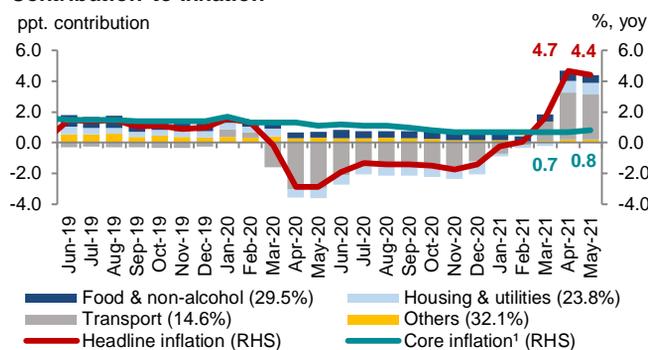


Headline inflation declined to 4.4% in May

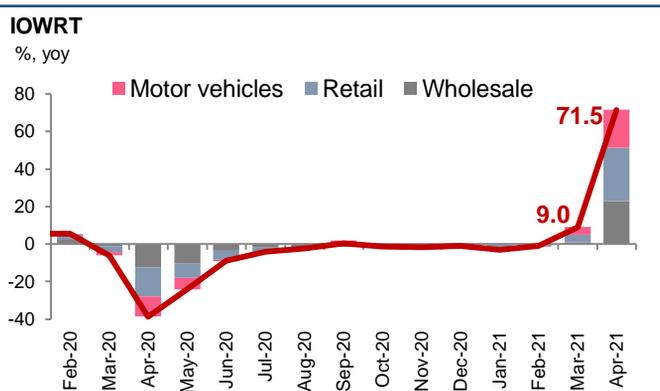
Contribution to Inflation



¹ 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

- Headline inflation declined to 4.4% in May (April: 4.7%), due mainly to lower inflation in food and non-alcoholic beverages, and transport categories.
- Headline inflation remained relatively elevated during the month, reflecting the low base from fuel prices last year (RON95 petrol prices in May 2021: RM 2.05/litre; May 2020: RM 1.30/litre). In the near term, as this base effect subsides, headline inflation is expected to moderate further.
- Underlying inflation, as measured by core inflation, was relatively stable at 0.8% (April: 0.7%).

IOWRT growth rose sharply in April

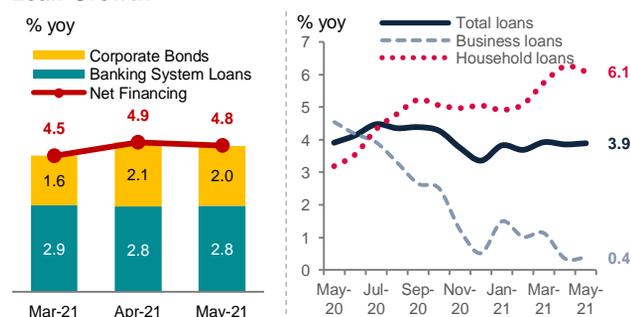


Source: Department of Statistics Malaysia (DOSM)

- The Index of Wholesale and Retail Trade (IOWRT) rose sharply by 71.5% in April 2021 (March: 9.0%), reflecting mainly the low base from implementation of MCO 1.0 in the corresponding period in 2020.
- There was also continued broad-based recovery in activities from March 2021. On a month-on-month seasonally adjusted basis, the growth momentum accelerated by 5.1% (Mar: -1.7%).

Broadly sustained net financing growth

Contribution to Net Financing¹ Growth and Outstanding Loan Growth

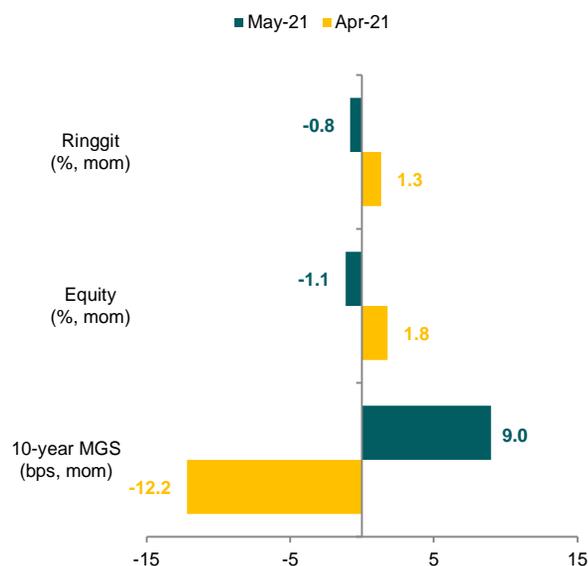


¹ Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)).
Source: Bank Negara Malaysia

- Net financing growth was broadly sustained (May: 4.8%, April: 4.9%) reflecting the stable outstanding loan growth (May, April: 3.9%) amid a moderation in outstanding corporate bond growth (May: 7.2%, April: 7.7%).
- Outstanding household loan growth was 6.1% (April: 6.2%). However, both loan disbursements and repayments declined across most purposes, partly reflecting the implementation of MCO 3.0.
- For businesses, outstanding loan growth was sustained at 0.4% (April: 0.4%) amid subdued working capital loan growth.

Domestic financial markets were affected by domestic and external factors in May

Financial Markets Performance

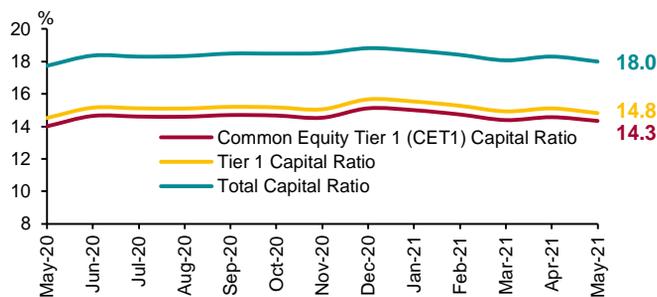


Source: Bank Negara Malaysia, Bursa Malaysia

- In May, domestic financial markets were affected by both domestic and external factors. Investor sentiments were affected by uncertainties surrounding the course of the pandemic in the region. The imposition of stricter containment measures amid rising COVID-19 cases domestically led to further concerns over the economic outlook and increased risk aversion towards domestic financial assets.
- Consequently, the FBM KLCI declined by 1.1% and the ringgit depreciated by 0.8% against the US dollar.
- The 10-year MGS yield increased by 9.0 basis points driven by expectations of increased domestic fiscal stimulus to support economic activity. In addition, signs of higher inflation and forthcoming discussions by the US Federal Reserve to taper asset purchases led to bouts of increases in long-term US Treasury yields, which spilled over to yields in emerging market economies, including Malaysia.

Banking system capitalisation remained strong

Banking System Capital Adequacy



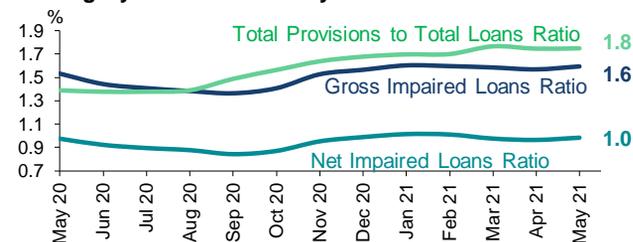
Source: Bank Negara Malaysia

- Banks remained well-capitalised to withstand potential stress and sustain credit intermediation in the economy.
- Despite a marginal decline in capital ratios, banks' excess capital buffers¹ remained strong at RM119.9 billion as at May 2021.

¹ Refers to total capital above the regulatory minimum, which includes the capital conservation buffer (2.5%) and bank-specific higher minimum requirements

Asset quality in the banking system remained intact

Banking System Asset Quality



Source: Bank Negara Malaysia

- Banks continued to facilitate repayment assistance to viable borrowers facing temporary financial difficulties.
- Overall gross and net impaired loans ratios remained broadly stable at 1.6% and 1.0% respectively.
- Total provisions set aside against potential credit losses stood at 1.8% of total banking system loans.



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

PRESS RELEASE

Ref. No.: 06/21/09

**EMBARGO: Not for publication or
broadcast before 1500 hours on
Wednesday, 30 June 2021**

MONTHLY HIGHLIGHTS – MAY 2021

Headline inflation declined to 4.4% in May

- Headline inflation declined to 4.4% in May (April: 4.7%), due mainly to lower inflation in food and non-alcoholic beverages, and transport categories.
- Headline inflation remained relatively elevated during the month, reflecting the low base from fuel prices last year (RON95 petrol prices in May 2021: RM 2.05/litre; May 2020: RM 1.30/litre). In the near term, as this base effect subsides, headline inflation is expected to moderate further.
- Underlying inflation, as measured by core inflation¹, was relatively stable at 0.8% (April: 0.7%).

IOWRT growth rose sharply in April

- The Index of Wholesale and Retail Trade (IOWRT) rose sharply by 71.5% in April 2021 (March: 9.0%), reflecting mainly the low base from implementation of MCO 1.0 in the corresponding period in 2020.
- There was also continued broad-based recovery in activities from March 2021. On a month-on-month seasonally adjusted basis, the growth momentum accelerated by 5.1% (Mar: -1.7%).

¹ 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

Broadly sustained net financing growth

- Net financing² growth was broadly sustained (May: 4.8%, April: 4.9%) reflecting the stable outstanding loan growth (May, April: 3.9%) amid a moderation in outstanding corporate bond growth (May: 7.2%, April: 7.7%).
- Outstanding household loan growth was 6.1% (April: 6.2%). However, both loan disbursements and repayments declined across most purposes, partly reflecting the implementation of MCO 3.0.
- For businesses, outstanding loan growth was sustained at 0.4% (April: 0.4%) amid subdued working capital loan growth.

Domestic financial markets were affected by domestic and external factors in May

- In May, domestic financial markets were affected by both domestic and external factors. Investor sentiments were affected by uncertainties surrounding the course of the pandemic in the region. The imposition of stricter containment measures amid rising COVID-19 cases domestically led to further concerns over the economic outlook and increased risk aversion towards domestic financial assets.
- Consequently, the FBM KLCI declined by 1.1% and the ringgit depreciated by 0.8% against the US dollar.
- The 10-year MGS yield increased by 9.0 basis points driven by expectations of increased domestic fiscal stimulus to support economic activity. In addition, signs of higher inflation and forthcoming discussions by the US Federal Reserve to taper asset purchases led to bouts of increases in long-term US Treasury yields, which spilled over to yields in emerging market economies, including Malaysia.

² Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)). Source: Bank Negara Malaysia

Banking system capitalisation remained strong

- Banks remained well-capitalised to withstand potential stress and sustain credit intermediation in the economy.
- Despite a marginal decline in capital ratios, banks' excess capital buffers³ remained strong at RM119.9 billion as at May 2021.

Asset quality in the banking system remained intact

- Banks continued to facilitate repayment assistance to viable borrowers facing temporary financial difficulties.
- Overall, gross and net impaired loans ratios remained broadly stable at 1.6% and 1.0% respectively.
- Total provisions set aside against potential credit losses stood at 1.8% of total banking system loans.

Bank Negara Malaysia 30 June 2021

³ Refers to total capital above the regulatory minimum, which includes the capital conservation buffer (2.5%) and bank-specific higher minimum requirements