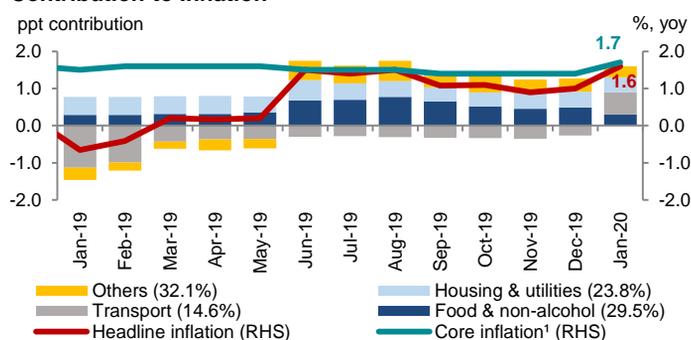


Headline inflation increased in January

Contribution to Inflation

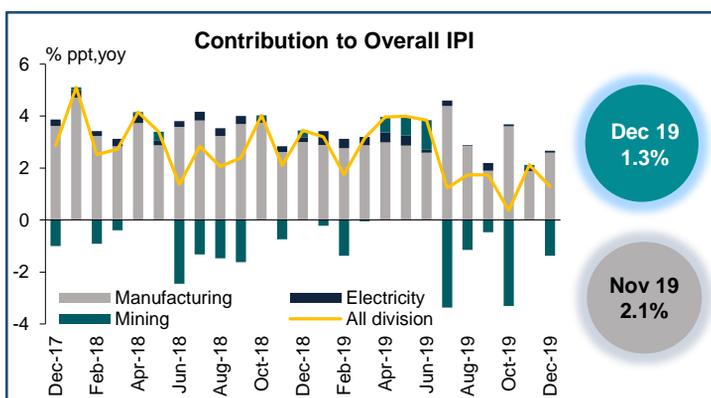


¹ Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

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

- Headline inflation increased to 1.6% in January (December 2019: 1.0%).
- The higher headline inflation mainly reflected the base effect of fuel prices. While RON95 and diesel prices were unchanged since March 2019, they were lower during the base period of January 2019.
- Core inflation was higher at 1.7% (December 2019: 1.4%), partly reflecting larger price increases in some transport services, recreational services and miscellaneous items.

Overall IPI grew by 1.3% in December 2019

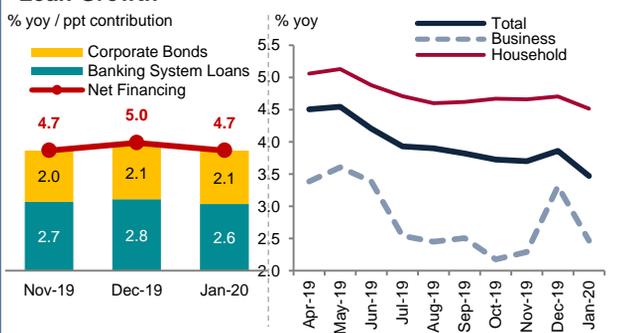


Source: Department of Statistics, Malaysia

- The overall Industrial Production Index (IPI) grew at a slower annual rate of 1.3% in December 2019 (November 2019: 2.1%).
- The manufacturing sector growth improved to 3.4% in December 2019 from 2.7% in the previous month. This reflected stronger E&E production of 3.1% (November 2019: 1.1%), in line with the observed recovery amongst countries participating in global value chains, amidst optimism surrounding the US – PR China trade resolution.

Continued expansion in net financing

Contribution to Net Financing¹ Growth and Outstanding Loan Growth



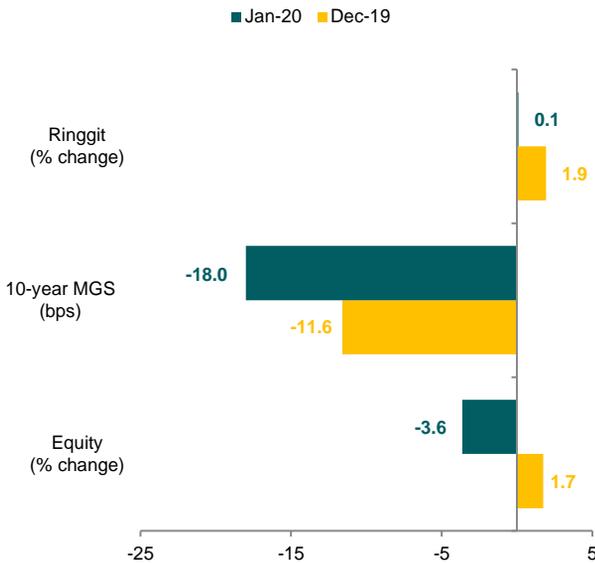
¹ Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.

Source: Bank Negara Malaysia

- Net financing¹ grew by 4.7% in January 2020 (December 2019: 5.0%), as outstanding loans grew by 3.5% (December 2019: 3.9%). Outstanding corporate bond growth was sustained at 8%.
- Outstanding business loan growth (January 2020: 2.5%, December 2019: 3.3%) moderated on account of higher repayments during the month (January 2020: 7.0%; December 2019: 2.9%). Disbursement levels were also lower following chunky disbursements in the manufacturing and agriculture sectors in December 2019.
- Outstanding household loan growth was sustained (January 2020: 4.5%, December 2019: 4.7%), with broadly unchanged contribution to growth by purpose.

Mixed performance of domestic financial markets in January

Financial Markets Performance in January

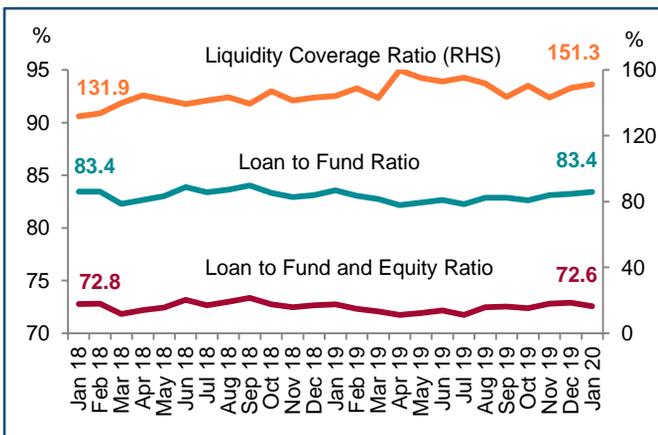


Source: Bank Negara Malaysia, Bursa Malaysia

- In January, investor sentiments remained affected by external factors. While sentiments were supported by the signing of the phase one trade deal between the US and PR China earlier in the month, investors turned cautious following uncertainties on the potential economic impact from the outbreak of Covid-19.
- These uncertainties contributed to mixed performance in the domestic financial markets. The higher investor risk-aversion led to a broad-based decline in regional equity indices, including Malaysia. Consequently, the FBM KLCI declined by 3.6% to close at 1,531 points as at end-January.
- The domestic bond market, however, remained supported by non-resident inflows amid easing monetary conditions and the positive developments on global trade negotiations. The 25 basis point cut in the OPR led the 10-year MGS yield to decline by 18 basis points.
- This confluence of factors led the ringgit to appreciate by 0.1% against the US dollar during the month.

Banks maintain sufficient liquidity to support intermediation and meet exigent needs

Banking System Liquidity and Funding Ratios



Source: Bank Negara Malaysia

- Banking system liquidity coverage ratio (LCR) stood high at 151.3%¹ in January 2020 (December 2019: 149.1%).
- The funding profile of the banks remained stable. The loan to fund ratio and the loan to fund and equity ratio stood at 83.4% and 72.6%, respectively.

¹ The Basel III LCR has been phased in since June 2015, with initial compliance set at 60% and progressive increments of 10% each year until 100% with effect from 2019. As of 1 January 2019, the minimum requirement is set at 100%.



SIARAN AKHBAR

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MONTHLY HIGHLIGHTS – JANUARY 2020

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Bank Negara Malaysia 28 February 2020

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