



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

Ref. No.: 04/08/12

**EMBARGO: Not for publication or  
broadcast before 1800 hours on  
Wednesday, 30 April 2008**

## **PRESS RELEASE**

### **Monetary and Financial Developments March 2008** **Highlights of the Press Release**

- The domestic financial markets continued to experience some volatilities amidst uncertainties on the outlook for global growth and continuing disruptions in the international financial markets.
- Overall private sector demand for financing continued to increase in an environment of ample liquidity and relatively stable interest rates, with net financing through banking system loans and PDS outstanding increasing at a faster pace of 12.7% in March.
- The banking system's capital strength was sustained as reflected by the stable risk-weighted capital ratio (RWCR) and core capital ratio, while the net non-performing loans (NPLs) ratio improved further to 3.0%.



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## **PRESS RELEASE**

### **MONETARY AND FINANCIAL DEVELOPMENTS March 2008**

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In March, gross financing to the private sector increased to RM54.3 billion, supported by 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 higher combined annual rate of 12.7%. Total loans outstanding expanded by 10% on an annual basis as at end-March. Loan applications, approvals and disbursements were higher on a monthly basis after the seasonally low levels in February.

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

The ringgit, along with other regional currencies, experienced greater two way movements in the period 1 March to 29 April 2008. Ringgit movements were largely affected by portfolio flows arising from shifting investor sentiments amidst uncertainties about the outlook for global economic growth, arising mainly from concerns on problems in international financial markets. Regional currencies including the ringgit, also appreciated against the US dollar due to weakness of the

US currency as well as optimism about the performance of the Asian economies. During the period 1 March – 29 April 2008, the ringgit appreciated against the US dollar (1.1%), pound sterling (1.0%), and the Japanese yen (0.5%), but depreciated against the euro (-1.9%). The ringgit appreciated against most regional currencies.

Headline inflation was slightly higher at 2.8% in March 2008 (February: 2.7%). The increase in overall inflation was largely attributed to price increases of food products in the *food and non-alcoholic beverages* category, which recorded a more pronounced increase of 4.9% (February: 4.5%). The *miscellaneous goods and services* category also recorded higher price increases.

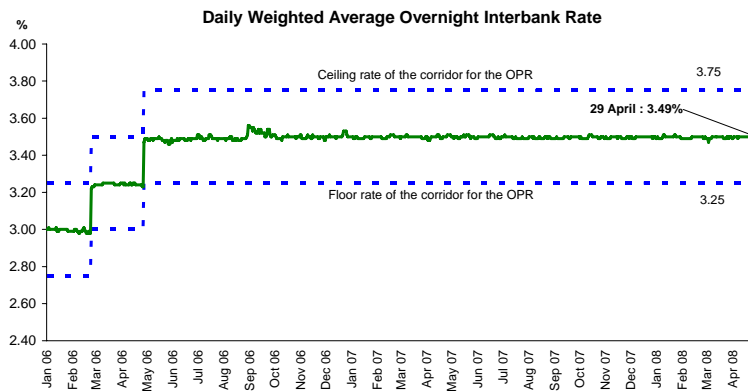
Broad money, or M3, increased at an annual rate of 12.3% as at end-March, largely reflecting trade-related inflows, as well as expansionary Government activity and higher bank lending to the private sector.

The banking system's capitalisation remained strong with a risk-weighted capital ratio (RWCR) of 13.3% as at end-March 2008. Meanwhile, the net non-performing loans (NPLs) ratio improved further to 3.0%.

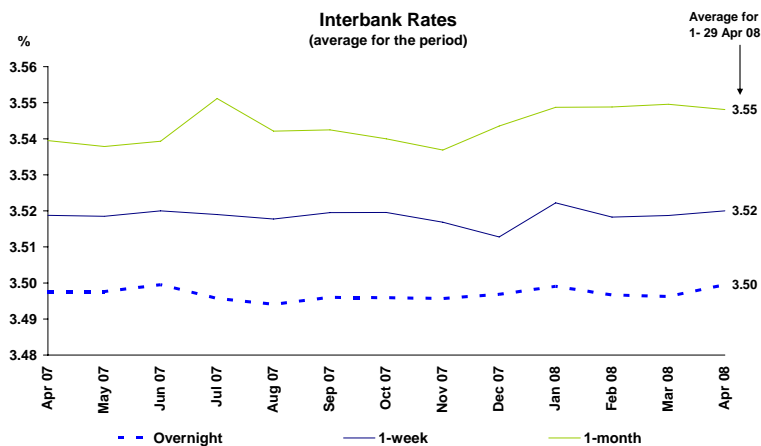
### ***Interest rates remained stable***

During the period 1 March – 29 April, 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.

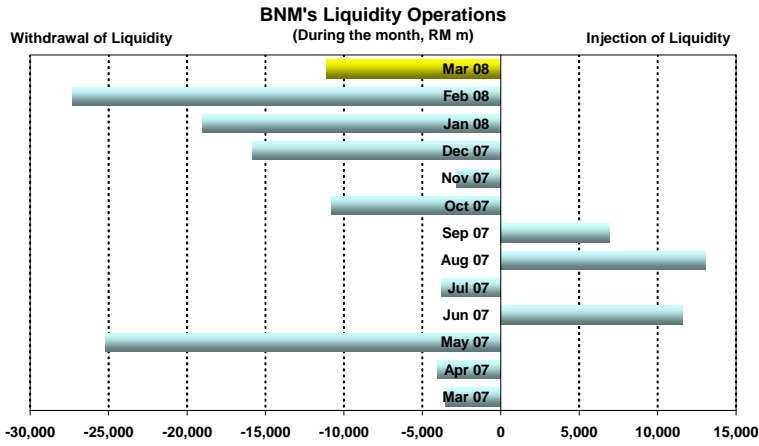
The average fixed deposit (FD) rates of commercial banks (CBs) remained unchanged in March and April. As at 15 April 2008, the average quoted FD rates for tenures between 1 and 12 months were within the range of 3.08% and 3.70%. In terms of CBs' lending rates, the average base lending rate (BLR) was unchanged at 6.72%, while the average lending rate (ALR) was marginally lower at 6.21% in March (6.27% in February).



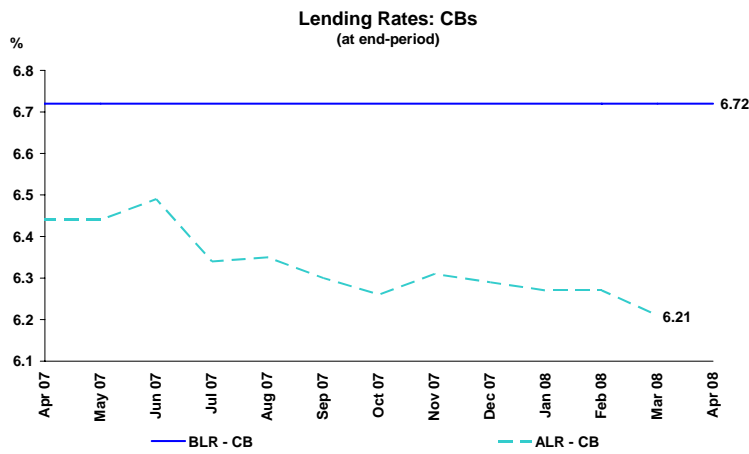
*The average overnight interbank rate moved within a narrow range*



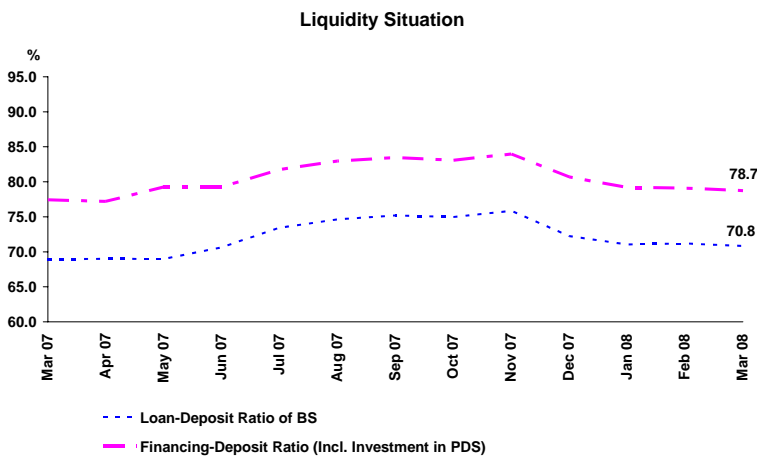
*Other interbank rates remained largely unchanged*



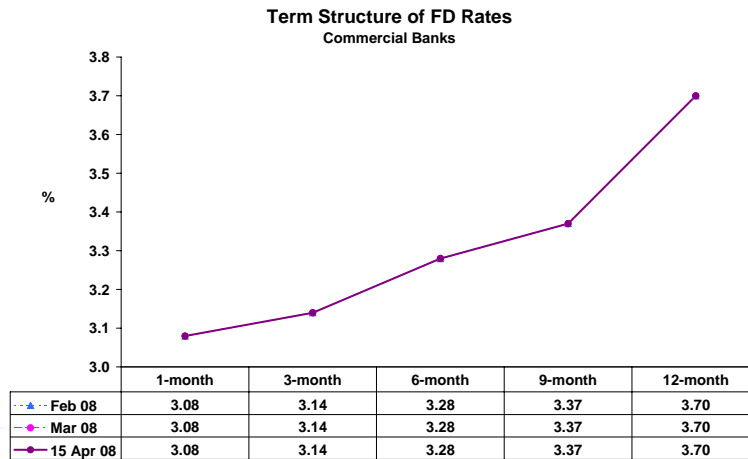
*Liquidity operations were contractionary in March*



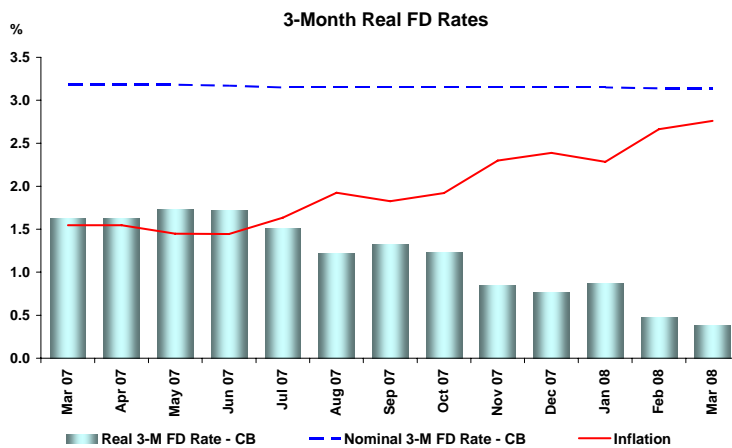
*CBs' ALR maintained its gradual downward trend*



*The financing-deposit and loan-deposit ratios moderated marginally in March as the growth in deposits outpaced the increase in loans*



*Average FD rates were unchanged*



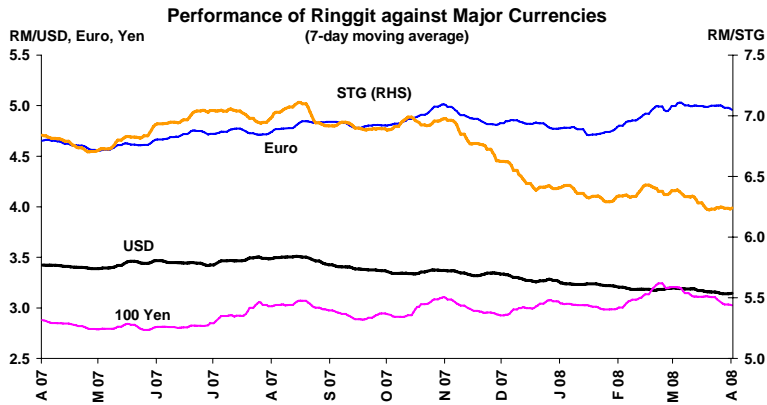
*The real 3-month FD rate was lower*

### ***Mixed performance of the ringgit***

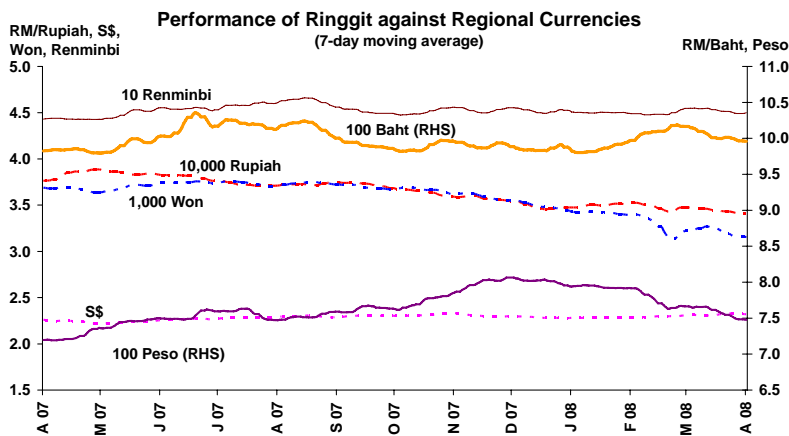
The ringgit, along with other regional currencies, experienced greater two way movements in the period 1 March to 29 April 2008. Ringgit movements were largely affected by portfolio flows arising from shifting investor sentiments amidst uncertainties about the outlook for global economic growth, arising mainly from concerns on problems in international financial markets. Regional currencies including the ringgit, also appreciated against the US dollar due to weakness of the US currency as well as optimism about the performance of the Asian economies.

During the period 1 March – 29 April 2008, the ringgit appreciated against the US dollar (1.1%), pound sterling (1.0%), and the Japanese yen (0.5%), but

depreciated against the euro (-1.9%). The ringgit appreciated against most regional currencies in the range of 0.2% to 7.8%. However, it depreciated against the Singapore dollar (-1.2%) and the Chinese renminbi (-0.7%).



*The ringgit appreciated against most major currencies...*



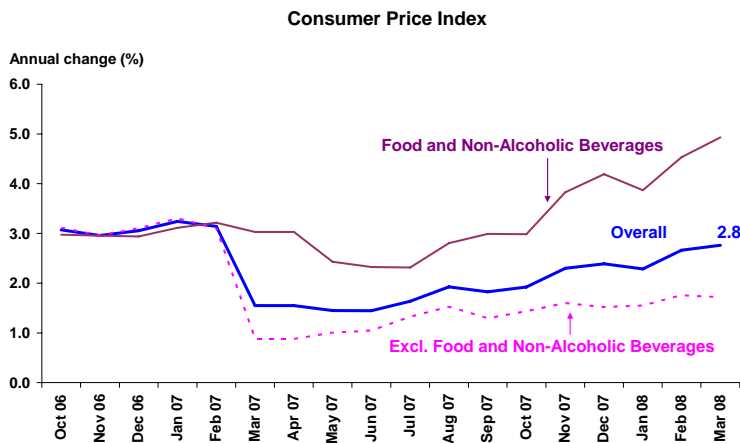
*... as well as against most regional currencies*

### Performance of Ringgit against Selected Currencies

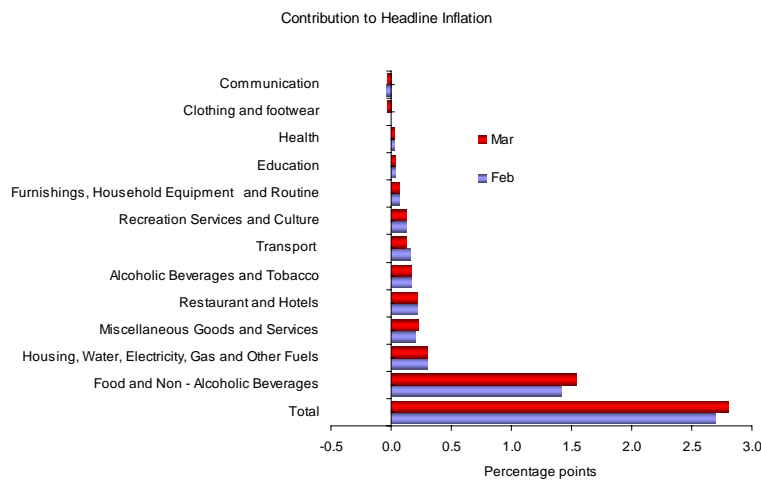
RM per foreign currency	End-period				% Change	
	Dec 07	Feb 08	Mar 08	29 Apr 08	End Dec 07 - 29 Apr 08	End Feb 08 - 29 Apr 08
US dollar	3.3065	3.1890	3.1875	3.1535	4.9	1.1
Euro	4.8756	4.8406	5.0369	4.9362	-1.2	-1.9
Pound sterling	6.6070	6.3399	6.3586	6.2745	5.3	1.0
100 Japanese yen	2.9534	3.0431	3.1912	3.0265	-2.4	0.5
Singapore dollar	2.2938	2.2899	2.3102	2.3186	-1.1	-1.2
100 Thai baht	9.8159	9.9859	10.108	9.9668	-1.5	0.2
100 Philippine peso	8.0158	7.8819	7.6421	7.4670	7.3	5.6
100 Indonesian rupiah	0.0352	0.0352	0.0346	0.0342	3.0	3.0
100 Korean won	0.3532	0.3400	0.3211	0.3154	12.0	7.8
Chinese renminbi	0.4527	0.4481	0.4545	0.4513	0.3	-0.7

## Headline inflation increased slightly in March

Headline inflation, as measured by the annual change in the Consumer Price Index (CPI), was slightly higher at 2.8% in March (February: 2.7%). The increase in overall inflation was largely attributed to price increases of food products in the *food and non-alcoholic beverages* category, which recorded a more pronounced increase of 4.9% (February: 4.5%). The *miscellaneous goods and services* category also recorded higher price increases. Nevertheless, the impact on overall inflation was partly mitigated by declining prices in the *clothing and footwear* and *communication* categories.

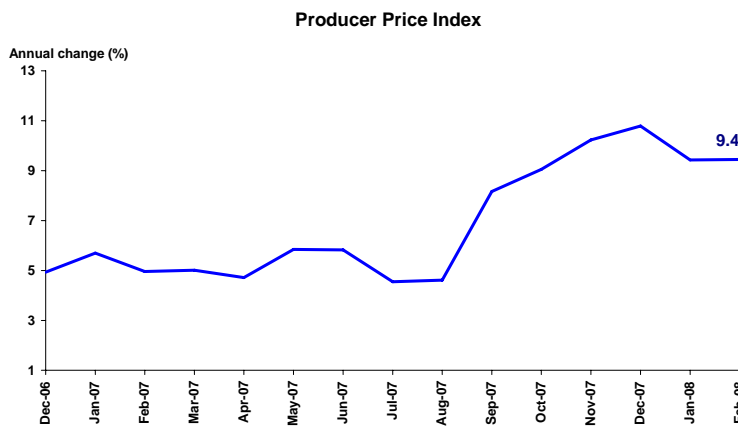


*Inflation was slightly higher in March mainly due to higher food prices*



### ***Producer price inflation was unchanged in February***

In February, the producer price inflation was unchanged at 9.4%. Price inflation in the non-commodity-based component of the PPI increased to 1.4% in February (January: 1.2%) with prices in most categories recording a steady increase. Meanwhile, the rate of increase in the commodity-based components of the PPI moderated slightly to 32.5% (January: 33.7%).



### ***Monetary aggregates expanded in March***

In the month of March, broad money, or M3, increased by RM9.9 billion to grow by 12.3% on an annual basis. The increase largely reflected trade-related inflows. Broad money also increased due to expansionary Government activity and higher bank lending to the private sector. These factors however, were partially mitigated by the contractionary impact from the *other influences* category.

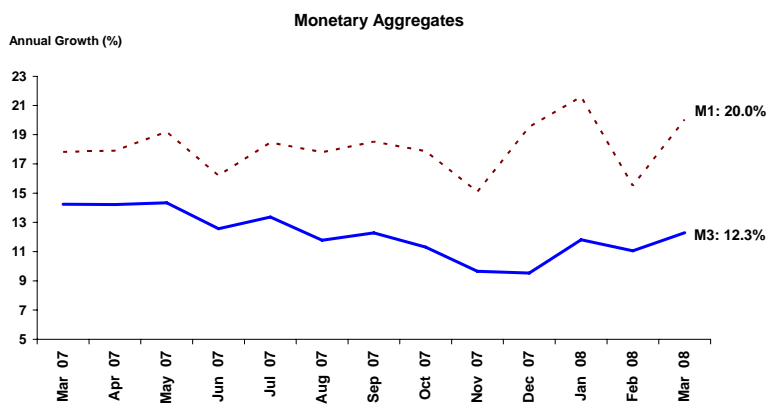
M1 increased by RM1 billion, reflecting higher demand deposits held by businesses in March.

**M3 Determinants**  
(RM billion)

	Change during period			
	Dec 07	Jan 08	Feb 08	Mar 08
M3	24.3	35.0	8.6	9.9
Net claims on Government	13.0	2.4	-4.7	4.0
Claims on the private sector	-4.6	8.7	4.1	4.5
Loans	-10.3	7.3	5.4	3.7
Securities	5.7	1.4	-1.3	0.8
Net external operations *	6.4	21.0	19.5	5.9
Other influences	9.5	2.9	-10.4	-4.4

\* 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 continued to expand***

Total deposits with the banking system increased further by RM11 billion or 8.4% on an annual basis (February: RM7.3 billion; 7.6%), mainly reflecting higher deposit placements by business enterprises, financial institutions and to a lesser extent, the statutory authorities. The increase in deposits, in part, reflected the higher repatriation of export proceeds during the month. By type, the increase in deposits was mainly in the form of SPI deposits, fixed deposits and other short-term deposits.

**Deposits by Holder**  
(RM million)

	Change during period			
	Dec 07	Jan 08	Feb 08	Mar 08
Federal Government	260	-141	724	-244
State Governments	-1,024	-147	1,362	129
Statutory Authorities <sup>1</sup>	2,049	-476	-621	1,362
Financial Institutions	15,757	3,088	3,800	2,692
Business Enterprises	10,653	16,768	-1,586	5,026
Individuals	3,966	4,866	5,187	584
Others <sup>2</sup>	-1,518	1,832	-1,592	1,453
<b>Total</b>	<b>30,144</b>	<b>25,790</b>	<b>7,273</b>	<b>11,002</b>

1/ Include local Governments

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

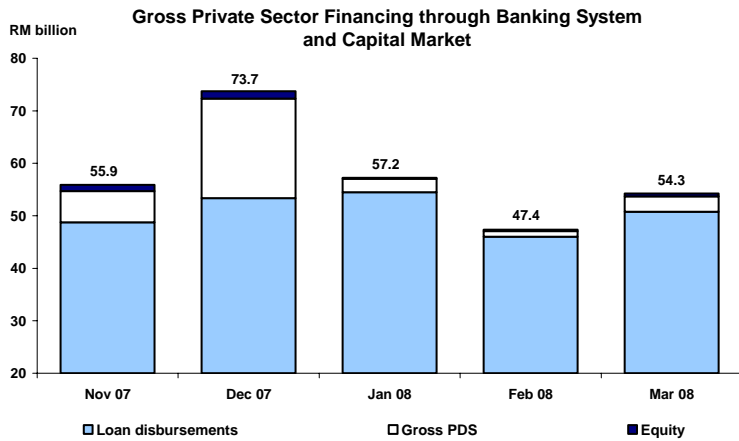
**Deposits by Type**  
(RM million)

	Change during period			
	Dec 07	Jan 08	Feb 08	Mar 08
Fixed deposits	-997	528	-875	3,944
NIDs	8,563	-5,132	-3,341	-737
Demand deposits	6,847	3,861	-2,135	457
Savings deposits	1,143	1,201	1,697	-957
Repos	665	-680	2,631	-1,109
FX deposits	-1,284	2,385	714	-1,183
SPI deposits	7,021	6,423	1,156	6,350
Others <sup>1</sup>	8,186	17,206	7,426	4,236
<b>Total</b>	<b>30,144</b>	<b>25,790</b>	<b>7,273</b>	<b>11,002</b>

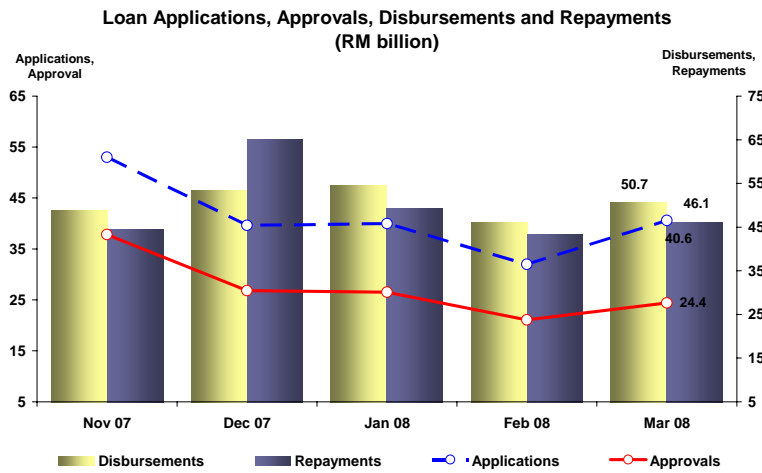
1/ Other deposit comprise of mainly short-term deposits

### ***Higher gross private sector financing***

Gross financing to the private sector by the banking system and capital market increased to RM54.3 billion in March (February: RM47.4 billion). The increase was supported by 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 higher combined annual rate of 12.7% (Feb: 12.2%).



Gross private sector financing amounted to RM54.3 billion



Major loan indicators were higher on a monthly basis

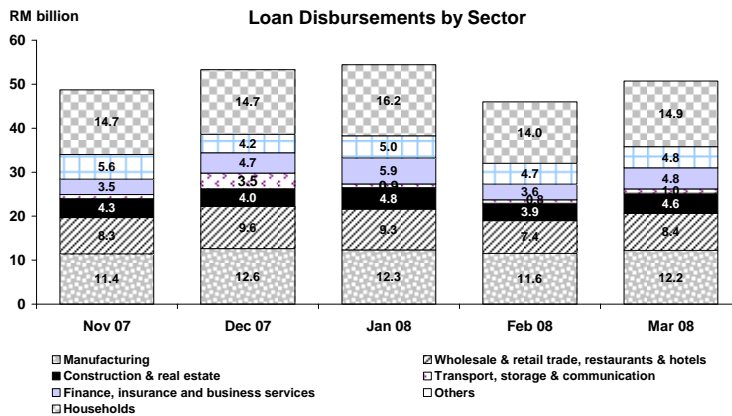
#### Bank lending indicators

	RM billion		Annual Growth (%)	
	Feb-08	Mar-08	Feb-08	Mar-08
<b>Overall</b>				
Loan applications	32.0	40.6	41.9	20.4
Loan approvals	21.1	24.4	47.7	8.9
Loan disbursements	46.0	50.7	19.3	15.7
Chg in Loans Outstanding <sup>1/</sup>	5.5	4.2	9.8	10.0
<b>Businesses</b>				
Loan applications	15.9	21.0	33.0	7.5
Loan approvals	11.1	12.7	49.1	-9.4
Loan disbursements	32.0	35.8	20.2	17.7
Chg in Loans Outstanding <sup>1/</sup>	4.6	1.2	12.0	11.6
<b>SMEs<sup>2/</sup></b>				
Loan applications	7.7	8.7	30.1	18.3
Loan approvals	3.4	4.6	5.4	10.5
Loan disbursements	13.6	13.0	39.4	7.1
Chg in Loans Outstanding <sup>1/</sup>	2.6	1.1	12.7	10.7
<b>Households</b>				
Loan applications	16.1	19.6	51.9	38.1
Loan approvals	10.0	11.7	46.2	39.3
Loan disbursements	14.0	14.9	17.4	11.0
Chg in Loans Outstanding <sup>1/</sup>	1.0	1.8	7.8	8.0

Loan indicators increased on a monthly basis across business and household sectors

<sup>1/</sup> The annual growth in outstanding amount as at end-period.

<sup>2/</sup> Include loans to individual businesses.



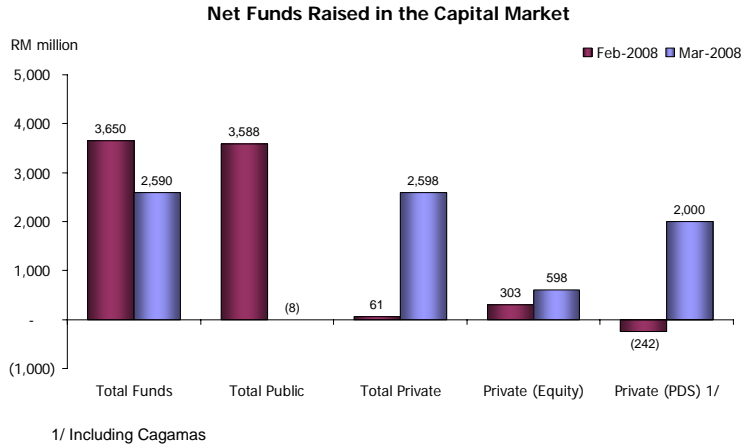
*Loan disbursements remained broad-based*

All major loan indicators were higher in March after the seasonally low levels in February. During the month, higher loan demand for financing from the business sector was primarily from the finance, insurance and business services; construction; and manufacturing sectors. On an annual basis, however, the growth in the loan indicators moderated due to the exceptionally high levels recorded in March 2007. In the household sector, demand for financing was mainly for the purchase of residential properties and passenger cars.

Total loans outstanding expanded by 10% on an annual basis as at end-March (end-February: 9.8%). By customer, loans outstanding of businesses and households rose by 11.6% and 8% respectively (February: 12% and 7.8% respectively).

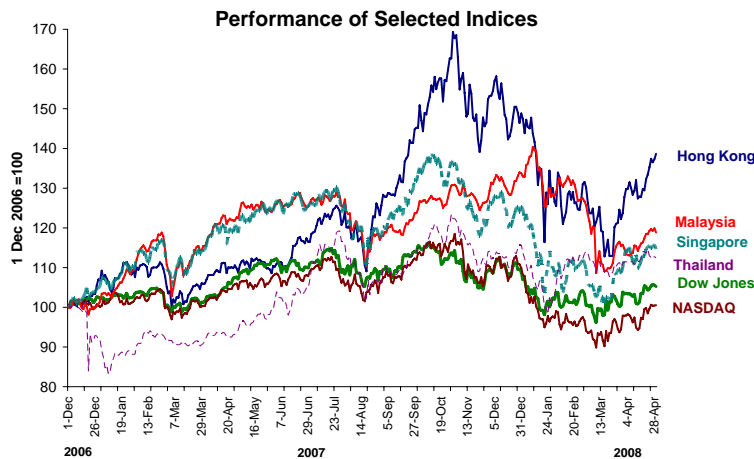
### ***Continued increase in funds raised in the capital market***

Net funds raised in the capital market in March amounted to RM2.6 billion. Gross funds raised in the private debt securities (PDS) market amounted to RM5.4 billion, including RM2.5 billion issued by three non-resident corporations. After adjusting for redemptions, net funds raised by the private sector amounted to RM2.6 billion. Meanwhile, funds raised in the public sector recorded a net redemption of RM8.1 million, although gross funds raised amounted to RM5.6 billion, following the reopening of the 10-year Malaysian Government Securities (MGS) and Government Investment Issues (GII).



***KLCI was volatile in March***

In March 2008, fluctuations in the KLCI reflected the volatilities in the global equity markets as well as domestic developments. Nevertheless, the 75 basis points cut in the US Fed Funds rate on 18 March moderated some of the concerns surrounding the global markets. The KLCI ended the month lower at 1,247.5 (since end-February: -8.1%). Market capitalisation decreased to RM952.3 billion (since end-February: -7.4%), while the daily average turnover rose to 814.2 million units (February: 794.3 million units).

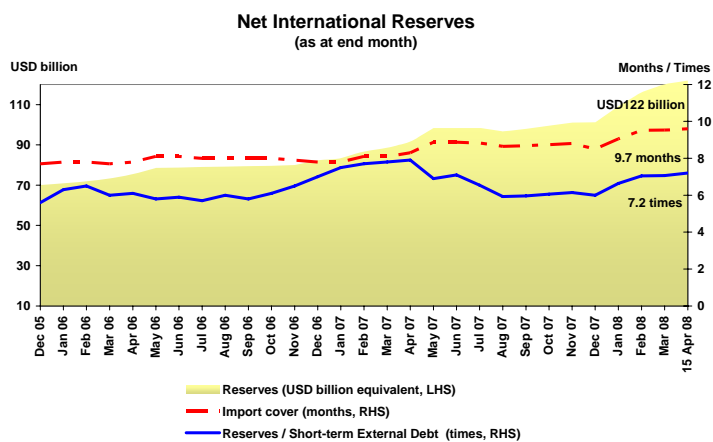


*KLCI was volatile in March*

As at 29 April, the KLCI ended higher at 1,283.7 points (since end-March: +2.9%). Overall market capitalisation was higher at RM976.6 billion (since end-March: +2.7%), while trading activity was lower with a daily average turnover of 583.6 million units.

## ***International reserves***

The international reserves of Bank Negara Malaysia amounted to RM384.6 billion (equivalent to USD120.3 billion) as at 31 March 2008. The level of reserves as at 31 March 2008 has taken into account the quarterly adjustment for the foreign exchange revaluation loss, following the strengthening of ringgit against the major currencies during the quarter. As at 15 April 2008, the international reserves of Bank Negara Malaysia amounted to RM390.1 billion (equivalent to USD122 billion) and is sufficient to finance 9.7 months of retained imports and provide 7.2 times cover for the short-term external debt.



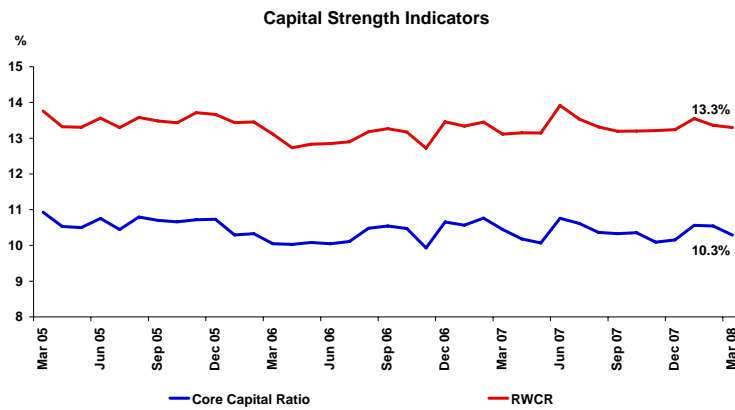
## ***Strong capitalisation amidst further improvements in non-performing loans***

The banking system's capitalisation remained strong. The risk-weighted capital ratio (RWCR) and core capital ratio were high at 13.3% and 10.3% respectively despite the distribution of profits by some banking institutions. Meanwhile, the net non-performing loans (NPLs) ratio improved further from 3.2% to 3.0% on account of continued write-offs and strong recoveries.

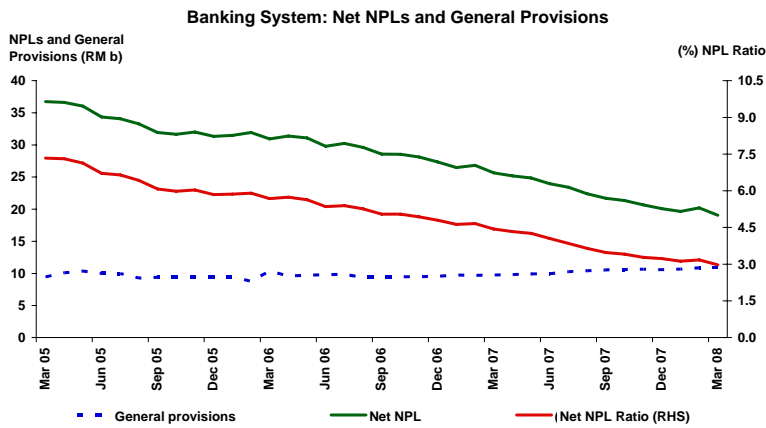
**Banking System Health Indicators**

	2001	2002	2003	2004	2005	2006	2007	Jan 08	Feb 08	Mar 08
<b>Capital (%)</b>										
Core capital ratio	11.1	11.1	11.1	11.4	10.7	10.7	10.2	10.6	10.5	10.3
RWCR	13.0	13.2	13.8	14.4	13.7	13.5	13.2	13.5	13.4	13.3
<b>Net NPLs (3-month classification)</b>										
% of net total loans	11.5	10.2	8.9	7.5	5.8	4.8	3.2	3.1	3.2	3.0
Amount (RM million)	46,254	43,110	40,013	36,668	31,332	27,360	20,081	19,651	20,193	19,038
<b>GP / Net total loans (3-month, %)</b>										
	2.1	2.1	2.0	1.9	1.8	1.7	1.7	1.7	1.7	1.7

\* Beginning June 1999, the figures include Islamic banks.  
 \* Beginning April 2005, RWCR and CCR include market risk factor.



*Banking system capitalisation level remained robust...*



*...whilst the level of NPLs declined further*

### Key Monetary and Financial Statistics

	Jan 08		Feb 08		Mar 08	
	Outs.	Ann. growth	Outs.	Ann. growth	Outs.	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
<b>Monetary Aggregates</b>						
Reserve money	69.6	18.2	67.7	13.4	65.5	11.7
M1	175.6	21.6	172.6	15.5	173.6	20.0
M2	828.2	11.2	835.4	10.5	845.1	12.1
M3	867.8	11.8	876.4	11.1	886.3	12.3
<b>Banking System</b>						
Total deposits	894.7	7.9	901.9	7.6	912.9	8.4
Total loans (including loans sold to Cagamas)	651.9	9.4	657.3	9.8	661.6	10.0
Loan-deposit ratio (%)		71.0		71.2		70.8
Financing-deposit ratio <sup>1</sup> (%)		79.2		79.1		78.7
Loans applied (during the period)	40.0	46.4	32.0	41.9	40.6	20.4
Loans approved (during the period)	26.5	61.3	21.1	47.7	24.4	8.9
Loans disbursed (during the period)	54.5	16.5	46.0	19.3	50.7	15.7
Loans repaid (during the period)	49.4	15.7	43.3	21.2	46.1	16.4
<b>Banking System Health</b>						
Risk-weighted Capital Ratio (RWCR) (%)		13.5		13.4		13.3
Net NPLs: 3-month classification (%)		3.1		3.2		3.0
<b>International Reserves of BNM (end-period)</b>						
Net Reserves in RM billion		361.6		384.1		384.6
Net Reserves in USD billion (equivalent)		109.3		116.3		120.3
Months of retained imports		9.1		9.5		9.5
<b>Interest Rates at end-period [average for the month]</b>						
Overnight Policy Rate (OPR)		3.50		3.50		3.50
Interbank:	Overnight	3.49 [3.50]		3.49 [3.50]		3.50 [3.50]
	1-week	3.54 [3.52]		3.53 [3.52]		3.52 [3.52]
	1-month	3.55 [3.55]		3.55 [3.55]		3.55 [3.55]
Fixed deposits of commercial banks:	1-month	3.08		3.08		3.08
	3-month	3.15		3.14		3.14
BLR of commercial banks		6.72		6.72		6.72
ALR of commercial banks		6.27		6.27		6.21
<b>Prices</b>						
Consumer Price Index (CPI) (2005=100)		107.5	2.3	107.9	2.7	107.9
Producer Price Index (PPI) (2000=100)		138.1	9.4	139.0	9.4	0.0
						0.0
<b>Exchange Rates of Ringgit against Selected Currencies (end-period)</b>						
US dollar		3.2360		3.1890		3.1875
Euro		4.8030		4.8406		5.0369
Pound Sterling		6.4210		6.3399		6.3586
100 Japanese yen		3.0411		3.0431		3.1912
Singapore dollar		2.2814		2.2899		2.3102
100 Thai Baht		9.7972		9.9859		10.1078
100 Philippine Peso		7.9655		7.8819		7.6421
100 Indonesian Rupiah		0.0348		0.0352		0.0346
100 Korean Won		0.3421		0.3400		0.3211
<b>Capital Market</b>						
Net funds raised (in RMb) by:	public	7.1		3.6		0.0
	private	-0.9		0.1		2.6
Bursa Malaysia Composite Index (end-period)		1,393.3		1,357.4		1,247.5
Bursa Malaysia Market Capitalisation (RMb, end-period)		1,057.3		1,028.3		952.3

<sup>1</sup> Refers to the ratio of loans and holdings of PDS by the banking system to deposits of the banking system.