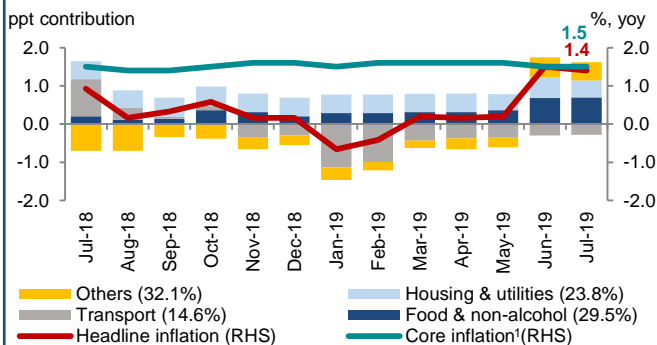


Headline inflation declined marginally in July

Contribution to Inflation



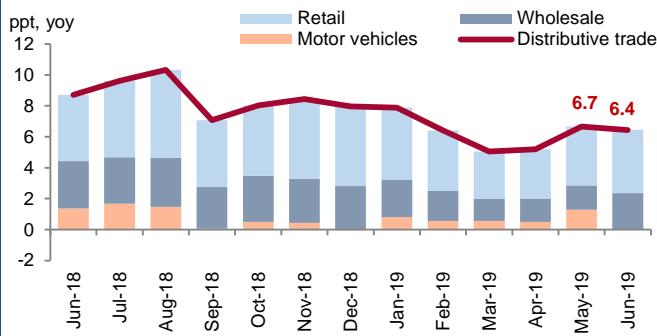
¹ Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

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

- Headline inflation in July declined marginally to 1.4% (June: 1.5%), due mainly to the lapse in the impact from the higher electricity cost in July 2018 following the bi-annual electricity tariff adjustment.
- Excluding the impact of the changes in the consumption tax policy, core inflation¹ was unchanged at 1.5% in July (June: 1.5%).

Wholesale and retail trade growth moderated in June

Contribution to Overall IOWRT

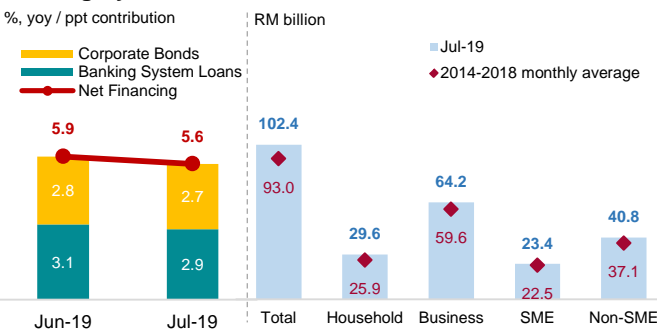


Source: Department of Statistics, Malaysia

- The growth of Index of Wholesale and Retail Trade (IOWRT) moderated in June (6.4%; May: 6.7%), largely weighed by decline in the motor vehicle segment as it begins to normalise following the tax holiday-induced rise in June 2018.
- Meanwhile, both the wholesale and retail segments recorded higher growth, reflecting resilience in consumption activities and sustained wholesale distribution.

Financing continued to support economic activity

Contribution to Net Financing¹ Growth and Level of Banking System Loan Disbursements



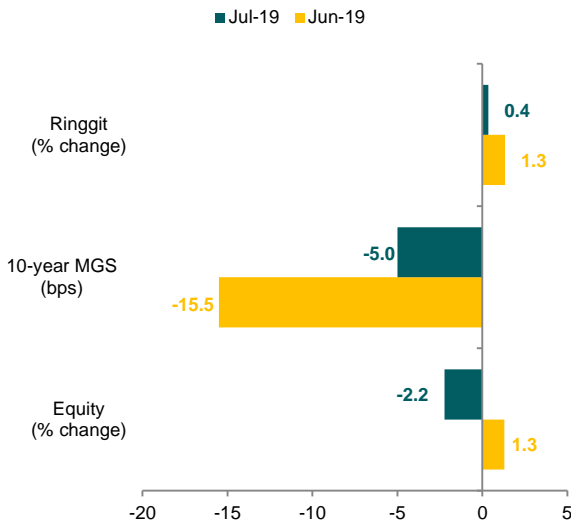
¹ Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.

Source: Bank Negara Malaysia

- Net financing¹ expanded by 5.6% in July (June: 5.9%). Outstanding corporate bond growth was sustained at 10.3% (June: 10.6%). Outstanding household loans grew by 4.7% (June: 4.9%) while outstanding business loan growth moderated to 2.5% (June: 3.4%).
- Total loans disbursed by the banking system increased to RM102.4 billion (June: RM94.8 billion), higher than the historical monthly average. The steady disbursements were across both the household and business segments, including SMEs.

Performance of domestic financial markets in July was driven by external factors

Financial Markets Performance

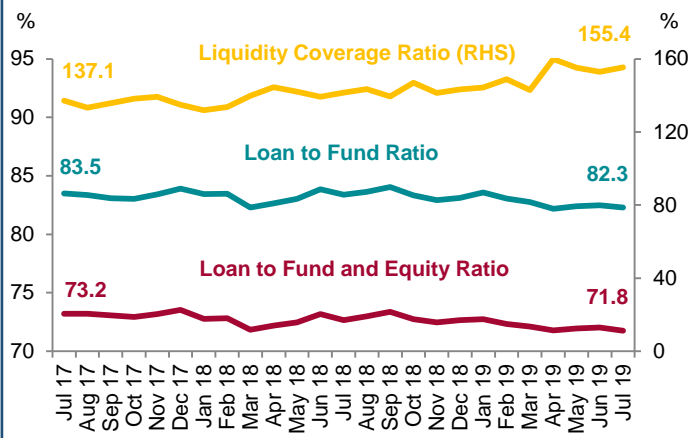


- Ringgit appreciated by 0.4% against the US dollar in July driven mainly by non-resident inflows into the bond market. This was due primarily to improved investor risk appetite following increased expectations for an interest rate reduction by the US Federal Reserve. Consequently, the 10-year MGS yield declined by 5.0 basis points.
- The domestic equity market, however, declined as investor sentiments on regional equities, including Malaysia, were affected by heightened uncertainties surrounding global trade negotiations. In line with regional equity markets, the FBM KLCI declined by 2.2%.

Source: Bank Negara Malaysia, Bursa Malaysia

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 at 155.4%¹ in July (June: 153.0%).
- Funding profile of the banks remained stable. The loan to fund ratio and the loan to fund and equity ratio stood at 82.3% and 71.8%, 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 – JULY 2019

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Bank Negara Malaysia
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