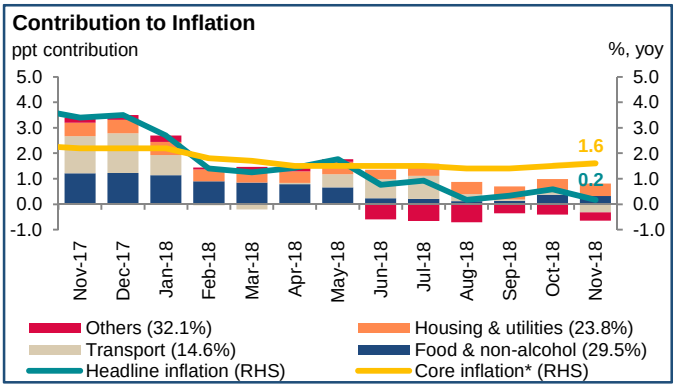
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
November 2018

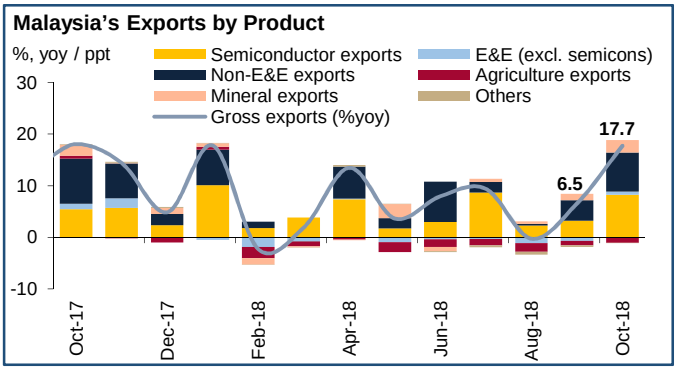
Inflation declined in November 2018



- Headline inflation declined to 0.2% in November (October: 0.6%) due mainly to *transport* inflation which reflected the base effect.
- Excluding the impact of changes in consumption tax, core inflation remained broadly stable at 1.6% (October: 1.5%).

*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

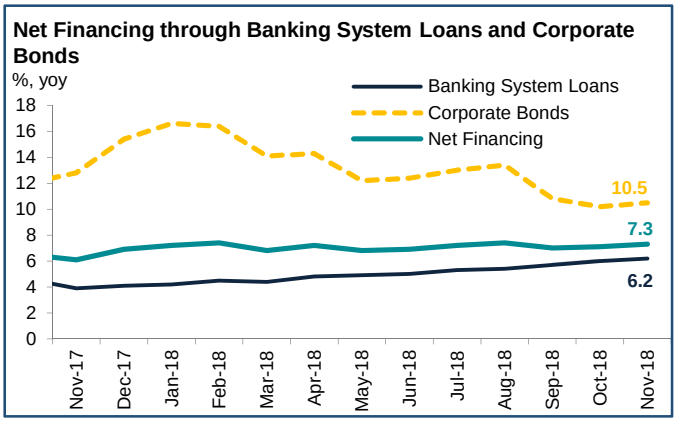
Strong export growth in October 2018



- Export growth accelerated to 17.7% in October due to strong growth in manufactured and commodity exports.
- Going forward, export growth is expected to register more moderate growth in line with lower global trade activity and normalisation in re-exports.

Source: Department of Statistics, Malaysia and MATRADE

Net financing growth continued to support economic activity



- Net financing[1] growth increased slightly to 7.3% in November (October: 7.1%) due mainly to higher growth in outstanding banking system loans of 6.2% (October: 6.0%).
- Business financing remained strong, with a higher outstanding loan growth of 6.3% (October: 5.6%), driven mainly by the *wholesale and retail trade, restaurants and hotels; construction;* and *manufacturing* sectors. Growth in outstanding corporate bonds remained healthy at 10.5% (October: 10.2%).
- Growth in household loans moderated slightly to 5.7% (October: 5.9%).

[1] Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.
Source: Bank Negara Malaysia

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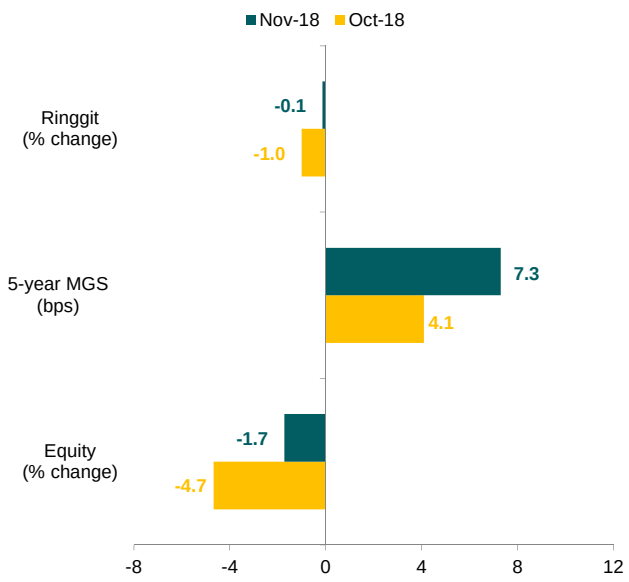
Monthly Highlights
November 2018

Domestic financial markets remained orderly amid continued portfolio outflows

Financial Markets Performance

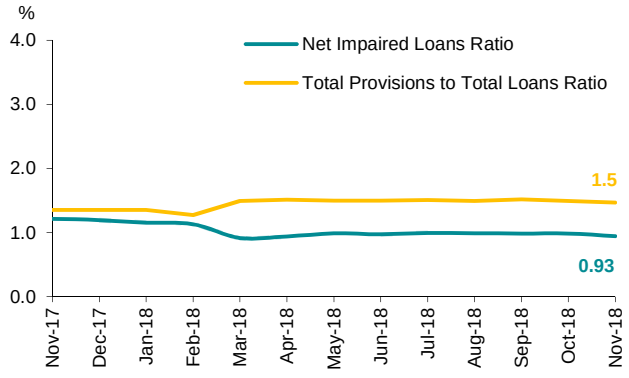


Source: Bank Negara Malaysia, Bursa Malaysia

- In November, domestic financial markets continued to record non-resident portfolio outflows, due mainly to uncertainties surrounding external developments.
  - The ringgit depreciated by 0.1% amid non-resident portfolio outflows. The outflows were driven mainly by risk-off investor sentiments due to concerns over escalating global trade tensions and expectations over future US interest rate hikes.
  - The FBM KLCI declined by 1.7% due to non-resident outflows of RM0.7 billion, as investors remained cautious amid continued volatility in global equity markets and the decline in crude oil prices.
  - The 5-year MGS yield remained stable amid non-resident outflows of RM5.4 billion, increasing slightly by 7.3 basis points. The impact of outflows remained contained due to active buying by domestic institutional investors.

Banking system asset quality remains sound

Banking System: Asset Quality



Source: Bank Negara Malaysia

- Marginal improvement in banks' asset quality. However, net impaired loans ratio remained unchanged at 0.9%.
- Banks continued to maintain sufficient buffers against potential credit losses with total provisions to total loans ratio sustained at 1.5%.

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MONTHLY HIGHLIGHTS – NOVEMBER 2018

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sectors. Growth in outstanding corporate bonds remained healthy at 10.5% (October: 10.2%).

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Bank Negara Malaysia
31 December 2018

Diterbitkan oleh:
Jabatan Komunikasi Strategik, Tingkat 14, Blok B, Bangunan Bank Negara Malaysia,
Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
Telefon: +60(3) 2698 8044 Faksimili: +60(3) 2693 6919
Web: www.bnm.gov.my