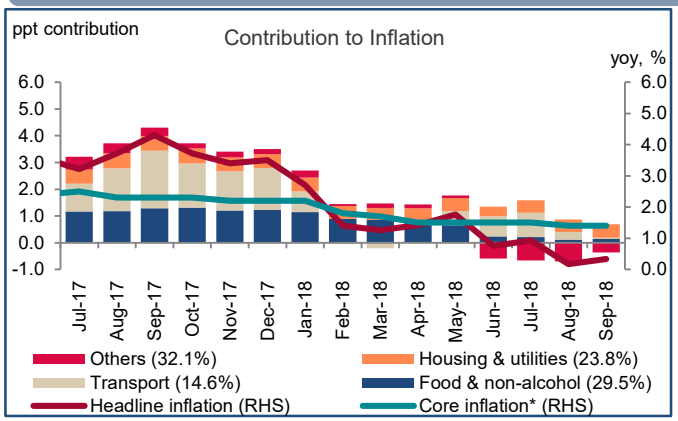
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
September 2018

Inflation remained low in September



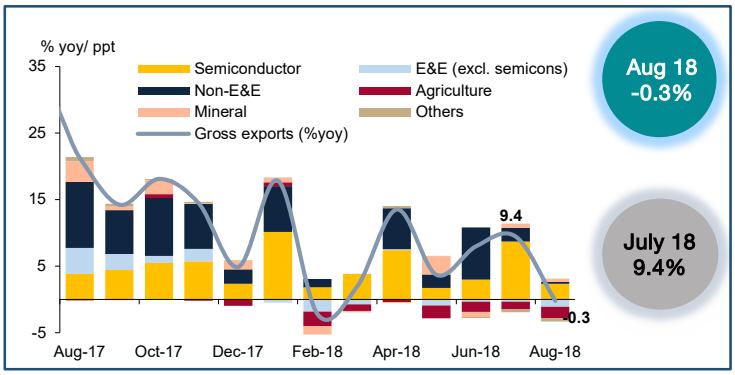
*Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of the changes in tax policy

Source: Department of Statistics, Malaysia and staff estimates

- Headline inflation remained low at 0.3% in September (August: 0.2%), as the upward impact from the implementation of the Sales and Services Tax (SST) was offset by the lower transport inflation.
- The SST pass-through was more evident for some taxable services, such as paid television services and fast food. Other taxable items, however, experienced limited pass-through during the month.
- Excluding the impact of the changes in tax policy, core inflation remained stable at 1.4% in September (August: 1.4%).

Export growth declined marginally in August 2018

Malaysia's Exports by Product

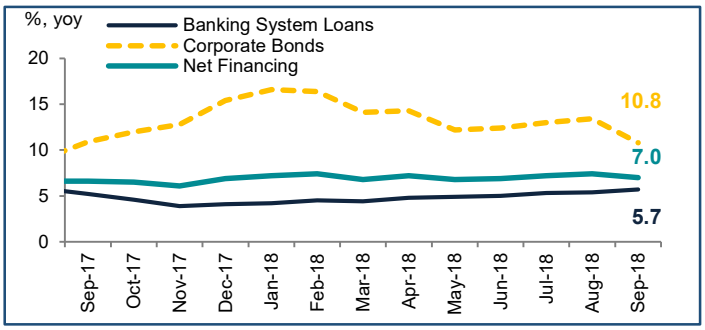


Source: Department of Statistics Malaysia (DOSM), MATRADE

- Exports registered a marginal contraction of 0.3% in August 2018 due to moderation in manufactured exports and a decline in commodities exports. The decline in commodities exports was due partly to supply disruptions in LNG production.
- Going forward, exports are expected to turn around to positive growth due to the pickup in E&E re-exports and the gradual recovery in commodity exports.

Net financing growth continued to support economic activity

Net Financing through Banking System Loans and Corporate Bonds



[1] Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.
[2] 3-month moving average.
[3] The 1 June – 31 August 2018 period during which the GST was zerorised from 6%, and prior to the reinstatement of the Sales and Services Tax (SST) from 1 September 2018.

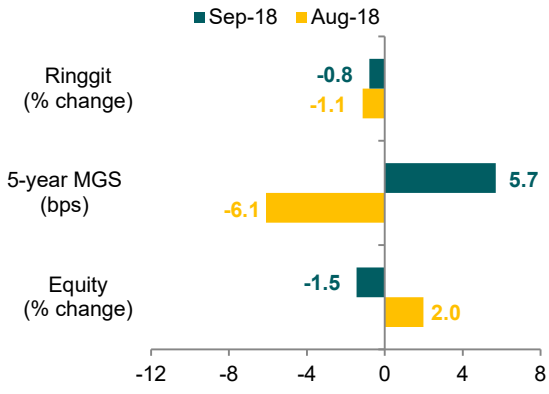
Source: Bank Negara Malaysia

- Net financing[1] grew by 7.0% in September (August: 7.4%) on account of more moderate growth in outstanding corporate bonds of 10.8% (August: 13.4%). Outstanding banking system loans increased by 5.7% (August: 5.4%).
- Outstanding loan growth for businesses increased to 4.5% (August: 3.8%) while households loan growth was sustained at 6.0% (August: 6.1%).
- Of note, the growth[2] of household loan applications and approvals for the *purchase of passenger cars* moderated in September to 6.7% and 32.0%, respectively, post the tax holiday period[3] (August: 27.7% and 52.0%, respectively).

Monthly Highlights
September 2018

Domestic financial markets remained orderly amid portfolio outflows

Financial Markets Performance in September

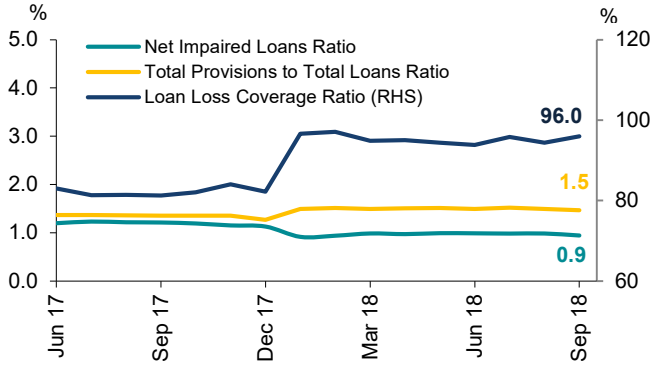


Source: Bank Negara Malaysia, Bursa Malaysia

- The domestic financial markets remained orderly despite non-resident portfolio outflows in early September which were due to risk-off sentiments primarily arising from global trade tensions.
  - The ringgit depreciated by 0.8% amid the non-resident outflows and continued US dollar strengthening, which was supported by the positive economic outlook, and stronger employment and wage data releases from the US.
  - The KLCI declined by 1.5% and the 5-year MGS yield increased by 5.7 basis points during the month (August 2018: +2.0% and -6.1 bps respectively).

Banking system asset quality remains sound

Banking System: Asset Quality



Source: Bank Negara Malaysia

- In September 2018, the net impaired loans ratio declined marginally to 0.9% due to write-offs.
- Banks continued to maintain sufficient buffers against potential credit losses with loan loss coverage ratio[1] sustained at 96.0% of total impaired loans (August 2018: 94.4%).

[1] *Refers to ratio of total provisions to total impaired loans.*

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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MONTHLY HIGHLIGHTS – SEPTEMBER 2018

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Bank Negara Malaysia
31 October 2018

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