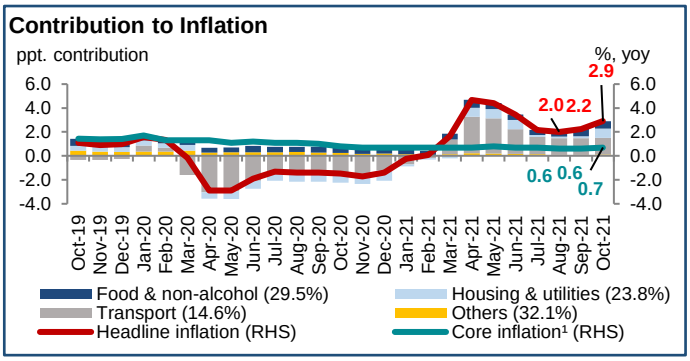
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
October 2021

Headline inflation increased to 2.9% in October

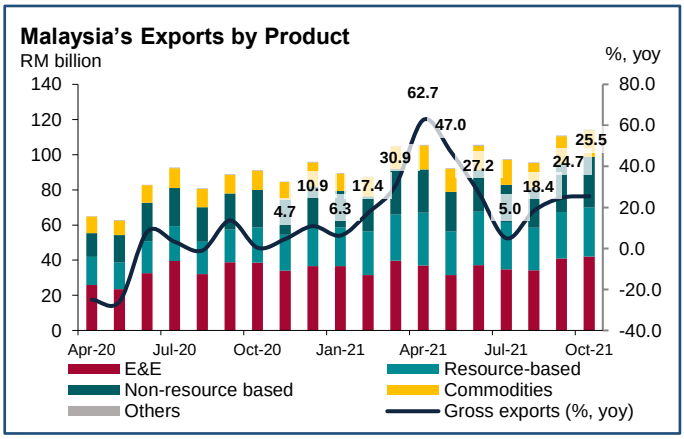


- Headline inflation increased to 2.9% (September: 2.2%) mainly due to the lapse in the 3-month electricity bill discount under Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH). The lapse in the electricity discount contributed 0.6 ppt to headline inflation.
- Underlying inflation, as measured by core inflation, was also marginally higher at 0.7% (September: 0.6%) due to the gradual reopening of the economy.

[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

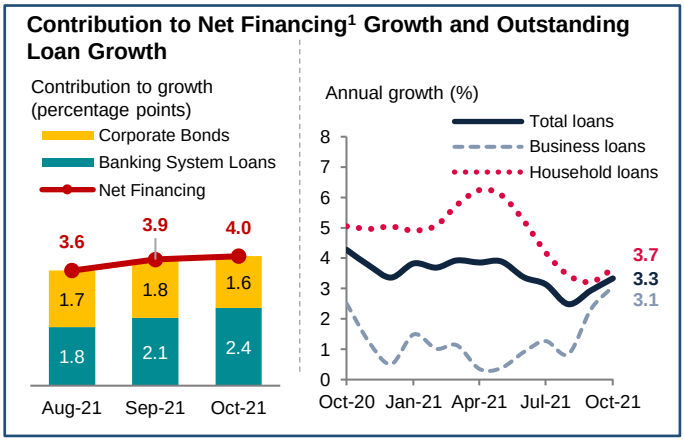
Strong export growth in October



- Exports grew by 25.5% (September: 24.7%), reflecting continued strength in demand across Malaysia's export products and markets.
- Moving forward, export performance will continue to benefit from the upcycle in global technology. In addition, strong demand for non-E&E manufactured products and higher commodity prices will provide further impetus to export growth.
- Nonetheless, the trade outlook remains contingent on the path of the pandemic, as well as the ongoing development of global supply chain disruptions.

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

Higher growth in net financing



- Growth in net financing increased slightly to 4.0% (September: 3.9%). This reflected higher growth in outstanding loans (October: 3.3%; September: 2.9%), amid moderation in outstanding corporate bond growth (October: 5.9%; September: 6.5%).
- Outstanding household loan growth increased to 3.7% (September: 3.2%), amid higher loan disbursements across all purposes.
- For businesses, outstanding loan growth (October: 3.1%; September: 2.3%) continued to be supported by higher growth in working capital loans (October: 5.9%; September: 4.5%), which remained above its historical average.

[1] Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)).

Source: Bank Negara Malaysia

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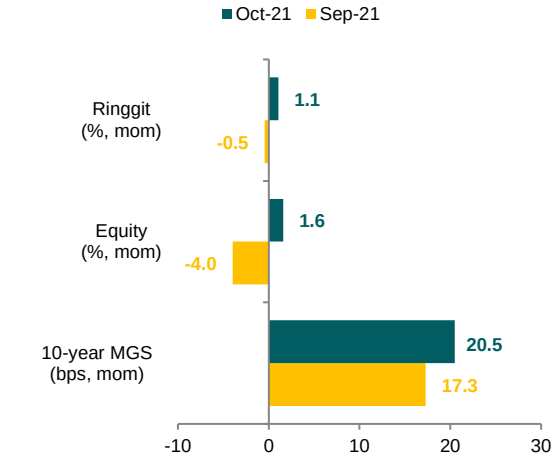
Domestic financial markets were supported by a more positive growth outlook

Financial Markets Performance in October

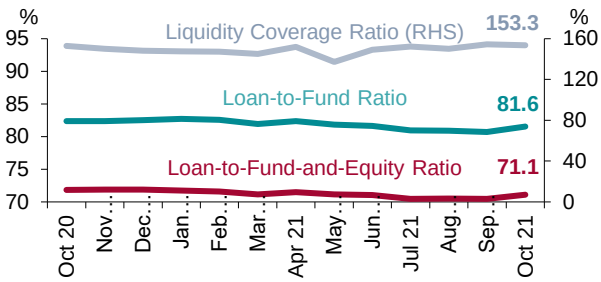


- In October, global investor sentiments were driven by increased expectations for the US Federal Reserve to begin tapering its asset purchase programme by the end-2021. Consequently, global bond yields, including the benchmark 10-year MGS yield, rose in tandem with the increase in long-term US Treasury yields.
- Domestically, investor sentiments were supported by optimism over the domestic growth outlook following the easing of interstate and international travel restrictions from 11 October 2021 onwards.
- As a result, the FBM KLCI increased by 1.6% and the ringgit appreciated by 1.1% against the US dollar. Higher commodity prices had also provided further support to the ringgit exchange rate.

Source: Bank Negara Malaysia, Bursa Malaysia

Sufficient liquidity in the banking system supported by sustained growth in deposits

Banking System Liquidity and Funding Ratios

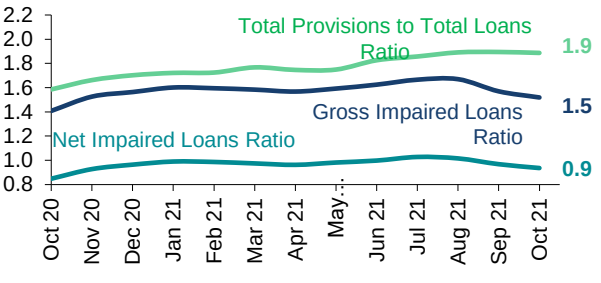


- Banking system funding and liquidity positions remained supportive of intermediation activity.
- As of end October 2021, the banking system liquidity coverage ratio (LCR) remained strong (October: 153.3% ; September: 154.4%).
- Loan-to-fund and the loan-to-fund-and-equity ratios also remained stable at 81.6% and 71.1%, respectively.

Source: Bank Negara Malaysia

Banks asset quality remained sound

Banking System Asset Quality



- Overall gross impaired loans ratio declined marginally to 1.5% (September: 1.6%), driven by the household segment. Banks continue to support viable borrowers facing temporary financial difficulties through repayment assistance packages.
- Banks continue to be prudent in loan loss provisioning. Total provisions set aside against potential credit losses stands at 1.9% of total banking system loans.

Source: Bank Negara Malaysia