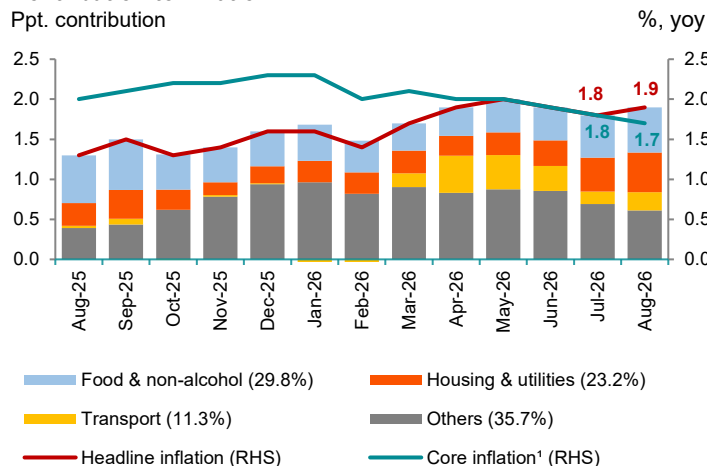


Headline edged higher, while core inflation declined in August

Contribution to Inflation



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

² In August, the average retail price of RON97 rose to RM4.28/litre (Jul-26: RM4.07/litre).

³ Automatic Fuel Adjustment.

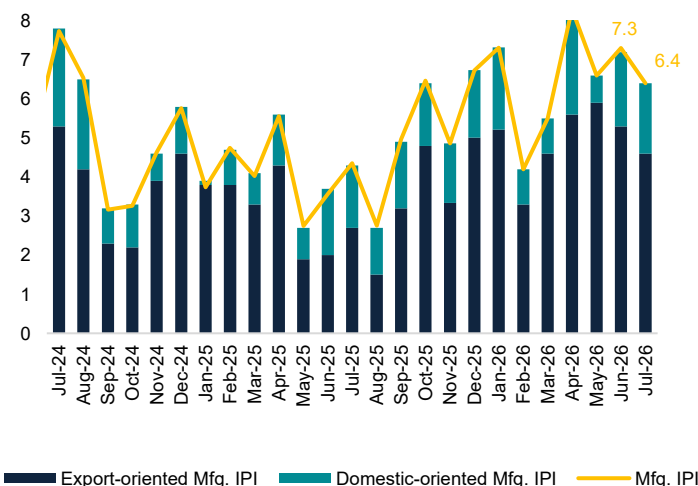
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

- Headline inflation edged higher to 1.9%, while core¹ inflation declined to 1.7%. Both recorded 1.8% y-o-y growth in July 2026.
- The increase in headline inflation partly reflected higher RON97² retail prices and electricity charges, the latter driven by the rise in the AFA³ surcharge as generation costs increased.
- Core inflation eased, mainly reflecting the impact of higher online streaming service prices in August 2025 dropping out of the annual calculation (i.e. base effect), alongside lower inflation in motor vehicles following price reductions for selected car models during the month.

Strong growth in manufacturing production

Manufacturing Industrial Production Index (IPI)

Annual change, ppt cont. (%)

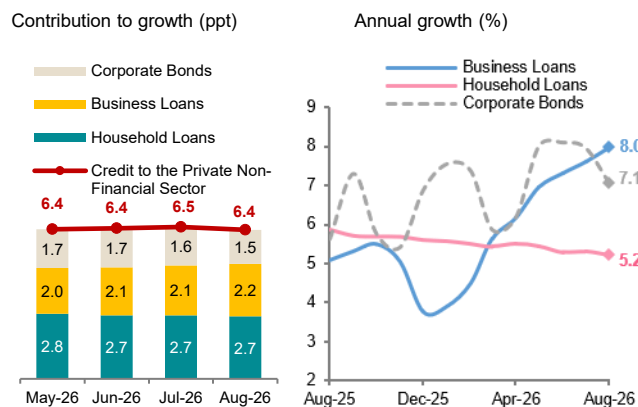


Source: Department of Statistics, Malaysia (DOSM), MATRADE

- The Manufacturing Industrial Production Index (IPI) registered strong growth of 6.4% in July 2026 (June 2026: 7.3%;).
- Export-oriented clusters grew at 6.7% (June 2026: 7.6%), driven mainly by electrical and electronics (E&E) and machinery and equipment.
- Domestic-oriented clusters grew at 5.8% (June 2026: 6.4%), supported by food processing products and construction-related materials such as fabricated metals.

Sustained growth in credit to the private non-financial sector

Credit to the Private Non-Financial Sector



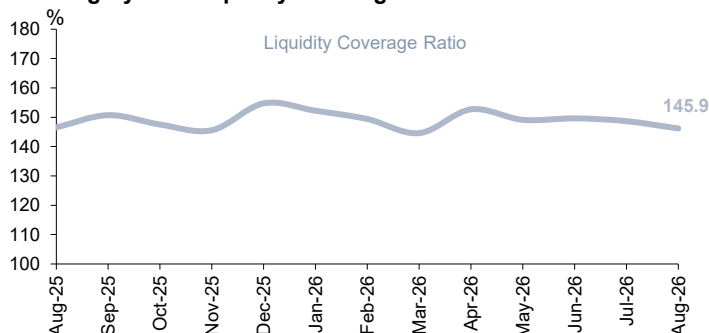
Source: Bank Negara Malaysia

Note: Data subject to further updates prior to publication

- Credit growth to the private non-financial sector was sustained at 6.4% (July 2026: 6.5%), reflecting continued growth in outstanding loans (6.2%; July 2026: 6.1%). Meanwhile, growth in outstanding corporate bonds moderated (7.1%; July 2026: 8%).
- Business loan growth continued to increase (8%; July 2026: 7.6%), driven primarily by working capital loans. From a sectoral perspective, higher loan growth was recorded by the services sector.
- Meanwhile, household loan growth remained stable at 5.2% (July 2026: 5.3%) supported by steady loan growth across most purposes.

Banks continued to maintain healthy liquidity buffers

Banking System Liquidity Coverage Ratio

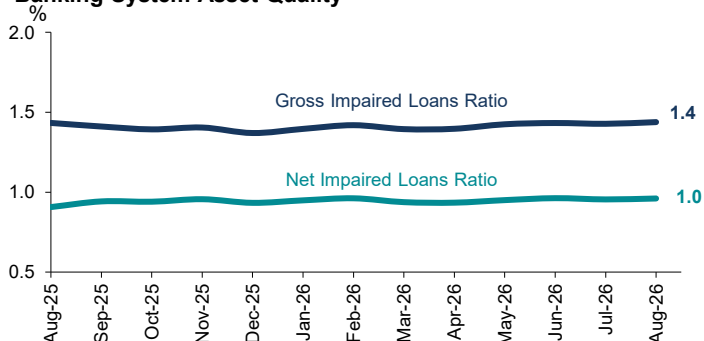


Source: Bank Negara Malaysia

- The banking system continued to hold adequate liquid asset buffers, with the aggregate Liquidity Coverage Ratio (LCR) standing at 145.9% (July 2026: 148.7%), well above the regulatory minimum and supporting banks' resilience against potential liquidity shocks.

Banks' asset quality remained sound

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 125.1% of gross impaired loans (July 2026: 125.4%).

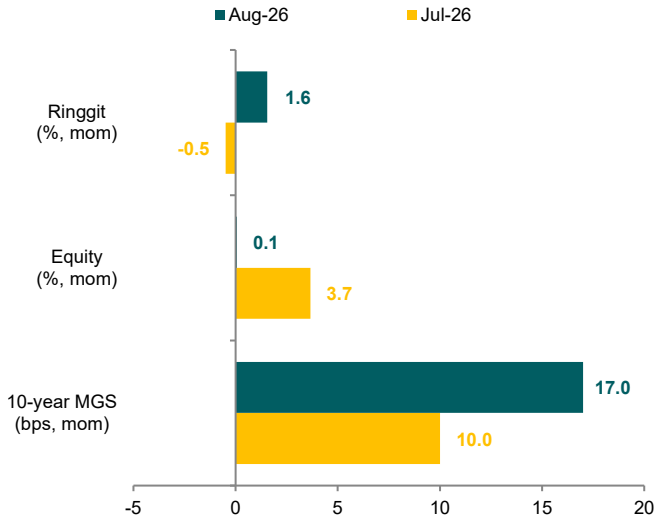


Monthly Highlights

August 2026

Domestic financial markets affected by both external and domestic factors

Financial Market Performance in August 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

- Global financial markets remained affected by evolving expectations of the US policy rate trajectory. Continued elevated inflation data and renewed geopolitical tensions towards the end of the month intensified expectations of US monetary policy tightening.
- Against this backdrop, the 10-year MGS yield increased by 17 bps (regional average²: -8.8 bps) amid foreign outflows from this segment and higher net issuance of government bonds.
- Notwithstanding this, the ringgit appreciated by 1.6% against the US dollar (NEER¹: 0.6%, regional average²: 1.5%) supported by firm economic growth prospects. Meanwhile, the FBM KLCI remained broadly unchanged, rising marginally by 0.1% (regional average²: 0.4%).