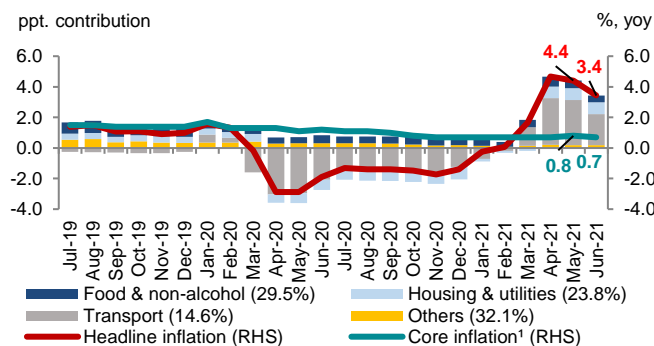


Headline inflation declined to 3.4% in June

Contribution to Inflation

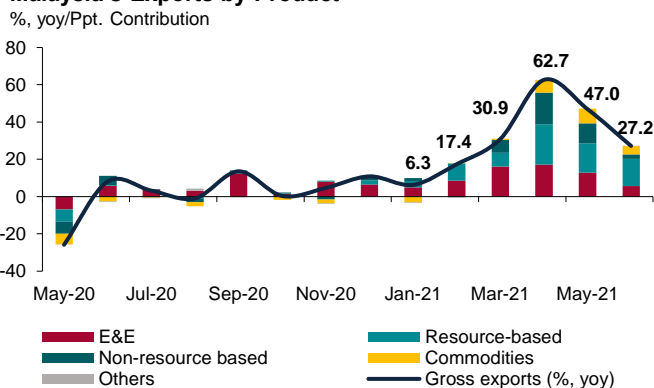


- Headline inflation declined to 3.4% in June (May: 4.4%), due mainly to lower inflation in the transport and food and non-alcoholic beverages categories.
- The lower transport inflation (June y-o-y: 16.6%; May: 26%) reflected the dissipating base effect, which is expected to further subside in the near term.
- Underlying inflation, as measured by core inflation, declined slightly to 0.7% (May: 0.8%).

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

Robust export growth in June

Malaysia's Exports by Product

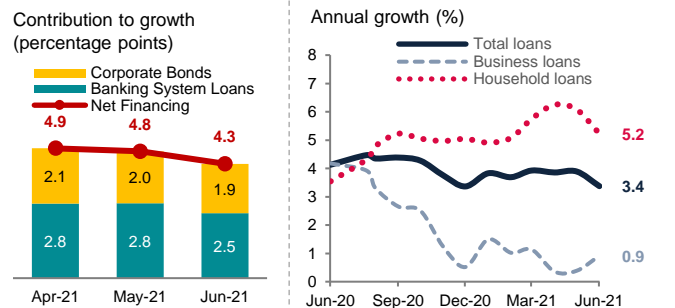


Source: Department of Statistics, Malaysia (DOSM), MATRADE

- Export growth moderated but remained robust at 27.2% (May: 47.0%), reflecting broad-based strength across products and markets.
- Moving forward, exports performance will continue to be underpinned by the rebound in external demand and continued upcycle in global technology.
- In addition, strong demand for non-E&E manufactured products and higher commodity prices will provide further impetus to export growth. Nonetheless, the trade outlook remains contingent on the path of the COVID-19 pandemic.

Net financing growth moderated in June

Contribution to Net Financing¹ Growth and Outstanding Loan Growth

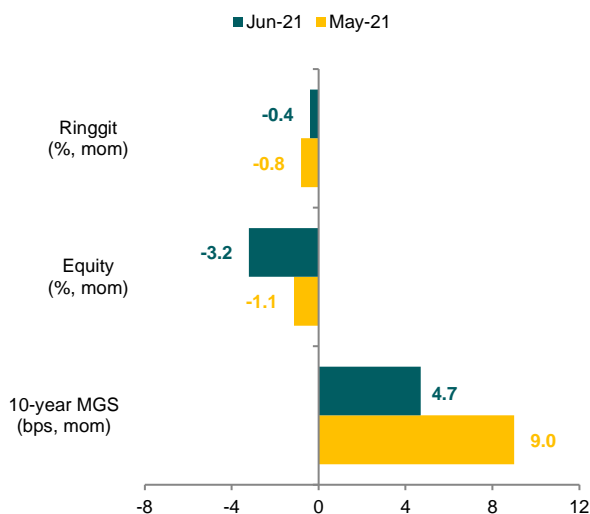


¹ Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)).
Source: Bank Negara Malaysia

- Net financing growth moderated to 4.3% in June (May: 4.8%), reflecting the decline in both outstanding loan growth (June: 3.4%, May: 3.9%) and outstanding corporate bond growth (June: 6.9%, May: 7.2%).
- Outstanding household loan growth moderated to 5.2% (May: 6.1%) as loan disbursements declined, mainly for the purchase of passenger cars, residential property and credit cards.
- However, outstanding business loan growth increased to 0.9% (May: 0.4%) reflecting stronger working capital loan growth (June: 1.6%, May: 0.4%).

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

Financial Markets Performance in June

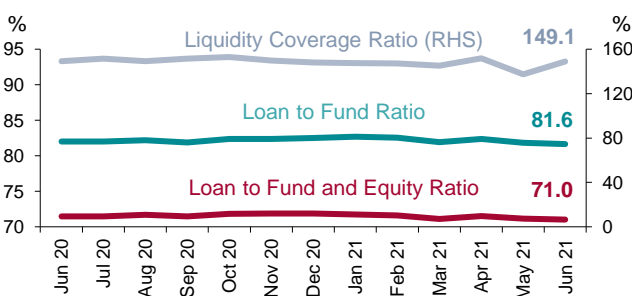


Source: Bank Negara Malaysia, Bursa Malaysia

- In June, 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 extension 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 3.2% and the ringgit depreciated by 0.4% against the US dollar. Increased expectations of monetary policy tightening in the US also led to a broad strengthening of the US dollar.
- The 10-year MGS yield increased by 4.7 basis points partly due to expectations of higher bond issuances following the announcement of additional fiscal support as domestic COVID-19 cases rose in the second quarter of 2021.

Banking system liquidity position remained strong to support financial intermediation

Banking System Liquidity and Funding Ratios

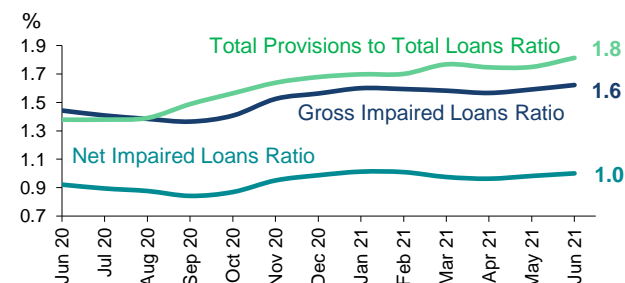


Source: Bank Negara Malaysia

- The banking system continued to record a healthy liquidity coverage ratio (LCR) level.
- Banks' funding profile also remained stable amid sustained growth in 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 remain broadly unchanged at 1.6% and 1.0%, respectively, amid a marginal monthly increase in impairments.
- The impaired loans ratio is expected to remain broadly stable in the immediate term as banks continue to facilitate repayment assistance for viable borrowers facing temporary financial difficulties.
- Despite this, banks continue 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

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MONTHLY HIGHLIGHTS – JUNE 2021

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