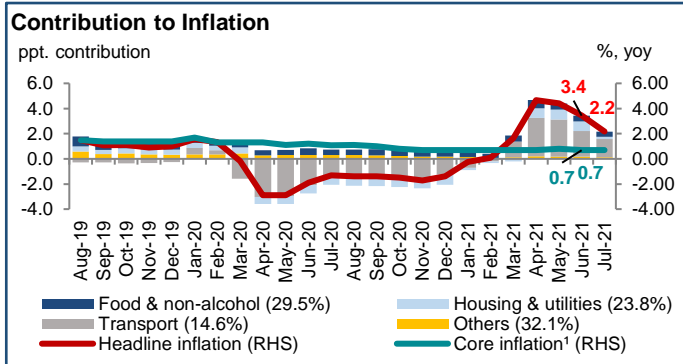


### Headline inflation declined to 2.2% in July

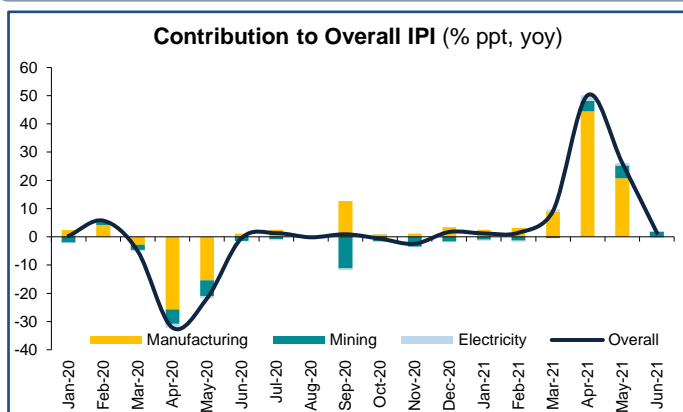


<sup>1</sup> Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

Source: Department of Statistics Malaysia (DOSM), Bank Negara Malaysia estimates

- Headline inflation declined to 2.2% in July (June: 3.4%), reflecting lower inflation for transport, as well as housing and utilities respectively.
- The lower housing and utilities inflation (July y-o-y: 0.7%; June: 3.2%) was mainly due to the implementation of the three-month electricity tariff rebate, beginning July 2021.
- Underlying inflation, as measured by core inflation, remained stable at 0.7%.

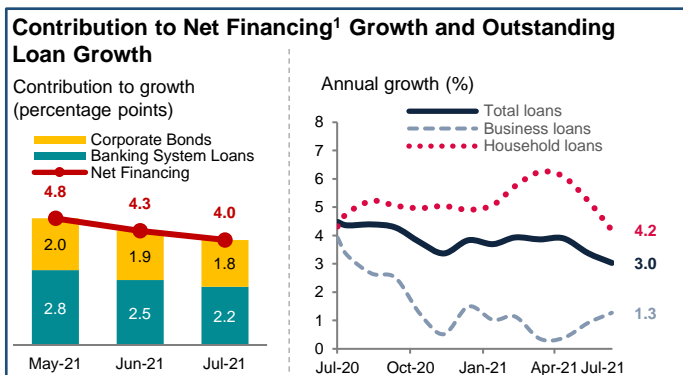
### Moderate IPI growth at 1.4% following imposition of FMCO



Source: Department of Statistics, Malaysia

- Overall IPI in June recorded moderate growth of 1.4% as FMCO restrictions limited production activity to only essentials and those involved in global value chains. Electricity production also declined amid lower demand during FMCO.
- However, manufacturing production continued to expand due to firms' adaptability through extending working days and operationalising new production capacity, particularly among E&E, and selected primary-related industries.

### Continued moderation in net financing growth in July



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

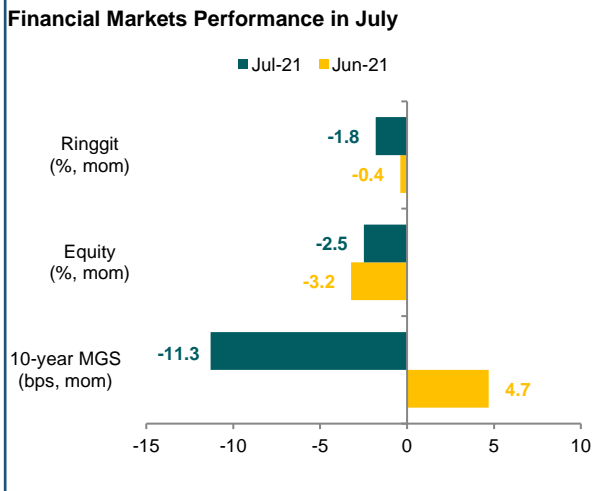
Source: Bank Negara Malaysia

- Net financing growth moderated to 4.0% in July (June: 4.3%) due to lower outstanding loan growth (July: 3.0%, June: 3.4%) and outstanding corporate bond growth (July: 6.5%, June: 6.9%).
- Outstanding household loans grew by 4.2% (June: 5.2%), with moderation across all loan purposes amid the containment measures and mobility restrictions.
- For businesses, outstanding loan growth increased to 1.3% (June: 0.9%), supported by higher working capital loan growth (July: 2.5%, June: 1.6%).

# Monthly Highlights

## July 2021

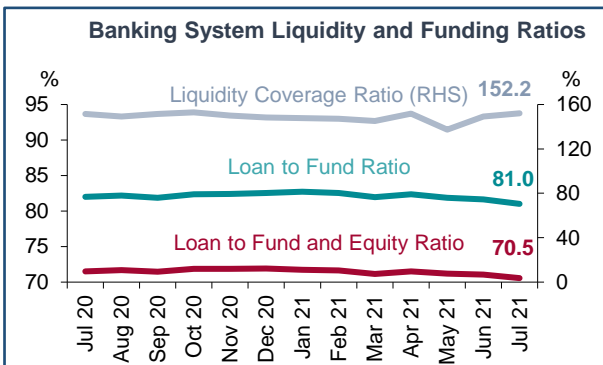
### Domestic financial markets continue to be influenced by COVID-19 developments



Source: Bank Negara Malaysia, Bursa Malaysia

- In July, financial markets were affected by concerns surrounding the global and domestic growth outlook following the rise in the spread of COVID-19.
- Globally, these concerns led to an increase in demand for safer assets, contributing to a decline in US Treasury yields and a broad-based strengthening of the US dollar. In line with this, the 10-year MGS yield declined by 11.3 basis points and the ringgit depreciated by 1.8% against the US dollar.
- The FBM KLCI had also declined by 2.5% as investor sentiments were affected by the rise in COVID-19 infections domestically and the imposition of stricter containment measures (FMCO) in Kuala Lumpur and Selangor.

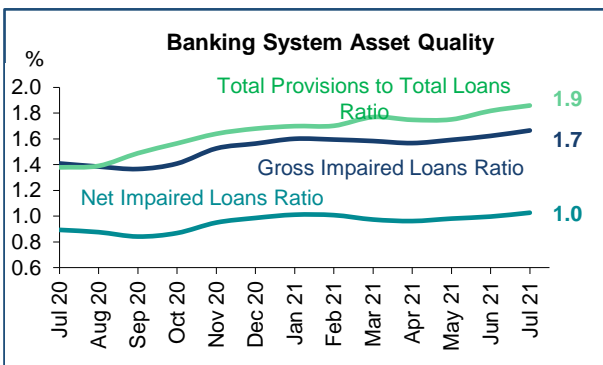
### Banking system liquidity position remained supportive of financial intermediation



Source: Bank Negara Malaysia

- The banking system continued to maintain healthy liquidity buffers with the liquidity coverage ratio (LCR) remaining strong in July (June-21: 149.1%).
- Banks' funding profile remained stable amid sustained growth in deposits as individuals, businesses and non-bank financial institutions continue to maintain precautionary cash buffers.

### Asset quality remains supported by sound risk management practices of banks



Source: Bank Negara Malaysia

- Overall gross impaired loans ratio increased marginally to 1.7% (Jun-21: 1.6%), driven by the household segment.
- Banks continue to set aside additional provisions against potential credit losses, which currently stand at 1.9% of total banking system loans.
- Banks continue to facilitate repayment assistance for viable borrowers facing temporary financial difficulties amid credit risk outlook that remains challenging.



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

## PRESS RELEASE

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**Bank Negara Malaysia**  
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