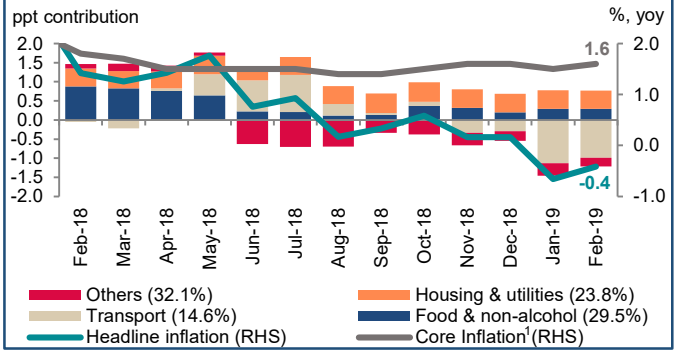
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
February 2019

Low domestic fuel prices resulted in negative headline inflation

Contribution to Inflation



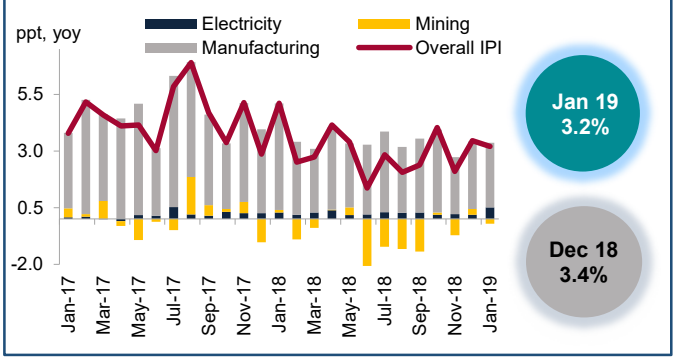
[1]Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

Source: Department of Statistics Malaysia (DOSM)

- Headline inflation recorded a smaller negative of -0.4% during the month (January: -0.7%). Transport inflation remained negative, but its negative contribution to inflation was smaller with the increase in global oil price in February.
- Food inflation remained stable at 1.0% (January: 1.0%). The higher inflation for food away from home was offset by the lower inflation for some fresh food items.
- Excluding the impact of the changes in the consumption tax policy, core inflation rose to 1.6% in February 2019 (January: 1.5%).

Overall IPI grew by 3.2% in January 2019

Contribution to Overall IPI

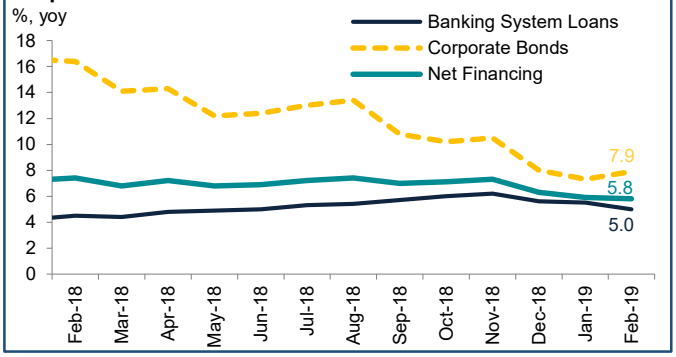


Source: Department of Statistics Malaysia (DOSM)

- The latest overall Industrial Production Index (IPI) recorded a slightly lower growth rate of 3.2% y-o-y in Jan-19 (Dec-18: 3.4%).
- The manufacturing sector growth moderated to 4.2% in January 2019 from 4.4% in the previous month, due to weaker production of electronics, in line with other countries that are part of the E&E global value chain. Notably, primary-related production recorded a strong recovery due to better output of palm oil based products.

Net financing continued to expand

Net Financing through Banking System Loans and Corporate Bonds



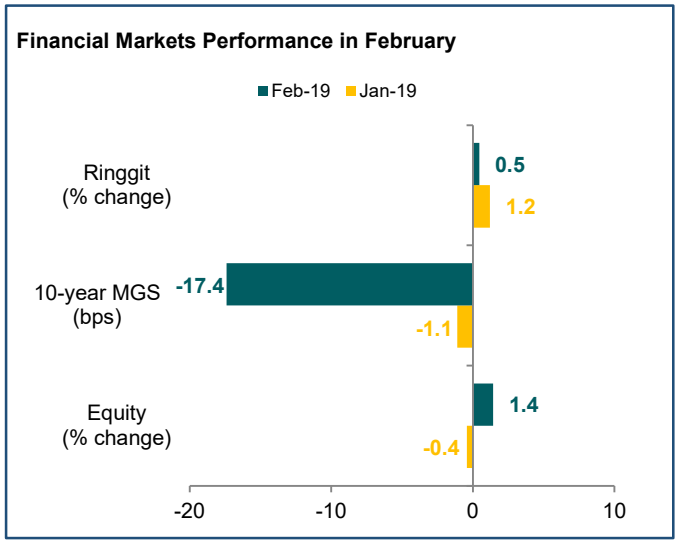
[1] Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.

Source: Bank Negara Malaysia

- Net financing[1] recorded an annual growth of 5.8% in February (January: 5.9%). Outstanding corporate bond growth increased to 7.9% in February (January: 7.3%) while the growth in outstanding loans moderated to 5.0% during the month (January 2019: 5.5%).
- Outstanding business loan growth moderated to 4.3% in February (January: 4.8%), mainly in the mining and quarrying; real estate; and primary agriculture sectors.
- Outstanding household loans expanded by 5.2% (January: 5.5%), amid marginal moderation across loan purposes.

Monthly Highlights
February 2019

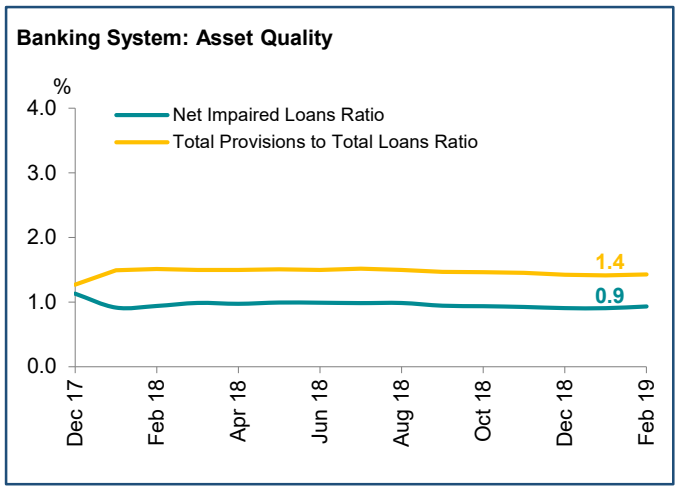
Domestic financial markets improved amid positive investor sentiments



Source: Bank Negara Malaysia, Bursa Malaysia

- The ringgit appreciated by 0.5% against the US dollar in February, supported by non-resident portfolio inflows to the bond market. This was in line with the regional trend and was driven by improved global investor risk appetite.
- The 10-year MGS yield declined by 17.4 basis points, driven by non-resident inflows of RM5.7 billion into the Government bond market during the month.
- The FBM KLCI increased by 1.4%, supported by improved domestic sentiments in the construction sector and extension of trade talks between the US and PR China.

Banking system asset quality remains healthy



Source: Bank Negara Malaysia

- Overall gross impaired loans edged slightly higher, contributed by several distressed corporate borrowers. Nevertheless, banks' net impaired loans ratio stood stable at 0.9%.
- In addition, banks continued to maintain sufficient buffers against potential credit losses with total provisions to total loans ratio sustained at 1.4%.

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MONTHLY HIGHLIGHTS – FEBRUARY 2019

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Net financing continued to expand

- Net financing[2] recorded an annual growth of 5.8% in February (January: 5.9%). Outstanding corporate bond growth increased to 7.9% in February (January:

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Bank Negara Malaysia
29 March 2019

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