

MONETARY AND FINANCIAL DEVELOPMENTS

Interest rates were stable

The OPR was left unchanged at 3.50% throughout the third quarter of 2008. The prevailing level of the policy rate remained consistent with the outlook for slower economic growth and the expected moderation in inflation into 2009.

Concurrently, 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 during the quarter.

On 24 November, Bank Negara Malaysia reduced the OPR by 25 basis points to 3.25% and the Statutory Reserve Requirement (SRR) by 50 basis points to 3.50%. Following the reduction in the OPR, the overnight interbank rate traded lower within a narrow range of 3.24% - 3.25% over the period 25 - 27 November. Interbank rates of other maturities also decreased.

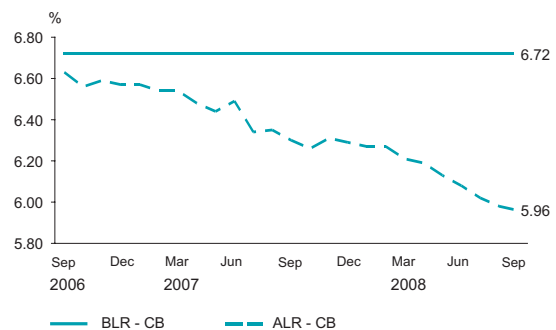
In terms of lending rates, the average base lending rate of commercial banks (CBs) was unchanged at 6.72% in the third quarter. The average lending rate on loans outstanding, on the other hand, softened to 5.96% as at end-September (end-June: 6.08%) reflecting intense competition, particularly in the consumer segment, and the continued drawdown of loans from previously approved facilities that were contracted at a lower rate.

The average quoted fixed deposit (FD) rates of CBs for tenures of between 1 to 12 months were relatively unchanged, ranging between 3.08% and 3.70% respectively, at the end of the third quarter. Real FD rates, however, have turned negative since May due to the higher inflation.

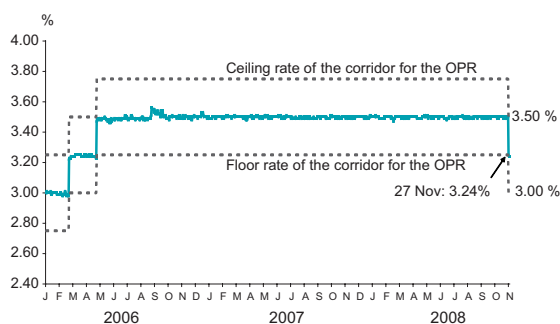
Interest Rates

	2007		2008	
	3Q	2Q	2Q	3Q
At end-period (%)				
Overnight Policy Rate (OPR)	3.50	3.50	3.50	3.50
Interbank rates				
Overnight	3.50	3.50	3.50	3.50
1-month	3.54	3.56	3.56	3.56
Base lending rates (BLR)				
Commercial banks	6.72	6.72	6.72	6.72
Average lending rates (ALR)				
Commercial banks	6.30	6.08	5.96	5.96
Fixed deposit rates				
Commercial banks				
3-month	3.15	3.14	3.14	3.14
12-month	3.70	3.70	3.70	3.70

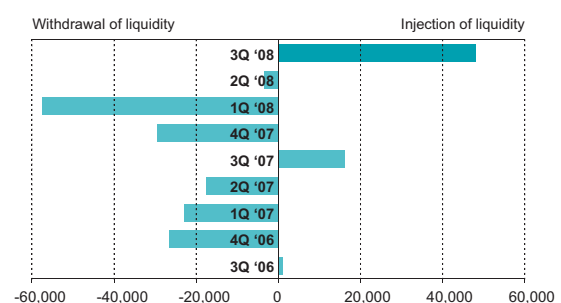
Lending Rates of Commercial Banks (Average for the period)



Daily Weighted Average Overnight Interbank Rate



Bank Negara Malaysia Liquidity Operations (During the quarter, RM million)



M3 rose further

M3, or broad money, expanded by RM13.7 billion during the quarter or 13.5% on an annual basis as at end-September (end-June: 14%). The growth in M3 was underpinned by the continued expansion in credit, reflecting the sustained pace of private sector demand. Adding to this expansionary impact on M3 was increased spending by the Government, while net capital outflows led to a decline in the net foreign assets of Bank Negara Malaysia and banking institutions, which in turn exerted a contractionary impact on broad money.

M1, a measure of transactional balances, rose by 14.9% year-on-year at end-September. Currency in circulation expanded following increased demand during the Hari Raya Aidilfitri festive season, which more than offset the small decline in demand deposits.

Sustained gross private sector financing

Notwithstanding the adverse developments in the international financial markets, the Malaysian domestic financial system, which operates with strong capital and liquidity buffers, has continued to provide financing. The overall gross financing of the private sector through the banking system and the capital market was sustained at RM179.3 billion in the third quarter (2Q 08: RM181 billion). While loans disbursed by the banking institutions increased further, new issuances of private debt securities (PDS) were affected by poor market sentiment, notably in July. On a net basis, banking system loans and PDS outstanding rose by 13.4% at end-September (end-June: 14.1%).

Monetary Aggregates

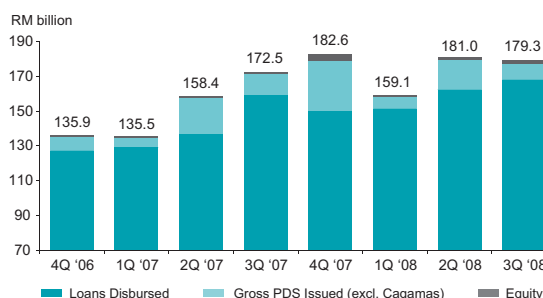


Determinants of Broad Money, M3

	Change during the period				
	2007		2008		
	3Q	4Q	1Q	2Q	3Q
	RM billion				
M3	15.6	28.5	51.6	14.7	13.7
Net claims on Government	10.6	8.5	0.9	-5.1	14.6
Claims on private sector	32.9	-3.6	17.1	25.8	33.3
Loans	30.6	-3.4	16.6	23.2	25.7
Securities	2.3	-0.2	0.5	2.7	7.6
Net external operations ¹	-21.7	21.1	45.8	2.9	-57.8
BNM	-7.6	7.2	52.5	15.9	-32.2
Banking system	-13.5	14.0	-6.7	-13.0	-25.6
Other influences	-6.7	2.4	-12.2	-8.9	23.6

¹ Pre-revaluation

Gross Private Sector Financing through Banking System and Capital Market



Financing of the Private Sector through Banking System and Capital Market

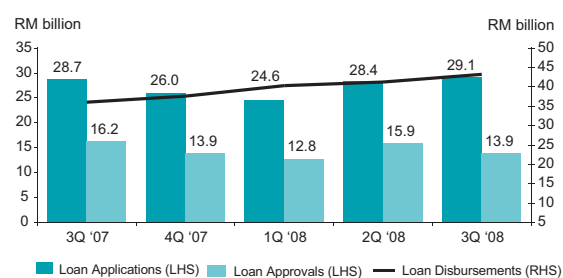
	During the period (RM billion)				Annual growth (%)		
	2007	3Q 07	2Q 08	3Q 08	2007	2Q 08	3Q 08
Gross total financing	648.9	172.5	181.0	179.3	17.4	14.3	4.0
Loans disbursed*	575.3	159.3	162.4	168.1	10.6	18.7	5.5
Gross PDS (excl. Cagamas)	66.5	12.1	16.9	9.0	116.4	-17.7	-25.3
Equity	7.1	1.1	1.7	2.2	272.0	62.4	93.9
Outstanding total financing (A)+(B)	84.0	31.7	40.8	30.4	10.7	14.1	13.4
Banking system	59.7	30.0	26.2	29.5	9.3	12.0	11.3
Loans outstanding (A)	51.2	30.4	24.3	26.8	8.6	11.7	10.6
Holding of PDS	8.5	-0.3	1.9	2.6	17.6	14.1	19.9
PDS outstanding (B)	32.7	1.4	16.5	3.5	17.1	21.5	22.9
Memorandum item							
Gross PDS (incl. Cagamas)	69.4	12.1	19.7	11.0	78.4	-6.0	-8.8

* Banking system loans include loans sold to Cagamas

Total loan disbursements in the third quarter continued to register positive annual growth, contributed mainly by the business sector. Financing to the SMEs accounted for 40% of the total business loans disbursed. Lending to the business sector was mainly channeled to the manufacturing; and wholesale, retail, restaurants and hotels sectors. The slower growth in business loan applications and approvals during the quarter reflected the slowdown in demand for the financing of working capital. With higher loan repayments recorded during the quarter, loans outstanding of the business sector increased at a more moderate rate of 9.5% at end-September (end-June: 14.3%).

During the quarter, loan disbursements to the household sector increased and were mainly for the purchase of residential properties. As

Bank Lending to SMEs



a result, loans outstanding of the household sector grew at an annual growth rate of 9.1% at end-September (end-June: 8.9%). Loan applications and approvals moderated slightly in the third quarter, reflecting mainly lower demand for passenger cars and personal loans.

Loan Indicators

	During the period (RM billion)				Annual Growth (%)			
	2007	3Q 07	2Q 08	3Q 08	2007	3Q 07	2Q 08	3Q 08
Total								
Loan applications	457.5	123.2	128.1	136.0	52.1	55.4	7.2	10.4
Loan approvals	298.6	74.4	80.4	78.2	58.6	58.3	-3.4	5.1
Loan disbursements	575.3	159.3	162.4	168.1	10.6	24.1	18.7	5.5
Loan repayments	518.7	123.9	139.7	145.6	8.5	5.2	13.5	17.6
Change in loan outstanding*	51.2	30.4	24.3	26.8	8.6	9.4	11.7	10.6
Of which:								
Business enterprises**								
Loan applications	262.6	68.3	64.8	74.8	63.1	60.5	-10.1	9.5
Loan approvals	181.5	41.1	40.9	39.4	88.4	79.1	-24.0	-4.2
Loan disbursements	405.8	113.9	115.5	120.6	9.7	24.6	19.8	6.1
Loan repayments	370.3	86.2	99.2	104.3	5.3	-0.4	13.4	21.0
Change in loan outstanding*	24.4	23.8	14.0	14.1	10.3	14.8	14.3	9.5
SMEs**								
Loan applications	99.1	28.7	28.4	29.1	38.8	47.0	18.8	1.4
Loan approvals	55.1	16.2	15.9	13.9	37.1	55.6	11.0	-14.7
Loan disbursements	141.7	36.1	41.3	43.2	5.6	5.4	17.9	19.9
Loan repayments	126.8	31.0	35.8	38.2	3.5	1.3	12.4	23.0
Change in loan outstanding*	9.5	2.8	3.3	2.6	9.1	7.5	11.4	11.0
Large corporations								
Loan applications	163.5	39.5	36.4	45.6	82.4	71.9	-24.5	15.4
Loan approvals	126.4	24.8	25.0	25.5	125.2	98.8	-36.7	2.8
Loan disbursements	264.1	77.8	74.3	77.6	12.1	36.0	20.8	-0.3
Loan repayments	243.5	55.2	63.4	66.1	6.2	-1.3	14.0	19.8
Change in loan outstanding*	15.0	21.0	10.8	11.5	11.3	20.6	16.7	8.4
Households								
Loan applications	194.9	54.9	63.3	61.2	39.4	49.5	33.4	11.4
Loan approvals	117.1	33.3	39.4	38.8	27.3	38.4	34.5	16.5
Loan disbursements	169.5	45.4	46.8	47.3	12.8	22.9	16.3	4.2
Loan repayments	148.5	37.7	40.5	41.4	17.3	20.7	13.9	9.8
Change in loan outstanding*	24.5	8.1	8.6	9.8	7.4	7.2	8.9	9.1

* The annual growth is for end-period

** Include loans to individual businesses

Loans by Sector

	Loans disbursed					Loans out-standing	
	During the period				Share of total	Share of total	
	2007	3Q 07	2Q 08	3Q 08			
	(RM billion)				(%)		
Business enterprises	405.8	113.9	115.5	120.8	71.9	41.7	
<i>Large corporations</i>	264.1	77.8	74.3	77.6	46.2	24.2	
<i>SMEs*</i>	141.7	36.1	41.3	43.2	25.7	17.5	
<i>Selected sectors</i>							
Agriculture, hunting, forestry and fishing	14.1	4.1	4.3	4.2	2.5	2.2	
Mining and quarrying	2.0	0.4	0.8	0.5	0.3	0.3	
Manufacturing	134.9	34.7	39.8	40.5	24.1	11.8	
Construction	32.6	8.3	8.7	8.7	5.2	4.9	
Real estates	12.3	3.2	3.6	4.0	2.4	3.43	
Electricity, gas and water supply	1.3	0.3	0.5	0.3	0.2	0.6	
Wholesale, retail, restaurants and hotels	91.5	23.8	29.6	31.6	18.8	8.9	
Transport, storage and communication	32.1	19.6	4.0	7.9	4.7	3.2	
Finance, insurance and business services	45.7	10.0	15.0	13.3	7.9	6.4	
Households	169.5	45.4	46.8	47.3	28.1	53.3	
Purchase of residential properties	39.9	10.8	12.0	12.2	7.3	25.4	
Consumption credit	109.4	29.1	30.1	29.9	17.8	21.5	
<i>Of which:</i>							
<i>Credit cards</i>	57.9	15.0	14.4	14.8	8.8	3.3	
<i>Purchase of passenger cars</i>	27.8	7.8	9.6	9.0	5.3	13.9	
Others	20.2	5.4	4.8	5.2	3.1	6.5	
Total	575.3	159.3	162.4	168.1	100.0	100.0	

* Include loans to individual businesses.

Lower net funds raised in the capital market

Net funds raised in the capital market amounted to RM6.6 billion in the third quarter (2Q 08: RM23.7 billion).

Net funds raised in the public sector were lower due to large redemptions of government securities. Gross funds raised amounted to RM14.8 billion. Funds were raised through issuances of 5-year Government Investment Issues (GII) and 20-year Malaysian Government Securities (MGS), as well as through the re-opening of the 3-year and 10-year MGS.

In the private sector, gross funds raised from the PDS market amounted to RM11.0 billion (2Q 08: RM19.7 billion). The decline in funds raised was mainly due to weak sentiment in the PDS market following the imposition of a windfall tax on Independent Power Producers. Market sentiments, however, improved following the withdrawal of the windfall tax. Most of the funds were raised by companies in the finance, insurance, real estate and business services sector. By purpose, PDS was mostly issued for the funding of new investments (76%) and for the refinancing of existing debts (6%). During the the quarter, there were also issuances by two non-resident corporations amounting to RM500 million.

Meanwhile, funds raised through the equity market rose to RM2.2 billion (2Q 08: RM1.7 billion). The bulk of the funds raised was through rights issues (RM1.5 billion), while the remaining (RM700 million) were raised through five initial public offerings; two on the Main board and three on the Second Board. On a net basis, funds raised by the private sector amounted to RM5.9 billion during the quarter.

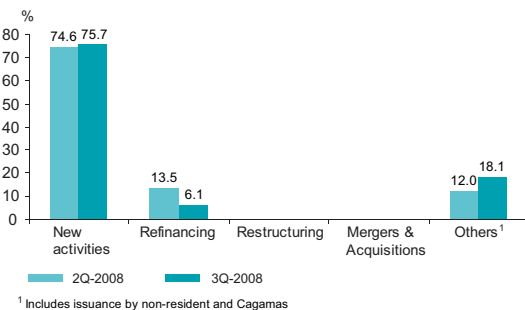
Secondary trading in the bond market increased

Total trading in the secondary market rose to RM160.7 billion in the third quarter (2Q 08: RM153.2 billion). Government securities (MGS and GII) accounted for 92% of the total trade. In terms of liquidity, the MGS was the most

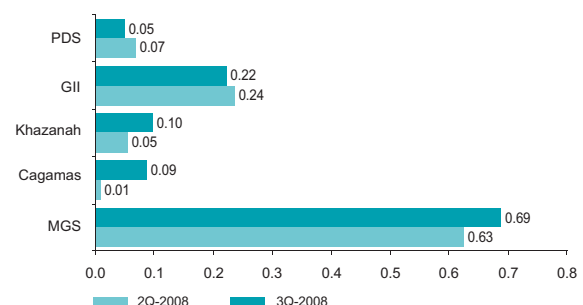
Funds Raised in the Capital Market

	2007		2008		
	3Q	4Q	1Q	2Q	3Q
	RM million				
By Public Sector	13,038	(5,948)	10,633	11,016	680
Government Securities, net	13,424	(5,552)	10,633	10,533	1,688
Malaysian Government Securities	9,924	14,048	14,283	7,033	11,337
Government Investment Issues	3,500	-	2,000	3,500	3,500
Less: Redemptions	-	19,600	5,650	-	13,149
Khazanah Bonds, net	-	-	-	(1,000)	(1,000)
Merdeka Savings Bond, net	(386)	(394)	-	1,483	(8)
By Private Sector	(510)	6,513	1,827	12,666	5,915
Shares	1,136	3,819	1,101	1,697	2,201
Debt securities, net	(1,645)	2,694	726	10,969	3,714
Private Debt Securities	12,057	28,746	9,996	19,709	11,001
Cagamas	-	-	-	-	-
Less: Redemptions	13,702	26,052	9,270	8,740	7,287
Total	12,528	567	12,460	23,682	6,595

Private Debt Securities Issued by Purpose (% of total)

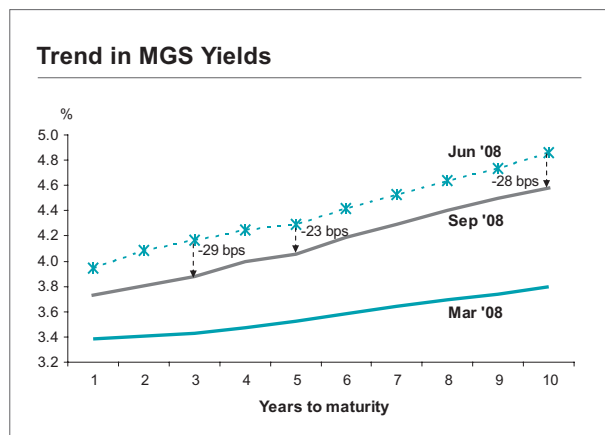


Liquidity Ratio: Turnover / Outstanding

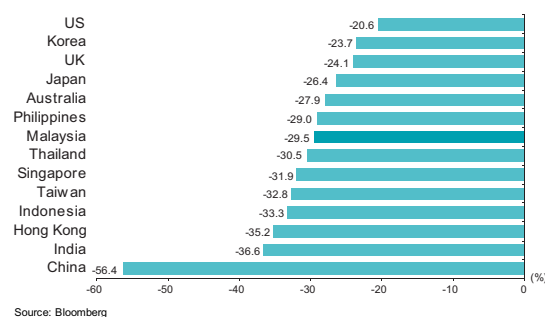


liquid paper, registering a liquidity ratio of 0.69, followed by the GII with a liquidity ratio of 0.22.

MGS yields remained elevated in the months of July and August on heightened inflation expectations. By September, however, yields began to fall as inflation expectations eased.



Performance of Selected Global and Regional Markets (31 December 2007 - 30 September 2008)



In addition, the deepening global financial turmoil resulted in flight-to-quality amongst investors. Investors shifted their investments from the equity to the bond market, pushing yields further downwards. As at end-September, the 3, 5 and 10-year MGS fell by 29, 23 and 28 basis points respectively.

KLCI declined

In the third quarter, the KLCI ended lower as most regional markets were affected by the global financial turmoil. The weak performance was largely due to concerns over the deepening financial turmoil in the US and Europe, as well as the decline in crude palm oil prices. The KLCI ended the third quarter lower at 1,018.7 (2Q 08: 1,186.6). Market capitalisation declined to RM770.5 billion (2Q 08: RM901.2 billion) and trading activity decreased to a daily average turnover of 437.0 million units (2Q 08: 570.3 million units).

Bursa Malaysia: Selected Market Indicators

	As at end				
	2007		2008		
	3Q	4Q	1Q	2Q	3Q
Price Indices					
Composite	1,336.3	1,445.0	1,247.5	1,186.6	1,018.7
FBM30 ¹	8,413.5	9,343.7	8,232.9	7,656.7	6,577.7
FBMEMAS ²	8,997.5	9,810.8	8,423.7	7,900.4	6,755.9
Second Board	105.8	-	-	-	-
Mesdaq	122.9	-	-	-	-
FTSE Second Board	6,950.0	6,732.4	5,884.6	5,535.6	4,978.8
FTSE Mesdaq	6,624.1	6,109.2	4,923.2	4,404.8	3,968.3
Average daily turnover					
Volume (million units)	1,326.7	1,268.5	930.4	570.3	437.0
Value (RM million)	2,176.3	1,898.7	2,035.2	1,324.3	893.3
Market capitalisation (RM billion)	1,031.3	1,106.2	952.3	901.2	770.5
No. of companies listed	1,001	987.0	989	986	981

¹ FBM30 stands for FTSE Bursa Malaysia 30 Index
² FBMEMAS stands for FTSE Bursa Malaysia EMAS Index
Source: Bursa Malaysia

On 27 November 2008, the KLCI closed at 870.0 (since end-2007: -39.8%), with market capitalisation lower at RM659.3 billion (since end-2007: -40.4 %).

Bursa Malaysia: Turnover of Corporate Securities

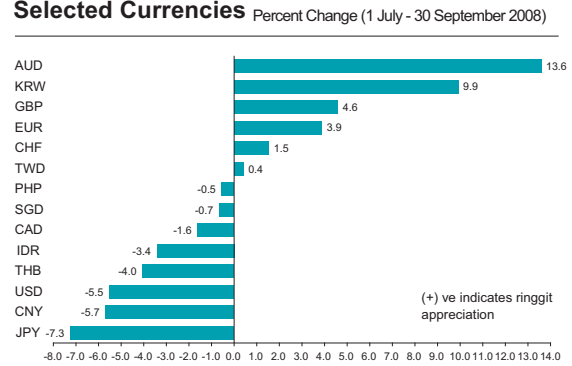
	2007				2008					
	3Q		4Q		1Q		2Q		3Q	
	million units	RM million	million units	RM million	million units	RM million	million units	RM million	million units	RM million
Turnover	84,908	139,127	78,648	117,720	53,962	118,044	35,927	83,429	27,965	57,172
Of which:										
Main Board	62,201	127,213	50,667	106,134	36,488	111,552	28,347	80,553	23,195	55,867
Of which:										
Consumer Products	1,904	5,069	1,752	4,777	931	3,622	891	2,999	903	2,874
Industrial Products	7,223	11,812	4,906	8,213	3,409	7,002	3,341	6,271	3,507	4,981
Construction	6,338	15,975	3,486	9,748	4,722	13,820	3,326	6,427	2,995	5,855
Trading/Services	17,798	43,370	15,545	38,069	10,383	38,521	9,165	28,490	6,950	19,311
Finance	4,309	19,752	3,728	17,445	3,391	21,975	2,992	18,139	1,812	9,155
Properties	13,361	14,211	7,300	7,814	4,234	5,027	3,054	3,442	2,500	1,802
Plantations	1,738	7,542	2,177	9,658	2,262	13,866	1,528	9,922	1,723	9,166
Infrastructure	2,221	4,388	1,408	4,694	1,148	3,671	952	2,960	511	1,912
Second Board	6,836	5,265	7,254	4,707	4,098	3,038	2,403	1,825	1,983	919
Mesdaq	9,022	5,268	6,139	3,050	5,621	2,438	2,519	858	1,412	331

Source: Bursa Malaysia

The US dollar has strengthened against most currencies

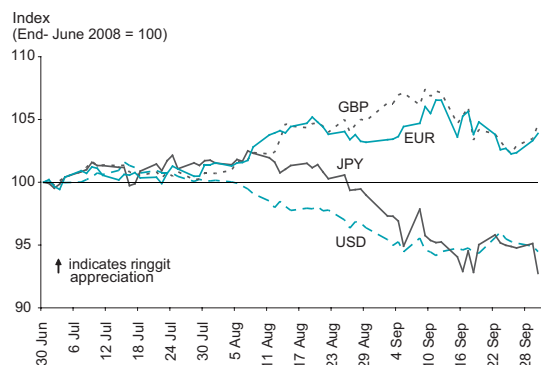
Amidst the ongoing global financial turmoil, the US dollar strengthened largely due to the de-leveraging process taking place in the international financial markets. Carry trades were also unwinding rapidly, causing significant reversal in the trends of the high yielding currencies, notably the New Zealand and the Australian dollar. Against this backdrop, the ringgit depreciated by 5.5% against the US dollar and 7.3% against the Japanese yen during the third quarter. The ringgit has, however, appreciated against the pound sterling (4.6%) and the euro (3.9%) amid indications of slowing economic growth in the European economies. Against most regional currencies, the ringgit experienced a depreciation in the range of 0.5% and 5.7%, with the exception of the Korean won, against which the ringgit appreciated by 9.9%. This trend has continued into October, while stabilising towards the later part of November.

Summary of Ringgit Performance Against Selected Currencies

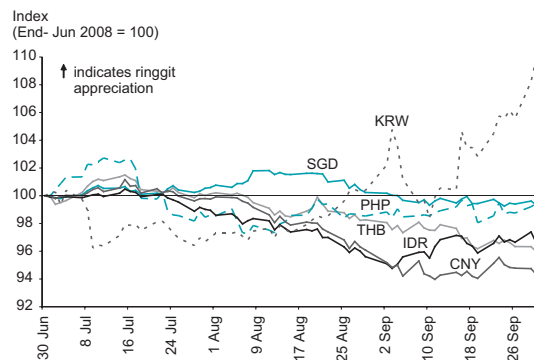


During the period 1 October to 27 November 2008, the ringgit continued to depreciate against the US dollar (-4.5%) and the Japanese yen (-12.8%), and appreciated against the pound sterling (11.8%) and euro (6.1%). The ringgit appreciated against regional currencies in the range of 0.9% to 24.1%, with the exception of the Chinese renminbi (-4.7%), Philippine peso (-1.2%) and the Thai baht (-0.8%).

Ringgit Performance Against Major Currencies



Ringgit Performance Against Regional Currencies



Performance of Ringgit Against Selected Currencies

RM per foreign currency	As at end				% change since*		
	21 Jul 05	3Q 07	2Q 08	3Q 08	21 Jul 05	3Q 07	2Q 08
US dollar	3.8000	3.4170	3.2665	3.4575	9.9	-1.2	-5.5
Euro	4.6212	4.8410	5.1565	4.9636	-6.9	-2.5	3.9
Pound sterling	6.6270	6.9167	6.5114	6.2254	6.5	11.1	4.6
100 Japanese yen	3.3745	2.9649	3.0749	3.3154	1.8	-10.6	-7.3
Singapore dollar	2.2570	2.2916	2.3995	2.4153	-6.6	-5.1	-0.7
100 Thai baht	9.0681	9.9723	9.7435	10.154	-10.7	-1.8	-4.0
100 Philippine peso	6.8131	7.5992	7.2759	7.3159	-6.9	3.9	-0.5
100 Indonesian rupiah	0.0386	0.0373	0.0354	0.0367	5.3	1.9	-3.4
100 Korean won	0.3665	0.3726	0.3128	0.2846	28.8	30.9	9.9
Chinese renminbi	0.4591	0.4548	0.4764	0.5051	-9.1	-10.0	-5.7

* (+) indicates appreciation of ringgit against respective currency and (-) indicates depreciation