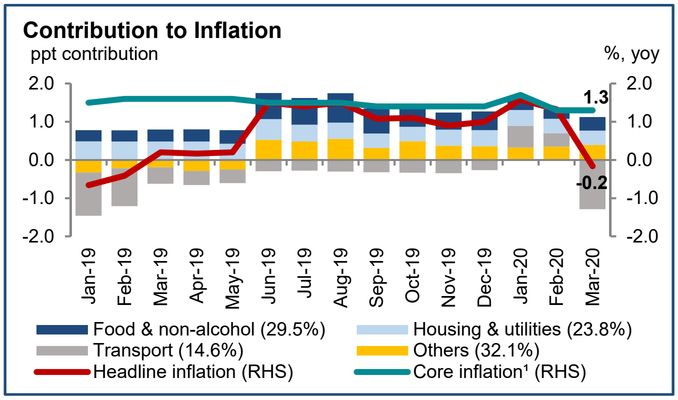
Monthly Highlights
March 2020

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Headline inflation declined in March

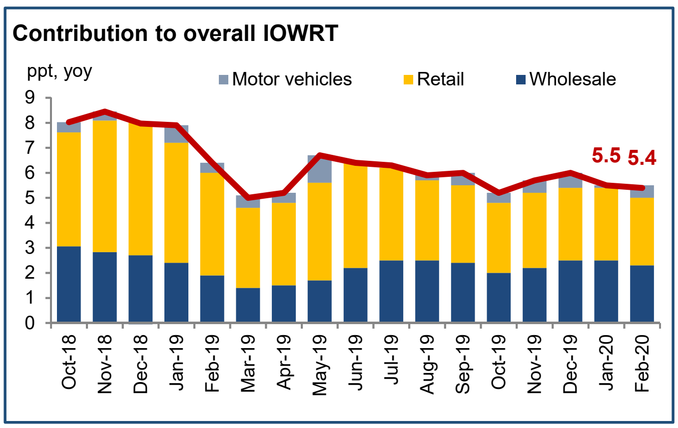


[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

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

- Headline inflation declined to -0.2% in March (February: 1.3%).
- The negative inflation reflected the decline in transport inflation due to lower retail fuel prices amid significantly weakened global oil prices.
- Underlying inflation, as measured by core inflation, remained stable at 1.3% (February: 1.3%).

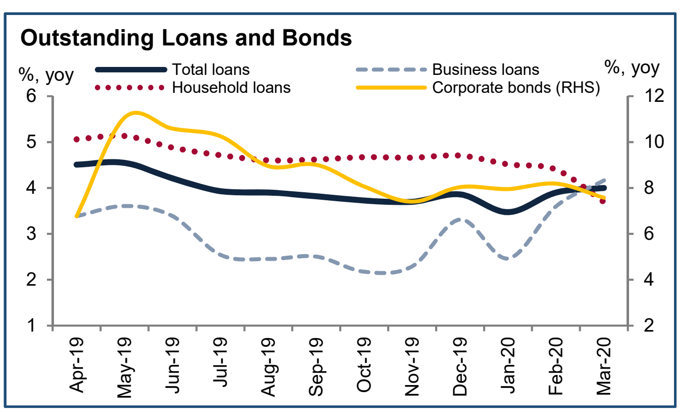
Marginally slower wholesale and retail trade growth in February



Source: Department of Statistics, Malaysia

- The Index of Wholesale and Retail Trade (IOWRT) recorded marginally slower growth in February (5.4%; January: 5.5%), as the moderation in wholesale and retail trade was partially offset by the higher growth in motor vehicles.
- The retail trade sector moderated slightly (6.4%; January: 6.7%), as the developments in the COVID-19 pandemic resulted in a nascent change in consumer behaviour which saw reduced outings to malls and retail spaces. The motor vehicles segment benefitted from the release of a new car model during the month.

Sustained loan growth in March supported by higher business loan growth



Source: Bank Negara Malaysia

- Outstanding loan growth was sustained at 4.0% (February: 3.9%). Outstanding corporate bond growth declined to 7.6% (February: 8.2%) due to lower issuances amid higher redemptions.
- Outstanding business loan growth increased to 4.2% (February: 3.6%), mainly in the manufacturing and transport sectors due to higher disbursements. Repayments were sustained at lower levels since February.
- Outstanding household loans was lower (March: 3.7%, February: 4.4%) amid higher repayments on loans for the purchase of securities. Disbursements on credit cards declined markedly.

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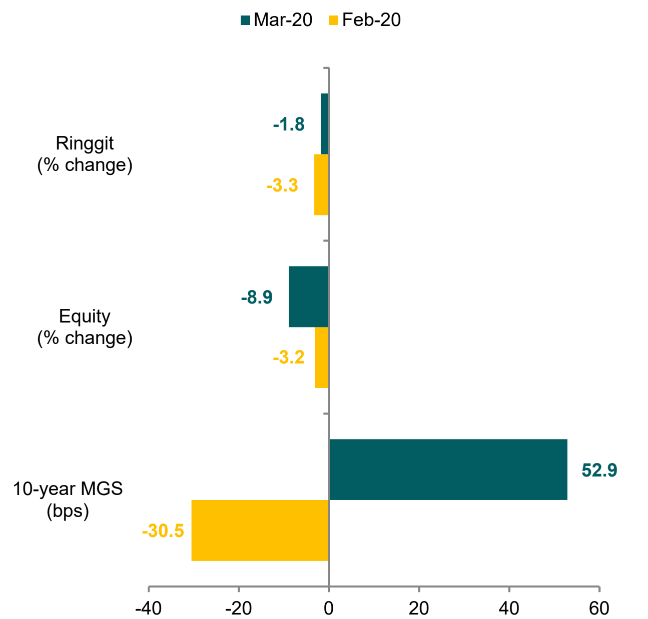
Domestic financial markets affected amidst heightened global risk aversion

Financial Market Performance in March

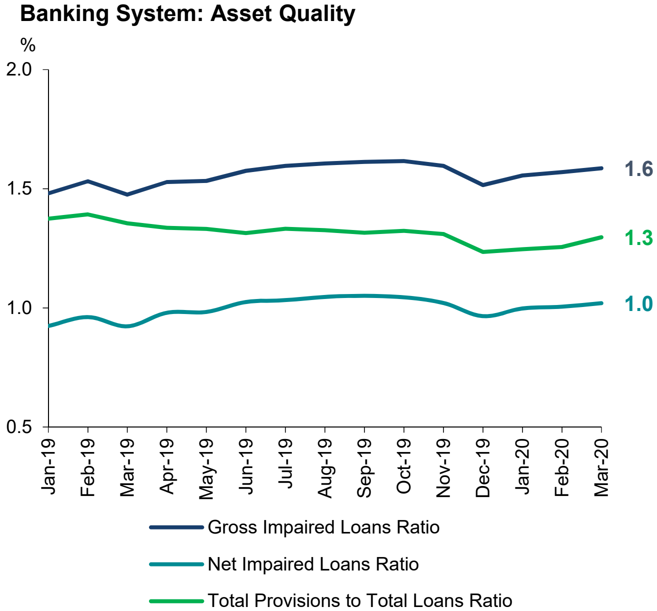


Source: Bank Negara Malaysia, Bursa Malaysia

- Domestic financial markets experienced non-resident portfolio outflows amounted to RM17.7 billion (USD4.1 billion) in March as risk-off sentiments intensified amid heightened uncertainties on the severity and potential economic impact of the COVID-19 pandemic.
- Despite the large scale monetary and fiscal stimulus measures worldwide, global risk aversion remained elevated. This led to higher demand for safer and more liquid assets such as cash and US Treasury securities. In addition, the substantial decline in global oil prices further hampered sentiments in the global financial markets.
- As a result, the ringgit depreciated against the US dollar by 1.8%, the FBM KLCI declined by 8.9% to close at 1,351 points, and the 10-year MGS yield increased by 52.9 basis points. These developments were in line with regional financial markets.

Banking system asset quality remains healthy

Banking System: Asset Quality



Source: Bank Negara Malaysia

- Banks' asset quality remains sound with overall gross and net impaired loans ratio sustained at 1.6% and 1.0%, respectively.
- Banks continue to set aside ample provisions to buffer against potential losses based on forward looking assessments.

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SIARAN AKHBAR

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MONTHLY HIGHLIGHTS – MARCH 2020

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Bank Negara Malaysia
6 May 2020