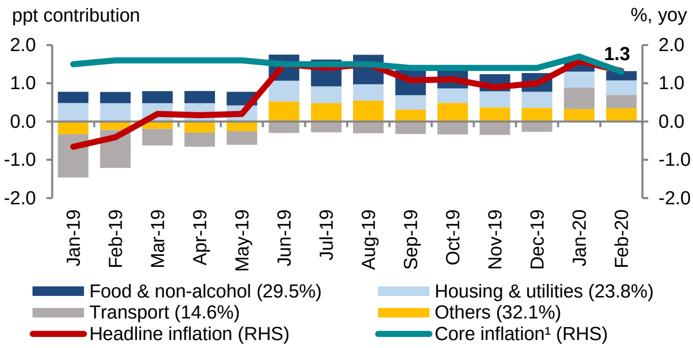
Monthly Highlights
February 2020

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Headline inflation moderated in February

Contribution to Inflation



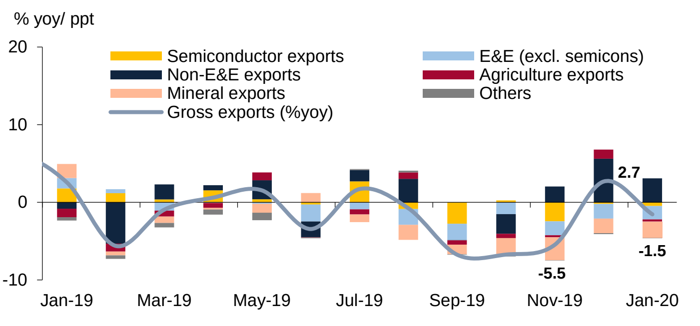
[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

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

- Headline inflation moderated to 1.3% in February (January 2020: 1.6%).
- This mainly reflected the decline in transport inflation following lower prices of retail fuel products and the reduction in toll rates on selected highways by 18%.
- Core inflation decreased to 1.3% (January 2020: 1.7%), partly reflecting the lower rental inflation.

Exports contracted in January 2020

Malaysia's Exports by Product

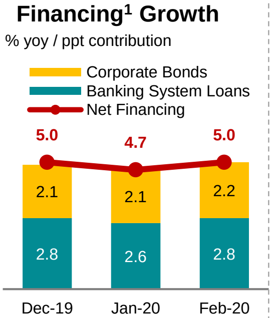


Source: Department of Statistics, Malaysia (DOSM), MATRADE

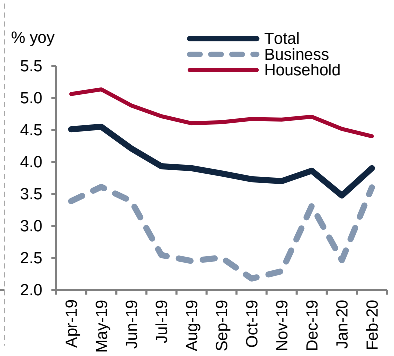
- Exports contracted by 1.5% in January 2020 (December 2019: +2.7%) due to slower growth in manufactured exports and a sharper decline in commodities exports.
- Going forward, export growth is expected to remain weak, reflecting the adverse impact of COVID-19 on global demand and supply chains.

Higher growth in net financing amid lower business loan repayments

Contribution to Net Financing[1] Growth



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 financing[1] growth was higher at 5.0% in February (January: 4.7%), due to faster expansion in outstanding loans of 3.9% (January: 3.5%). Outstanding corporate bond growth also increased slightly to 8.2% (January: 8.0%).
- Outstanding business loan growth (February: 3.6%, January: 2.5%) increased mainly due to lower repayments, which reflects a normalisation from its high levels in recent months. Disbursements were broadly sustained during the month.
- Growth in outstanding household loans was broadly sustained at 4.4% (January: 4.5%), amid slightly lower disbursements for credit cards, and securities and car loans.

Note: This document has been updated as at 1 April 2020

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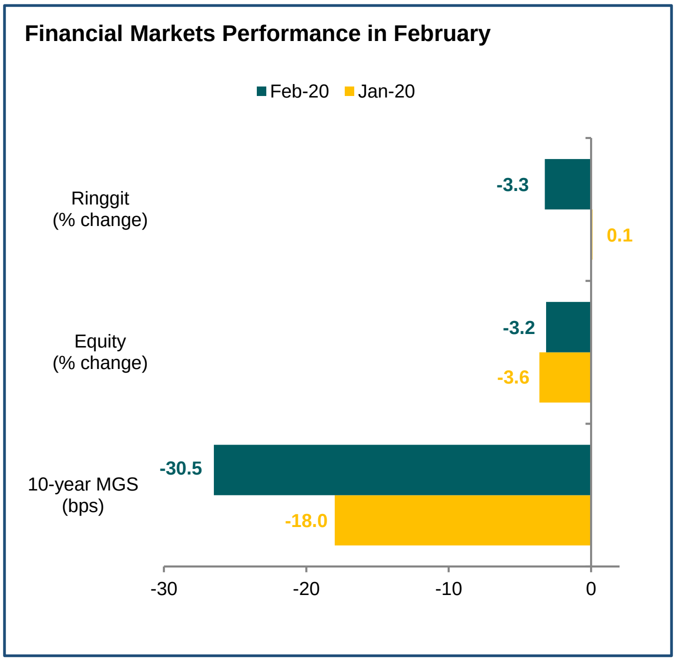
Risk aversion in domestic financial markets

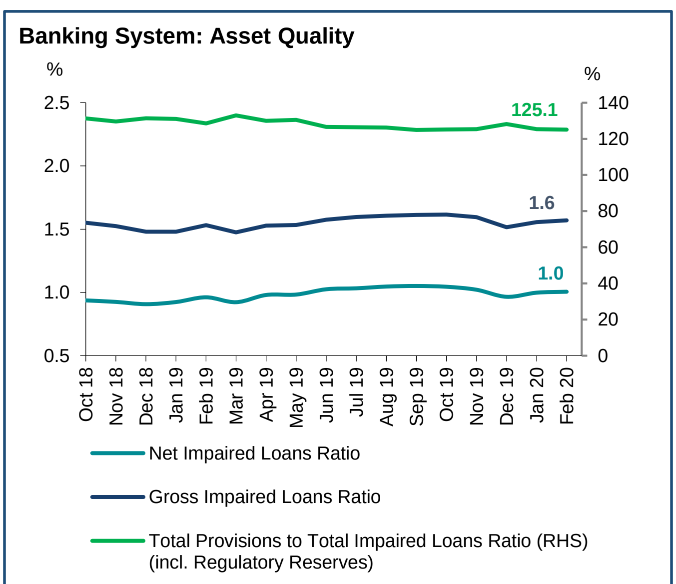


[1] COVID-19 has since been classified as a pandemic by the World Health Organisation on 11 March 2020.

Source: Bank Negara Malaysia, Bursa Malaysia

- In February, domestic financial markets experienced non-resident outflows amid higher global risk aversion following the worsening of COVID-19 epidemic[1].
- As a result, the ringgit depreciated by 3.3%, in line with all regional currencies (between -3.4% to -0.3%). The FBM KLCI also declined by 3.2% to close at 1,483 points as at end-February, in line with regional equity markets.
- Despite non-resident outflows, yields in the domestic bond market declined. In particular, the 10-year MGS yield declined by 30.5 basis points. While domestic institutional investors provided some support, the large decline mainly reflected expectations for monetary easing amid concerns over the growth outlook.

Banking system asset quality remains healthy



Source: Bank Negara Malaysia

- Banks' asset quality remained sound with overall net impaired loans ratio remaining stable at 1.0%.
- Banks continued to maintain sufficient buffers against potential credit losses with total provisions (including regulatory reserve) at 125.1% of total impaired loans.

Note: This document has been updated as at 1 April 2020

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CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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MONTHLY HIGHLIGHTS – FEBRUARY 2020

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Bank Negara Malaysia
31 March 2020

[2] COVID-19 has since been classified as a pandemic by the World Health Organisation on 11 March 2020.

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