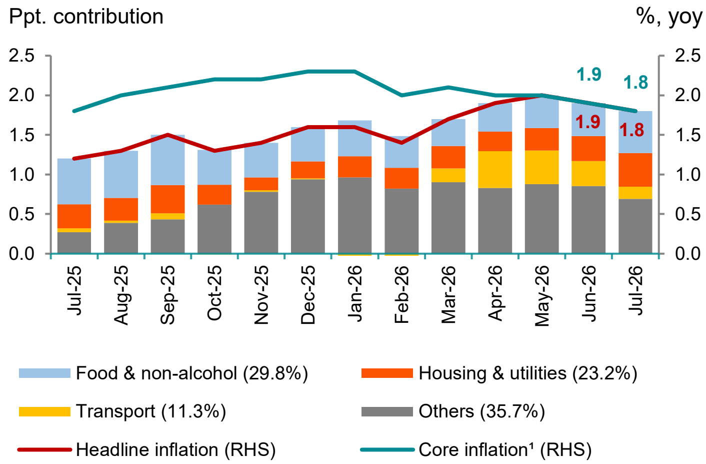
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
July 2026

Headline and core inflation were both lower in July

Contribution to Inflation

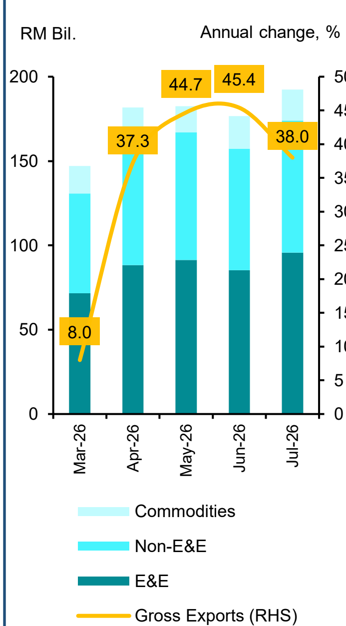


[1] Core inflation is computed by excluding price-volatile and price-administered items.
[2] In July, Malaysian users were eligible for a subsidised diesel price of RM2.10/litre up to 200 litres per month under the BUDI Diesel programme. Average retail price of RON97 also declined to RM4.07/litre in July 2026 (June 2026: RM4.33/litre).
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

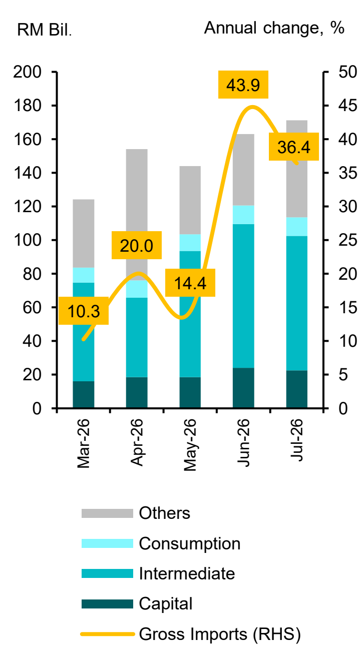
- Both headline and core inflation[1] edged lower to 1.8% (June 2026: 1.9%), reflecting easing external cost pressures and lower inflation across several core items.
- The moderation in headline inflation was attributed to slower retail fuel inflation, particularly for diesel and RON97.[2]
- Lower core inflation also contributed to the decline, mainly reflecting lower inflation in health insurance, jewellery and watches amid softer global gold prices.

Trade surplus widened on continued strength in tech-related exports

Exports by Sector



Imports by End Use



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

- The trade surplus increased to RM22.5 billion (June 2026: RM15.8 billion), driven by continued strong exports that more than offset the rise in imports.
- In terms of growth, exports remained strong albeit eased slightly at 38% (June 2026: 45.5%), driven by:
    - Strong E&E exports (51%; June 2026: 56.9%), particularly semiconductors (69.8%; June 2026: 76.7%) amid continued strength in global tech demand.
    - Non-E&E exports remained firm at 33.5% (June 2026: 37.3%), supported by continued growth in refined petroleum and tech-related exports.
- Similarly, imports growth moderated while remain elevated at 36.4% (June 2026: 43.1%), reflecting slower growth in capital imports.

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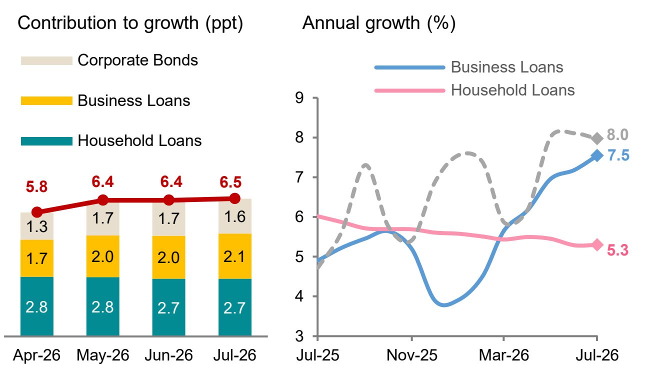
Sustained growth in credit to the private non-financial sector

Credit to the Private Non-Financial Sector

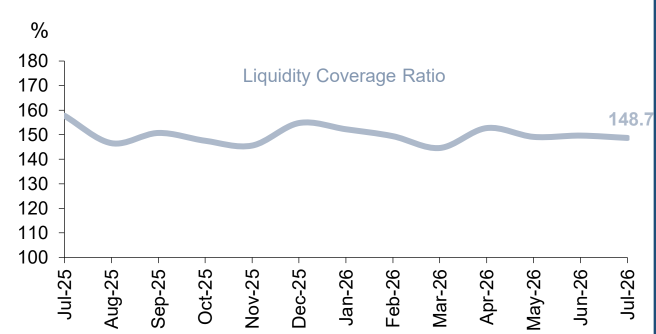


Source: Bank Negara Malaysia

- Credit to the private non-financial sector grew by 6.5% (June 2026: 6.4%), reflecting sustained growth in both outstanding loans (6.1%; June 2026: 6%) and corporate bonds (8%; June 2026: 8.1%).
- Business loan growth continued to increase (7.5%; June 2026: 7.2%), driven primarily by working capital loans. In terms of sectoral loan growth, the manufacturing and services sectors recorded higher loan growth.
- Meanwhile, household loan growth remained unchanged at 5.3% (June 2026: 5.3%) supported by steady loan growth across most purposes.

Banks continued to maintain healthy liquidity buffers

Banking System Liquidity Coverage Ratio

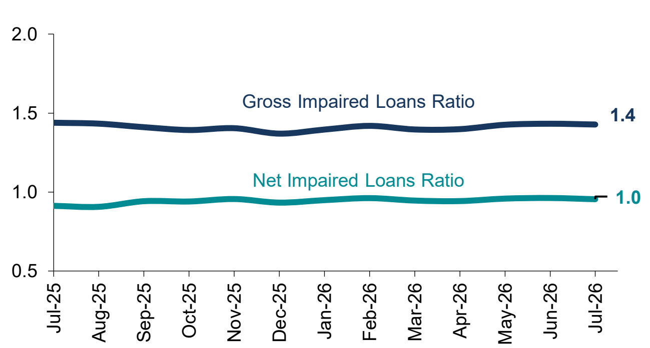


Source: Bank Negara Malaysia

- The banking system continued to hold adequate liquid asset buffers, with the aggregate Liquidity Coverage Ratio (LCR) standing at 148.7% (June 2026: 149.6%), well above the regulatory minimum and supporting banks' resilience against potential liquidity shocks.

Banks' asset quality remained intact

Banking System Asset Quality



Source: Bank Negara Malaysia

- Gross and net impaired loans ratios remained broadly unchanged at 1.4% and 1%, respectively.
- Loan loss coverage ratio (including regulatory reserves) remained prudent at 125.0% of gross impaired loans (June 2026: 124.6%).

Monthly Highlights
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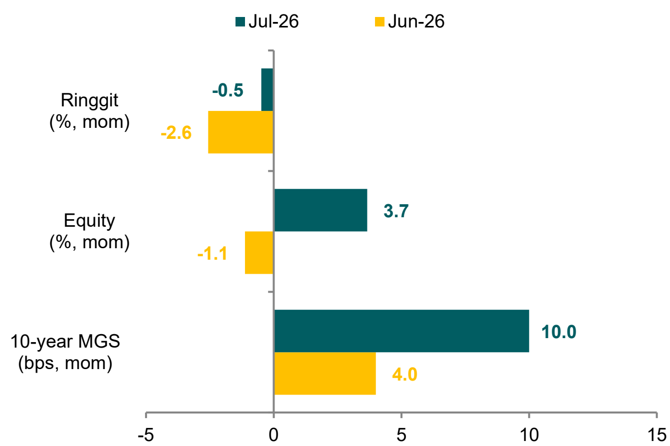
Financial markets continued to be shaped by expectations around US monetary policy amid geopolitical uncertainties

Financial Market Performance in July 2026



Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market.
[1] 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.
[2] Regional countries comprise Singapore, Thailand, the Philippines, Indonesia and Korea.

Source: Bank Negara Malaysia, Bursa Malaysia and Bloomberg

- During the month, renewed geopolitical tensions in the Middle East raised concerns over risks of persistent inflationary pressures, contributing to market expectations of monetary policy tightening in the US.
- Amid these global developments, the ringgit was broadly stable against the US dollar, easing marginally by 0.5%, (NEER[1]: -1.2%, regional average[2]: 1.4%) while the 10-year MGS yields increased by 10 bps (regional average: 24.4 bps), broadly in line with higher global and regional bond yields.
- Meanwhile, the FBM KLCI increased by 3.7% (regional average: 0.5%), supported by non-resident inflows amid positive domestic economic growth prospects.