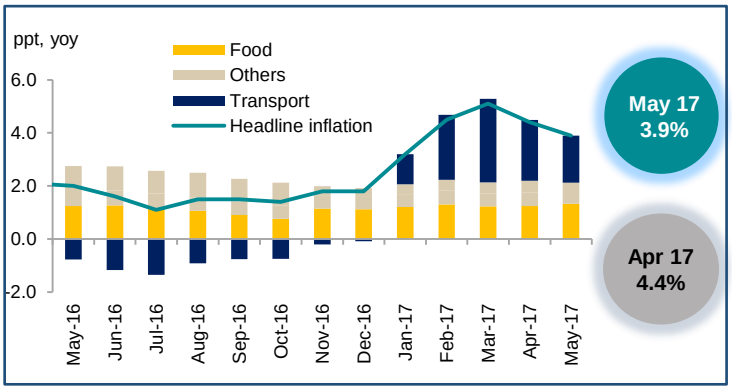
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
May 2017

Inflation declined further in May 2017

Contribution to Headline Inflation

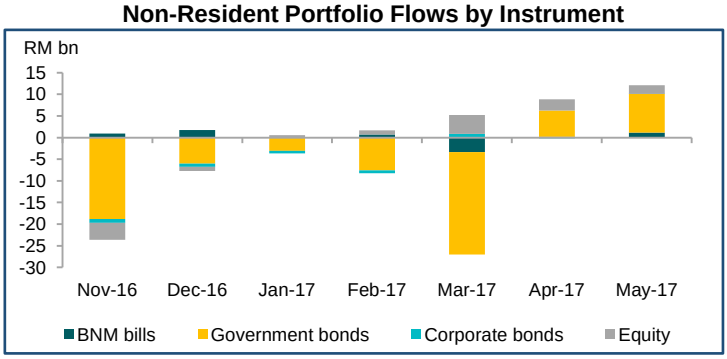


Source: Bank Negara Malaysia

- Headline inflation declined to 3.9% (April: 4.4%) driven mainly by lower fuel prices during the month (prices of RON95 petrol averaged lower at RM2.09 per litre in May compared to RM2.21 per litre in April).
- With global oil prices trending lower in June, domestic fuel prices also averaged lower in June.

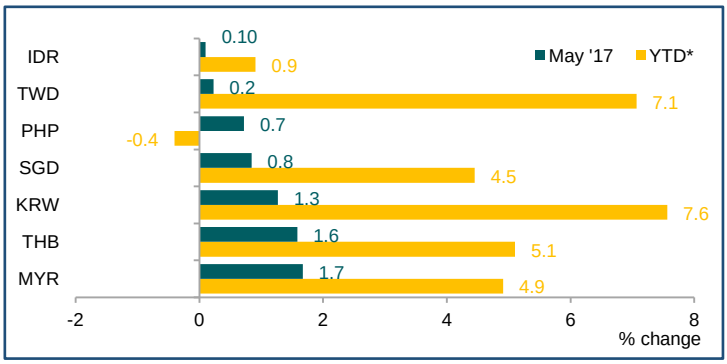
Continued inflows into domestic financial market leading to ringgit appreciation

Non-Resident Portfolio Flows by Instrument



Note: Government bonds include Malaysian Government Securities (MGS), Government Investment Issues (GII) and Sukuk Perumahan Kerajaan (SPK)
Source: Bank Negara Malaysia, Bursa Malaysia

Selected Currencies Performance against US Dollar



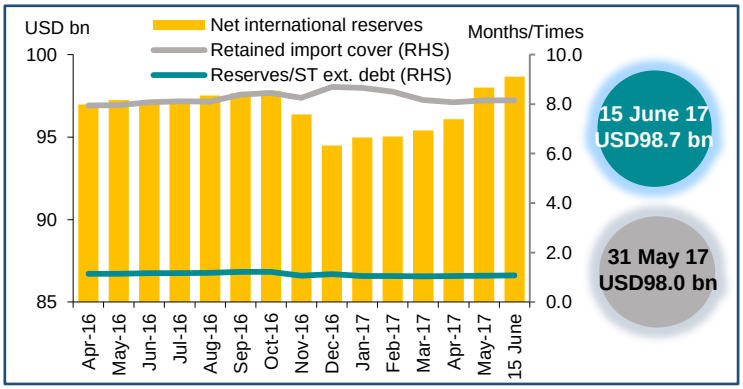
*Year to date to 31 May 2017
Source: Bank Negara Malaysia

- Non-resident inflows into the Government bond market amounted to RM9.0 billion in May, a second consecutive month of inflows. The inflows reflect positive developments arising from measures to develop the domestic financial market. As a result, the 3-year, 5-year and 10-year MGS yields declined by 4, 13 and 17 basis points respectively.
- The equity market also continued to receive non-resident inflows in May, amounting to RM2.0 billion. Sentiments were supported by the stronger-than-expected GDP growth in 1Q 2017 and improved ringgit outlook. A sell-off towards the end of the month, however, led to the FBM KLCI declining marginally by 0.1%.
- The continued non-resident inflows totalling RM12.1 billion into the Malaysian financial market resulted in the ringgit remaining as the best performer in the region in May, appreciating by 1.7% against the US dollar.

Monthly Highlights
May 2017

International reserves increased

Malaysia's International Reserves

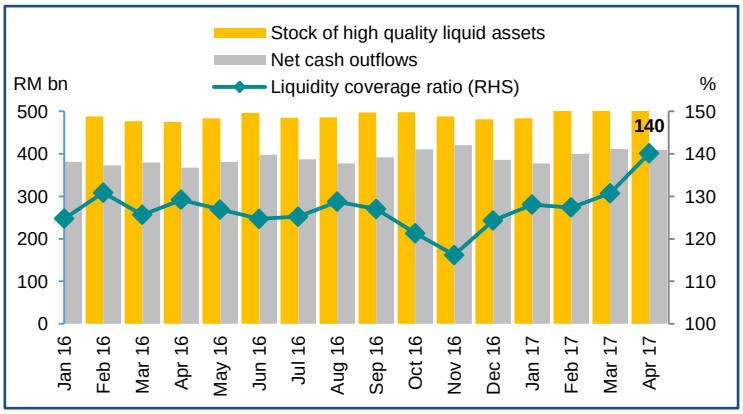


Source: Bank Negara Malaysia

- International reserves has increased steadily in 2017.
- As at 15 June 2017, international reserves are sufficient to finance 8.2 months of retained imports, significantly higher than the 3-month international threshold, and is 1.1 times the short-term external debt.
- It is important to note that not all short-term external debt creates a claim on reserves given the availability of external assets and export earnings of borrowers.

Sufficient liquidity in the banking system

Capital Adequacy Ratios



Source: Bank Negara Malaysia

- Liquidity in the banking system remains supportive of banks' financing activities. Aggregate surplus liquidity[1] placed with Bank Negara Malaysia stands at RM179.2 billion.
- All banks also maintained Liquidity Coverage Ratios above the regulatory requirement[2] to meet unexpected cash outflows or adverse liquidity shocks.

[1] Outstanding Ringgit Liquidity placed with Bank Negara Malaysia, including money market borrowings, repos, BNM debt securities held and statutory reserve requirement.

[2] The minimum LCR requirement beginning 1 January 2017 is 80% following the transitional implementation.

BANK NEGARA MALAYSIA
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SIARAN AKHBAR

Ref. No.: 06/17/07

EMBARGO: Not for publication or broadcast before 1500 hours on Friday, 30 June 2017

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Bank Negara Malaysia
30 June 2017

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