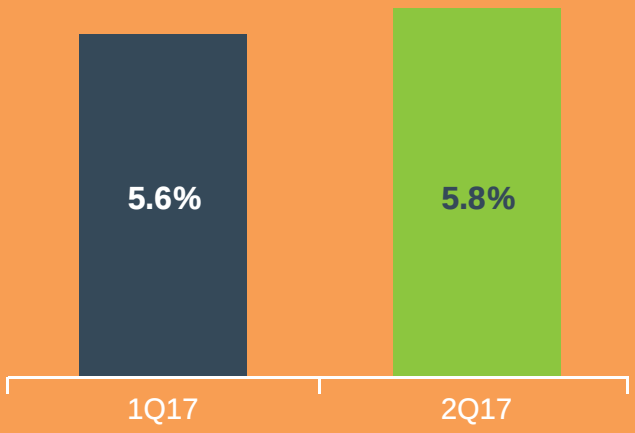
Key Highlights on

# Economic and Financial Developments in 2Q 2017

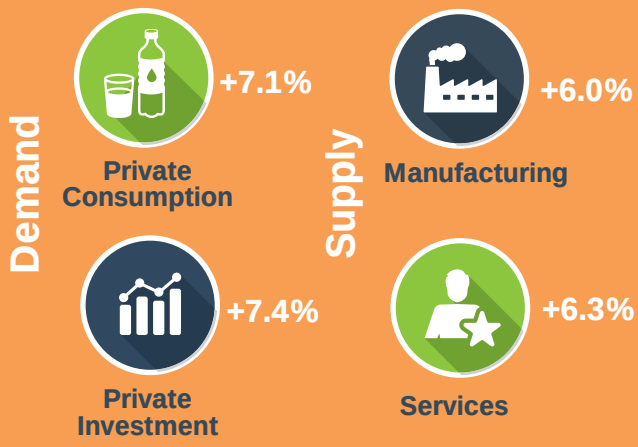
## Stronger GDP growth of 5.8%

### 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

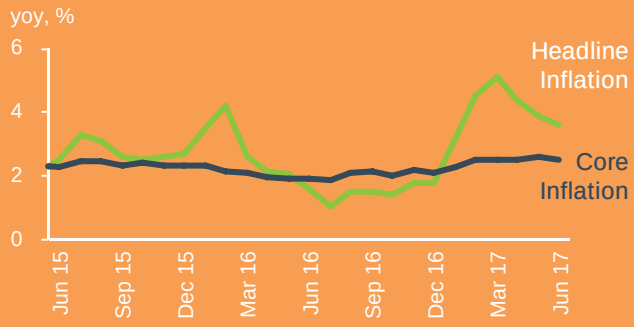
### Inflation in the transport category was lower

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

**RON95 Petrol**
**2Q17:**
**RM2.07/litre**
**1Q17: RM2.23/litre**

### Core inflation remained relatively stable

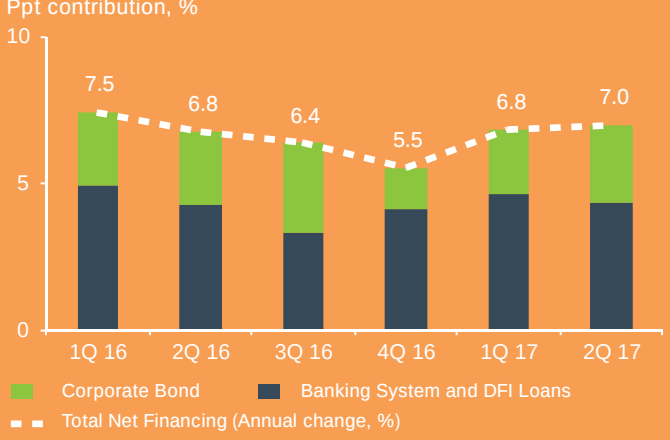
**Headline and Core Inflation**




## Financing needs continued to be met with asset quality remaining intact

### Financing to the private sector continued to improve

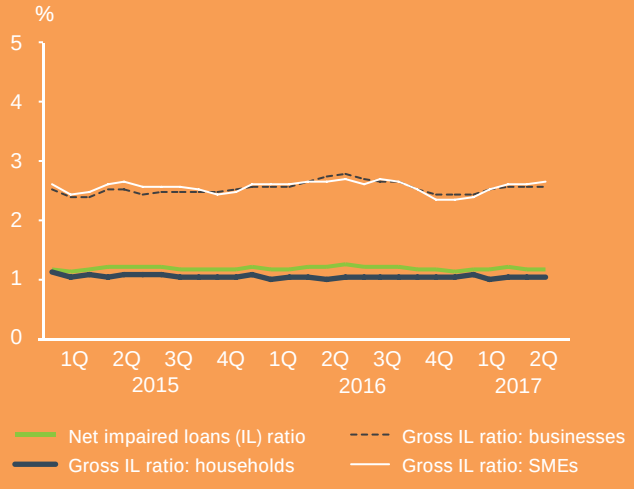
**Net Financing Growth***




*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

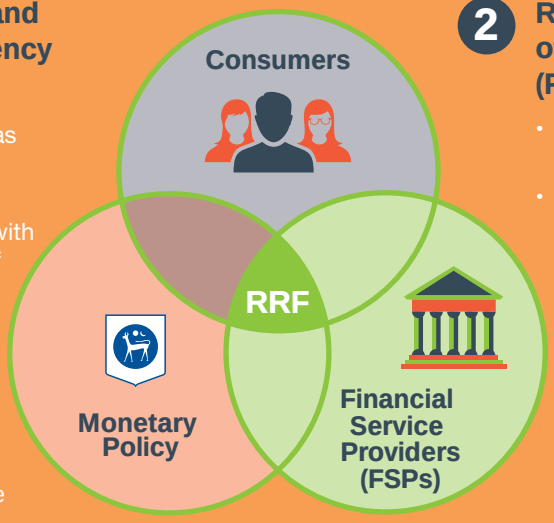
### Implementation of the Reference Rate Framework (RRF) is driven by 3 outcomes

**1 Efficient pricing and greater transparency for consumers**

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

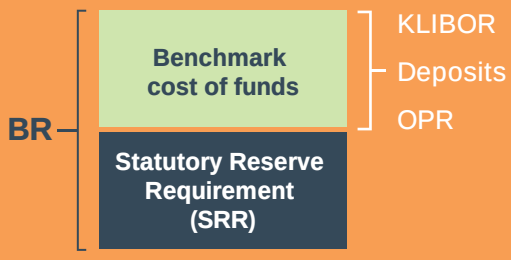
**3 Enhance MP transmission**

- 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<br>• Cubic Capacity | • Insured's Age<br>• Vehicle Age<br>• Past Claims Record | • Vehicle Model<br>• Driving Experience<br>• Driving Behaviour<br>• 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