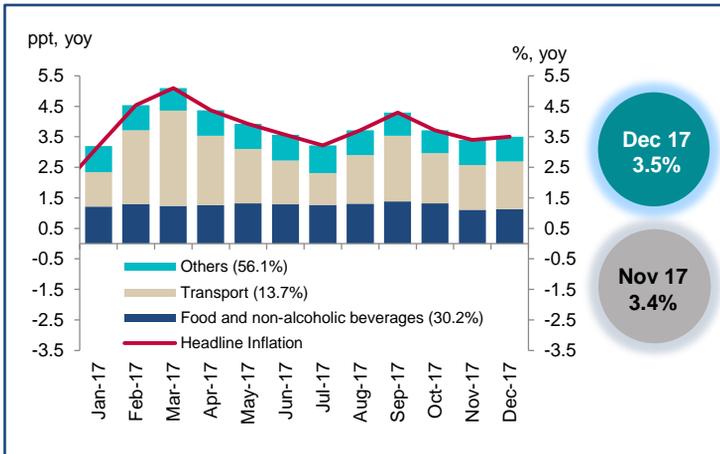




Inflation increased slightly in December

Contribution to Inflation

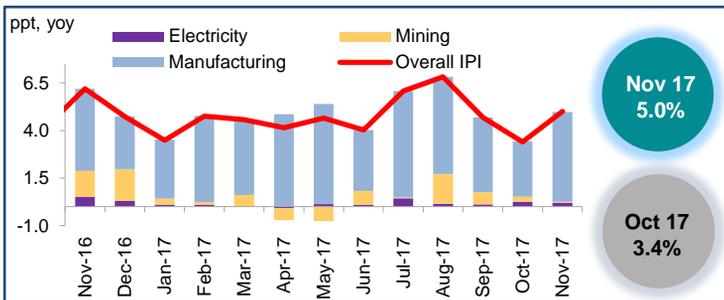


Source: DOSM and staff estimate

- Headline inflation increased slightly to 3.5% in December due mainly to higher *transport* inflation. Although RON95 petrol averaged lower at RM2.27 per litre in December (November: RM2.30 per litre), the lower base of RON95 price in December 2016 (RM1.90 per litre) compared to November 2016 (RM1.95 per litre) resulted in higher inflation in the *transport* category (December: 11.5%, November: 10.8%).
- Food inflation also increased to 4.1% (November: 4.0%) on account of higher inflation in the *food away from home* sub-category (December: 5.3%, November: 5.0%).

Higher IPI growth in November supported by stronger manufacturing output

Contribution to Overall IPI

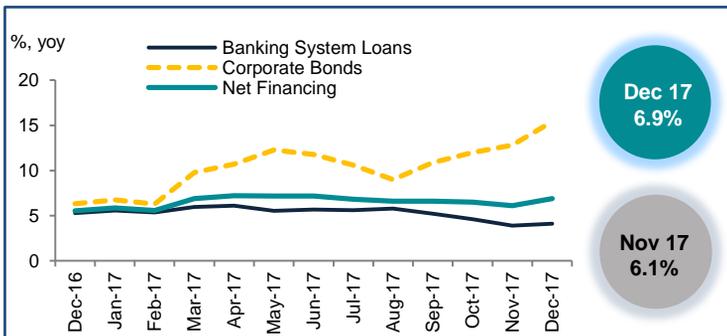


Source: Department of Statistics, Malaysia

- The overall industrial production index (IPI) recorded a higher growth of 5.0% in November (Oct: 3.4%) due to the higher expansion across the manufacturing sector, despite a moderation in both mining and electricity production.
- The manufacturing sector registered a higher growth of 6.7% in November (Oct: 4.2%) driven mainly by export-oriented industries.

Net financing growth continued to support economic activity

Net Financing through Banking System Loans and Corporate Bonds



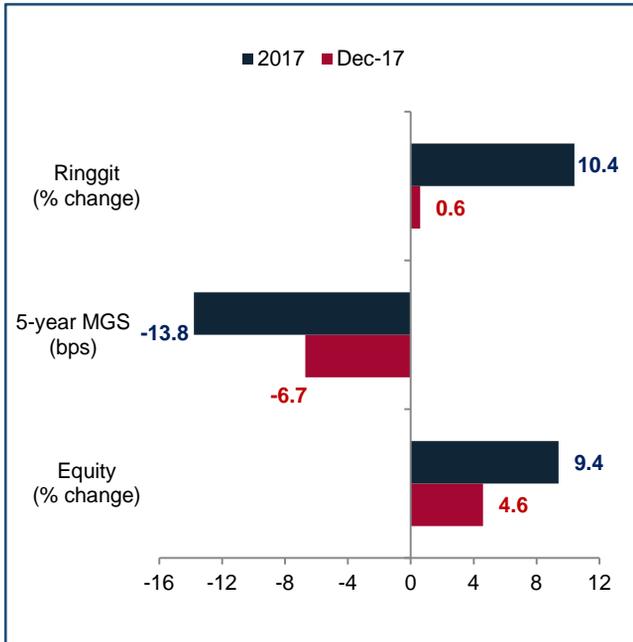
¹ Net financing refers to loans issued by banking system (excluding development financial institutions (DFIs)) and corporate bonds.

Source: Bank Negara Malaysia

- Net financing¹ growth increased to 6.9% in December (November: 6.1%).
- Outstanding loan growth of the banking system increased to 4.1% (November: 3.9%). Compared to 2016 (5.3%), however, loan growth moderated, driven by stronger growth in business repayments. This was mainly due to scheduled repayments and higher corporate earnings.
- Net outstanding issuances of corporate bonds continued to increase at double-digit growth of 15.4% (November: 12.8%), mainly for investment and working capital purposes.

Financial markets performed strongly amid non-resident inflows

Financial Markets Performance in December

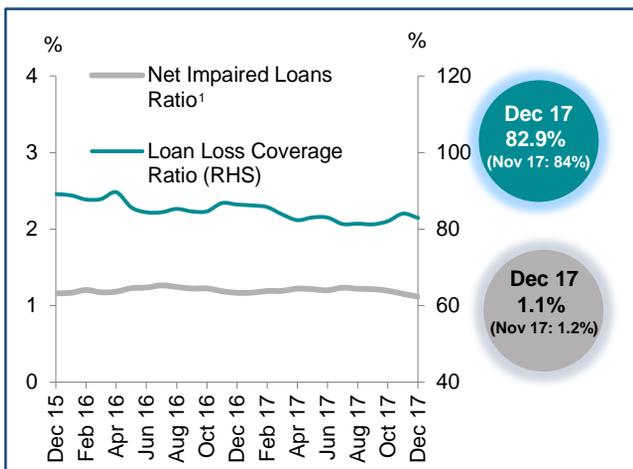


Source: Bank Negara Malaysia, Bursa Malaysia

- In December, the Malaysian financial markets performed strongly following non-resident inflows into the bond and equity markets, amounting to RM4.1 billion and RM0.9 billion respectively.
- The increased demand for ringgit financial assets during the month was supported by:
 - Improved investor sentiments amid an upward revision in Malaysia’s growth outlook by the IMF and World Bank.
 - Subdued US dollar sentiments following uncertainties over the sustainability of the tax reform’s impact on the US longer-term economic growth.
- In the foreign exchange derivatives market, the average 1-month USD/MYR swap points declined by 18 points to 36 points during the month amid higher dollar demand due to year-end requirements. As a result, the 1-month implied dollar funding cost increased to 2.16% as at end-December (end-November: 2.06%).
- The ringgit appreciated by 0.6% against the US dollar in December. For the year as a whole, the ringgit appreciated by 10.4% to end the year at RM4.0620 against the US dollar.

Asset quality of the banking system remained sound

Banking System: Asset Quality



¹ Refers to ratio of individual plus collective impairment provisions to total impaired loans

Source: Bank Negara Malaysia

- The level of impaired loans declined to 1.1% of total loans net of individual impairment provisions (Nov: 1.2%). The lower level of impaired loans is attributed to write-offs and recoveries.
- Banks maintained sufficient buffers for potential credit losses. Loan loss coverage ratio stood at 82.9% (Nov: 84%).



SIARAN AKHBAR

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MONTHLY HIGHLIGHTS – DECEMBER 2017

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