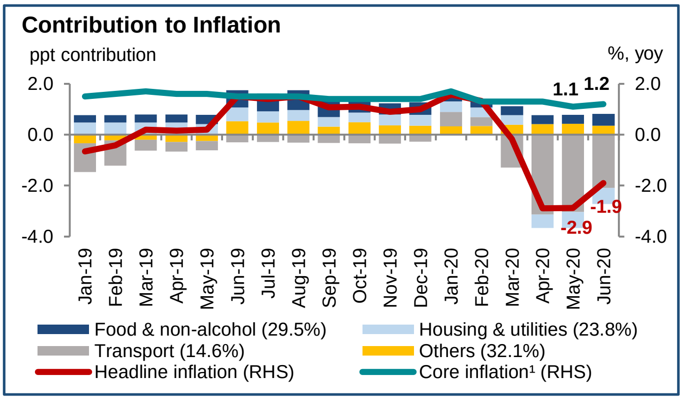
Monthly Highlights
June 2020

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Headline inflation was less negative at -1.9% in June

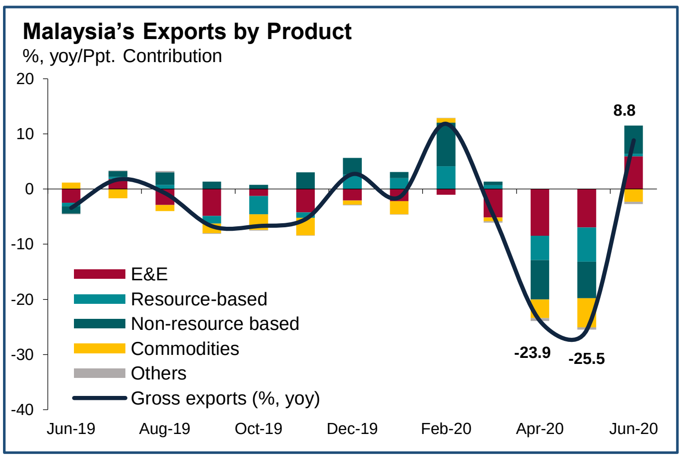


[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

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

- The change in headline inflation (May: -2.9%) was driven largely by the higher domestic retail fuel prices during the month.
- The risk of deflation remains contained. Underlying inflation, as measured by core inflation, increased slightly to 1.2% (May: 1.1%).
- A higher share of CPI items recorded month-on-month price increases (June: 44%; May: 36%; 2010-2018 Average: 46%), suggesting a further normalisation of price pressures.

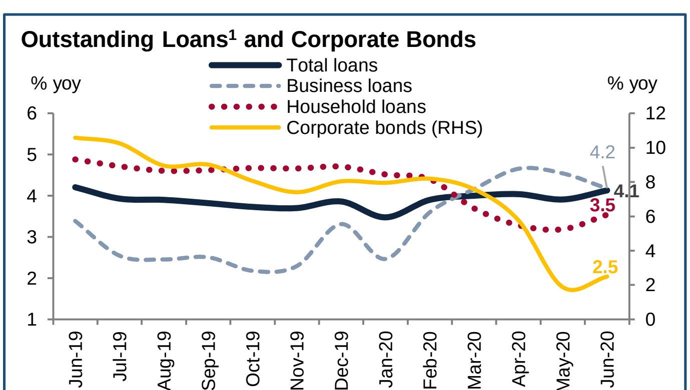
Exports rebounded in June



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

- Exports registered a turnaround to grow by 8.8% in June (May: -25.5%) supported by higher manufactured exports, particularly E&E and non-resource based products such as optical & scientific equipment and machinery, equipment & parts.
- Following the trough in May 2020, exports are expected to gradually pick up in the second half of 2020, as external demand improves with the easing of containment measures in most economies.

Higher loan growth in June supported by household loans



[1] Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)).

Source: Bank Negara Malaysia

- Total outstanding loans grew by 4.1% in June (May: 3.9%), supported by higher outstanding household loans. Outstanding corporate bond growth also increased to 2.5% (May: 1.9%).
- The higher household loan growth (June: 3.5%, May: 3.2%) was mainly contributed by housing and securities loans amid higher disbursements.
- Outstanding business loan growth moderated to 4.2% (May: 4.5%) as repayments expanded faster than disbursements. Of note, disbursements normalised from the low levels during April and May, with high disbursements for working capital needs.

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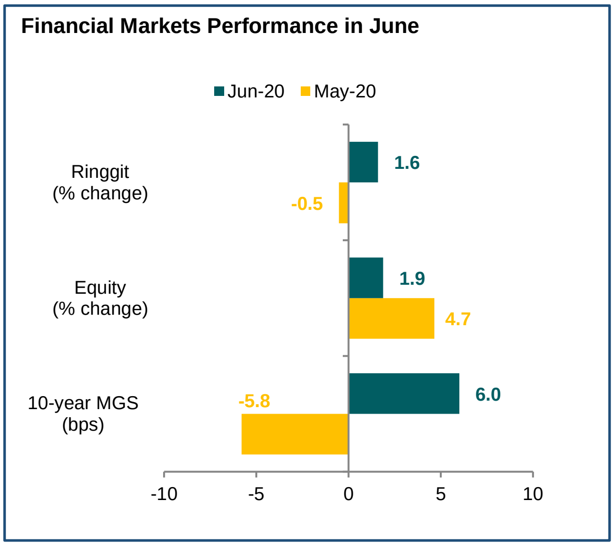
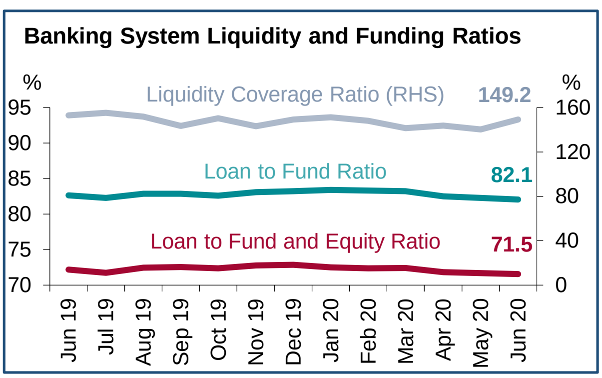
Performance of domestic financial markets was mixed



Source: Bank Negara Malaysia, Bursa Malaysia

- The domestic financial markets recorded a mixed performance in June. Non-resident portfolio inflows amounted to USD2.0 billion, mainly to the bond market, and led to the appreciation of the ringgit by 1.6% against the US dollar.
- The 10-year MGS yield increased marginally by 6 basis points, due mainly to external factors. During the earlier part of the month, MGS yields increased in line with regional bond markets, reflecting higher US Treasury yields following better-than-expected US employment data, which led to investors shifting funds away from global safe-haven assets. However, MGS yields were supported by non-resident inflows.
- The FBM KLCI continued on an upward trend in June, increasing by 1.9% during the month, driven by continued support from domestic investors.

Banks maintain sufficient liquidity amid stable funding conditions

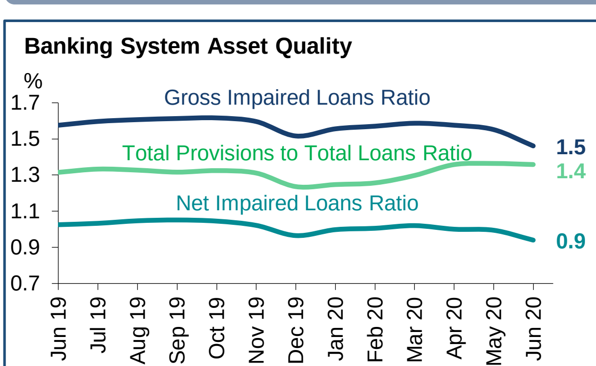


Source: Bank Negara Malaysia

- Banking system liquidity coverage ratio (LCR) increased to 149.2%[1] (May-20: 140.2%) amid a shift from wholesale funding towards deposits.
- As such, loan-to-fund and loan-to-fund-and-equity ratios remained stable at 82.1% and 71.5%, respectively.

[1] Beginning 25 March 2020, banking institutions may temporarily operate below minimum requirement of 100%.

Impaired loans ratios sustained at low levels



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios improved slightly to 1.5% and 0.9%, respectively (May-20: 1.6% and 1%, respectively), as some loans turned performing during the month.
- Banks continue to gradually set aside provisions as a precaution against future credit losses.

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EMBARGO: Not for publication or broadcast before 1500 hours on Thursday, 30 July 2020

MONTHLY HIGHLIGHTS – JUNE 2020

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