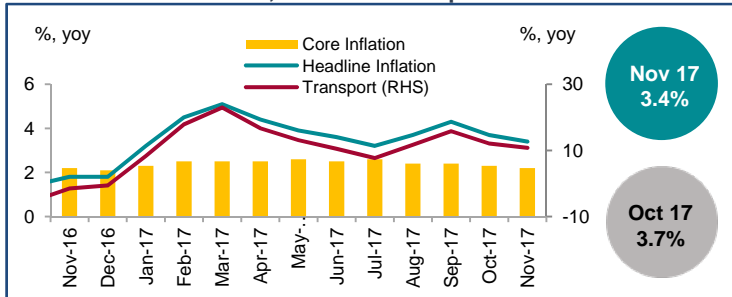
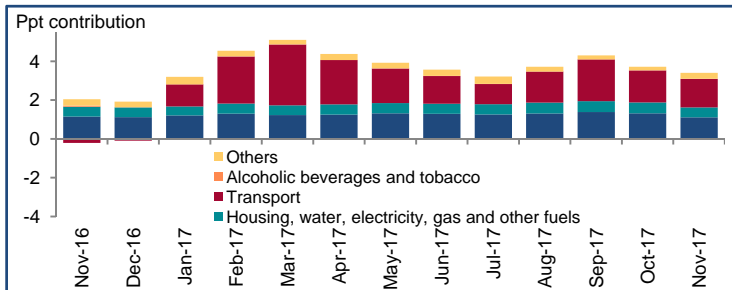


### Inflation decreased in November

#### Headline, Core and Transport Inflation



#### Contribution to Inflation



Source: Department of Statistics, Malaysia and staff estimate

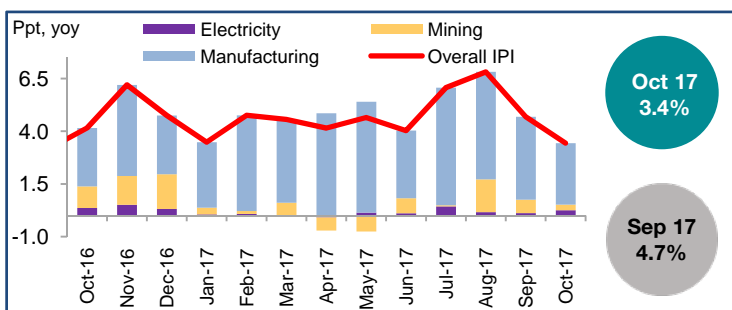
- Headline inflation declined to 3.4% in November due mainly to lower *transport* inflation at 10.8% during the month (October: 12.1%).

- Although the price of RON95 petrol averaged higher at RM2.30 per litre in November (October: RM2.18 per litre), the higher base of RON95 petrol price in November 2016 (RM1.95 per litre) compared to October 2016 (RM1.80 per litre) resulted in the lower inflation for the *transport* category.

- Core inflation was also lower at 2.2% during the month (October: 2.3%) due to lower food and rental inflation.

### Moderation in October overall IPI growth due to slower manufacturing and mining

#### Contribution to Overall IPI



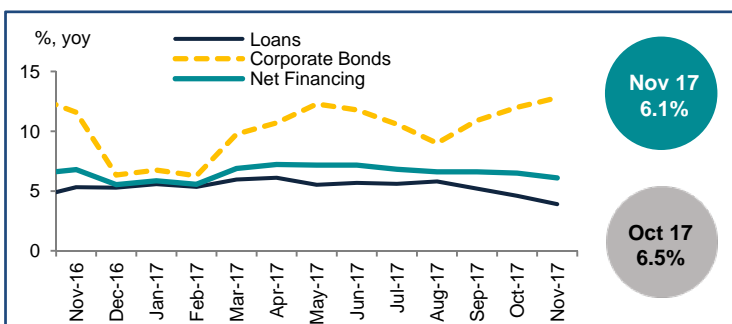
Source: Department of Statistics, Malaysia

- The overall industrial production index (IPI) recorded a lower growth of 3.4% in October (September: 4.7%), due to slower expansions across manufacturing and mining production, despite a rebound in the production of electricity.

- The slower growth in the manufacturing sector (4.2%; September: 5.7%) was due mainly to moderation in both export- and domestic-oriented industries.

### Net financing growth continued to support economic activity

#### Net Financing through Banking System Loans and Corporate Bond



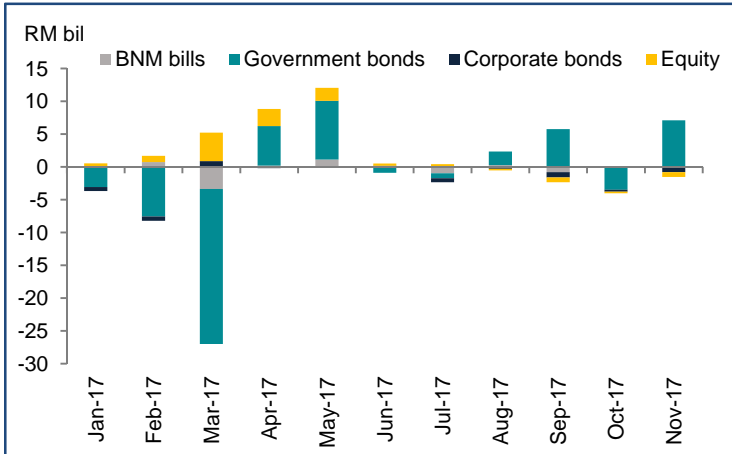
Source: Bank Negara Malaysia

- Net financing growth moderated to 6.1% in November (October: 6.5%). The growth of net outstanding issuances of corporate bonds increased to 12.8% (October: 12.0%), while the growth of outstanding loans of the banking system moderated to 3.9% (October: 4.6%).

- The moderation in loan growth was driven by loans to the business sector (November: 2.2%; October: 4.1%), with broad-based moderation across the sectors, notably in *manufacturing* and *transport, storage and communication*.

## Ringgit and bond yields supported by non-resident inflows

Non-Resident Portfolio Flows by Instrument



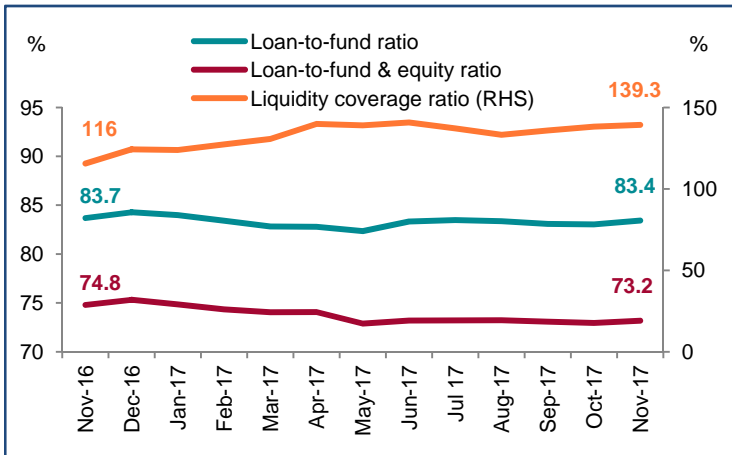
Note: Government bonds include Malaysian Government Securities (MGS), Government Investment Issues (GI) and Sukuk Perumahan Kerajaan (SPK)

Source: Bank Negara Malaysia, Bursa Malaysia

- In November, the ringgit was the best performer in the region, as the release of better-than-expected 3Q GDP growth data and expectations of monetary policy normalisation by Bank Negara Malaysia led to increased demand for ringgit assets by non-residents.
- The higher demand for MGS also led to a decline in MGS yields during the month.
- Foreign exchange swap volume increased by USD13.4 billion to USD115.5 billion mainly contributed by higher hedging activities due to recent non-resident portfolio inflows. The average 1-month swap points edged slightly higher at 54 pips from 52 pips in October.
- The FBM KLCI, however, declined on weaker market sentiments. This was in line with most regional indices amid uncertain external environment, particularly surrounding the progress of US tax reforms and OPEC's decision on the extension of oil production cuts.

## Banks' funding structure remained supportive of financing activity

Banking System Liquidity and Funding Ratios



<sup>1</sup> The Basel III LCR has been phased in since June 2015, with initial compliance set at 60% and progressive increments of 10% each year until 100% with effect from 2019. As of 1 January 2017, the minimum requirement is set at 80%.

Source: Bank Negara Malaysia

- Banks continue to have diversified funding sources which enabled them to better manage currency and maturity mismatches.
- Reflective of banks' broader funding base, the loan-to-fund ratio and the loan-to-fund-and-equity ratio stood at 83.4% and 73.2% respectively.
- The banking system Liquidity Coverage Ratio (LCR) stood at 139.3%, well above the transitional<sup>1</sup> minimum regulatory requirement of 80%.



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## SIARAN AKHBAR

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Ref. No.: 12/17/20

**EMBARGO: Not for publication or broadcast before 1500 hours on Friday, 29 December 2017**

### **MONTHLY HIGHLIGHTS – NOVEMBER 2017**

#### **Inflation decreased in November**

- Headline inflation declined to 3.4% in November due mainly to lower *transport* inflation at 10.8% during the month (October: 12.1%).
  - Although the price of RON95 petrol averaged higher at RM2.30 per litre in November (October: RM2.18 per litre), the higher base of RON95 petrol price in November 2016 (RM1.95 per litre) compared to October 2016 (RM1.80 per litre) resulted in the lower inflation for the *transport* category.
- Core inflation was also lower at 2.2% during the month (October: 2.3%) due to lower food and rental inflation.

#### **Moderation in October overall IPI growth due to slower manufacturing and mining**

- The overall industrial production index (IPI) recorded a lower growth of 3.4% in October (September: 4.7%), due to slower expansions across manufacturing and mining production, despite a rebound in the production of electricity.
- The slower growth in the manufacturing sector (4.2%; September: 5.7%) was due mainly to moderation in both export- and domestic-oriented industries.

#### **Net financing growth continued to support economic activity**

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### **Banks' funding structure remained supportive of financing activity**

- Banks continue to have diversified funding sources which enabled them to better manage currency and maturity mismatches.
- Reflective of banks' broader funding base, the loan-to-fund ratio and the loan-to-fund-and-equity ratio stood at 83.4% and 73.2% respectively.
- The banking system Liquidity Coverage Ratio (LCR) stood at 139.3%, well above the transitional<sup>1</sup> minimum regulatory requirement of 80%.

**Bank Negara Malaysia**  
**29 December 2017**

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