BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 11/17/19

EMBARGO: Not for publication or broadcast before 1500 hours on Thursday, 30 November 2017

MONTHLY HIGHLIGHTS – OCTOBER 2017

Inflation decreased in October

- Headline inflation declined to 3.7% in October due mainly to lower *transport* inflation at 12.1% during the month (September: 15.8%).
  - Although RON95 petrol averaged only slightly lower at RM2.18 per litre in October (September: RM2.19 per litre), the higher base of the RON95 price in October 2016 (RM1.80 per litre) compared to September 2016 (RM1.70 per litre) resulted in the lower inflation for *transport* category.
- Core inflation was also lower at 2.3% during the month (September: 2.4%).
  - The slower inflation for core items was broad-based with lower pervasiveness observed across most categories.

Financial markets remained stable in October amid uncertainties in the US

- The Malaysian financial market was relatively stable in October 2017 as investors traded cautiously leading up to the announcement of the new Federal Reserve chairman and the 2018 U.S. budget resolution, which paves the way towards tax reforms.
- This resulted in relatively small movements in the ringgit and equity markets.
- The bond market, however, experienced some upward pressure in yields amid non-resident outflows of RM2.2 billion.

Sustained net financing growth continued to support economic activity

- Net financing growth was sustained at 6.5% in October (September: 6.6%). The growth of net outstanding issuances of corporate bonds increased to 12.0% (September: 10.9%), while the growth of outstanding loans of the banking system moderated to 4.6% (September: 5.2%).

- The moderation in loan growth was due to the business sector (October: 4.1%; September: 5.8%), in part driven by the stronger growth in loan repayments relative to disbursements.

Net IIP continued to be positive in 3Q 2017

- Malaysia's IIP recorded a net asset position of RM21.5 billion, equivalent to 1.6% of GNI as at end-September 2017 (end-June 2017: RM42.3 billion; 3.2% of GNI).
- Malaysia's net asset position supports resilience to a variety of shocks, including potential outflows associated with external liabilities.

Banking system capitalisation remained strong

- Financial institutions are well-positioned to withstand any adverse macroeconomic and financial shocks, with excess capital buffers of RM135 billion as at October 2017.
- More than 75% of total capital continued to be represented by high quality loss absorbing capital in the form of CET-1 capital (i.e. equity, retained earnings and reserves).

Bank Negara Malaysia
30 November 2017

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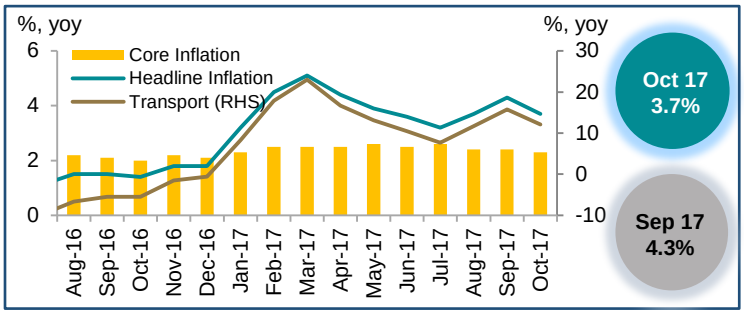
CENTRAL BANK OF MALAYSIA

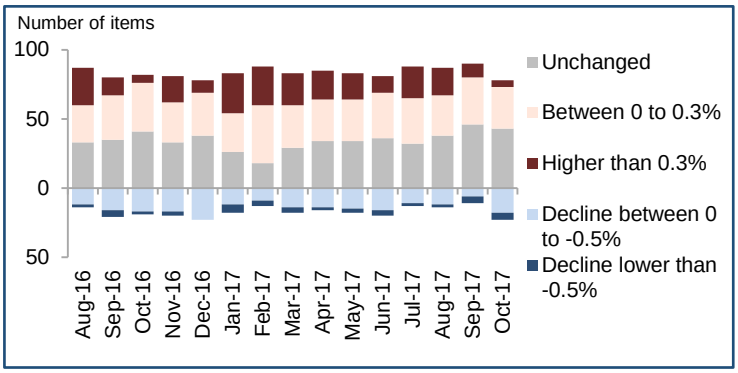
Monthly Highlights
October 2017

Inflation decreased in October

Headline, core and transport inflation



Core inflation pervasiveness month-on-month



Source: DOSM and staff estimate

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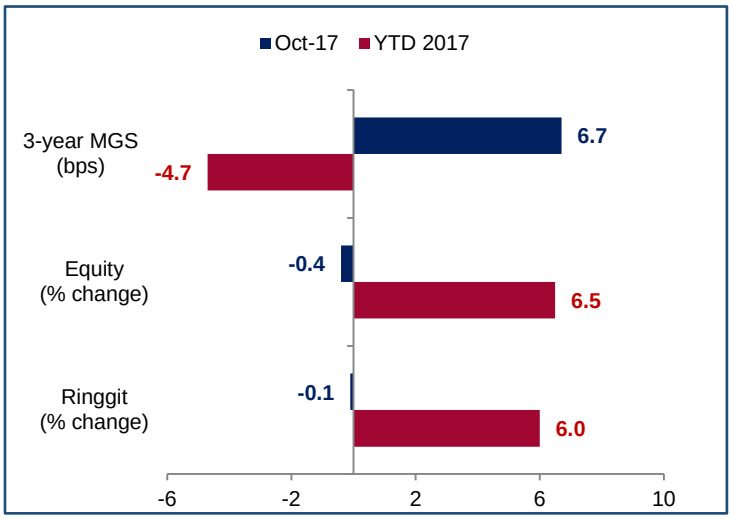
Financial Markets Performance in October



Source: Bank Negara Malaysia, Bursa Malaysia

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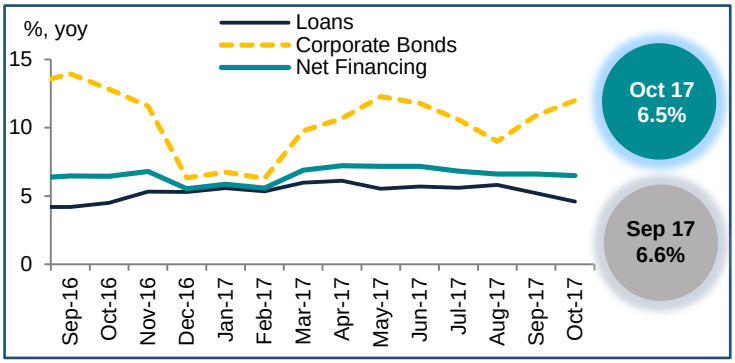
Monthly Highlights
October 2017

Sustained net financing growth continued to support economic activity

Net Financing through Banking System Loans and Corporate Bonds



Source: Bank Negara Malaysia

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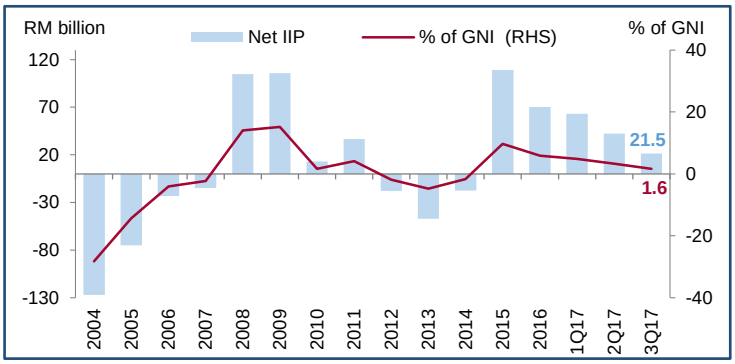
Net IIP continued to be positive in 3Q 2017

Malaysia's Net International Investment Position (IIP)



Source: Department of Statistics, Malaysia

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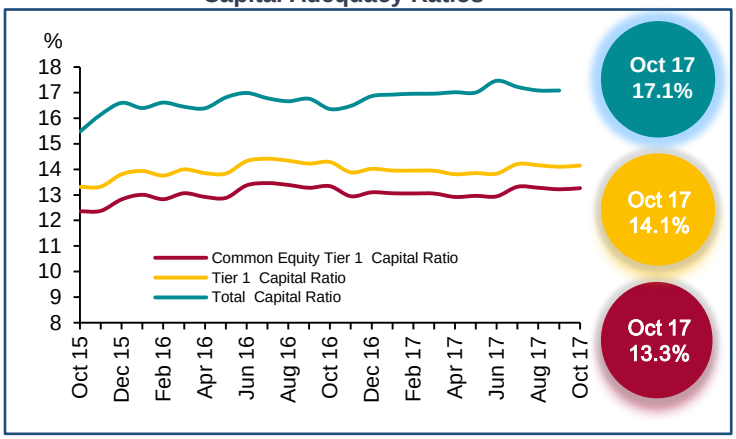
Banking system capitalisation remained strong

Capital Adequacy Ratios



Source: Bank Negara Malaysia

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