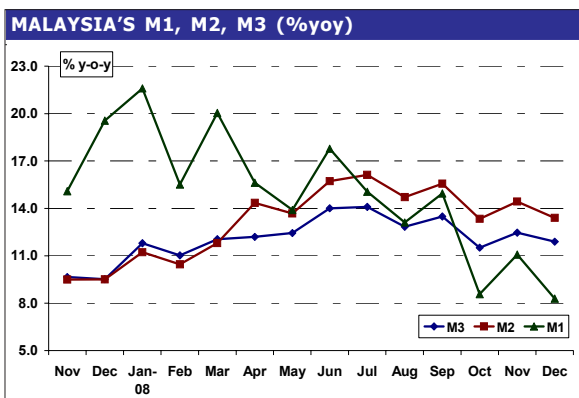
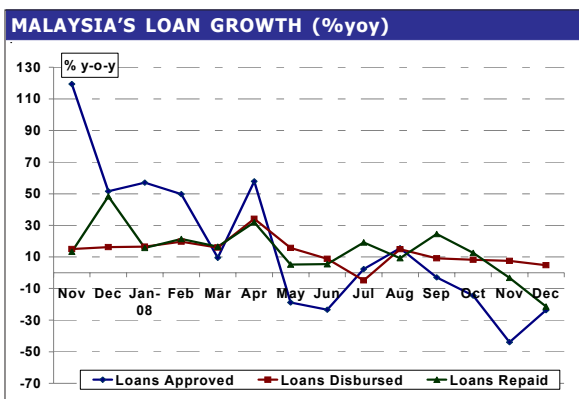


Monetary Growth December - M3 moderated; loan applications fell..

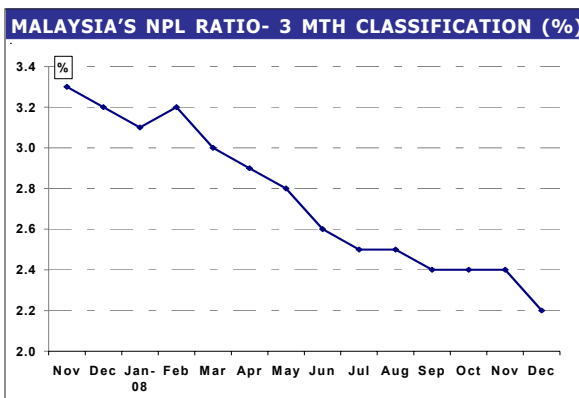
30 JANUARY 2009
2009/0005



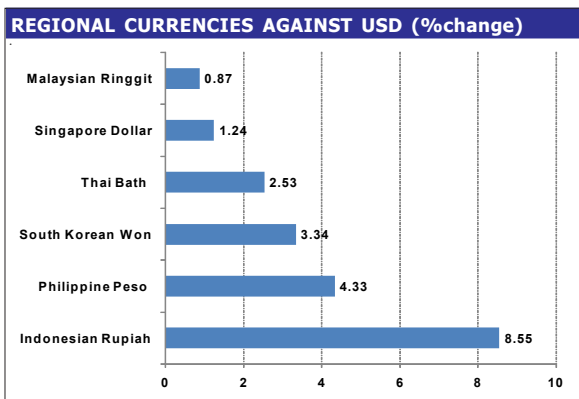
Source : Bank Negara Malaysia



Source : Bank Negara Malaysia



Source : Bank Negara Malaysia



Source : Bank Negara Malaysia, Bloomberg

- Malaysia's M3, the broadest measure of money supply rose 11.9% y-o-y in December from a 12.5% gain in November. The broader money supply growth moderated during the month, underscored by a drawdown of deposits by the government to finance its expenditure and higher credit provision by banks.
- According to Monetary and Financial Development Report issued by Bank Negara Malaysia (BNM) on January 30, 09, the central bank stated that net foreign outflows continued to exert a contractionary impact on M3, but the impact was smaller given the magnitude of outflows which moderated considerably from Nov. Broadest measure of money is used in order to estimate the entire supply of money within the economy and to look into how policies will affect interest rates and growth.
- Total loans grew 12.8% y-o-y in Dec, compared with 10.7% in Nov. Despite higher total loans outstanding, loans applied and loans approved during the month continued to contract, signaling cautious sentiment amid the slowing economy. Of greater concerns, loan repaid recorded double-digit drop amid uncertainties in the domestic economy. Total deposits increased 11.9% y-o-y (Nov: +12.4%), due to the payment of expenditure by the government for development projects and bonuses to civil servants.
- The sharpest loan decline was among businesses as applications and approvals fell by 34% and 38% respectively. Loans outstanding in the business sector grew 13.2% y-o-y (end-Nov:+7.8%) corresponding to higher loan disbursement. Loan applications for the household sector rebounded while disbursements was higher, underpinned by the increase in credit card and personal loan. Total household loans outstanding increased 9.1% y-o-y as in Dec from +9.0% in Nov.
- Non-performing loans (NPLs) improved further to 2.2% (Nov: 2.4%). The risk-weighted capital ratio (RWCR), which is another measure of the banking system's health, increased to 12.6% (Nov: +12.5%). During the month, the Malaysian banking system remained well-capitalized amidst continued improvement in the level of NPLs.
- Inflation moderated further to +4.4% in Dec from +5.7% in Nov due to series of downward adjustments in fuel prices by the government and more moderated increases in food prices. Given the easing in the inflation rate, BNM cut the Official Policy Rate (OPR) by 75 basis points to 2.50% on Jan 2, causing the daily weighted average overnight interbank rate traded lower within a narrow range of 2.50% and 2.51% during the period Jan 22-Jan 28. The Statutory Reserve Requirement (SRR) was also lowered from 3.50% to 2.00% effective Feb 1. Following the OPR reduction, several banking institution have lowered their base lending rate (BLR) and base financing rate (BFR).
- On forex performance, Ringgit appreciated by 0.2% per US dollar in the period of Dec 1, 08 - Jan 28, 2009. The Ringgit moved in tandem with most currencies, appreciating against the US dollar due to expectations that the aggressive policy measures by the US will ease concerns on the global economic downturn. The strength of regional currencies against the US dollar however, was short-lived as subsequent figure pointing to a sharper downturn in the US and the world economy.