



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 10/17/08

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MONTHLY HIGHLIGHTS – SEPTEMBER 2017

Inflation increased in September

- Headline inflation increased to 4.3% (August: 3.7%), driven mainly by higher domestic fuel prices. RON95 petrol price averaged at RM 2.19 per litre (August: RM2.12 per litre) amid higher refined oil prices. The higher global refined oil prices reflected the increase in crude oil prices following pent-up demand for crude oil as refineries in the U.S. resumed operations in the aftermath of Hurricane Harvey.
- Nevertheless, underlying inflation, as measured by core inflation, remained stable at 2.4%.

The ringgit was the best performing currency in the region

- The ringgit appreciated against all regional currencies by 0.3% to 3.1% in September, supported by non-resident inflows of RM5.8 billion into the Government bond market.
- The sustained growth in the external sector contributed to the positive outlook for the Malaysian economy, which attracted investor interest in both the bond and equity markets. Nevertheless, the gains in the equity market reversed towards the end of the month amid foreign selling following uncertainty over geopolitical developments.

Net financing growth supported economic activity

- Net financing growth was sustained at 6.6% in September (August: 6.6%). The growth of net outstanding issuances of corporate bonds increased to 10.9% (August: 9.0%), while the growth of outstanding loans of the banking system moderated to 5.2% (August: 5.8%).

- The moderation in loan growth was due mainly to the business sector (September: 5.8%; August: 7.2%), especially in the *manufacturing; construction; and wholesale and retail trade, restaurants and hotels* sectors.

Higher overall IPI growth in August supported by mining activity

- The overall industrial production index (IPI) recorded a higher growth of 6.8% in August (July: 6.1%), driven mainly by the larger expansion in mining production, despite the slight moderation in output in the manufacturing and electricity sectors.
- The slight moderation in the manufacturing sector (7.6%; July: 8.0%) was attributed mainly to slower growth in the export-oriented industries.

Sufficient liquidity in the banking system

- Liquidity in the banking system remains supportive of banks' financing activities. Aggregate surplus liquidity¹ placed with Bank Negara Malaysia stood at RM189.4 billion.
- All banks also maintained Liquidity Coverage Ratios above the regulatory requirement² to meet unexpected cash outflows or adverse liquidity shocks.

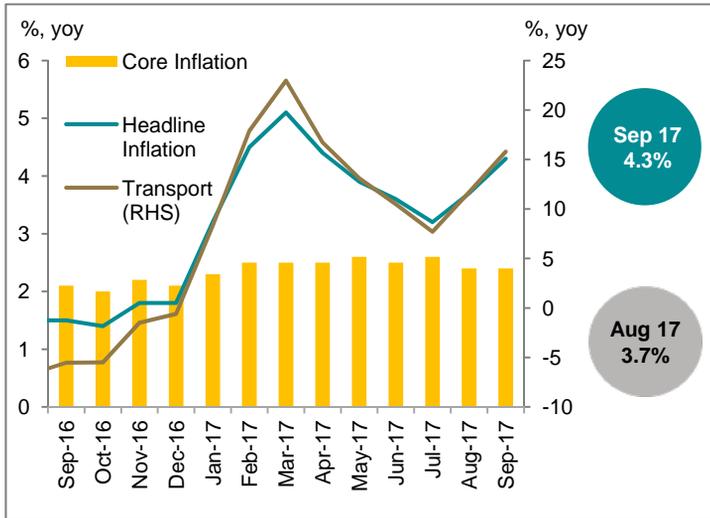
¹*Outstanding ringgit liquidity placed with Bank Negara Malaysia, including money market borrowings, repos, BNM debt securities held and statutory reserve requirement.*

²*The minimum LCR requirement beginning 1 January 2017 is 80% following the transitional implementation.*

Bank Negara Malaysia
31 October 2017

Inflation increased in September

Headline, Core and Transport Inflation

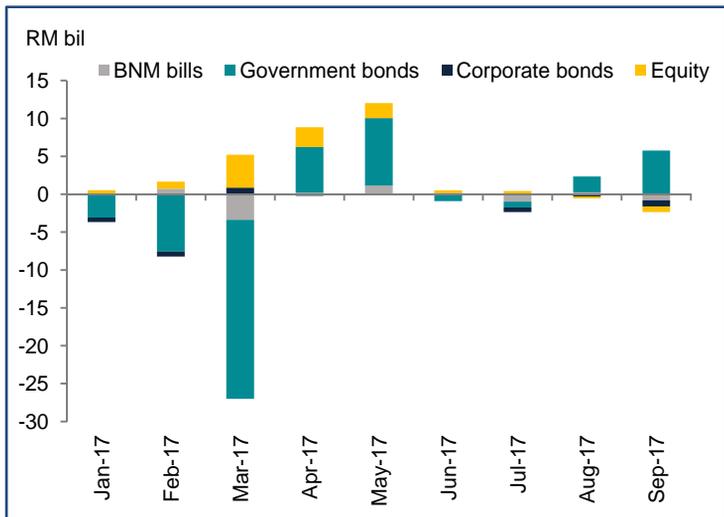


Source: Bank Negara Malaysia

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Non-Resident Portfolio Flows by Instrument

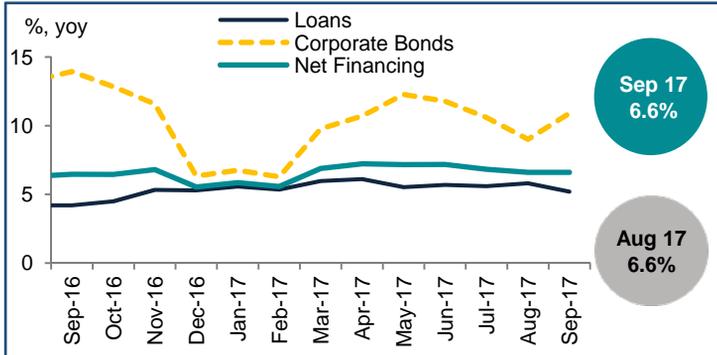


Note: Government bonds include Malaysian Government Securities (MGS), Government Investment Issues (GI) and Sukuk Perumahan Kerajaan (SPK)
Source: Bank Negara Malaysia, Bursa Malaysia

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Net financing growth supported economic activity

Net Financing through Banking System Loans and Corporate Bonds

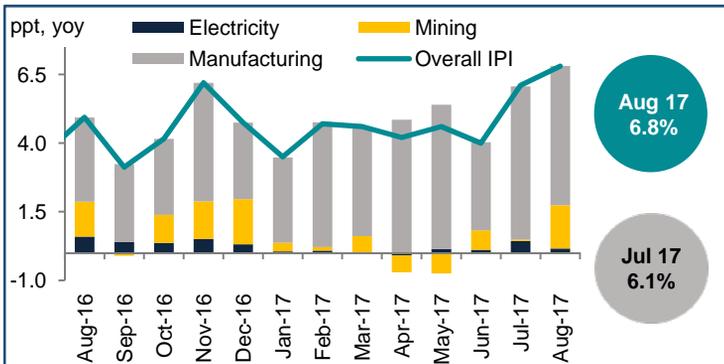


Source: Bank Negara Malaysia

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Higher overall IPI growth in August supported by mining activity

Contribution to Overall IPI

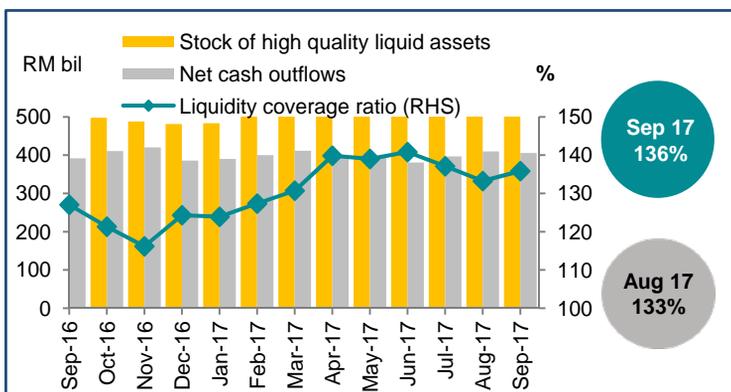


Source: Department of Statistics, Malaysia

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Liquidity Coverage Ratio



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