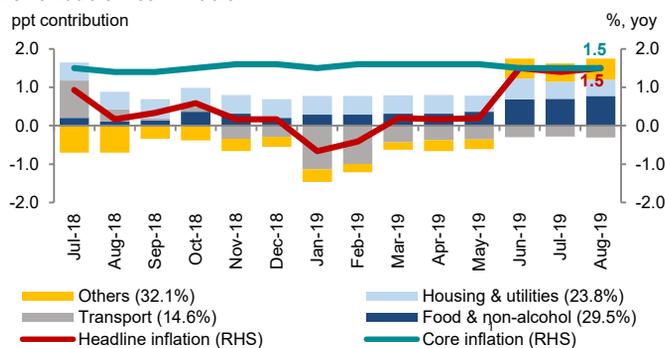


Headline inflation was broadly stable

Contribution to Inflation



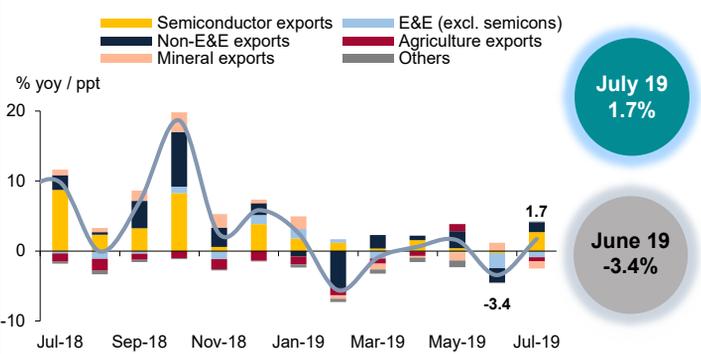
- Headline inflation remained broadly stable at 1.5% (July: 1.4%) during the month.
- Fresh food inflation increased to 1.8% (July: 1.1%), amid higher prices for some fresh food items such as fresh chicken and eggs.
- Excluding the impact of the changes in the consumption tax policy, core inflation¹ was unchanged at 1.5%.

¹ Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

Source: Department of Statistics Malaysia (DOSM), Bank Negara Malaysia estimates

Higher export growth in July

Malaysia's Exports by Product

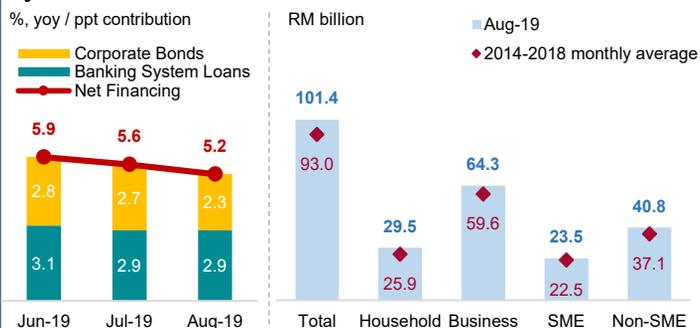


Source: Department of Statistics, Malaysia (DOSM), MATRADE

- Exports rebounded to 1.7% in July (June: -3.4%) due to a turnaround in manufactured exports, including semiconductors and non-E&E products.
- Going forward, export growth is expected to remain positive, albeit subdued. While significant uncertainties surrounding the external outlook remain, exports performance will be supported by Malaysia's diversified export base.

Sustained financing of economic activity

Contribution to Net Financing¹ Growth and Level of Banking System Loan Disbursements

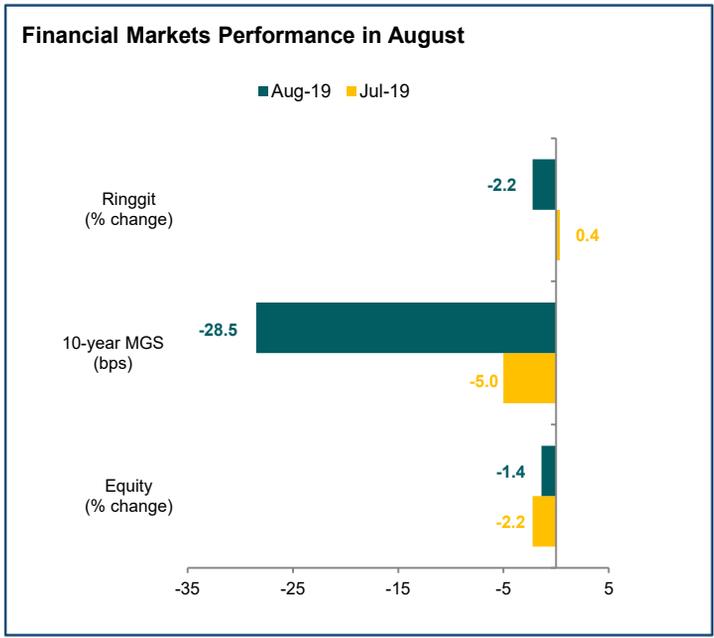


¹ Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.

Source: Bank Negara Malaysia

- Net financing¹ expanded at a more moderate pace of 5.2% in August (July: 5.6%), due to lower outstanding corporate bond growth (August: 8.9%, July: 10.3%) amid high redemptions. Growth in outstanding household and business loans were sustained at 4.6% and 2.5% (July: 4.7% and 2.5%), respectively.
- Total loans disbursed by the banking system remained higher than the historical monthly average at RM101.4 billion (July: RM102.4 billion). Disbursements were sustained across all segments, including SMEs.

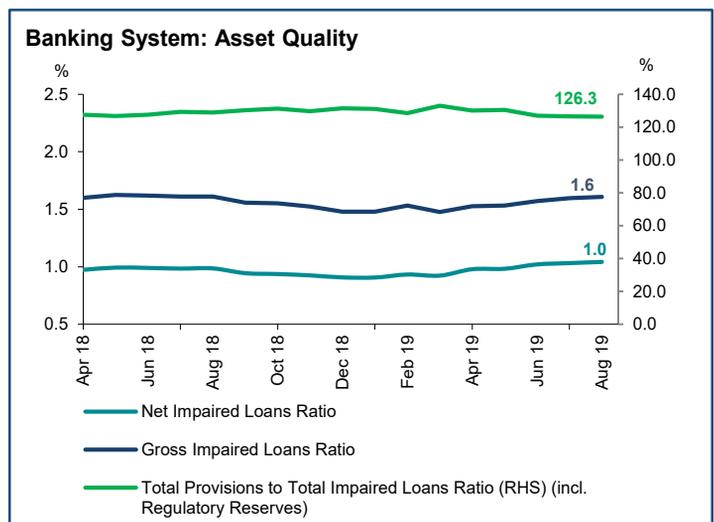
Performance of domestic financial markets in August was mixed



- The ringgit depreciated by 2.2% against the US dollar in August, in line with most regional currencies. This was driven by non-resident portfolio outflows, particularly from the equity market, as investor sentiments worsened amid escalations in US-China trade tensions. Such development led the FBM KLCI to decline by 1.4%, in line with the performance of regional equity markets.
- Yields in the domestic bond market, however, declined during the month as global bond rally contributed to improved demand for Government bonds. Following this development, the benchmark 10-year MGS yield declined by 28.5 basis points.

Source: Bank Negara Malaysia, Bursa Malaysia

Banking system asset quality remains healthy



- Banks' asset quality remain sound with overall net impaired loans ratio remaining stable at 1.0%.
- Banks continued to maintain sufficient buffers against potential credit losses with total provisions (including regulatory reserve) at 126.3% of total impaired loans.

Source: Bank Negara Malaysia



SIARAN AKHBAR

Ref. No.: 09/19/10

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MONTHLY HIGHLIGHTS – AUGUST 2019

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Bank Negara Malaysia
30 September 2019