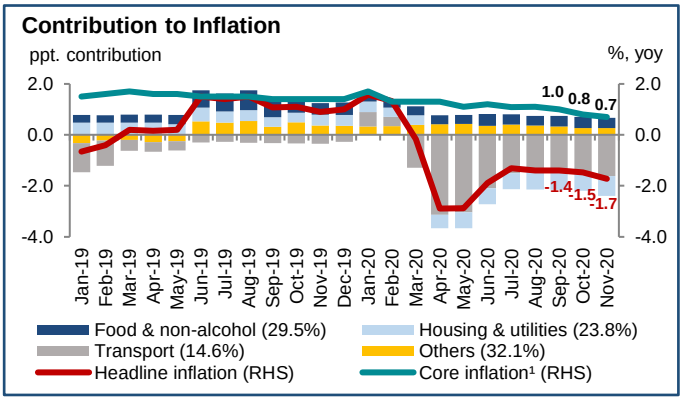
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
November 2020

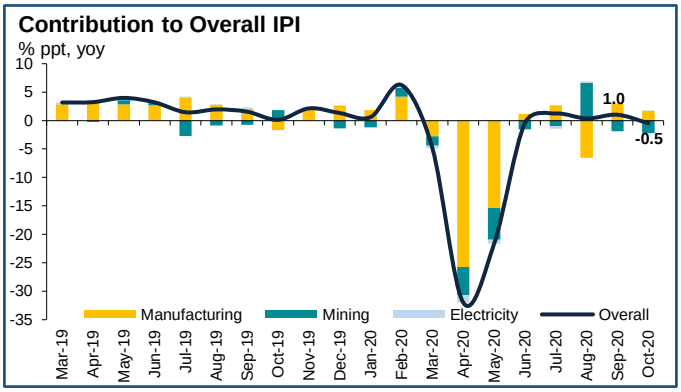
Headline inflation declined to -1.7% in November



- The decline in headline inflation to -1.7% during the month (October: -1.5%) reflected lower inflation for domestic retail fuel and rental.
- Underlying inflation, as measured by core inflation, moderated slightly to 0.7% (October: 0.8%).
- The moderation in core inflation reflected the lower inflation for rental and personal care products.

[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

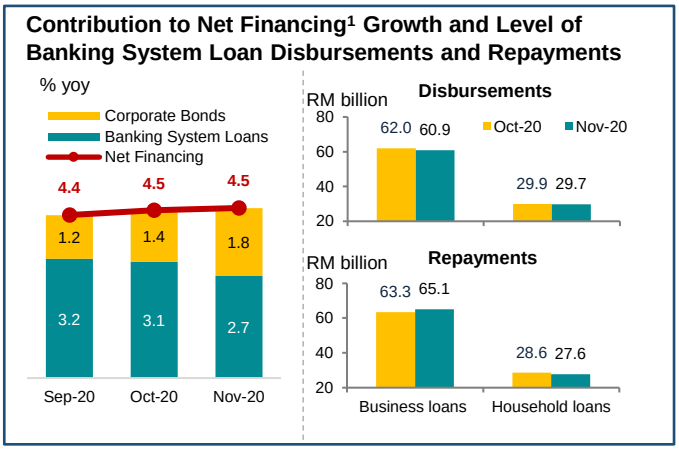
Overall IPI recorded a slight contraction in October



- Overall IPI contracted slightly in October (-0.5%; September: 1.0%), weighed mainly by the mining sector amid maintenance closures. The manufacturing sector continued to record positive growth in October (2.4%; September: 4.3%), underpinned by strong performance in the E&E industry and rubber segment.
- The E&E industry continued to grow above long-term average at 8.1% (2016–2019 average: 6.0%) benefiting from the strong global demand for semiconductor products.

Source: Department of Statistics, Malaysia (DOSM)

Net financing sustained



- Net financing growth was sustained at 4.5% (October: 4.5%). Total outstanding loan growth moderated (3.8%; October: 4.3%) while outstanding corporate bond growth increased (6.7%; October: 5.0%) due to two large issuances in the FIREB[2] sector.
- Outstanding business loan growth moderated further (1.2%; October: 2.5%) as repayments continued to increase. Loan disbursements to businesses were broadly sustained at RM60.9 billion (October: RM62.0 billion).
- Meanwhile, outstanding household loan growth grew by 5.0% (October: 5.1%) as disbursements sustained and remained higher than the historical average at RM29.7 billion (2017–2019 average: RM27.8 billion).

[1] Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.
[2] Refers to 'Finance, Insurance, Real Estate and Business Services'.
Source: Bank Negara Malaysia

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Monthly Highlights
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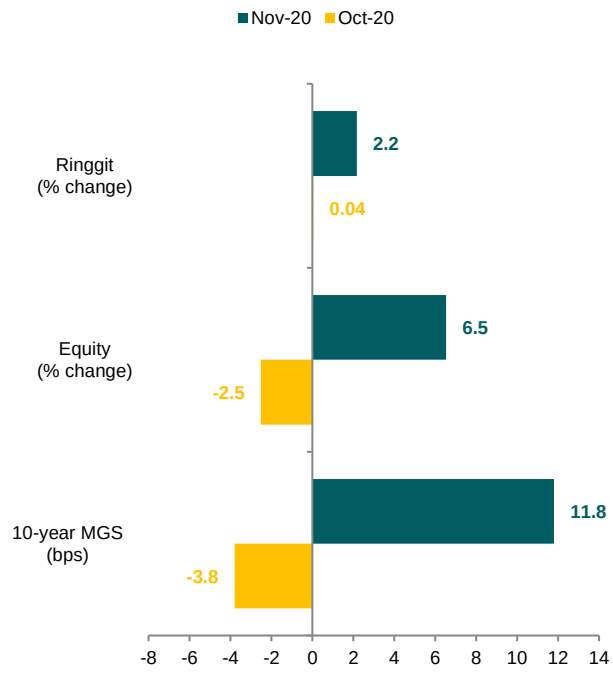
Performance of domestic financial markets broadly improved

Financial Markets Performance in November

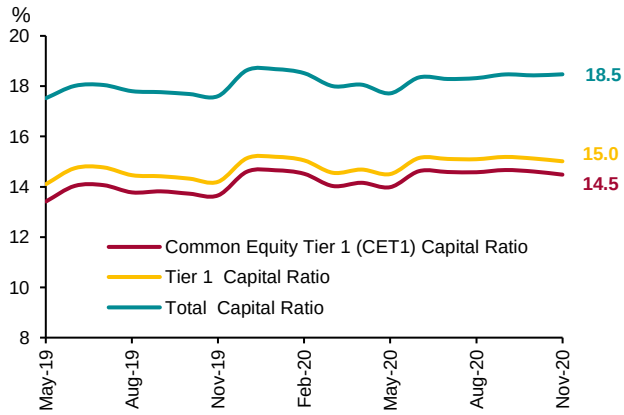


Source: Bank Negara Malaysia, Bursa Malaysia

- Investor sentiments improved in November, due mainly to positive global developments. These include an improved economic outlook amid greater clarity on the direction of US policies following the end of US Presidential Election, and positive development surrounding the approval and deployment of COVID-19 vaccines.
- As a result, global equity indices recorded broad-based gains, including recoveries across sectors affected by the pandemic. Amidst this background, the FBM KLCI increased by 6.5% during the month.
- The improved risk appetite also led to continued non-resident inflows to the domestic bond market following yield-seeking activities by investors, which contributed to an appreciation of the ringgit against the US dollar by 2.2%. While the government bond market remained supported by these inflows, uncertainties surrounding the parliament voting of Budget 2021 led to marginally higher yield in the 10-year MGS towards the end of the month.

Banking system capitalisation remained strong

Capital Adequacy Ratios



[1] Refers to total capital above the regulatory minimum, and includes the capital conservation buffer (2.5%) and bank specific higher minimum requirements
Source: Bank Negara Malaysia

- Banking system capitalisation levels remain well-positioned to absorb earning shocks and support intermediation activity.
- Capital ratios were largely unchanged, as new issuances of debt instruments offset the marginal decline in CET1 capital from dividend payments and reduction in unrealised gains from financial instruments capital component.
- Banks' excess capital buffers[1] stand at RM125.1 billion as at November 2020.

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MONTHLY HIGHLIGHTS – NOVEMBER 2020

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Bank Negara Malaysia
31 December 2020

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Diterbitkan oleh:
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