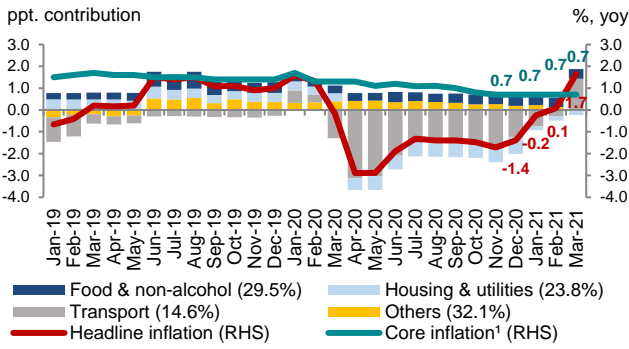


### Headline inflation increased to 1.7% in March

#### Contribution to Inflation



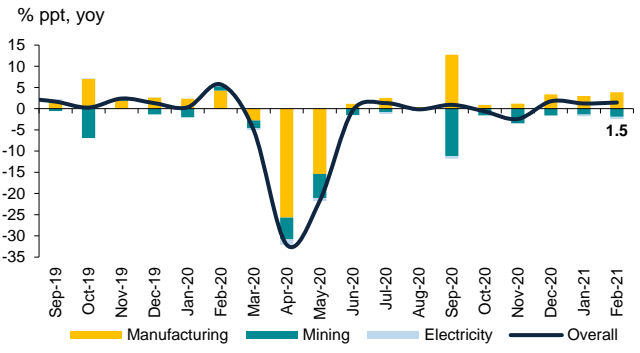
- Headline inflation increased to 1.7% in March (February: 0.1%).
- The main contribution to the higher headline inflation was the base effect from low domestic retail fuel prices in the corresponding period last year (RON95 petrol prices: March 2021: RM 2.05/ litre; March 2020: RM 1.74/litre). This base effect is expected to remain in the second quarter of 2021 and dissipate thereafter.
- Underlying inflation, as measured by core inflation, remained stable at 0.7%.

<sup>1</sup> 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

### Higher IPI in February driven by manufacturing

#### Contribution to Overall IPI

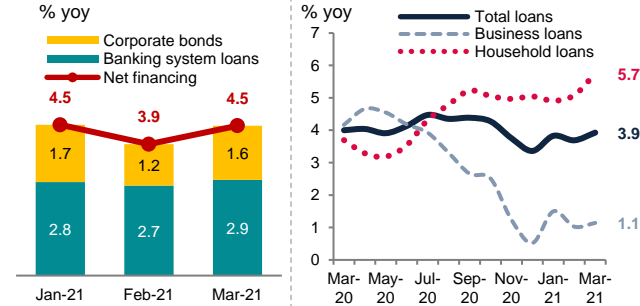


- Overall IPI improved slightly in February to 1.5% (January: 1.2%), as higher manufacturing production more than offset further contraction in the mining production and electricity generation.
- The E&E industry recorded double-digit growth of 10.3% (January: 7.9%) driven by global demand from the tech-upcycle. Manufacturing activity was also supported by the healthcare segment, namely from rubber-based and pharmaceutical products.

Source: Department of Statistics, Malaysia (DOSM)

### Continued growth in net financing

#### Contribution to Net Financing<sup>1</sup> Growth and Outstanding Loan Growth



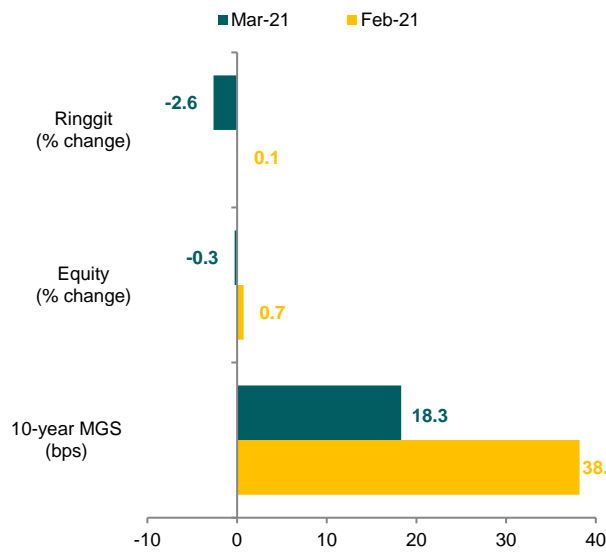
- Net financing expanded at 4.5% reflecting the increase in outstanding corporate bond growth (March: 5.9%, February: 4.5%) and outstanding loan growth (March: 3.9%, February: 3.7%).
- Outstanding household loan growth increased to 5.7% (February: 5.1%). Higher loan disbursements were recorded for the purchase of cars and residential properties.
- For businesses, outstanding loans grew at 1.1% (February: 1.0%). During the month, higher loan disbursements and repayments were observed across most sectors and purposes.

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

Source: Bank Negara Malaysia

### Domestic financial markets were affected mainly by external developments

#### Financial Markets Performance in March

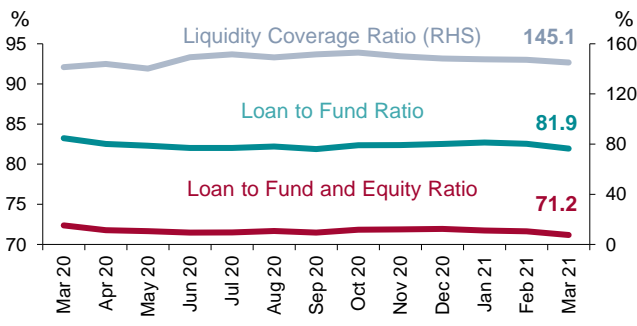


- In March, domestic financial markets were affected by external factors, particularly the rise in long-term US Treasury yields, which reached its highest level for the year at the end of the month amid higher growth and inflation expectations in the US.
- Consequently, the US dollar also strengthened which led to a broad-based weakening of other advanced and emerging market currencies against the US dollar. During the month, the ringgit depreciated by 2.6% against the US dollar while the 10-year MGS yield increased by 18.3 basis points.
- The FBM KLCI declined marginally by 0.3% as bond yields surged and investor sentiments were affected by lingering uncertainties surrounding the path of the pandemic globally and expectations for a faster US monetary policy tightening.

Source: Bank Negara Malaysia, Bursa Malaysia

### Ample liquidity in the banking system amid stable funding conditions

#### Banking System Liquidity and Funding Ratios

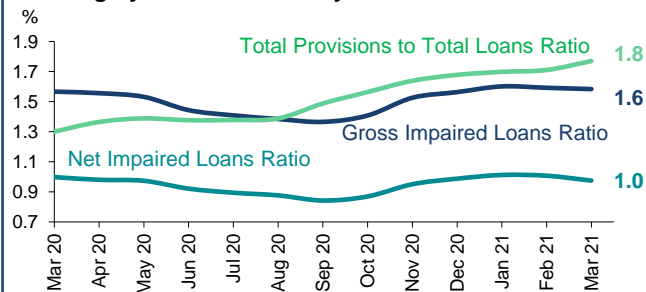


Source: Bank Negara Malaysia

- Banking system continued to maintain healthy liquidity buffers with the liquidity coverage ratio (LCR) remaining strong in March 2021 (February: 147.1%).
- Banks' funding profile also remained stable amid sustained strong growth in retail deposits.

### Sound risk management practices by banks will support asset quality in the period ahead

#### Banking System Asset Quality



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios were broadly sustained at 1.6% and 1.0%, respectively.
- Banks continued to set aside additional provisions against potential credit losses, which currently stand at 1.8% of total banking system loans.



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## SIARAN AKHBAR

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Ref. No.: 04/21/05

**EMBARGO: Not for publication or broadcast before 1500 hours on Friday, 30 April 2021**

### **MONTHLY HIGHLIGHTS – MARCH 2021**

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- The main contribution to the higher headline inflation was the base effect from low domestic retail fuel prices in the corresponding period last year (RON95 petrol prices: March 2021: RM 2.05/ litre; March 2020: RM 1.74/litre). This base effect is expected to remain in the second quarter of 2021 and dissipate thereafter.
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#### **Higher IPI in February driven by manufacturing**

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#### **Continued growth in net financing**

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**Bank Negara Malaysia**  
**30 April 2021**

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