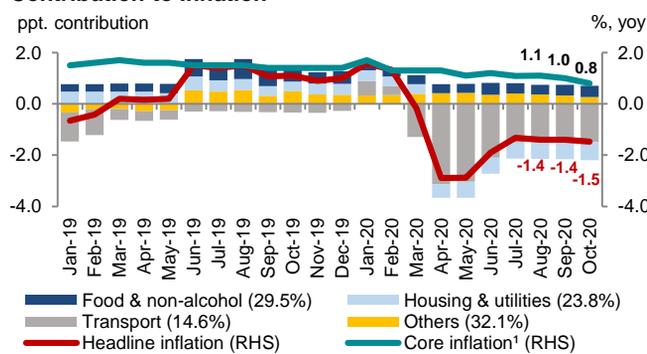


Headline inflation moderated slightly to -1.5% in October

Contribution to Inflation



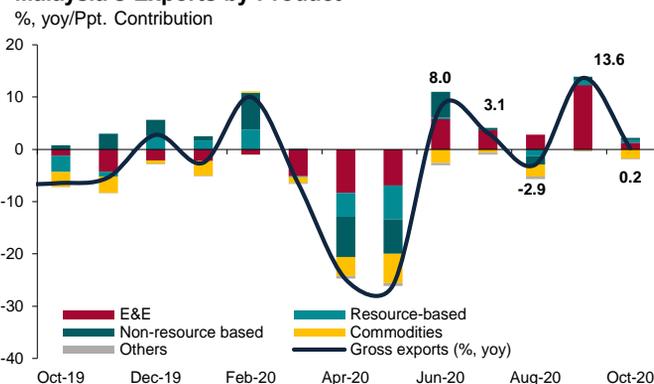
- The moderation in headline inflation to -1.5% (September: -1.4%) during the month reflected lower inflation for communication services and domestic retail fuel, respectively.
- The lower inflation in communication services was also reflected in core inflation, which declined to 0.8% (September: 1.0%).

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

Export growth moderated in October

Malaysia's Exports by Product

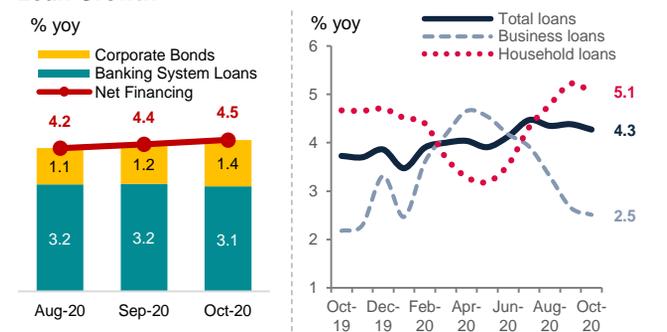


- Export growth moderated to 0.2% in October (September: 13.6%), due mainly to weaker E&E exports. Non-E&E manufactured exports also recorded lower growth, weighed by chemical & chemical products and optical & scientific equipment.
- Looking ahead, exports are expected to be supported by the recovery in global growth. Nonetheless, the trade outlook remains contingent on global developments surrounding the COVID-19 pandemic.

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

Sustained net financing growth

Contribution to Net Financing¹ Growth and Outstanding Loan Growth¹



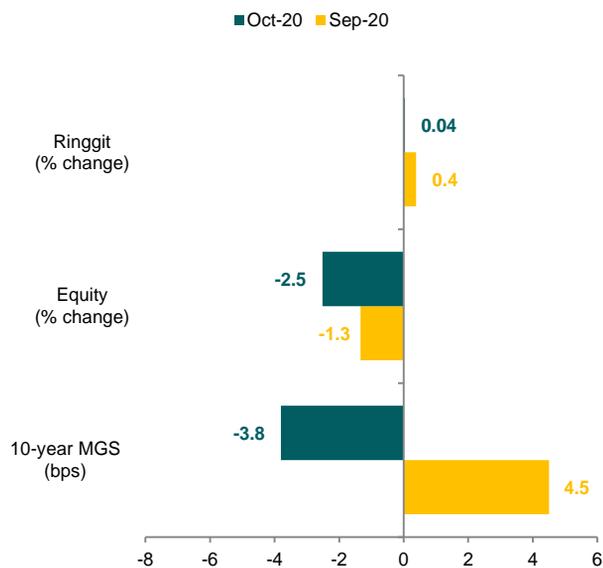
- Net financing growth was sustained at 4.5% in October (September: 4.4%), with higher contribution from corporate bonds (October: 5.0%, September: 4.3%). Outstanding loans continued to expand (October: 4.3%, September: 4.4%), supported by household loans.
- Outstanding household loans grew by 5.1% (September: 5.2%), with disbursements sustained at levels above the historical trend.
- Outstanding business loan growth moderated slightly to 2.5% (September: 2.7%). However, total disbursements increased during the month driven mainly by working capital loans.

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

Source: Bank Negara Malaysia

Performance of domestic financial markets was mixed

Financial Markets Performance in October

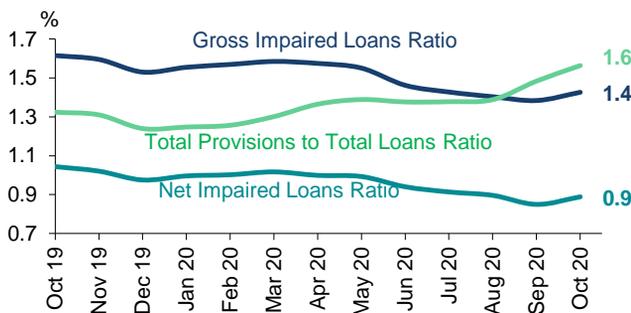


Source: Bank Negara Malaysia, Bursa Malaysia

- During the month, investor sentiments were mainly affected by concerns over rising COVID-19 cases globally and the implementation of another round of movement restrictions in some countries, including Malaysia.
- Consequently, global equity indices experienced broad-based declines as investors remained cautious over the outlook for a global economic recovery. Similarly, the FBM KLCI declined by 2.5%.
- Non-resident portfolio inflows, however, continued to support the domestic bond market during the month as expectations for prolonged accommodative monetary policy in the advanced economies supported yield-seeking activities in the region. As a result, the 10-year MGS yield declined marginally by 3.8 basis points while the ringgit remained mostly unchanged during the month.

Banking system asset quality remains healthy post-blanket loan moratorium

Banking System Asset Quality



Source: Bank Negara Malaysia

- Overall gross impaired loans ratio edged higher, albeit from historically low levels (October: 1.43%; September: 1.38%), driven by the household segment.
- Total provisions grew by 5.54% for the month of October (September: 7.44%) as banks continue to set aside additional provisions against future credit losses.
- Banks continue to restructure and reschedule loans of viable borrowers who may still face challenges servicing their loans.



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MONTHLY HIGHLIGHTS – OCTOBER 2020

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