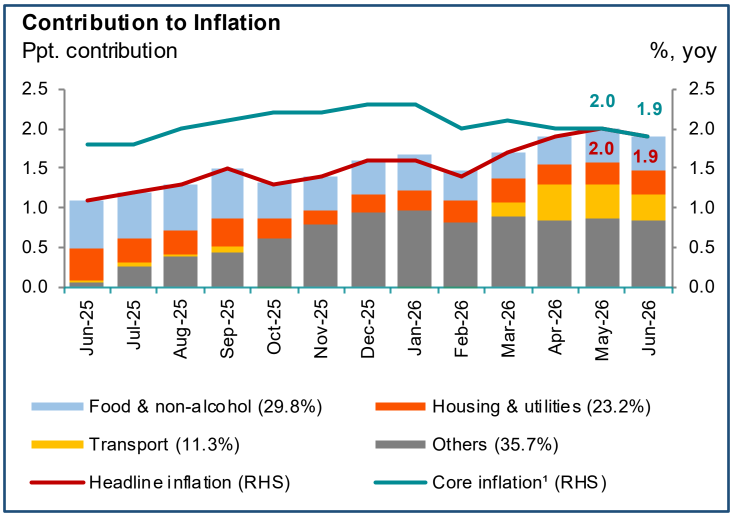
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
June 2026

Headline and core inflation moderated slightly in June



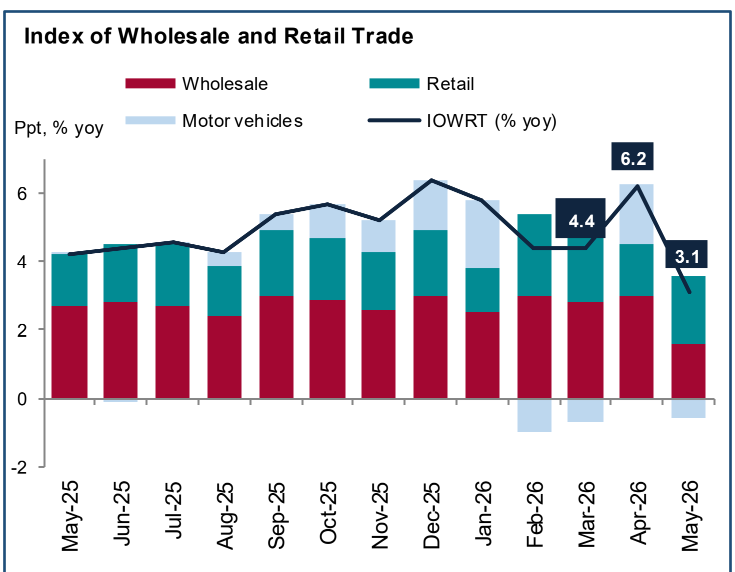
[1] Core inflation is computed by excluding price-volatile and price-administered items.

[2] Average retail prices of RON97 and diesel declined to RM4.33/litre and RM4.50/litre, respectively, in June 2026 (May 2026: RM4.81/litre and RM5.01/litre). Diesel prices in Sabah and Sarawak remained subsidised at RM2.15/litre.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

- Both headline and core[1] inflation moderated slightly to 1.9% (May 2026: 2%), reflecting easing external cost pressures and lower inflation across several core items.
- The moderation in headline inflation was largely driven by lower retail fuel inflation, particularly for RON97 and diesel.[2]
- Lower core inflation also contributed to the decline, mainly reflecting base effects from the increase in streaming services inflation in June 2025, alongside lower inflation for jewellery and watches amid softer global gold prices.

Retail trade growth offset by wholesale trade moderation and lower motor vehicle sales



[3] Refers to supermarkets and department stores

[4] Refers to fuel for motor vehicles and motorcycles as well as lubricants and cooling products for motor vehicles

[5] Refers to building materials wholesaling as well as metal and commodity-related trading

Source: Department of Statistics, Malaysia

- The Index of Wholesale and Retail Trade (IOWRT) moderated to 3.1% in May 2026 (Apr-26: 6.2%).
- Growth in retail (4.4%; Apr-26: 3.9%) segment improved driven mainly by retail trade in non-specialised stores[3] and retail sale of automotive fuel in specialised stores.[4]
- However, this was more than offset by moderating wholesale trade and decline in motor vehicle segment. This was mainly contributed by slower growth for other specialised wholesale,[5] wholesale of household goods and lower sales of motor vehicles.

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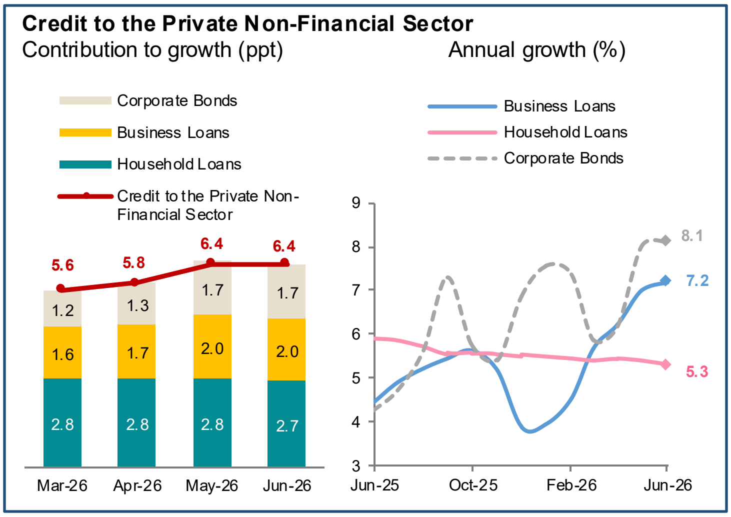
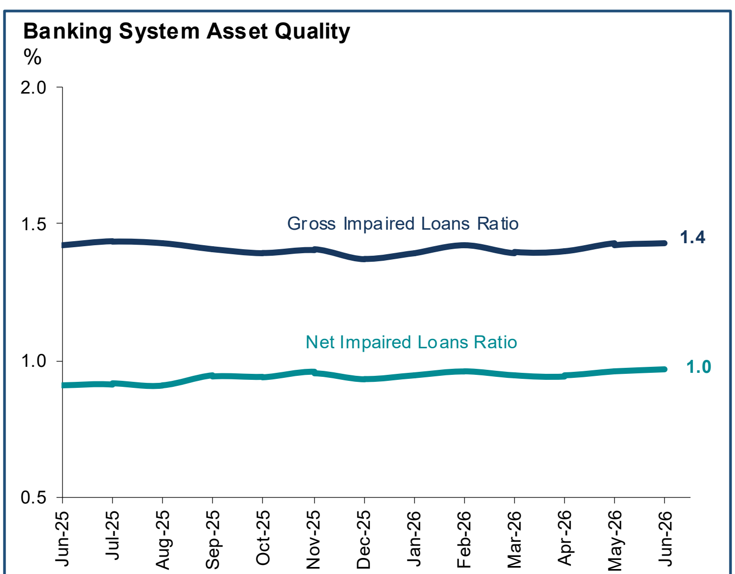
Sustained growth in credit to the private non-financial sector



Source: Bank Negara Malaysia

- Credit to the private non-financial sector remained stable at 6.4% (May 2026: 6.4%), reflecting sustained growth in both outstanding loans (6%; May 2026: 6%) and corporate bonds (8.1%; May 2026: 8%).
- Business loan growth continued its upward trend (7.2%; May 2026: 7.0%), driven mainly by loans to non-SMEs, particularly for working capital purposes.
- Outstanding household loans grew by 5.3% (May 2026: 5.5%) amid some moderation in the growth of personal use loans.

Banks' asset quality remained sound



Source: Bank Negara Malaysia

- Gross and net impaired loans ratios remained broadly unchanged at 1.4% and 1.0%, respectively.
- Loan loss coverage ratio (including regulatory reserves) remained prudent at 124.6% of gross impaired loans (May 2026: 124.1%).

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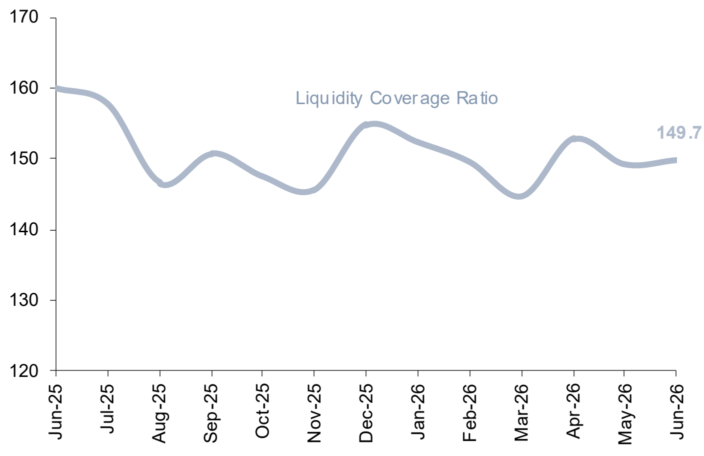
Banks sustained ample liquidity buffers, ensuring resilience against potential liquidity shocks

Banking System Liquidity Coverage Ratio

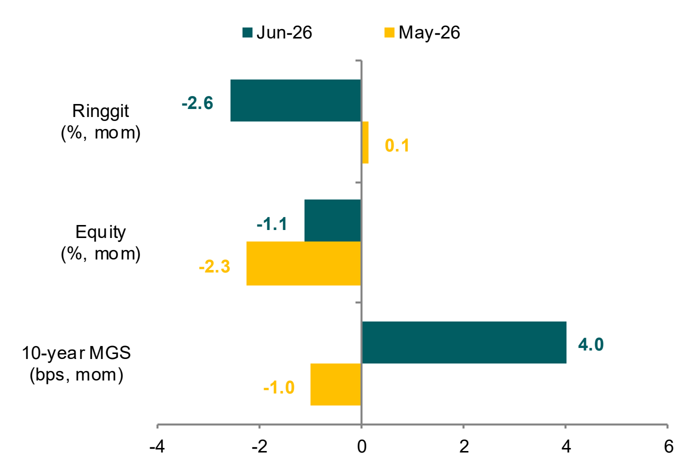


Source: Bank Negara Malaysia

- The banking system continued to record healthy liquid asset buffers with an aggregate Liquidity Coverage Ratio of 149.7% (May 2026: 149.2%).

Financial markets continued to be shaped by evolving expectations of the US policy rate path

Financial Market Performance in June 2026



Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market.

6 NEER refers to the ringgit nominal effective exchange rate, which measures the ringgit's movement against a basket of currencies of Malaysia's major trading partners.

7 Regional countries comprise Singapore, Thailand, the Philippines, Indonesia and Korea.

Source: Bank Negara Malaysia, Bursa Malaysia and Bloomberg

- Global financial markets were driven mostly by rising expectations of a possible rate hike by the US Federal Reserve by end-2026. This was underpinned by stronger-than-expected labour market data, elevated inflation readings and the Federal Reserve's updated economic projections.
- Amid these global developments, the ringgit depreciated by 2.6% against the US dollar (NEER[6]: -1.6%) in June (regional average[7]: -1.2%), following the strengthening of the US dollar.
- The 10-year MGS yields increased by 4 bps amid higher net bond issuances (regional average[7]: -8.6 bps). Meanwhile, the FBM KLCI declined by 1.1% (regional average[7]: 0.2%) driven by non-resident outflows.