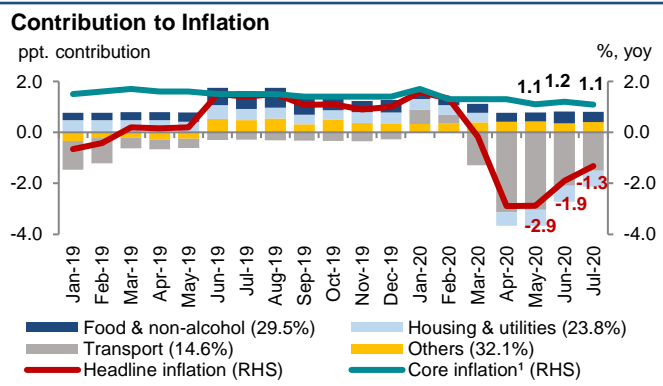


Headline inflation was less negative at -1.3% in July

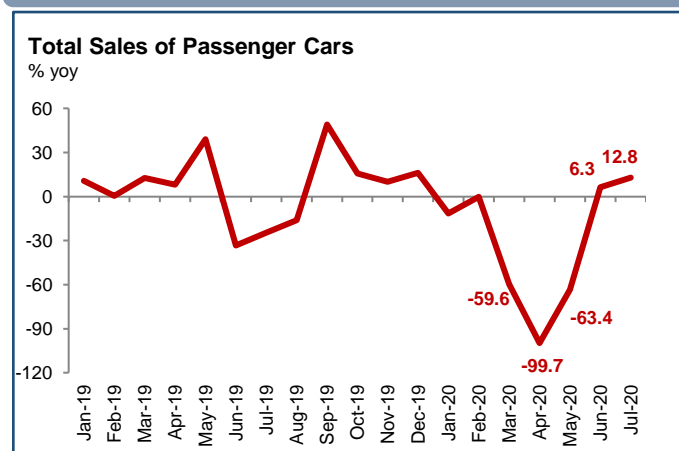


- The less negative headline inflation was due mainly to the higher domestic retail fuel prices during the month.
- Underlying inflation, as measured by core inflation, moderated slightly to 1.1% (June: 1.2%).
- Nevertheless, the risk of deflation remains contained. A higher share of CPI items recorded month-on-month price increases (July: 46%; June: 44%; 2010-18 Average: 46%).

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

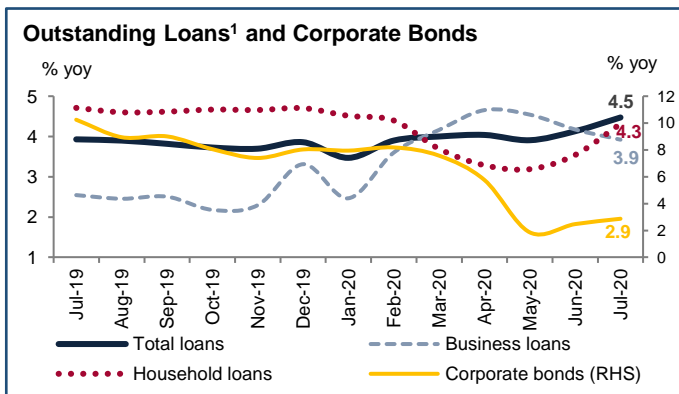
Total sales of passenger cars grew by 12.8% in July 2020



- Total sales of passenger cars recorded a higher growth of 12.8% in July 2020 (June: 6.3%). This represents the second consecutive month of positive year-on-year (yoy) growth since the beginning of Movement Control Order (MCO) in March.
- The higher car sales in July was attributed to the sales tax relief as part of the Government stimulus measures since June, in addition to the promotional campaigns by car dealers.

Source: Malaysian Automotive Association (MAA)

Financing activity continues to gather momentum



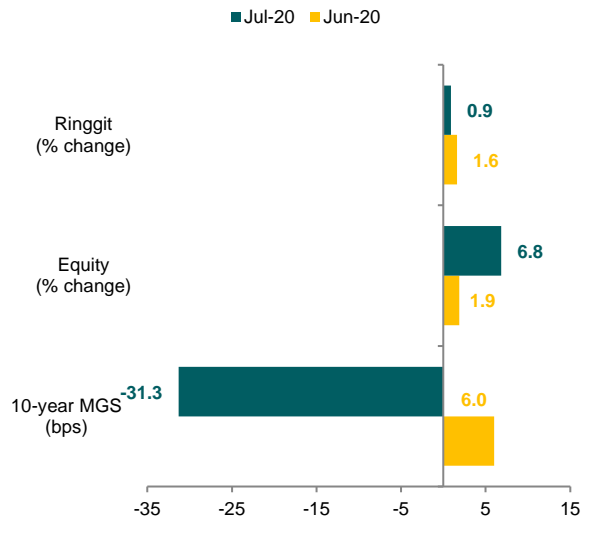
- Net financing growth increased to 4.0% in July (June: 3.7%), supported by both outstanding corporate bonds (July: 2.9%, June: 2.5%) and loans (July: 4.5%, June: 4.1%).
- Household loan growth rose to 4.3% (June: 3.5%), with further increase in housing and car loan disbursements reflecting the positive impact of policy measures.
- Outstanding business loan growth moderated to 3.9% (June: 4.2%) as repayments continued to increase.

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

Source: Bank Negara Malaysia

Broad-based improvement in domestic financial markets

Financial Markets Performance in July

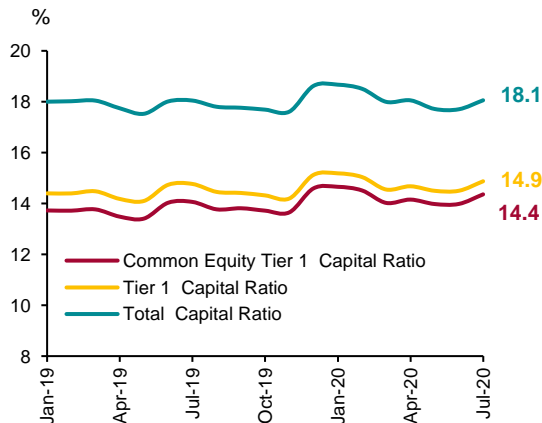


Source: Bank Negara Malaysia, Bursa Malaysia

- The domestic financial markets experienced broad based improvements in July, along with most regional financial markets. This is amid risk-on investor sentiments following news of progress in vaccine development for COVID-19 and the dovish stance by the Federal Reserve following the July Federal Open Market Committee (FOMC) meeting, where they pledged to provide policy support for as long as it takes to ensure a strong economic recovery in the US.
- As a result, domestic financial markets recorded non-resident portfolio inflows amounting to USD1.1 billion, mainly into the bond market. Consequently, the ringgit appreciated by 0.9% against the US dollar and the 10-year MGS yield declined by 31.3 basis points. The decline in the 10-year MGS yield was also driven by the OPR cut in early July.
- Better-than-expected economic data releases from the US and PR China also increased investor sentiments and supported the increase in regional stock indices, including the FBM KLCI. The FBM KLCI increased by 6.8% during the month, driven by continued support from domestic investors.

Banking system capitalisation remained strong

Capital Adequacy Ratios



Source: Bank Negara Malaysia

- Capital ratios rose slightly in July due to recognition of interim profits for 1H 2020, bolstering banks' ability to lend while preserving long-term sustainability.
- The banking system remains well-positioned to withstand severe macroeconomic and financial shocks, with surplus capital buffers¹ of RM118.1 billion as at July 2020.

¹Refers to total capital above the regulatory minimum, which includes the capital conservation buffer requirement and bank-specific higher minimum requirements



SIARAN AKHBAR

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MONTHLY HIGHLIGHTS – JULY 2020

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Bank Negara Malaysia
28 August 2020

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