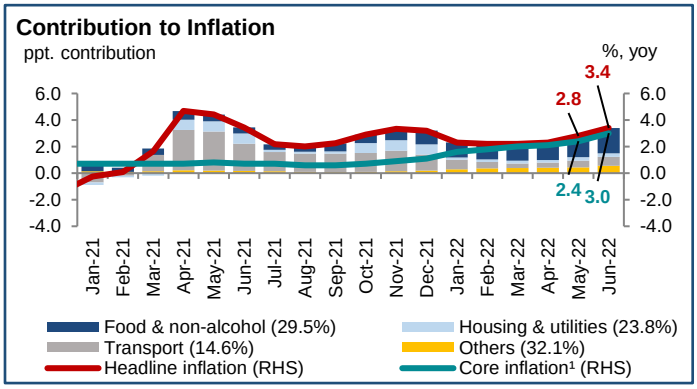
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
June 2022

Headline inflation increased to 3.4% in June

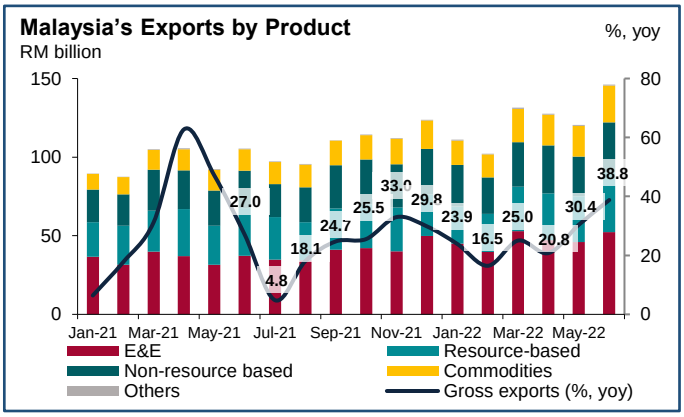


[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

Source: Department of Statistics Malaysia (DOSM), Bank Negara Malaysia estimates

- Headline inflation increased to 3.4% (May: 2.8%), mainly reflecting the higher core inflation (3.0%; May: 2.4%). The rise was contributed mainly by higher inflation for food away from home, expenditure in restaurant and cafe, and repair and maintenance for personal transport.
- The relatively sharp increase reflected higher price pressures amid the ongoing military conflict in Ukraine, adverse weather conditions in key food-exporting countries, stronger US dollar and improving domestic demand.
- Nevertheless, headline inflation is projected to remain within the 2.2% to 3.2% forecast range for the year.

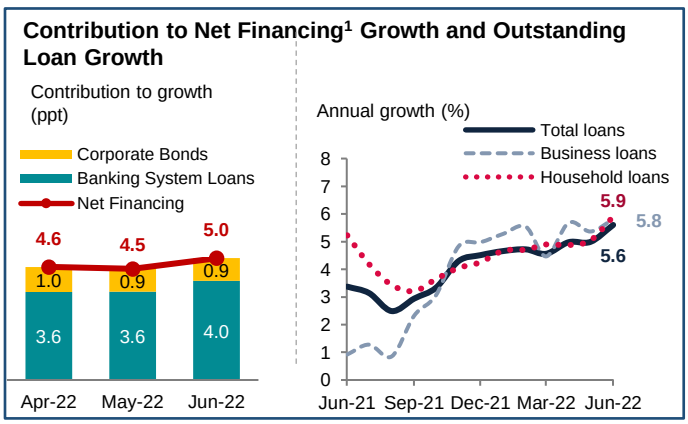
Robust export growth in June



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

- Exports registered a robust growth of 38.8% (May: 30.4%) to RM146.2 billion, which is the highest level of exports on record.
- This reflects continued strength across Malaysia's export products, driven by strong global demand for manufactured exports and high commodity prices.
- Moving forward, export growth is expected to remain supported by continued external demand for semiconductors, albeit at a moderating pace due to slower global growth.

Higher expansion in net financing



[1] Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)) and outstanding corporate bonds.

[2] Numbers may not add up due to rounding.

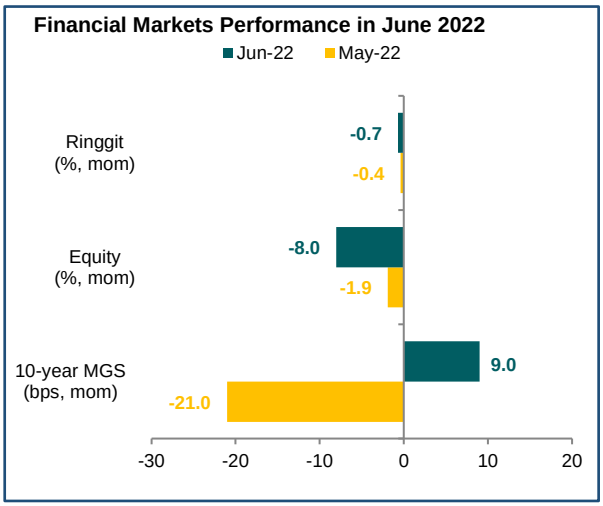
Source: Bank Negara Malaysia

- Net financing grew by 5.0% (May: 4.5%) driven by higher growth in outstanding loans (5.6%; May: 5.0%) while outstanding corporate bond growth remained unchanged at 3.4%.
- Outstanding household loan growth increased across all loan purposes (5.9%; May: 5.0%) reflecting higher growth in loan disbursements, especially for cars and houses.
- For businesses, outstanding loans grew at 5.8% (May: 5.4%), as growth in loan disbursements (23.0%; May: 20.8%) outpaced that of repayments (20.0%; May: 23.6%). By sector, the higher outstanding loan growth reflected stronger growth in wholesale and retail trade, and transport, storage and communication.

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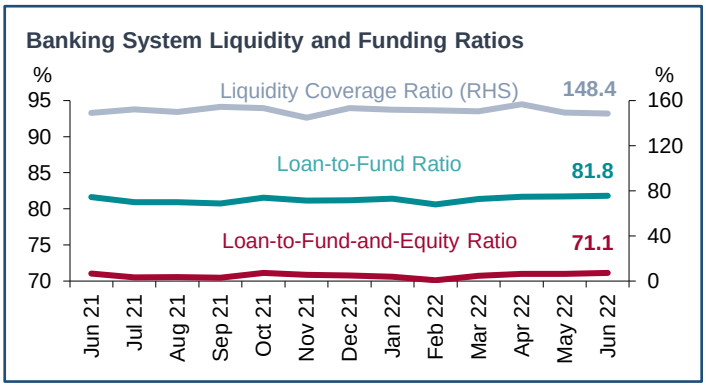
Domestic financial market conditions tightened following the sharp rise in US interest rates



Source: Bank Negara Malaysia, Bursa Malaysia

- In June, global financial market conditions tightened following the 75-bps hike (largest since 1994) in the US federal funds rate, amid elevated US inflationary pressures. This had subsequently raised concerns on the US and global economic growth outlook.
- Adjustments in the domestic financial markets remained orderly amid positive economic recovery prospects.
  - Amid foreign portfolio outflows from the domestic bond market, 10-year MGS yields rose by 9.0 bps, a smaller increase compared to regional bond yields (average: 21.5 bps).
  - The ringgit depreciated by 0.7% (regional average: -3.1%) in June amid broad US dollar strength, while the FBM KLCI declined by 8.0% (regional average: -7.1%).

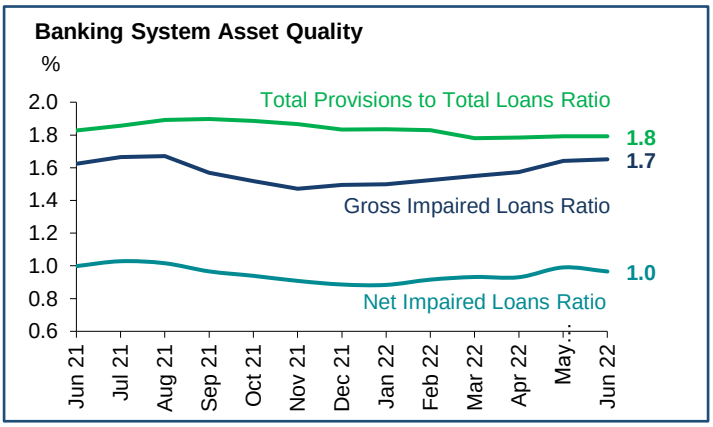
Banks' liquidity and funding positions remain supportive of intermediation activities



Source: Bank Negara Malaysia

- The banking system continued to record healthy liquidity positions, with the aggregate Liquidity Coverage Ratio at 148.4%.
- Banks' funding sources remained stable and supportive of credit intermediation in the economy amid sustained growth in deposits.
- Loan-to-fund ratio remained stable at 81.8%.

Asset quality in the banking system remained intact



Source: Bank Negara Malaysia

- Overall gross impaired loans ratio increased slightly to 1.7% (May-22: 1.6%), but net impaired loans ratios remained broadly unchanged at 1.0%.
- Banks continued to be prudent in loan provisioning to buffer against potential credit losses, with total provisions and regulatory reserves amounting to RM 41.1 billion (May-22: RM 40.7 billion).
- Total provisions stood at 1.8% as a share of total banking system loans and 108.5% of impaired loans.

BANK NEGARA MALAYSIA
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Bank Negara Malaysia
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