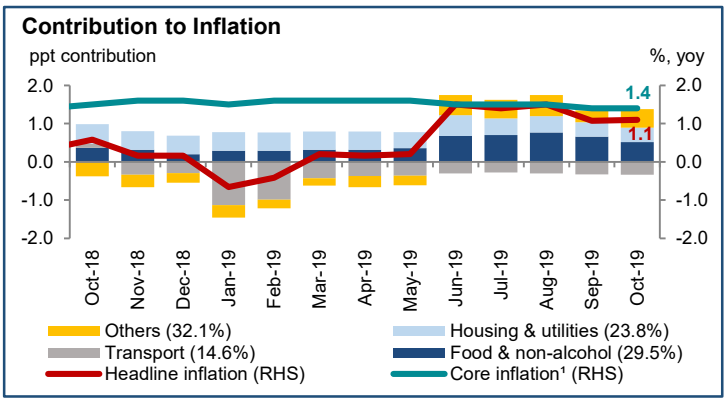
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
October 2019

Headline inflation was stable in October

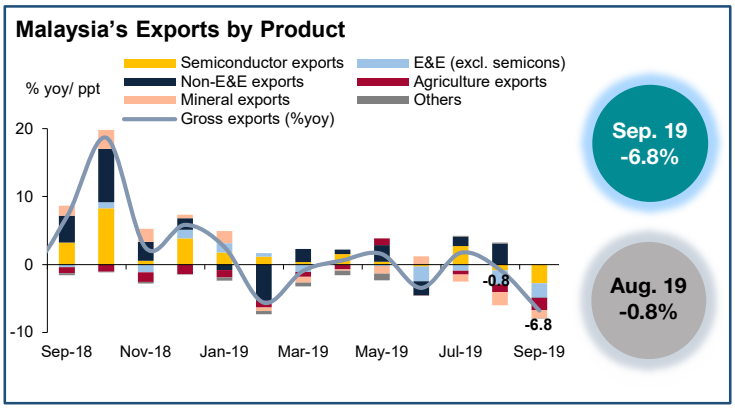


- Headline inflation was stable at 1.1% in October.
- Across categories, the decline in food and non-alcoholic beverages inflation (October: 1.8%; September: 2.2%) was offset by the increase in communication inflation (October: 1.5%; September: -0.1%).
- Core inflation was steady at 1.4%.

[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

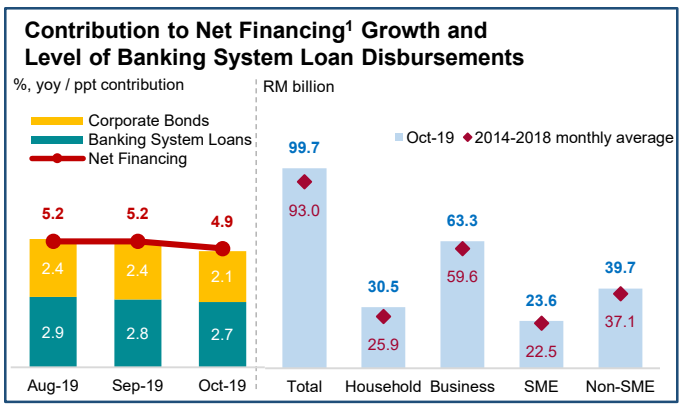
Exports declined in September



- Exports contracted by 6.8% in September (August: -0.8%) due to declines in both manufactured and commodities exports.
- Going forward, exports will continue to be affected by slower global demand. Nonetheless, this will be partly mitigated by Malaysia's well-diversified export base.

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

Continued expansion in net financing



- Net financing[1] expanded at a pace of 4.9% in October (September: 5.2%), amid lower growth in outstanding corporate bonds (October: 8.1%, September: 9.0%). Outstanding loans grew by 3.7% (September: 3.8%), mainly due to lower growth in business loans.
- Total loans disbursed by the banking system remained higher than the historical monthly average (October: RM99.7 billion, September: RM99.5 billion).

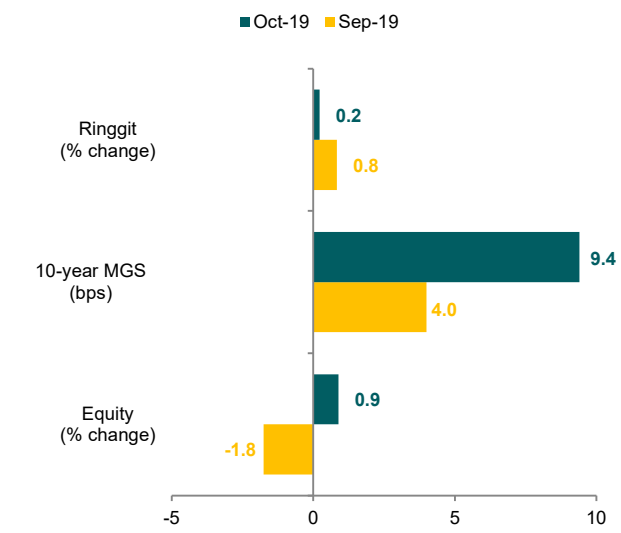
[1] Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.

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Monthly Highlights
October 2019

Performance of domestic financial markets in October was mixed

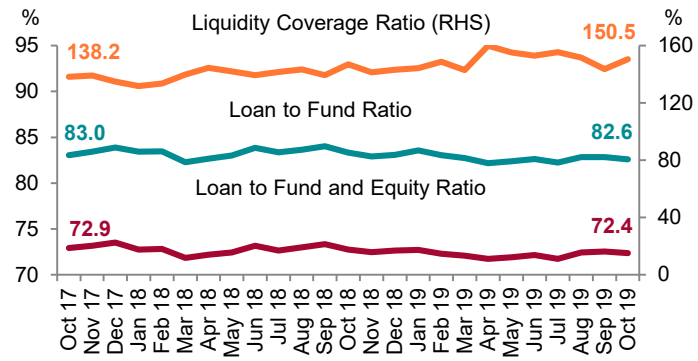
Financial Markets Performance in October



- In October, investors' risk-appetite in global financial markets improved following signs of optimism in global trade negotiations between the US and PR China, as well as the Brexit deal.
- As a result, the ringgit appreciated by 0.2% against the US dollar in October, in line with all regional currencies. The FBM KLCI also recovered and recorded a 0.9% increase for the month amid strong domestic buying.
- The improved sentiments also led to a rebalancing of portfolio from lower-yielding financial assets, such as sovereign bonds, towards riskier asset classes. As such, the increase in 10-year MGS yield was in line with trends seen in most regional bond markets.

Banks maintain sufficient liquidity to support intermediation and meet exigent needs

Banking System Liquidity and Funding Ratios



Source: Bank Negara Malaysia

- Banking system liquidity coverage ratio (LCR) stood high at 150.5%[1] in Oct (Sep-19: 143.6%).
- Funding profile of the banks remained stable. The loan to fund ratio and the loan to fund and equity ratio stood at 82.6% and 72.4%, respectively.

[1] The Basel III LCR has been phased in since June 2015, with initial compliance set at 60% and progressive increments of 10% each year until 100% with effect from 2019. As of 1 January 2019, the minimum requirement is set at 100%.

BANK NEGARA MALAYSIA
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SIARAN AKHBAR

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MONTHLY HIGHLIGHTS – OCTOBER 2019

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Bank Negara Malaysia
29 November 2019

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