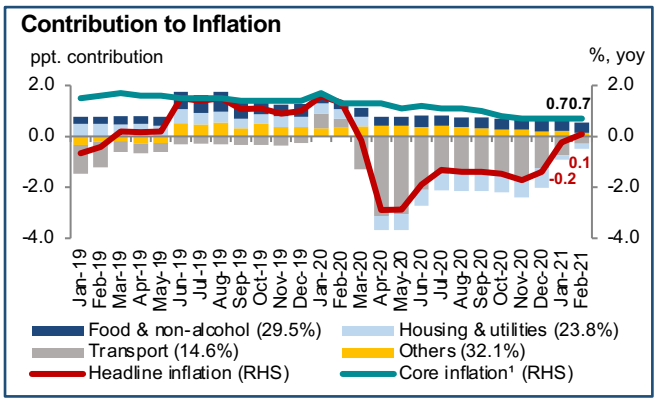
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
February 2021

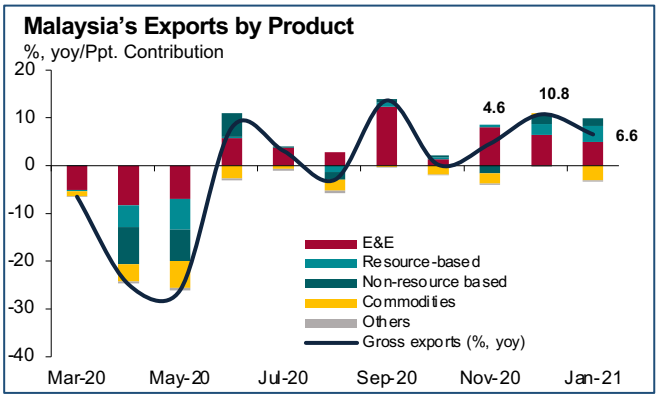
Headline inflation rose to 0.1%



- Headline inflation turned positive in February, rising to 0.1% (January: -0.2%).
- The higher headline inflation was driven almost entirely by the higher domestic retail fuel prices during the month (RON95 petrol prices: February: RM1.95/litre; January: RM1.87/litre).
- Underlying inflation, as measured by core inflation, remained stable at 0.7%.

[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

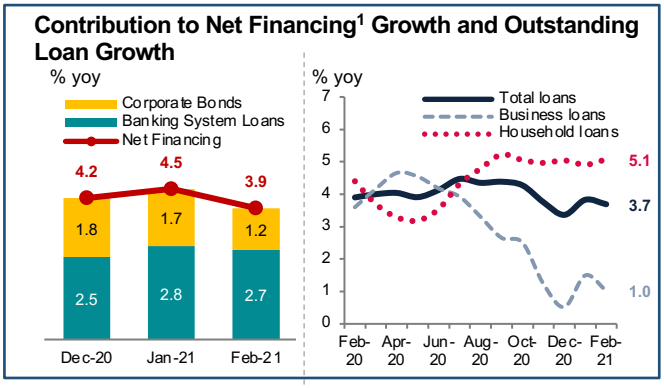
Exports continued to expand in January



- Exports grew by 6.6% in January 2021 (December 2020: 10.8%), driven primarily by robust manufactured exports. By destination, the expansion was supported by exports to Singapore, US, China and Vietnam.
- Looking ahead, exports are expected to be supported by the rebound in global growth, continued demand for electronics exports and higher commodity prices. Nonetheless, the trade outlook remains contingent on the path of the COVID-19 pandemic.

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

Net financing continued to expand



- Net financing expanded at 3.9% amid lower outstanding corporate bond growth (February: 4.5%, January: 6.3%), while outstanding loan growth was sustained (February: 3.7%, January: 3.8%).
- Outstanding household loans grew by 5.1% (January: 4.9%) supported by loans for the purchase of cars and residential properties.
- Outstanding business loans rose by 1.0% (January: 1.5%) as loan repayment growth outpaced that of disbursements. In level terms, both disbursements (February: RM64.9 bn, January: RM70.0 bn) and repayments (February: RM66.0 bn, January: RM69.1 bn) were lower in February, reflecting the fewer business days.

[1] Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)).
Source: Bank Negara Malaysia

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Monthly Highlights
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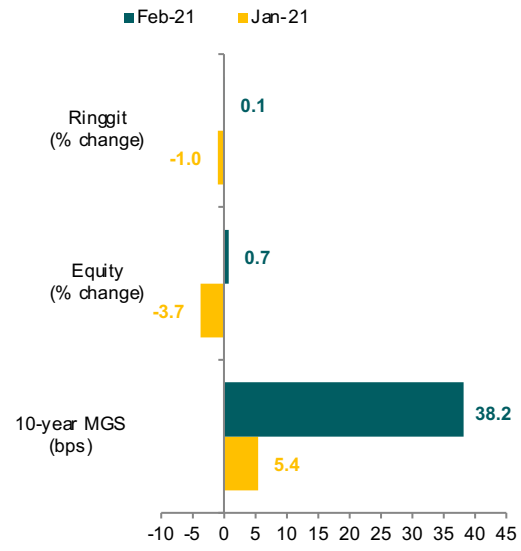
Domestic financial markets were affected by rising long-term government bond yields globally during the month

Financial Markets Performance in February

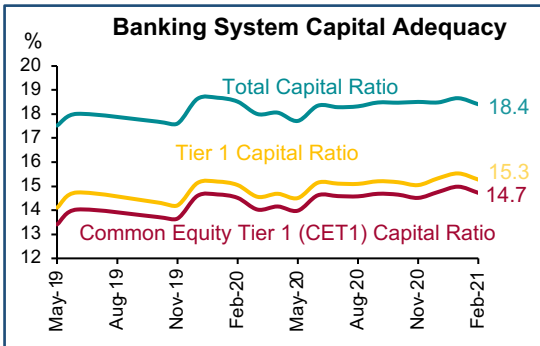


Source: Bank Negara Malaysia, Bursa Malaysia

- In February, the performance of domestic financial markets was mainly affected by the rising long-term government bond yields globally during the second half of the month.
- During the first half of the month, the FBM KLCI and ringgit were supported by continued optimism over the vaccination-led global recovery.
- However, during the second half of the month, US Treasury yields, particularly at the longer end, started increasing at a faster pace as expectations of higher inflation in anticipation of faster economic recovery in the US became more entrenched. This led to a stronger US dollar and triggered a sell-off in global equities. As a result, the ringgit depreciated while the FBM KLCI declined during the second half of the month.
- For the month as a whole, the ringgit and FBM KLCI remained relatively unchanged, increasing by 0.1% and 0.7% respectively. 10-year MGS yields, however, increased by 38.2 basis points following the steepening in US Treasury yield curve during the month.

Banks continued to maintain strong capitalisation levels

Banking System Capital Adequacy



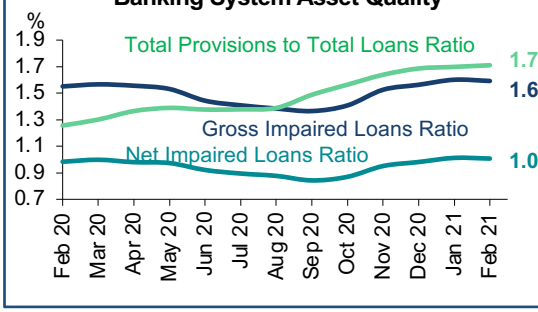
Source: Bank Negara Malaysia

- All banks remained well-capitalised to withstand potential shocks and to continue supporting credit flows to the economy.
- Capital ratios declined marginally from the previous month, mainly due to valuation adjustments on available-for-sale financial instruments and dividend payments.
- Banks' excess capital buffers[1] amounted to RM126.3 billion as at February 2021.

[1] Refers to total capital above the regulatory minimum, which includes the capital conservation buffer (2.5%) and bank-specific higher minimum requirements

Banking system asset quality remained sound

Banking System Asset Quality



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios were sustained at 1.6% and 1.0%, respectively, as banks continued to facilitate repayment assistance to borrowers facing temporary financial difficulties.
- Banks continued to build up provisions against potential credit losses, which currently stand at 1.7% of total banking system loans.

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SIARAN AKHBAR

Ref. No.: 03/21/09

EMBARGO: Not for publication or broadcast before 1500 hours on Wednesday, 31 March 2021

MONTHLY HIGHLIGHTS – FEBRUARY 2021

Headline inflation turned slightly positive in February, rising to 0.1% (January: -0.2%)

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Bank Negara Malaysia
31 March 2021

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