



## SIARAN AKHBAR

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**EMBARGO: Not for publication or broadcast before 1500 hours on Friday, 29 September 2017**

### **MONTHLY HIGHLIGHTS – AUGUST 2017**

#### **Inflation increased in August**

- Headline inflation increased to 3.7% (July: 3.2%) driven mainly by higher global oil prices following supply disruptions in the US caused by Hurricane Harvey. The continued uptrend in global oil prices will affect headline inflation in September.
- Nevertheless, underlying inflation as measured by core inflation declined to 2.4% (July: 2.6%) due to the lapse of the effect of several price adjustments that took place last year.

#### **Financial markets supported by strong 2Q GDP growth**

- In August, domestic financial markets were mainly supported by positive sentiments arising from both external and domestic factors.
  - Globally, concerns on softening inflation in the US led to a broad weakening of the US dollar and increased appetite for regional financial assets, including those in Malaysia.
  - Domestically, better-than-expected 2Q 2017 GDP growth and corporate earnings provided additional support to sentiments.
- However, investors remained cautious during the month amidst escalating geopolitical tensions.

#### **Net financing growth remained supportive of economic activity**

- Net financing growth sustained at 6.6% in August (July: 6.8%). Outstanding loan growth of the banking system increased to 5.8% (July: 5.6%), while the growth in net outstanding issuances of corporate bonds moderated to 9.0% (July: 10.6%).

- The higher loan growth was driven by businesses (August: 7.2%; July: 6.7%), with expansion in the *construction*, and *finance, insurance and business services* sectors.

#### **Exports accelerated in July 2017**

- The growth of exports accelerated to 30.9% in July 2017 (June: 9.9%). The improvement was driven by exports of E&E, petroleum products and chemicals & chemical products.
- Moving forward, export growth will remain supported by the favourable global growth prospects.

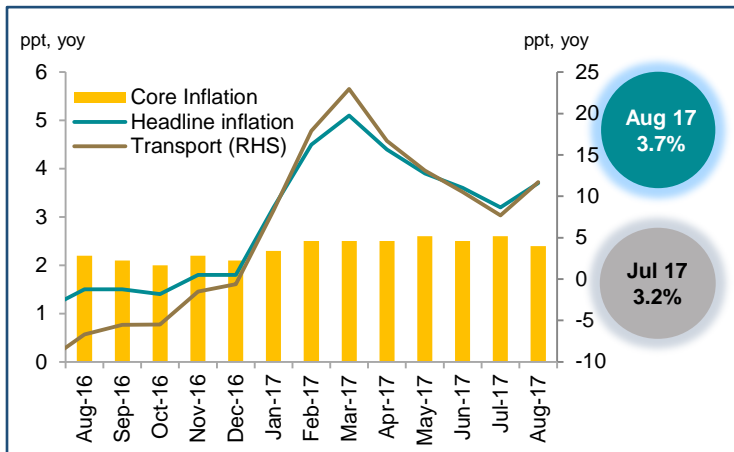
#### **Asset quality of the banking system remained sound**

- The level of impaired loans remained stable at 1.2% of total loans net of individual impairment provisions.
- Banks continued to maintain sufficient buffers for potential credit losses, with the loan loss coverage ratio currently at 81.4%.

**Bank Negara Malaysia**  
**29 September 2017**

### Inflation increased in August

#### Contribution to Headline Inflation

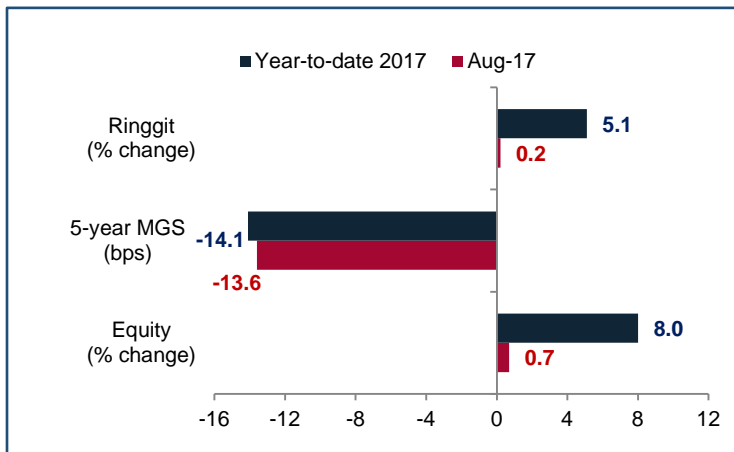


Source: Bank Negara Malaysia

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### Financial markets supported by strong 2Q GDP growth

#### Financial Markets Performance in August

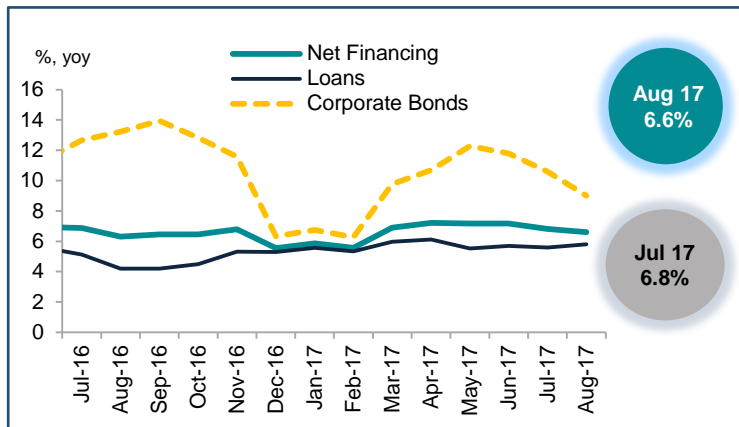


Source: Bank Negara Malaysia, Bursa Malaysia

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### Net financing growth remained supportive of economic activity

#### Net Financing through Banking System Loans and Corporate Bonds

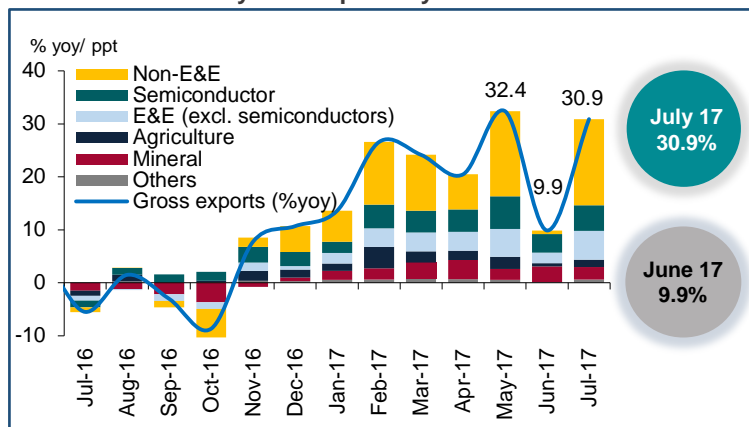


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### Exports accelerated in July 2017

#### Malaysia's Exports by Product

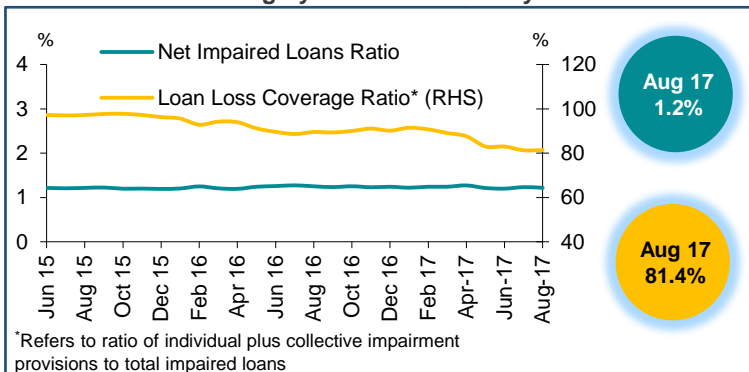


- The growth of exports accelerated to 30.9% in July 2017 (June: 9.9%). The improvement was driven by exports of E&E, petroleum products and chemicals & chemical products.
- Moving forward, export growth will remain supported by the favourable global growth prospects.

Source: DOSM, MATRADE

### Asset quality of the banking system remained sound

#### Banking System: Asset Quality



\*Refers to ratio of individual plus collective impairment provisions to total impaired loans

Source: Bank Negara Malaysia