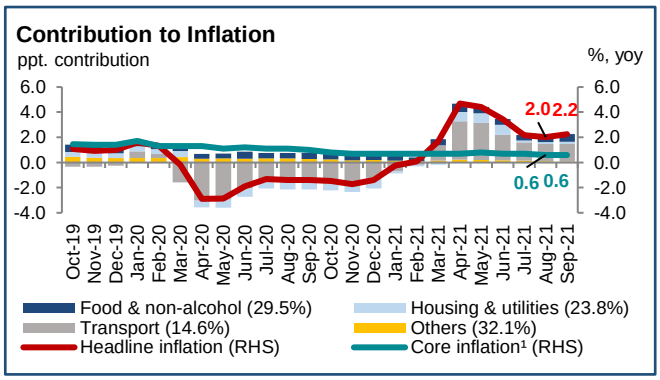
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
September 2021

Headline inflation increased to 2.2% in September

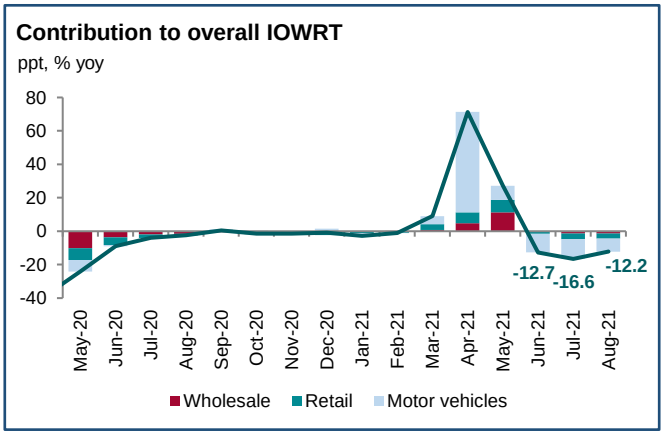


- Headline inflation increased to 2.2% in September (August: 2.0%), reflecting mainly higher inflation in the food and non-alcoholic beverages (September: 1.9%; August: 1.2%) category.
- Underlying inflation, as measured by core inflation, was stable at 0.6% during the month (August: 0.6%).

[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

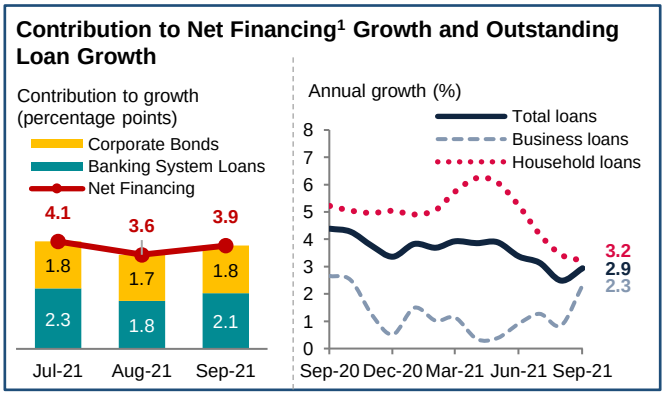
Wholesale and retail trade improved in August



- The Index of Wholesale and Retail Trade (IOWRT) declined in August 2021 (August: -12.2%; July: -16.6%) due mainly to the motor vehicle segment which registered a double-digit contraction for the third consecutive month (August: -59.0%; July: -88.2; June: -92.8%). The decline reflected the imposition of the movement restriction as well as high base during the same period last year.
- However, the index improved on a seasonally adjusted m-o-m basis (August: 5.3%; July: 1.1%), indicative of a gradual recovery in consumer activity amid relaxation of containment measures and improving consumer sentiments.

Source: Department of Statistics Malaysia

Higher growth in net financing



- Net financing growth improved to 3.9% (August: 3.6%) as the growth in both outstanding loans (September: 2.9%; August: 2.5%) and outstanding corporate bonds (September: 6.5%; August: 6.4%) increased.
- Outstanding household loan growth continued to moderate (September: 3.2%; August: 3.4%). Nonetheless, higher loan disbursement and repayment levels were observed across all purposes.
- For businesses, outstanding loans grew at 2.3% (August: 0.8%), driven by stronger growth in working capital loans (September: 4.6%; August: 2.2%).

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

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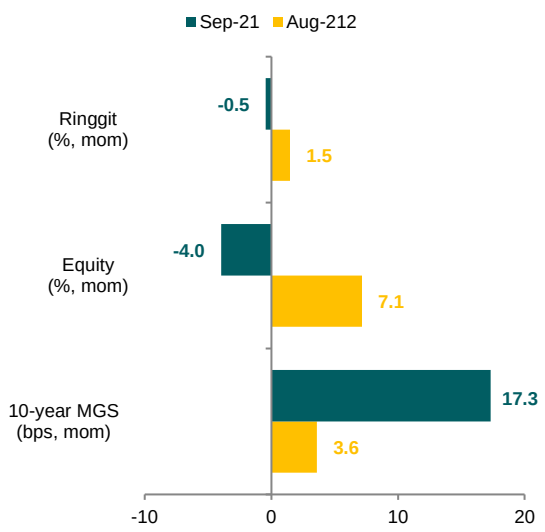
Domestic financial markets were affected by uncertainties surrounding the global economic outlook

Financial Markets Performance in September

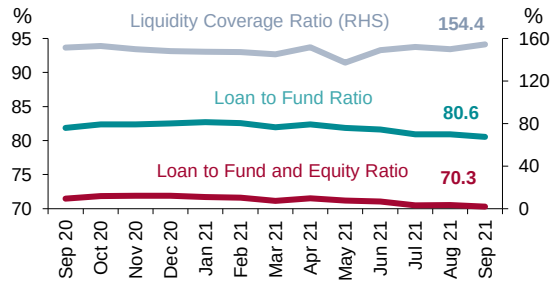


Source: Bank Negara Malaysia, Bursa Malaysia

- In September, domestic financial markets' performance were affected by uncertainties surrounding the global economic outlook and expected shifts in global liquidity adjustments.
- The FBM KLCI declined by 4% amid weaker investor sentiments due partly to concerns surrounding the economic and financial fallout from Evergrande's financial position. This was partially offset by positive support from significant progress in domestic vaccination rates and expectations of economic reopening.
- In the bond market, the 10-year MGS yields increased by 17.3 basis points. This reflected spillovers from the increase in long-term US Treasury yields due to expectations of the US Federal Reserve commencing the tapering of its asset purchase programme towards the end of the year.
- Consequently, the ringgit depreciated marginally by 0.5% against the US dollar, in line with broad US dollar appreciation against emerging economy currencies.

Sufficient liquidity in the banking system supported by sustained growth in deposits

Banking System Liquidity and Funding Ratios

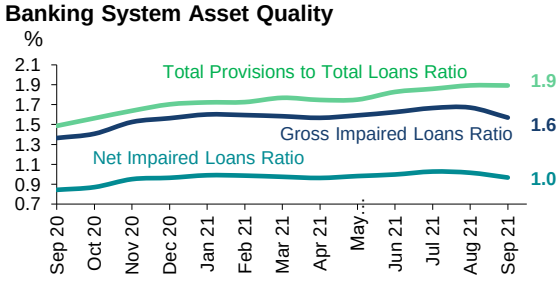


Source: Bank Negara Malaysia

- Banking system continued to maintain healthy liquidity buffers with the liquidity coverage ratio (LCR) remaining strong in September 2021 (August: 150.0%).
- Banks' funding profile remained stable amid strong growth in business and retail deposits.

Asset quality remains supported by sound risk management practices of banks

Banking System Asset Quality



Source: Bank Negara Malaysia

- Overall gross impaired loans ratio declined marginally to 1.6% (August: 1.7%), driven by selected sectors in the business segment.
- Banks continue to facilitate repayment assistance for viable borrowers facing temporary financial difficulties.
- Banks also continue to set aside additional provisions against potential credit losses, which currently stand at 1.9% of total banking system loans.