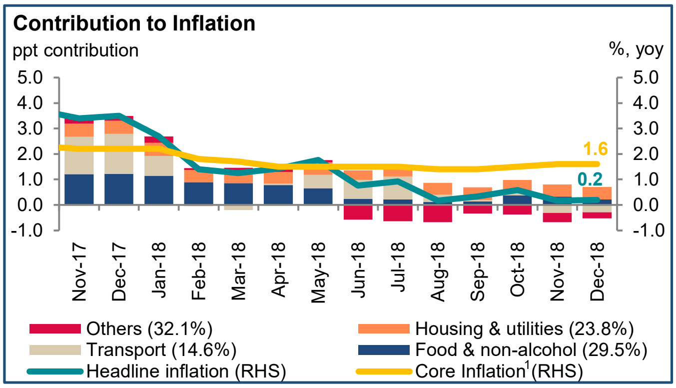
Monthly Highlights
December 2018

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

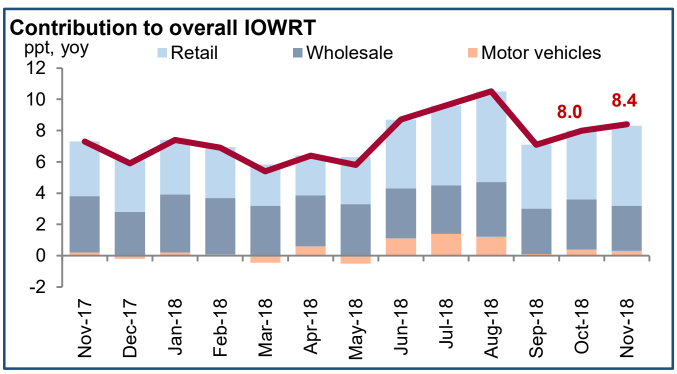
Inflation remained low and stable in December



[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 and staff estimates

- Headline inflation remained low at 0.2% in December (November: 0.2%), mainly reflecting the negative contribution from *transport* inflation due to the base effect.
  - *Food and non-alcoholic beverages* inflation also declined during the month (December: 0.7%; November: 1.1%) .
- For 2018 as a whole, headline inflation averaged 1.0% (2017: 3.7%).
- Excluding the impact of changes in consumption tax policy, core inflation remained broadly stable at 1.6% (November: 1.6%).

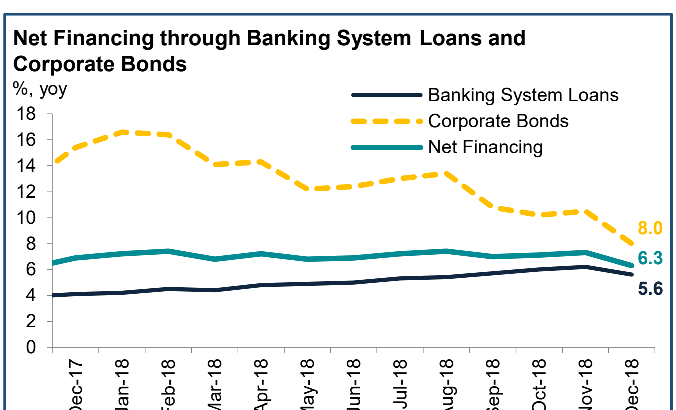
Higher wholesale and retail trade growth in November



Source: Department of Statistics, Malaysia

- The Index of Wholesale and Retail Trade (IOWRT) recorded a higher growth of 8.4% in November (October: 8.0%) due to continued improvement in the retail segment, as consumers maintained spending despite the reintroduction of SST on 1 September.
- Growth in the wholesale and motor vehicles segments moderated during the month.

Net financing growth continued to support economic activity



[2]Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.
Source: Bank Negara Malaysia

- Net financing[2] recorded annual growth of 6.3% in December (November: 7.3%). This was due mainly to a moderation in the growth of outstanding corporate bonds to 8.0% (November: 10.5%), reflecting the high base effect in December 2017.
- Outstanding business loan growth moderated to 5.4% in December (November: 6.3%), mainly driven by the *construction* and *real estate* sectors.
- Growth in household loans was sustained at 5.6% (November: 5.7%).

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Monthly Highlights
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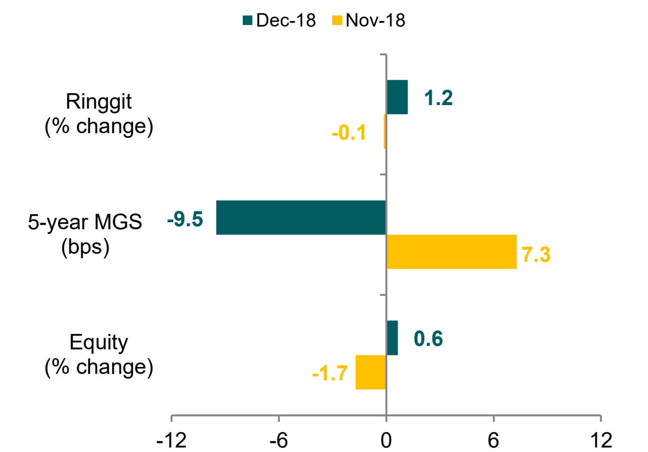
Domestic financial markets improved on better regional sentiments

Financial Markets Performance in December

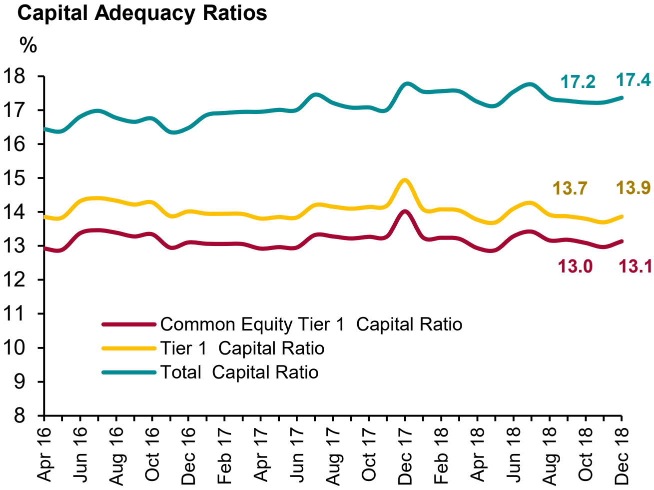


Source: Bank Negara Malaysia, Bursa Malaysia

- Domestic financial markets recovered during the month amid a weakening US dollar and external developments that supported investor sentiments on regional financial markets.
  - The ringgit appreciated by 1.2% against the US dollar, driven mainly by market expectations for a slower pace of monetary policy normalisation in the US. Investor sentiments were also supported by the easing concerns surrounding global trade disputes.
  - The FBM KLCI increased by 0.6% as investors rebalanced their portfolio investments into regional assets amid uncertainties over the US political and economic outlook following the US government shutdown and the downward revision in growth forecast by the US Federal Reserve.
  - The 5-year MGS yield declined by 9.5 basis points despite non-resident outflows in the MGS market, following the active buying by domestic institutional investors that increased their MGS holdings by RM2.7 billion during the month.

Banking system capitalisation remained strong

Capital Adequacy Ratios



- Financial institutions are well-positioned to withstand severe macroeconomic and financial shocks, with excess capital buffers[3] of RM143 billion as at December 2018.
- The slight increase in capital adequacy ratios were partly attributable to an increase in ordinary shares arising from a dividend reinvestment scheme.

[3] Refers to capital in excess of the minimum total capital requirement of 8% of risk-weighted assets.

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MONTHLY HIGHLIGHTS – DECEMBER 2018

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Bank Negara Malaysia
31 January 2018

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