



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Ref. No.: 11/07/13

**EMBARGO: Not for publication or
broadcast before 1800 hours on
Wednesday, 28 November 2007**

Monetary and Financial Developments October 2007
Highlights of the Press Release

- Net financing of the private sector increased at a faster pace in October.
- The average lending rate of commercial banks was marginally lower in October.
- The ringgit appreciated against the US dollar.
- Net NPL ratio of the banking institutions improved further to 3.4%.



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MONETARY AND FINANCIAL DEVELOPMENTS

October 2007

In October, gross financing to the private sector remained high at RM52.4 billion, reflecting strong loan disbursements and new issuances of private debt securities (PDS). On a net basis, financing of the private sector through banking system loans and PDS outstanding increased at a higher combined annual rate of 9.2%. Total loans outstanding expanded by 10.1% on an annual basis. Loan applications, approvals and disbursements in both the business and household sectors continued to register strong growth rates.

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

During the period 1 October - 27 November 2007, the ringgit recorded a mixed performance amid two-way trade and investment flows. In October and early November, the ringgit appreciated against the US dollar along with the other regional currencies, reaching a post-crisis high of RM3.32 per US dollar on 9 November. This followed the 25 basis points reduction in the US Fed Funds rate on 31 October, which had a positive impact on investor sentiments in Asia. The trend, however, subsequently reversed as investors become concerned about growing risks to global growth following the downward revision of the US growth outlook by the Federal Reserve. Investor sentiment was also affected by reports of large subprime mortgages related losses at major US banks. During the period 1 Oct – 27 November 2007, the ringgit appreciated against the US dollar (1.4%), but

depreciated against the Japanese yen (-4.5%), Euro (-3.4%), and British pound (-1.0%). The ringgit also exhibited a mixed performance against regional currencies.

Headline inflation, as measured by the annual change in the Consumer Price Index (CPI), rose slightly to 1.9% in October. Inflation during the month was mainly accounted for by the *food and non-alcoholic beverages* category, and to a lesser extent, the *restaurants and hotels* category. Nevertheless, the impact on overall inflation was partly mitigated by the declining prices in the *clothing and footwear* and *communication* categories.

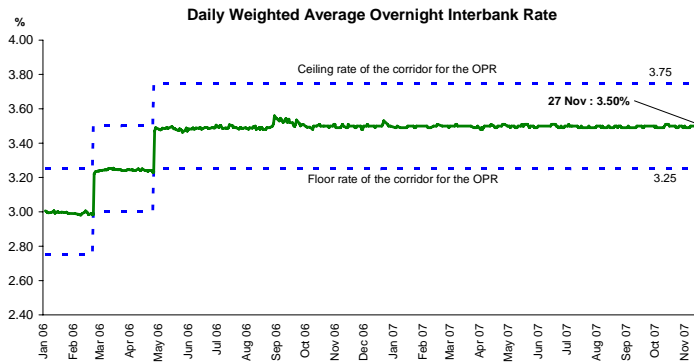
Broad money, or M3, increased at an annual rate of 11.3%, reflecting net external inflows and higher financing to the private sector by the banking system.

The banking system capitalisation remained at strong levels with the risk-weighted capital ratio (RWCR) strengthening to 13.2% following the inclusion of half-year profits that outpaced the more moderate growth in risk-weighted assets. Further improvements continued to be recorded in the level of non-performing loans (NPLs). The NPL ratio declined further to 3.4% following sales of NPLs by two banking institutions.

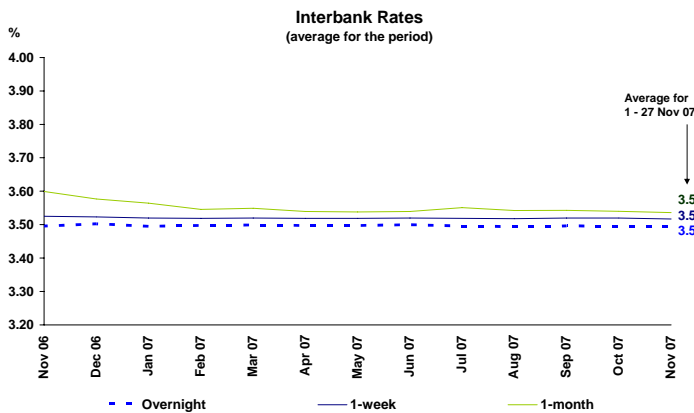
Interest rates remained stable

During the period 1 October – 27 November, 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.

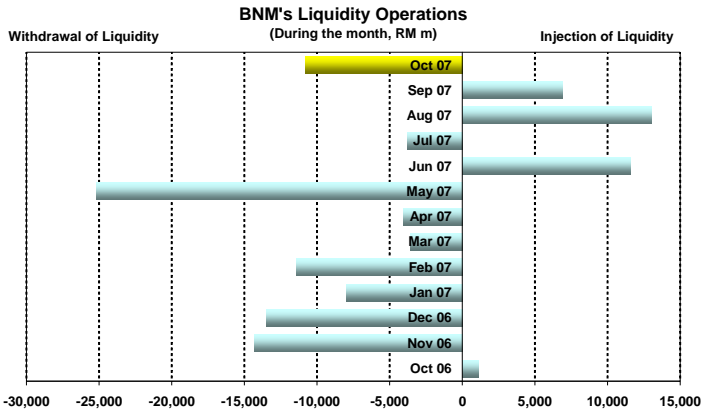
The average fixed deposit (FD) rates of commercial banks (CBs) remained unchanged in October and November. As at 15 November 2007, the average quoted FD rates for tenures between 1 and 12 months were within the range of 3.08% and 3.70%. In terms of CBs' lending rates, the average base lending rate (BLR) was unchanged at 6.72%, while the average lending rate (ALR) was lower at 6.26% in October (6.30% in September).



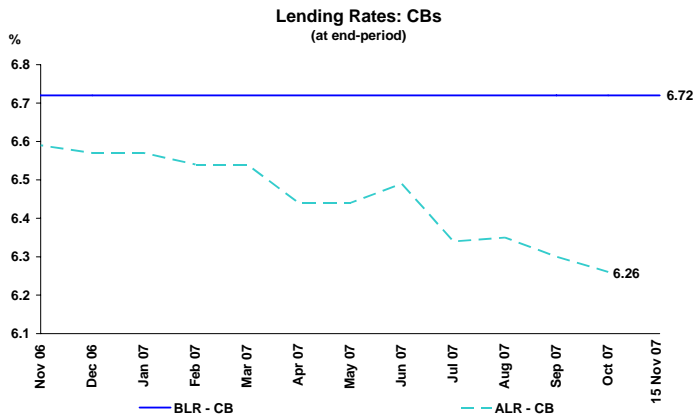
The average overnight interbank rate moved within a narrow range



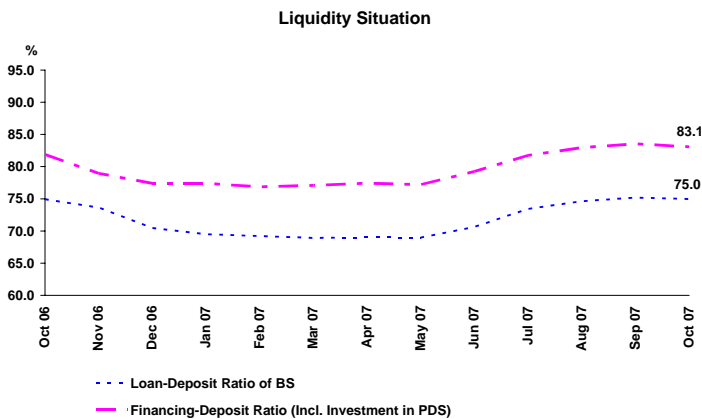
Other interbank rates remained largely unchanged



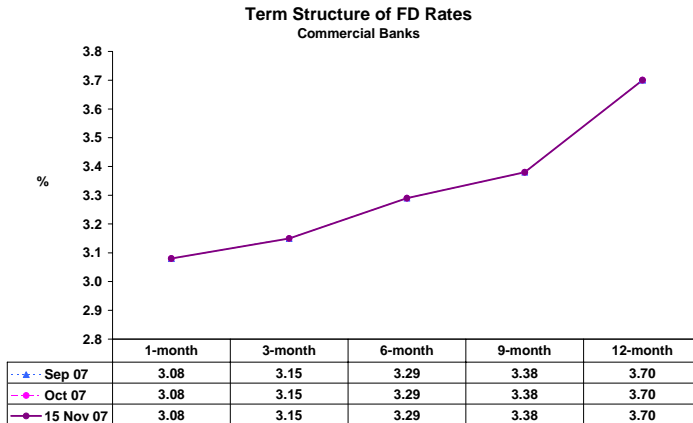
The Central Bank withdrew liquidity from the system in October



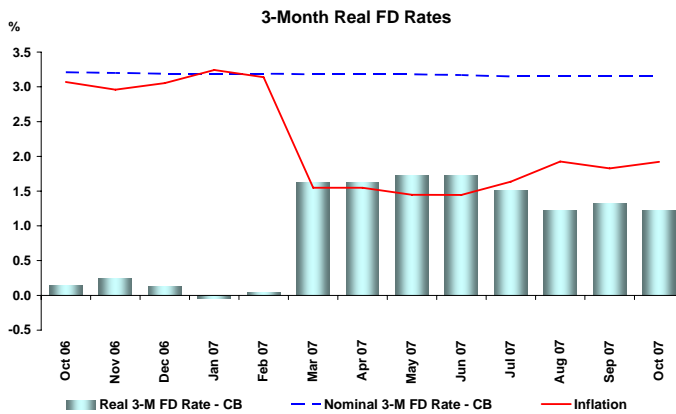
CBs' ALR trended lower



The financing-deposit and loan-deposit ratios moderated in October as deposits grew faster than financing



Average FD rates were unchanged

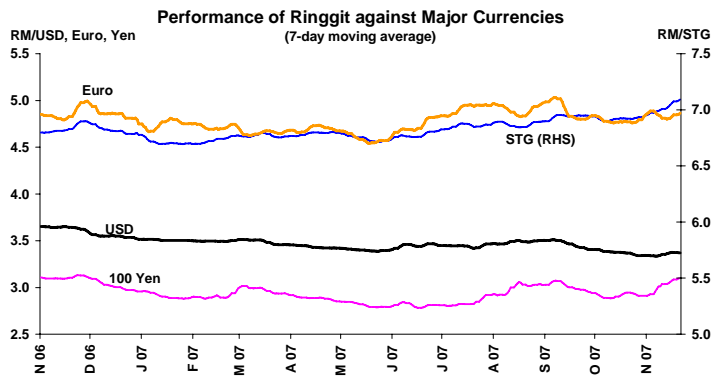


The real 3-month FD rate was relatively unchanged as inflation remained stable

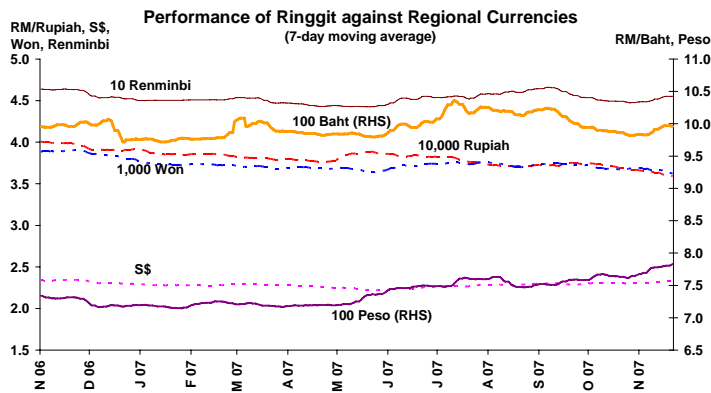
Mixed performance of the ringgit

During the period 1 October - 27 November 2007, the ringgit recorded a mixed performance amid two-way trade and investment flows. In October and early November, the ringgit appreciated against the US dollar along with the other regional currencies, reaching a post-crisis high of RM3.32 per US dollar on 9 November. This followed the 25 basis points reduction in the US Fed Funds rate on 31 October, which had a positive impact on investor sentiments in Asia. The trend, however, subsequently reversed as investors become concerned about growing risks to global growth following the downward revision of the US growth

outlook by the Federal Reserve. Investor sentiment was also affected by reports of large subprime mortgages related losses at major US banks. During the period 1 Oct – 27 November 2007, the ringgit appreciated against the US dollar (1.4%), but depreciated against the Japanese yen (-4.5%), Euro (-3.4%), and British pound (-1.0%). The ringgit also exhibited a mixed performance against regional currencies, appreciating against the Indonesian rupiah (4.0%), Korean won (3.0%) and Thai baht (0.2%), but depreciating against the Philippine peso (-3.5%) and Singapore dollar (-2.0%).



Ringgit recorded a mixed performance against major currencies



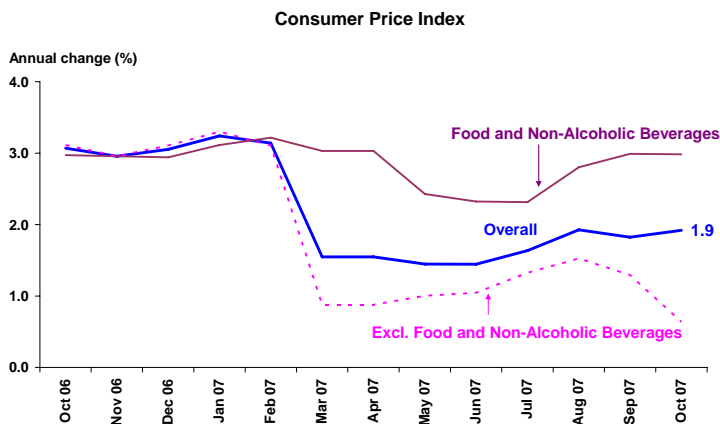
Ringgit exhibited a mixed performance against regional currencies

Performance of Ringgit against Selected Currencies

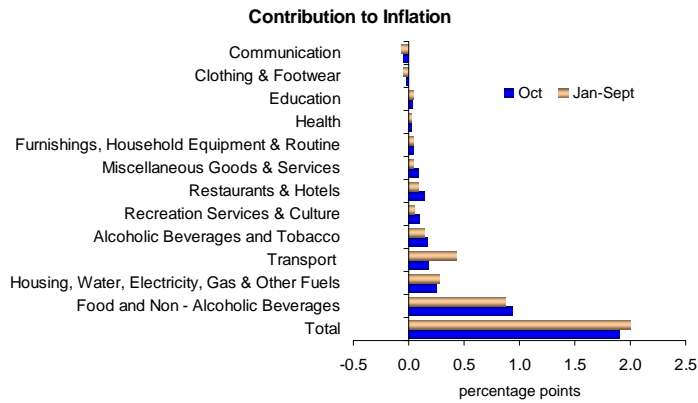
RM per foreign currency	End-period				% Change	
	Dec 06	Sep 07	Oct 07	27 Nov 07	End Dec 06 - 27 Nov 07	End Sep 07 - 27 Nov 07
US dollar	3.5315	3.4170	3.3418	3.3690	4.8	1.4
Euro	4.6460	4.8410	4.8257	5.0127	-7.3	-3.4
Pound sterling	6.9315	6.9167	6.9156	6.9888	-0.8	-1.0
100 Japanese yen	2.9675	2.9649	2.9119	3.1034	-4.4	-4.5
Singapore dollar	2.3028	2.2916	2.3059	2.3380	-1.5	-2.0
100 Thai baht	9.8111	9.972	9.827	9.9498	-1.4	0.2
100 Philippine peso	7.2027	7.5992	7.6418	7.8729	-8.5	-3.5
100 Indonesian rupiah	0.0393	0.0373	0.0367	0.0359	9.4	4.0
100 Korean won	0.3797	0.3726	0.3703	0.3618	5.0	3.0
Chinese renminbi	0.4523	0.4548	0.4477	0.4561	-0.8	-0.3

Headline inflation was slightly higher

Headline inflation rose to 1.9% in October 2007 (September: 1.8%). Inflation during the month was mainly accounted by the *food and non-alcoholic beverages* category, which increased by 3% in October. Higher food price increases were observed in the *food at home* category, namely for rice, bread, meat, milk, cheese, eggs, vegetables, as well as in the *food away from home* category. Furthermore, the rate of increase of prices for items in the *restaurants and hotels* category was also higher at 4.6%. Nevertheless, the impact on overall inflation was partly mitigated by declining prices in the *clothing and footwear* and *communication* categories.

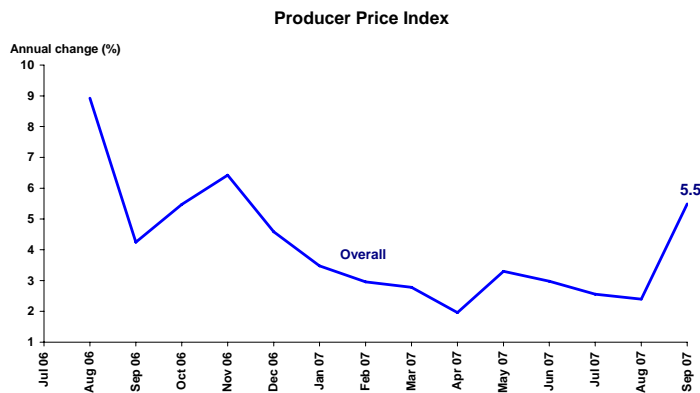


Inflation slightly higher in October



Producer price inflation increased in September

In September, PPI inflation rose to 5.5% due mainly to faster price increases in the commodity sector. In particular, higher world prices for natural rubber, crude oil and crude palm oil led to price increases in the *animal and vegetable oils and fats, crude material, inedible except fuels and mineral fuels, lubricants and related material* categories. Prices also increased in the non-commodity sector, albeit at a slower pace.



Producer price inflation rose in September

Note: In July 2007, the PPI has been revised by the Department of Statistics, Malaysia.

Money supply expanded on an annual basis

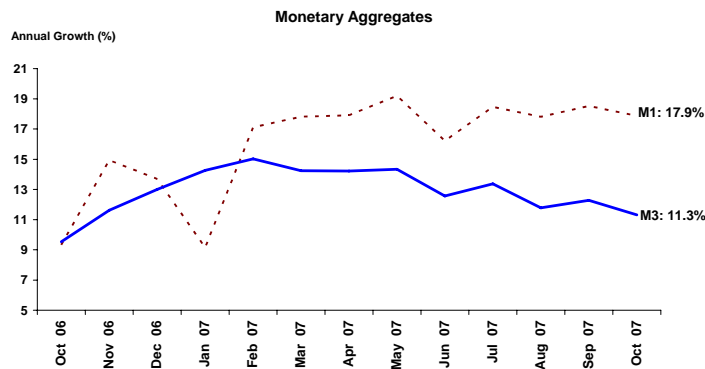
Broad money, M3 increased at an annual rate of 11.3% (September: 12.2%). The increase in M3 during the month reflected net external inflows and higher financing by the banking system to the private sector. This, in turn, was partially offset by the Government's issuance of securities to the private sector to offset the redemption of MGS by the banking institutions.

M3 Determinants
(RM billion)

	Change during period			
	Jul 07	Aug 07	Sep 07	Oct 07
M3	11.3	1.7	2.6	3.2
Net claims on Government	5.8	6.6	-1.8	-4.1
Claims on the private sector	17.0	7.3	9.2	4.7
Loans	17.1	5.4	8.1	3.3
Securities	-0.6	1.9	1.0	1.4
Net external operations *	-3.9	-23.0	5.1	13.4
Other influences	-7.6	10.8	-9.9	-10.8

* 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 October

In October, total deposits with the banking system increased by RM7.9 billion or 11.1% on an annual basis (September: 12%), reflecting mainly higher placements by individuals, domestic business enterprises, and financial institutions. The increase in deposits of financial institutions reflected higher placements by banking institutions which more than offset the decline in deposits by non-bank financial institutions. By type, the increase in deposits was mainly observed in the form of demand deposits, repos and FX deposits.

Deposits by Holder
(RM million)

	Change during period			
	Jul 07	Aug 07	Sep 07	Oct 07
Federal Government	-1,732	-381	1,183	-395
State Governments	643	779	-458	1,396
Statutory Authorities ¹	791	-291	372	477
Financial Institutions	-11,737	-10,140	6,767	1,680
Business Enterprises	5,798	2,404	-5,242	1,832
Individuals	1,166	2,506	2,694	2,169
Others ²	-550	118	-455	788
Total	-5,621	-5,004	4,860	7,946

1/ Include local Governments

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

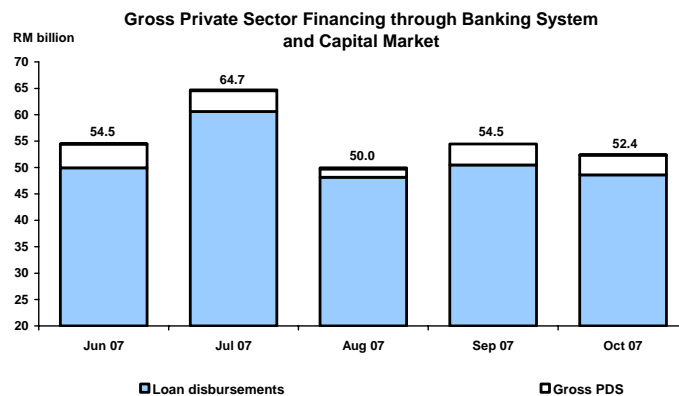
Deposits by Type
(RM million)

	Change during period			
	Jul 07	Aug 07	Sep 07	Oct 07
Fixed deposits	3,606	-5,243	-1,929	-1,967
NIDs	-18,354	-7,179	-1,935	1,301
Demand deposits	1,312	781	-17	4,454
Savings deposits	471	63	7	650
Repos	-31,375	-2,495	956	1,376
FX deposits	-561	418	-598	1,183
SPI deposits	1,240	2,011	-1,218	797
Others ¹	38,039	6,640	9,595	153
Total	-5,621	-5,004	4,860	7,946

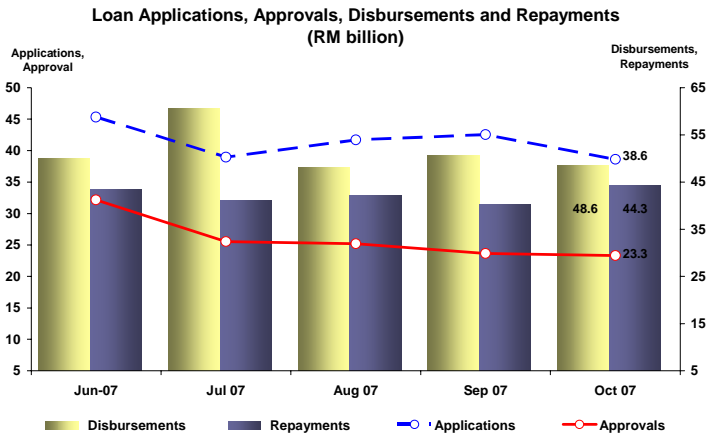
1/ Other deposit comprise of mainly short-term deposits

Gross private sector financing remained at high levels

In October, gross financing to the private sector remained high at RM52.4 billion (September: RM54.5 billion) reflecting strong loan disbursements and new issuances of private debt securities (PDS). On a net basis, financing of the private sector through banking system loans and PDS outstanding increased at a higher combined annual rate of 9.2% (September: 8.9%).



Gross private sector financing amounted to RM52.4 billion



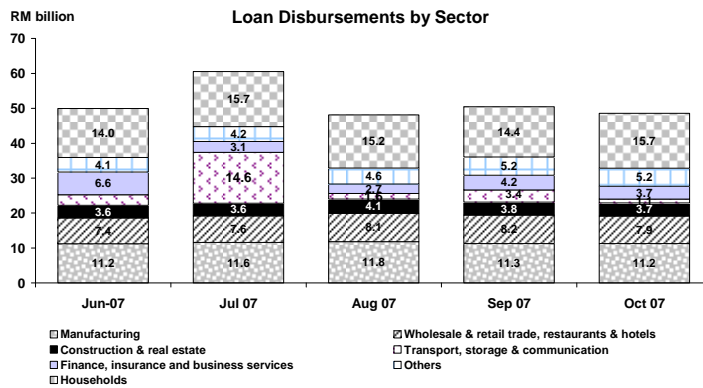
Key loan indicators remained strong

Bank lending indicators

	RM billion		Annual Growth (%)	
	September	October	September	October
Overall				
Loan applications	42.5	38.6	58.3	70.7
Loan approvals	23.7	23.3	45.2	58.2
Loan disbursements	50.5	48.6	18.0	23.2
Chg in Loans Outstanding ^{1/}	7.8	3.4	9.5	10.1
Businesses				
Loan applications	24.7	19.2	70.9	66.9
Loan approvals	13.3	12.4	61.4	57.1
Loan disbursements	36.1	32.9	19.9	21.2
Chg in Loans Outstanding ^{1/}	5.6	1.5	14.8	16.4
SMEs^{2/}				
Loan applications	9.7	8.0	34.1	31.8
Loan approvals	5.3	4.3	54.0	4.6
Loan disbursements	12.0	12.1	9.3	11.4
Chg in Loans Outstanding ^{1/}	1.4	0.8	7.0	8.4
Households				
Loan applications	17.9	19.4	43.7	74.7
Loan approvals	10.4	10.9	28.6	59.6
Loan disbursements	14.4	15.7	13.7	27.7
Chg in Loans Outstanding ^{1/}	2.2	1.8	7.3	7.1

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

^{2/} Include loans to individual businesses.



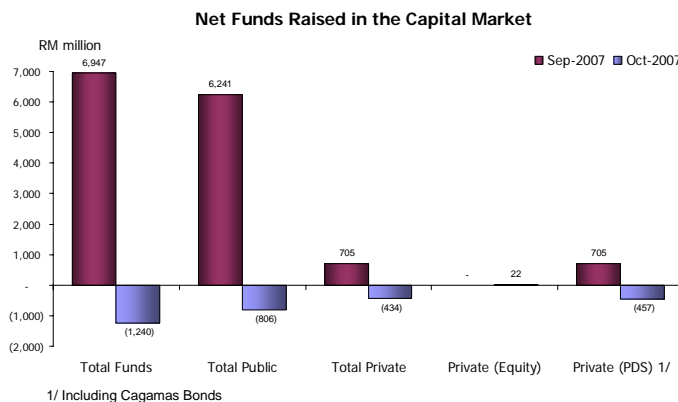
Loan disbursements remained broad-based with the household and manufacturing sectors being the main beneficiaries

The major loan indicators continued to register strong growth across business and household sectors. Higher growth in loan applications and approvals were primarily by households, mainly for purchases of residential properties, and to a lesser extent, passenger cars. Loan disbursements to households also increased with higher financing for the purchase of residential property and for credit card spending. Meanwhile, business loan disbursements also recorded higher annual growth, with funds channelled primarily to the manufacturing and wholesale, retail trade, restaurants and hotels sectors.

Total loans outstanding expanded by 10.1% on an annual basis as at end-October (end-September: 9.5%). Loans outstanding to businesses and households expanded at annual growth rates of 16.4% and 7.1% respectively (end-September: 14.8% and 7.3% respectively).

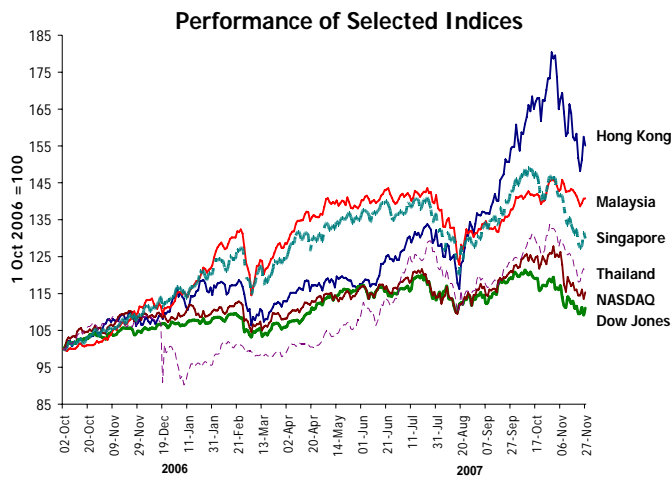
Net redemption of funds in the capital market

In October, there was a net redemption of RM1.2 billion in the capital market. Gross funds raised in the public sector amounted to RM3.6 billion due to the reopening of a 5-year Malaysian Government Securities (MGS). After adjusting for redemptions, net funds raised by the public sector recorded a net redemption position of RM806 million. For the private sector, gross funds raised amounted to RM3.8 billion. The bulk of the issuance came from the finance sector, mainly for the purpose of refinancing. After adjusting for redemptions, funds raised through PDS issuances also recorded a net redemption of RM434 million. In the equity market, there was only one initial public offering (IPO) amounting to RM22 million by a firm in the services sector.



KLCI rebounded in October

In October 2007, the KLCI rose by 5.8% from the previous month to close at 1,413.7, a record high. Positive investor sentiment on expectations of a cut in the Fed Funds rate pushed the KLCI higher towards the end of the month. The performance of the benchmark index was driven mainly by the strong performance of the plantation sector due to rising crude palm oil prices. Market capitalisation rose to RM1,091.42 billion (since end-September: 5.8%), while the daily average turnover increased to 1,639.6 million units (September: 985.7 million units).

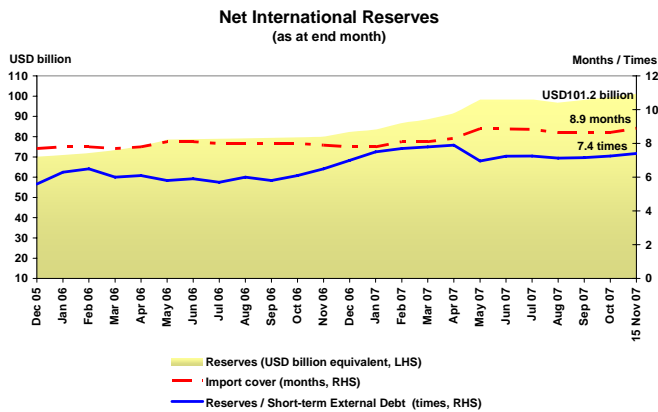


Global financial markets rebounded in October

On 8 November 2007, the KLCI reached a new high of 1,413.9 points. As at 27 November 2007, the KLCI closed lower at 1,365.0 points (since end-October: -3.4%). Overall market capitalisation declined to RM1,052.2 billion (since end-October: -3.6%) and trading activity was lower with a daily average turnover of 1,102.35 million units.

International reserves

The international reserves of Bank Negara Malaysia amounted to RM340.2 billion (equivalent to USD99.6 billion) as at 31 October 2007. By 15 November 2007, the international reserves of Bank Negara Malaysia amounted to RM345.3 billion (equivalent to USD101.2 billion). The reserves position is sufficient to finance 8.9 months of retained imports and is 7.4 times the short-term external debt.



Strong capitalisation amidst further improvements in non-performing loans trend

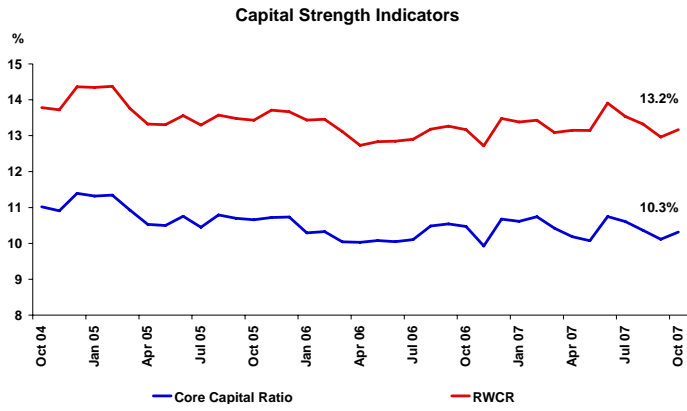
The banking system capitalisation remained at strong levels. Both the risk-weighted capital ratio (RWCR) and core capital ratio strengthened to 13.2% and 10.3% respectively as at end-October 2007, following the inclusion of half-year profits that outpaced the more moderate growth in risk-weighted assets. Further improvements continued to be recorded in the level of non-performing loans (NPLs). The ratio declined further to 3.4% of net loans following sales of NPLs by two banking institutions.

Banking System Health Indicators^{*}

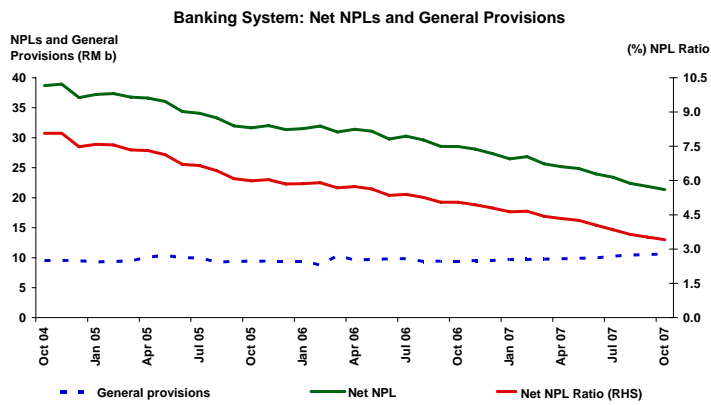
	2000	2001	2002	2003	2004	2005	2006	Aug 07	Sep 07	Oct 07
Capital (%)										
Core capital ratio	10.7	11.1	11.1	11.1	11.4	10.7	10.7	10.4	10.2	10.3
RWCR	12.5	13.0	13.2	13.8	14.4	13.7	13.5	13.3	13.1	13.2
Net NPLs (3-month classification)										
% of net total loans	9.7	11.5	10.2	8.9	7.5	5.8	4.8	3.6	3.5	3.4
Amount (RM million)	37,678	46,254	43,110	40,013	36,668	31,332	27,360	22,389	21,900	21,350
GP / Net total loans (3-month, %)	2.2	2.1	2.1	2.0	1.9	1.8	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 remained healthy...



...whilst the level of NPLs declined further

Bank Negara Malaysia
28 November 2007

Key Monetary and Financial Statistics

	Aug 07		Sep 07		Oct 07	
	Outs.	Ann. growth	Outs.	Ann. growth	Outs.	Ann. growth
	(RM b)	(%)	(RM b)	(%)	(RM b)	(%)
Monetary Aggregates						
Reserve money	61.8	13.2	62.9	14.5	59.9	5.4
M1	154.3	17.8	156.3	18.5	159.0	17.9
M2	760.6	11.7	764.5	12.2	768.3	11.4
M3	801.6	11.8	804.2	12.3	807.4	11.3
Banking System						
Total deposits	829.1	12.2	834.0	12.0	842.0	11.1
Total loans (including loans sold to Cagamas)	637.1	8.6	645.0	9.5	648.3	10.1
Loan-deposit ratio (%)		74.6		75.2		75.0
Financing-deposit ratio ¹ (%)		83.0		83.6		83.1
Loans applied (during the period)	41.7	52.5	42.5	58.3	38.6	70.7
Loans approved (during the period)	25.2	54.5	23.7	45.2	23.3	58.2
Loans disbursed (during the period)	48.2	15.2	50.5	18.0	48.6	23.2
Loans repaid (during the period)	42.2	6.1	40.3	2.8	44.3	12.6
Banking System Health						
Risk-weighted Capital Ratio (RWCR) (%)		13.3		13.1		13.2
Net NPLs: 3-month classification (%)		3.6		3.5		3.4
International Reserves of BNM (end-period)						
Net Reserves in RM billion		334.1		335.4		340.2
Net Reserves in USD billion (equivalent)		96.8		98.2		99.6
Months of retained imports		8.6		8.7		8.8
Interest Rates at end-period [average for the month]						
Overnight Policy Rate (OPR)		3.50		3.50		3.50
Interbank:	Overnight	3.49 [3.49]		3.50 [3.50]		3.50 [3.50]
	1-week	3.51 [3.52]		3.53 [3.52]		3.52 [3.52]
	1-month	3.55 [3.54]		3.54 [3.54]		3.54 [3.54]
Fixed deposits of commercial banks:	1-month	3.08		3.08		3.08
	3-month	3.15		3.15		3.15
BLR of commercial banks		6.72		6.72		6.72
ALR of commercial banks		6.35		6.30		6.26
Prices						
Consumer Price Index (CPI) (2005=100)		105.9		106.0		106.1
Producer Price Index (PPI) (2000=100)		132.5		134.6		n.a.
Exchange Rates of Ringgit against Selected Currencies (end-period)						
US dollar		3.5035		3.4170		3.3418
Euro		4.7860		4.8410		4.8257
Pound Sterling		7.0601		6.9167		6.9156
100 Japanese yen		3.0259		2.9649		2.9119
Singapore dollar		2.3007		2.2916		2.3059
100 Thai Baht		10.2054		9.9723		9.8272
100 Philippine Peso		7.5062		7.5992		7.6418
100 Indonesian Rupiah		0.0372		0.0373		0.3670
100 Korean Won		0.3728		0.3726		0.3703
Capital Market						
Net funds raised (in Rmb) by:	public	3.6		6.2		-0.8
	private	1.7		0.7		-0.4
Bursa Malaysia Composite Index (end-period)		1,273.9		1,336.3		1,413.7
Bursa Malaysia Market Capitalisation (Rmb, end-period)		985.0		1,031.3		1,091.4

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