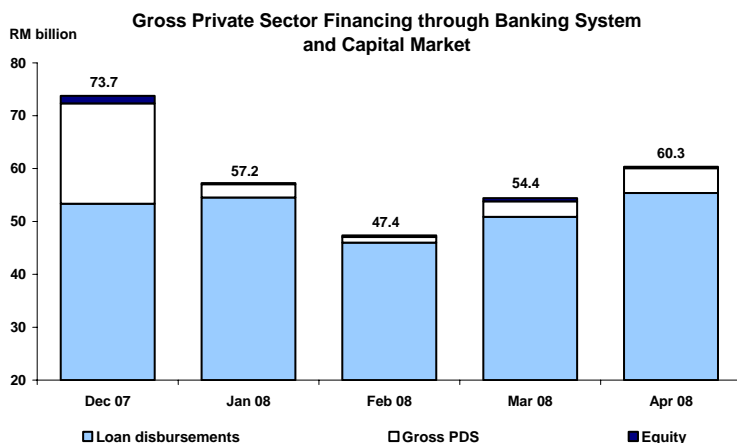
Deposits by Type (RM million)

	Change during period			
	Jan 08	Feb 08	Mar 08	Apr 08
Fixed deposits	528	-875	3,944	499
NIDs	-5,132	-3,341	-737	-339
Demand deposits	3,861	-2,135	458	-1,561
Savings deposits	1,201	1,697	-957	330
Repos	-680	2,631	-1,109	4,348
FX deposits	2,385	714	-1,183	699
SPI deposits	6,423	1,156	6,340	1,823
Others ¹	17,206	7,426	4,236	8,525
Total	25,790	7,273	10,992	14,323

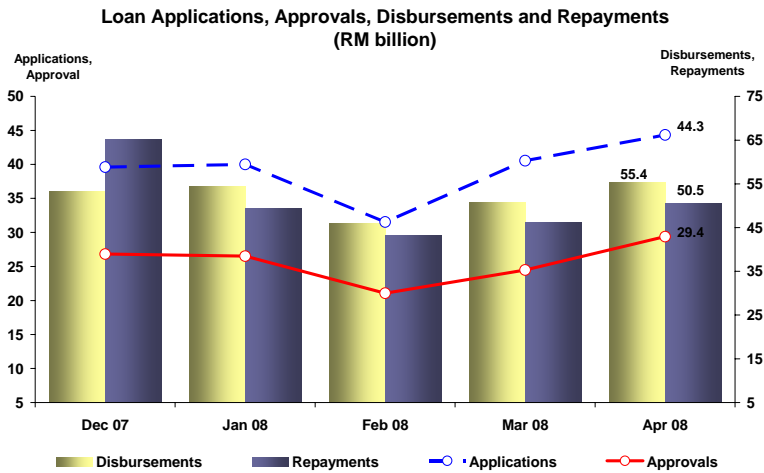
1/ Other deposits comprised mainly of short-term money market deposits

Higher gross private sector financing

Gross financing raised by the private sector from the banking system and capital market increased to RM60.3 billion in April (March: RM54.4 billion). The increase in gross financing reflected higher loan disbursements and issuances of private debt securities (PDS) during the month. On a net basis, financing to the private sector through banking system loans and PDS outstanding expanded at a combined annual rate of 12.1% (March: 12.7%).



Gross private sector financing amounted to RM60.3 billion



Major loan indicators were higher on a monthly basis

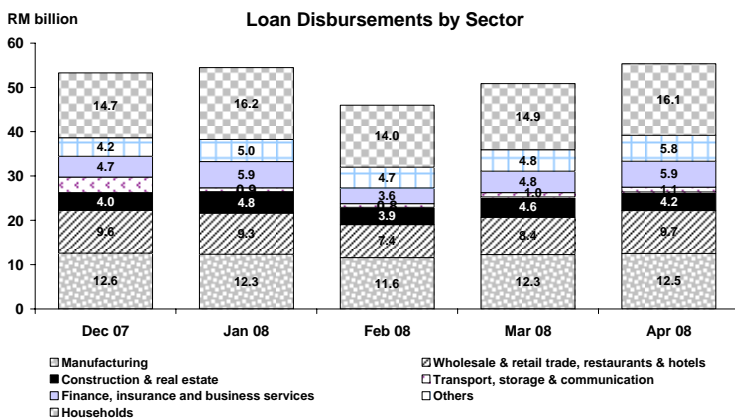
Bank lending indicators

	RM billion		Annual Growth (%)	
	Mar-08	Apr-08	Mar-08	Apr-08
Overall				
Loan applications	40.6	44.3	20.4	52.4
Loan approvals	24.5	29.4	9.4	57.4
Loan disbursements	50.9	55.4	16.0	34.1
Chg in Loans Outstanding ^{1/}	4.2	4.2	10.0	10.1
Businesses				
Loan applications	21.0	22.6	7.5	52.6
Loan approvals	12.8	15.5	-8.7	49.7
Loan disbursements	35.9	39.2	18.2	36.7
Chg in Loans Outstanding ^{1/}	1.2	0.8	11.6	11.5
SMEs^{2/}				
Loan applications	8.7	10.1	18.3	43.0
Loan approvals	4.6	5.6	10.5	39.1
Loan disbursements	13.0	13.5	7.1	20.6
Chg in Loans Outstanding ^{1/}	1.1	0.4	10.7	11.4
Households				
Loan applications	19.6	21.7	38.1	52.1
Loan approvals	11.7	13.9	39.3	66.9
Loan disbursements	14.9	16.1	11.0	28.1
Chg in Loans Outstanding ^{1/}	1.8	3.3	8.0	8.2

Loan indicators in April showed favourable financing condition for both the business and household sectors

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

^{2/} Include loans to individual businesses.



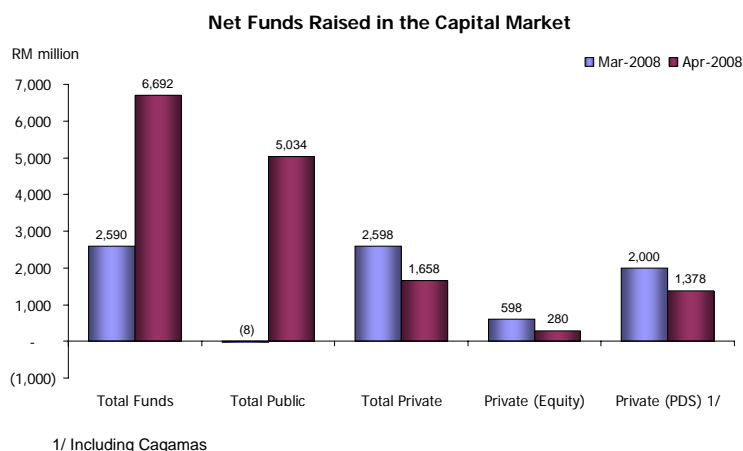
Loan disbursements remained broad-based

All major loan indicators were higher across the business and household sectors. During the month, higher loans were disbursed to the business sector, particularly to the wholesale and retail trade; finance, insurance and business services; primary agriculture; and manufacturing sectors. In the household sector, there were higher loan disbursements—for the purchase of residential properties and passenger cars.

As a result of the higher loan disbursements, total loans outstanding advanced by 10.1% on an annual basis as at end-April (end-March: 10%). By customer, loans outstanding of businesses and households rose at annual growth rates of 11.5% and 8.2% respectively (March: 11.6% and 8% respectively).

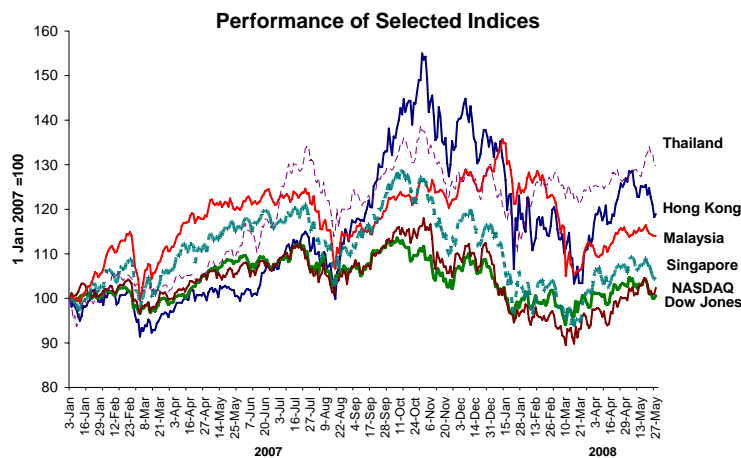
Higher net funds raised in the capital market

Net funds raised in the capital market in April amounted to RM6.7 billion, an increase of RM4.1 billion from the previous month. The bulk of the funds were raised by the public sector through the re-opening of the 3-year Malaysian Government Securities (MGS) and issuance of the Merdeka Savings Bonds. Meanwhile, gross funds raised by the private sector amounted to RM6 billion. The bulk of the funds were raised through the issuance of private debt securities (PDS) from the utility and transportation sectors. After adjusting for redemptions, net funds raised in the private sector amounted to RM1.7 billion.



KLCI advanced in April

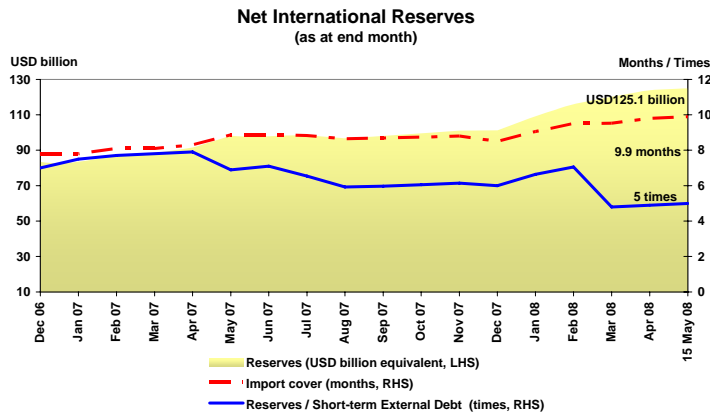
In line with the performance of regional equity markets, the KLCI advanced in April 2008, to close at 1,279.9 or 2.6% higher than end-March. Despite prevailing external uncertainties, the KLCI was higher due mainly to the continued support from the higher crude palm oil prices, which lifted the plantation stocks. Market capitalisation increased to RM976.7 billion (since end-March: +2.6%), but the daily average turnover decreased to 612.0 million units (March: 814.2 million units).



As at 27 May, the KLCI ended lower at 1,274.2 (since end-April: -0.4%). Overall market capitalisation was lower at RM973.3 billion (since end-April: -0.4%), while trading activity was lower with a daily average turnover of 610.3 million units.

International reserves

The international reserves of Bank Negara Malaysia amounted to RM396.6 billion (equivalent to USD124.1 billion) as at 30 April 2008. As at 15 May 2008, the international reserves amounted to RM399.9 billion (equivalent to USD125.1 billion). The reserves position is sufficient to finance 9.9 months of retained imports and is 5 times the short-term external debt.



Note: With effect from end-March 2008, the short-term external debt refers to the external debt under the new definition, with offshore entities in Labuan IBFC being treated as residents

Strong capitalisation amidst further improvements in non-performing loans

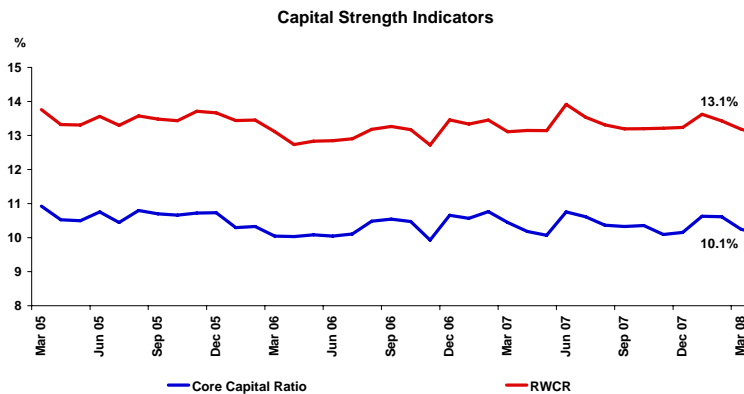
The banking system capitalisation remained strong. The risk-weighted capital ratio (RWCR) and core capital ratio stabilised at 13% and 10.1% respectively despite the distribution of retained profits by some banking institutions. Meanwhile, the net non-performing loans (NPLs) ratio improved further from 3% to 2.9% underpinned by continued write-offs and strong recoveries by banking institutions.

Banking System Health Indicators

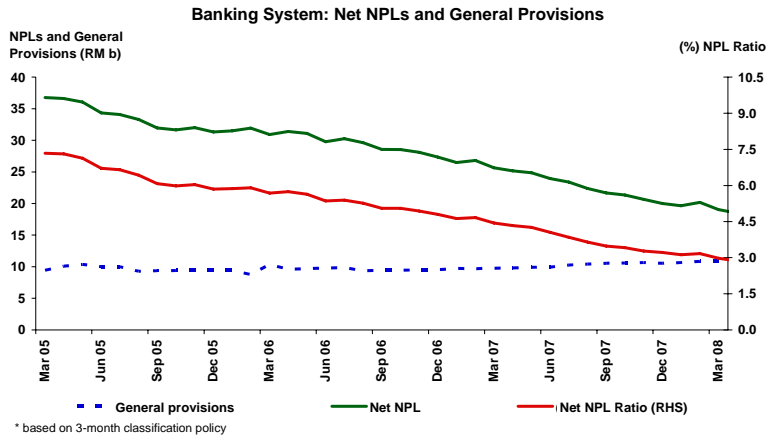
	2001	2002	2003	2004	2005	2006	2007	Feb 08	Mar 08	Apr 08
Capital (%) **										
Core capital ratio	11.1	11.1	11.1	11.4	10.7	10.7	10.2	10.6	10.2	10.1
RWCR	13.0	13.2	13.8	14.4	13.7	13.5	13.2	13.4	13.2	13.0
Net NPLs (3-month classification)										
% of net total loans	11.5	10.2	8.9	7.5	5.8	4.8	3.2	3.2	3.0	2.9
Amount (RM million)	46,254	43,110	40,013	36,668	31,332	27,360	20,011	20,193	19,038	18,482
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, computation of RWCR and CCR reflect computation based on Basel II for banking institutions that have adopted the standardised approach



Banking system capitalisation level remained robust...



...whilst the level of NPLs declined further

Bank Negara Malaysia
28 May 2008

Key Monetary and Financial Statistics

	Feb 08		Mar 08		Apr 08		
	Outs.	Ann. growth	Outs.	Ann. growth	Outs.	Ann. growth	
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)	
Monetary Aggregates							
Reserve money	67.7	13.4	65.5	11.7	65.3	9.5	
M1	172.6	15.5	173.6	20.0	170.1	15.6	
M2	835.4	10.5	843.3	11.8	861.8	14.4	
M3	876.4	11.1	884.4	12.1	893.7	12.2	
Banking System							
Total deposits	901.9	7.6	912.9	8.4	927.3	9.6	
Total loans (including loans sold to Cagamas)	657.3	9.8	661.6	10.0	665.7	10.1	
Loan-deposit ratio (%)		71.2		70.8		70.2	
Financing-deposit ratio ¹ (%)		79.1		78.7		78.0	
Loans applied (during the period)	31.5	40.0	40.6	20.4	44.3	52.4	
Loans approved (during the period)	21.1	47.7	24.5	9.4	29.4	57.4	
Loans disbursed (during the period)	46.0	19.3	50.9	16.0	55.4	34.1	
Loans repaid (during the period)	43.3	21.2	46.2	16.6	50.5	31.9	
Banking System Health							
Risk-weighted Capital Ratio (RWCR) (%)		13.4		13.2		13.0	
Net NPLs: 3-month classification (%)		3.2		3.0		2.9	
International Reserves of BNM (end-period)							
Net Reserves in RM billion		384.1		384.6		396.6	
Net Reserves in USD billion (equivalent)		116.3		120.3		124.1	
Months of retained imports		9.5		9.5		9.8	
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]		3.50 [3.50]		3.49 [3.50]	
	1-week	3.53 [3.52]		3.52 [3.52]		3.52 [3.52]	
	1-month	3.55 [3.55]		3.55 [3.55]		3.56 [3.55]	
Fixed deposits of commercial banks:	1-month	3.08		3.08		3.08	
	3-month	3.14		3.14		3.14	
BLR of commercial banks		6.72		6.72		6.72	
ALR of commercial banks		6.27		6.21		6.19	
Prices							
Consumer Price Index (CPI) (2005=100)		107.9	2.7	107.9	2.8	108.2	3.0
Producer Price Index (PPI) (2000=100)		139.0	9.4	141.0	10.2	n.a.	n.a.
Exchange Rates of Ringgit against Selected Currencies (end-period)							
US dollar		3.1890		3.1875		3.1580	
Euro		4.8406		5.0369		4.9183	
Pound Sterling		6.3399		6.3586		6.2168	
100 Japanese yen		3.0431		3.1912		3.0338	
Singapore dollar		2.2899		2.3102		2.3186	
100 Thai Baht		9.9859		10.1078		9.9449	
100 Philippine Peso		7.8819		7.6421		7.4777	
100 Indonesian Rupiah		0.0352		0.0346		0.0342	
100 Korean Won		0.3400		0.3211		0.3151	
Capital Market							
Net funds raised (in Rmb) by:	public	3.6		0.0		5.0	
	private	0.1		2.6		1.7	
Bursa Malaysia Composite Index (end-period)		1,357.4		1,247.5		1,279.9	
Bursa Malaysia Market Capitalisation (Rmb, end-period)		1,028.3		952.3		976.7	

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