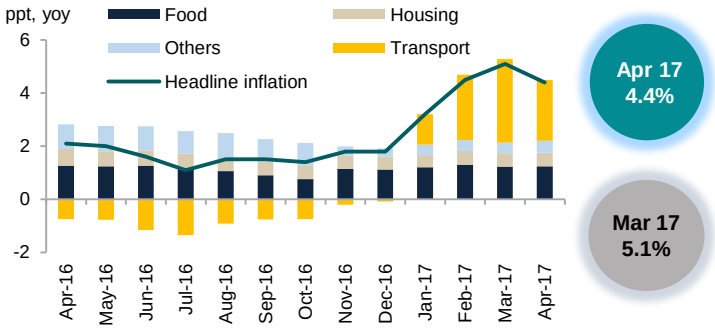
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
April 2017

Inflation trended lower in April 2017

Contribution to Headline Inflation

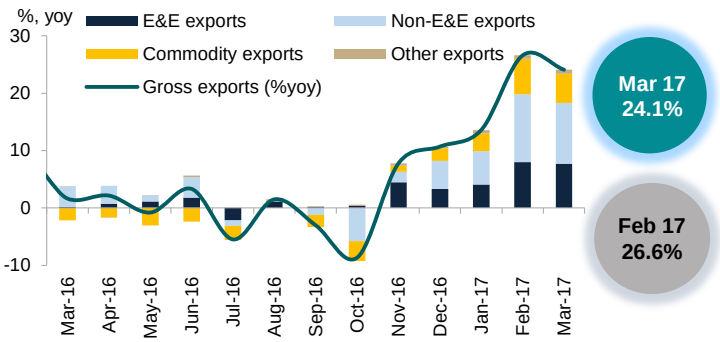


Source: Bank Negara Malaysia

- Headline inflation declined to 4.4% (March: 5.1%), as domestic fuel prices were lower during the month (RON95 petrol prices averaged RM2.13 per litre during the month compared to RM2.30 in the previous month).
- During the month, core inflation remained unchanged at 2.5%.

Robust growth in all export categories

Malaysia's Exports by Product

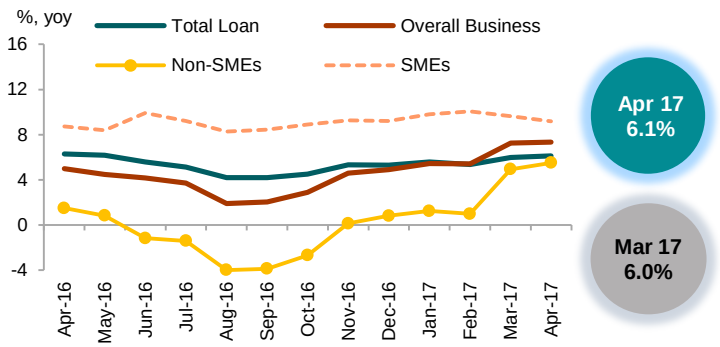


Source: MATRADE

- Exports recorded a robust growth of 24.1% in March 2017. Manufactured export growth continued to be driven by semiconductor devices and petroleum products. Commodity exports also increased, supported by prices and demand for crude oil, LNG and rubber.
- Going forward, exports will continue to be supported by the improvement in global demand.

Higher total loan growth driven by loans to businesses

Outstanding Banking System Loans (Annual Growth)



Note: For total business loans, 50.6% is non-SMEs and 49.4% is SMEs.
Source: Bank Negara Malaysia

- Outstanding total loan growth increased to 6.1% in April 2017 (Mar 2017: 6.0%), primarily driven by higher growth of loans to businesses other than SMEs (Apr 17: 5.5%; Mar 17: 4.9%). Higher business loan growth was supported by working capital financing.
- Going forward, business loan growth is expected to be underpinned by domestic investment, particularly in the manufacturing and services sectors.

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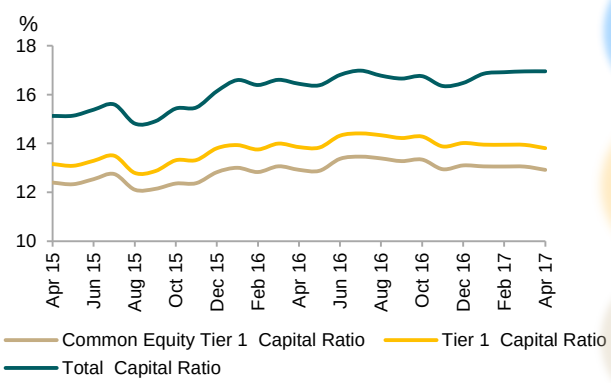
Banking system capitalisation remained strong

Capital Adequacy Ratios



Apr 17 17.0%

Apr 17 13.8%

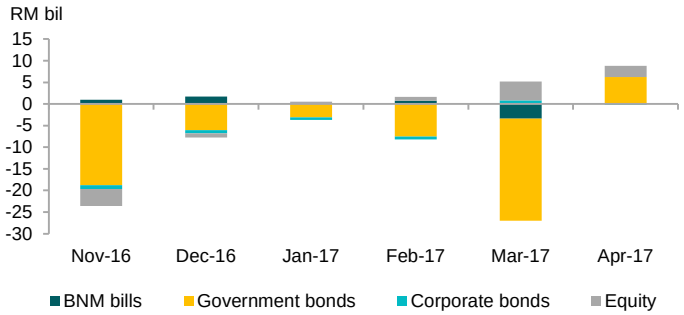
Apr 17 12.9%

Source: Bank Negara Malaysia

- Financial institutions are well-positioned to withstand any adverse macroeconomic and financial shocks, with capital buffers of RM132.5 billion as at April 2017.
- More than 75% of total capital continued to be represented by high quality loss absorbing capital in the form of equity, retained earnings and reserves.

Domestic financial market conditions remained orderly

Non-Resident Portfolio Flows by Instrument

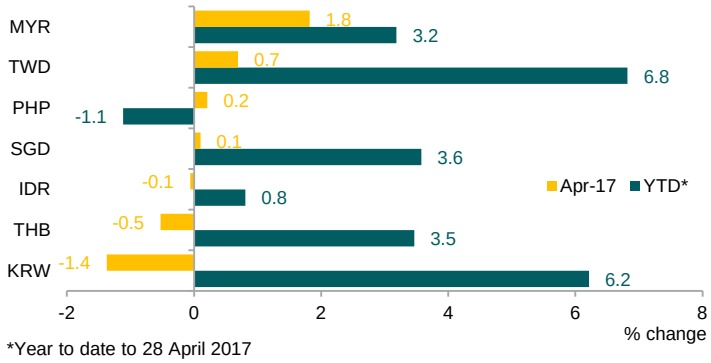


Note: Government bonds include Malaysian Government Securities (MGS), Government Investment Issues (GII) and Sukuk Perumahan Kerajaan (SPK)
Source: Bank Negara Malaysia, Bursa Malaysia

- The equity market continued to receive non-resident inflows amid improved domestic sentiments following better-than-expected corporate earnings.
- Optimism about the Malaysian economy, given the improving current account surplus and trade outlook resulted in a resumption of non-resident inflows into the domestic bond market during the month. Bond yields also declined amid continued support from domestic institutional investors.

The ringgit was the best performer in the region in April

Selected Currencies Performance against US Dollar



*Year to date to 28 April 2017
Source: Bank Negara Malaysia

- The ringgit appreciated by 1.8% against the US dollar in April following inflows into both the bond and equity markets.
- The ringgit was supported by the announcement of measures by the Financial Markets Committee, specifically to enhance liquidity in the bond market and allow for greater hedging flexibility in the onshore market.

Key Monetary and Financial Statistics

		Feb 17		Mar 17		Apr 17	
		O/stg (RM bil)	Ann. growth (%)	O/stg (RM bil)	Ann. growth (%)	O/stg (RM bil)	Ann. growth (%)
Interest Rates at end-period [average for the month]							
Overnight Policy Rate (OPR)		3.00		3.00		3.00	
Interbank:	Overnight	3.00 [3.00]		3.00 [3.00]		3.00 [3.00]	
	1-week	3.03 [3.03]		3.04 [3.04]		3.02 [3.02]	
	1-month	3.08 [3.10]		3.08 [3.09]		3.08 [3.09]	
	3-month	3.49 [3.44]		3.38 [3.32]		3.43 [3.43]	
Fixed deposits of commercial banks:	1-month	2.87		2.87		2.87	
	3-month	2.92		2.92		2.93	
BLR of commercial banks		6.66		6.66		6.65	
Weighted Base Rate [6]		3.62		3.62		3.61	
Weighted ALR of commercial banks		5.21		5.20		5.19	
Banking System							
Net financing[1]		2,194.3	5.4	2,222.0	6.8	2,228.6	7.1
Loan to deposit ratio (%) [2]		88.4		88.8		88.8	
Loan to fund ratio (%) [2&3]		83.1		82.8		82.8	
Loan to fund and equity ratio (%) [2,3&4]		74.0		74.0		74.1	
Loans outstanding in RM billion		1,527.3	5.3	1,536.0	6.0	1,536.3	6.1
Loans applied (during the period)		61.2	21.2	76.6	6.4	64.7	0.6
Loans approved (during the period)		26.1	17.4	35.9	28.9	27.2	0.3
Loans disbursed (during the period)		80.5	3.3	106.5	15.6	83.4	2.5
Loans repaid (during the period)		85.4	7.1	101.9	10.4	86.6	1.3
Monetary Aggregates							
Reserve money		139.8	4.7	139.4	7.2	141.5	6.3
M1		387.6	5.6	386.8	9.2	387.0	11.0
M2		1,664.2	4.3	1,670.6	4.6	1,666.8	4.6
M3		1,668.7	4.1	1,676.0	4.5	1,672.6	4.4
Banking System Health							
Total capital ratio (%) [5]		16.9		17.0		17.0	
Tier 1 capital ratio (%) [5]		13.9		13.9		13.8	
Common equity tier 1 capital ratio (%) [5]		13.1		13.1		12.9	
Net impaired loans ratio (%)		1.2		1.2		1.3	
BNM International Reserves (end-period)							
Net Reserves in RM billion		426.2		422.1		425.1	
Net Reserves in USD billion (equivalent)		95.0		95.4		96.1	
Months of retained imports		8.5		8.2		7.9	
Prices							
Consumer Price Index (CPI) (2010=100), (%)		4.5		5.1		4.4	

[1] Comprises banking system and development financial institutions (DFI) loans outstanding and corporate bond outstanding (excludes non-resident and Cagamas issuances)

[2] Deposits exclude deposits accepted from banking institutions. Loans exclude loans sold to Cagamas and loans extended to banking institutions. Beginning July 2015, loans exclude financing funded by Islamic Investment accounts

[3] Funds comprise deposits and all debt instruments (including subordinated debt, debt certificates/ sukuk issued, commercial paper and structured notes)

[4] Equity comprises ordinary and preferred shares, share premium and retained earnings

[5] Beginning January 2013, capital components are reported based on Basel III Capital Adequacy Framework

[6] On 2 January 2015, the Base Rate (BR) replaced the Base Lending Rate (BLR) as the main reference rate for new retail floating-rate loans and financing facilities. Weights are based on individuals banks' share of all outstanding floating-rate loans

Source: Bank Negara Malaysia

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BANK NEGARA MALAYSIA
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SIARAN AKHBAR

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