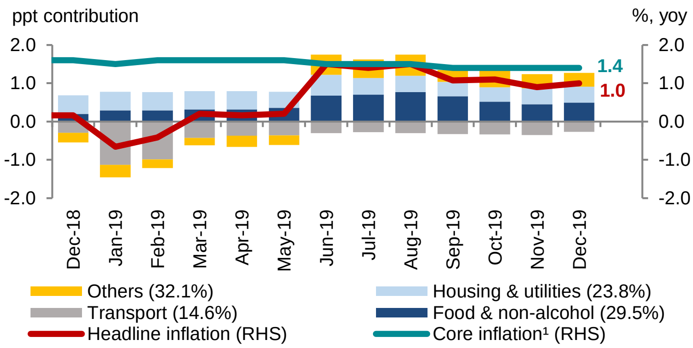
Monthly Highlights
December 2019

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Headline inflation was slightly higher in December

Contribution to Inflation



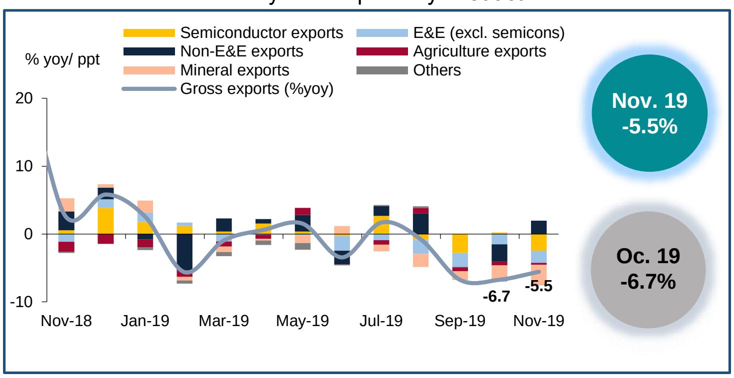
[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

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

- Headline inflation was slightly higher at 1.0% in December.
- The higher headline inflation reflected increases in certain fresh food prices arising from supply disruptions and adverse weather conditions, as well as an increase in RON97 petrol price.
- Core inflation was stable at 1.4%.

Exports declined in November 2019

Malaysia's Exports by Product

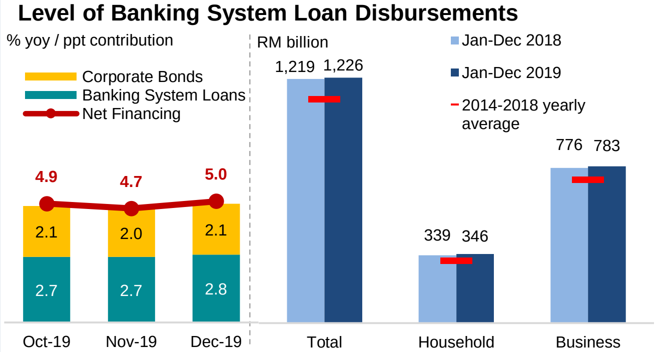


Source: Department of Statistics, Malaysia (DOSM), MATRADE

- Exports registered a smaller contraction of 5.5% in November (October: -6.7%) due to a smaller decline in manufactured exports.
- Going forward, export growth is expected to improve, supported by a modest recovery in global demand and higher commodity prices.

Improved expansion in net financing

Contribution to Net Financing[1] 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.
Note: Numbers may not add up due to rounding.
Source: Bank Negara Malaysia

- Net financing[1] grew by 5.0% in December (November: 4.7%), with continued growth in both outstanding corporate bonds (December: 8.0%; November: 7.4%) and outstanding loans (December: 3.9%; November: 3.7%).
- In December, business loans recorded higher disbursements, particularly in the manufacturing, primary agriculture and real estate sectors. For households, there was higher disbursement of credit card loans.
- For the year as a whole, loan disbursements were slightly higher than the levels in 2018, remaining above the historical averages.

Monthly Highlights
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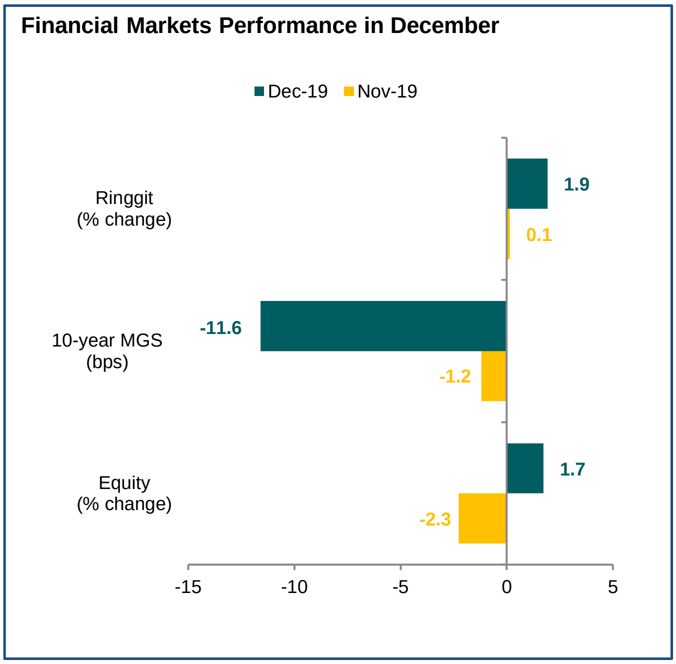
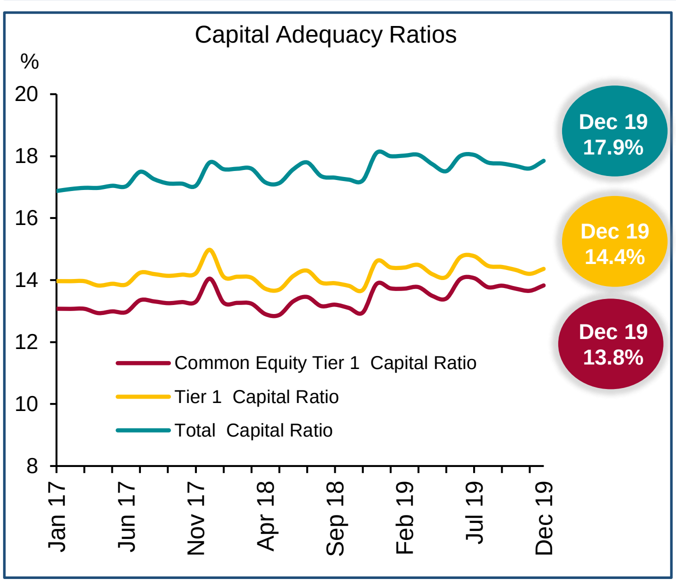
Performance of domestic financial markets improved in December



Source: Bank Negara Malaysia, Bursa Malaysia

- In December, sentiments in the global financial markets were positive amid the prospects of easing global trade tensions. Specifically, investor risk appetite improved following the announcement of a phase one trade deal between the US and China, which was signed on 15 January 2020.
- As a result, performance of domestic financial markets broadly improved. During the month, the ringgit appreciated by 1.9% against the US dollar and the 10-year MGS yield declined by 11.6 basis points, driven by non-resident portfolio inflows to the domestic bond market.
- The improved investor risk appetite also provided support to the domestic equity market, which led the FBM KLCI to increase by 1.7% to close at 1589 points as at end-December.

Banking system capitalisation remained strong



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

Source: Bank Negara Malaysia

- Banking institutions are well-positioned to withstand severe macroeconomic and financial shocks, with excess capital buffers[1] of RM111 billion as at end-December 2019.
- The increase in CET-1 capital was mainly attributable to an increase in retained earnings with the inclusion of their half year profit.

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

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MONTHLY HIGHLIGHTS – DECEMBER 2019

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Bank Negara Malaysia
31 January 2020

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