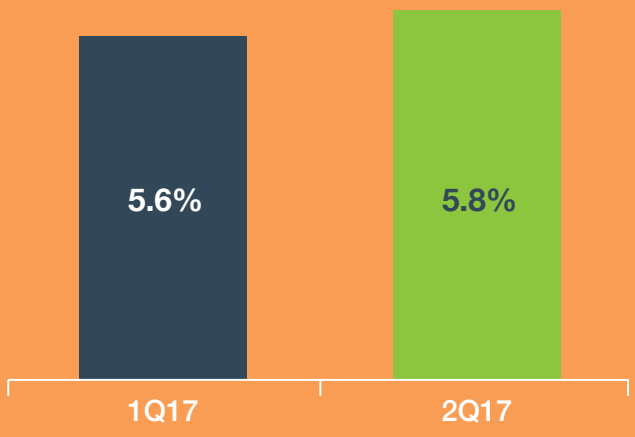
Key Highlights on
Economic and Financial Developments in 2Q 2017

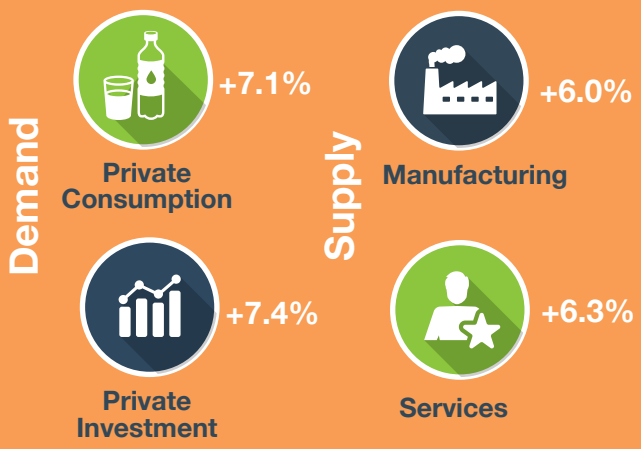
Stronger GDP growth of 5.8%

Continued growth in domestic demand and across major economic sectors

Real GDP Growth (Annual change)



Main driver of GDP Growth in 2Q17 (Annual change)



Decline in inflation due mainly to lower domestic fuel prices

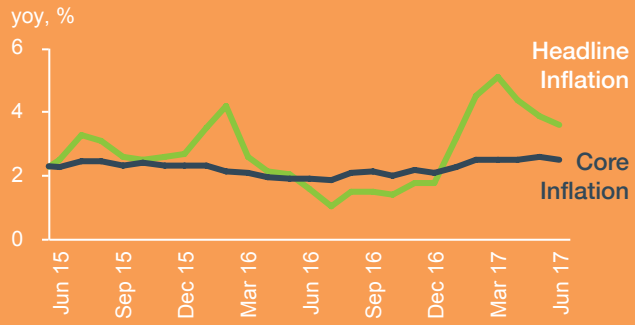
Inflation in the transport category was lower

Crude Oil Prices
2Q17:
USD50/barrel
1Q17: USD54/barrel

RON95 Petrol
2Q17:
RM2.10/litre
1Q17: RM2.23/litre

Core inflation remained relatively stable

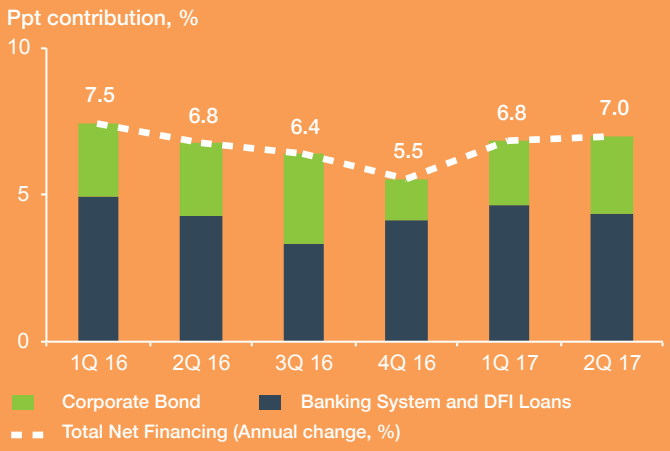
Headline and Core Inflation



Financing needs continued to be met with asset quality remaining intact

Financing to the private sector continued to improve

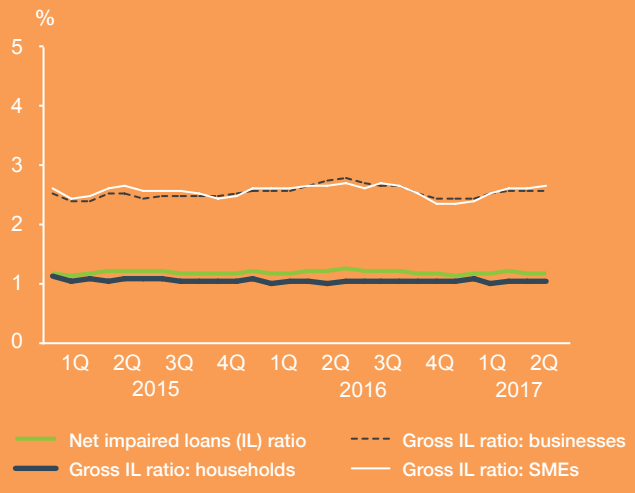
Net Financing Growth*



*Net financing comprises outstanding banking system and DFIs loans and outstanding corporate bonds.

Overall asset quality in the banking system remained healthy

Banking System Loan Quality



Source: Department of Statistics, Malaysia and Bank Negara Malaysia unless stated. For more information, visit www.bnm.gov.my

Key Highlights on

Feature Articles

Outcomes of the Reference Rate Framework: Moving Towards More Efficient and Transparent Practices

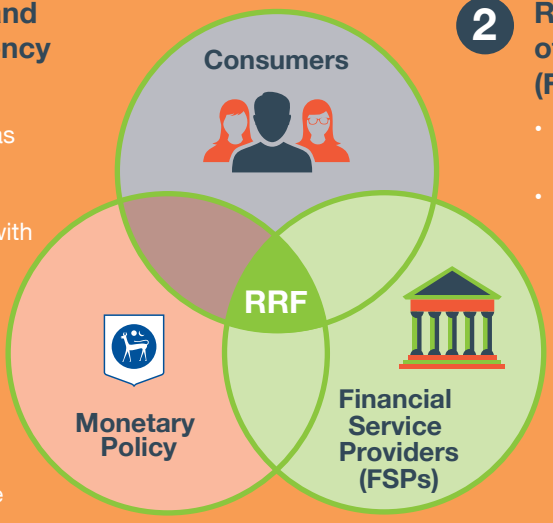
Implementation of the Reference Rate Framework (RRF) is driven by 3 outcomes

1 Efficient pricing and greater transparency for consumers

- Consumers benefit as loan pricing is more efficient
- More transparency with greater disclosure of loan products

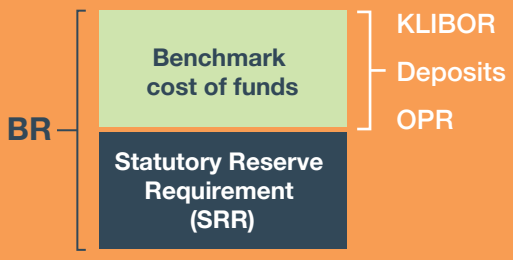
3 Enhance MP transmission

- Better transmission from policy rate to the real economy
- Effective pass-through from OPR to BR



2 Reflect funding strategies of Financial Service Providers (FSPs)

- Flexible-rate loans are priced using the Base Rate (BR) that varies with market conditions
- BR reflects funding strategies and moves with benchmark chosen by FSPs



Liberalisation of Motor Insurance Business: Rewarding Good Risk Management

Why liberalise?

Under tariff, some policyholders pay more premiums than they should to support riskier drivers and vehicles



Tariff (fixed pricing)
Good and bad drivers pay similar premiums, despite having different risk profiles

Liberalisation (risk-based pricing)
Equitable pricing ensures good risks are recognised and bad risks incentivised to improve

How are premiums calculated?

More factors will be taken into account in determining premiums

Rating factors used in tariff	Pricing enhanced through loadings and/or NCD	Broader rating factors
• Sum Insured • Cubic Capacity	• Insured's Age • Vehicle Age • Past Claims Record	• Vehicle Model • Driving Experience • Driving Behaviour • Security Features

What can consumers do?

Actions that can be taken to control premiums that you will ultimately pay

- ☑ Maintain vehicle well and adopt good driving behavior and safety measures
- ☑ Purchase motor cover which best suits your needs and risk exposure
- ☑ Shop around for the best coverage

Source: Department of Statistics, Malaysia and Bank Negara Malaysia unless stated. For more information, visit www.bnm.gov.my