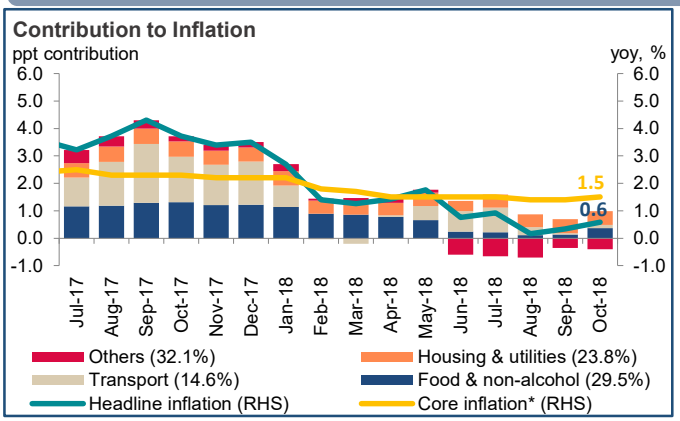
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
October 2018

Inflation increased in October 2018

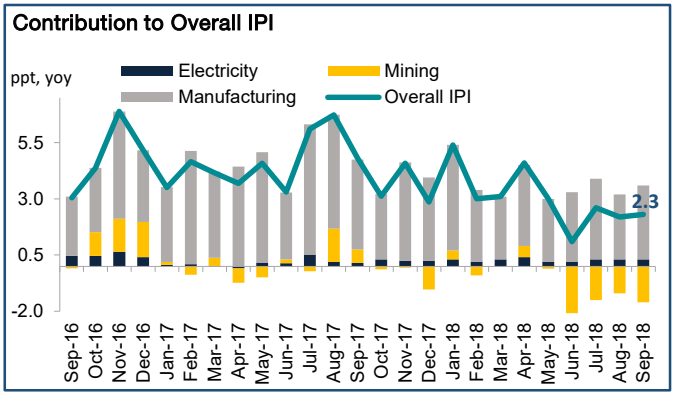


*Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of the changes in tax policy

Source: Department of Statistics, Malaysia and staff estimates

- Headline inflation increased to 0.6% in October (September: 0.3%), due to higher *food* and *transport* inflation.
- The higher *food* inflation mainly reflected higher prices of fresh vegetables, while the higher *transport* inflation reflected the base effect in the RON95 petrol price and higher RON97 petrol price during the month.
- Excluding the impact of the changes in the consumption tax policy, core inflation remained broadly stable at 1.5% in October (September: 1.4%).

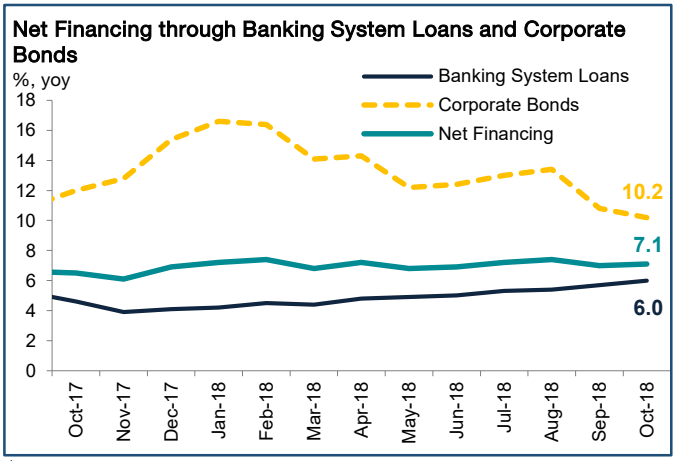
Overall IPI growth sustained in September 2018



Source: Department of Statistics, Malaysia

- The overall industrial production index (IPI) increased by 2.3% in September (August: 2.2%), amid stronger growth in the manufacturing and electricity sub-sectors. Mining output recorded a sharper contraction due to weakness in the production of both crude petroleum and natural gas.
- The higher growth in the manufacturing sector (4.8%; August: 4.3%) was mainly due to stronger performance in the production of E&E products.

Net financing growth continued to support economic activity



[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] growth was sustained at 7.1% in October (September: 7.0%) due mainly to higher growth in outstanding banking system loans of 6.0% (September: 5.7%).
- Business financing remained strong, with a higher total business loan growth of 5.6% in October (September: 4.5%) on account of higher growth of loans to non-SMEs of 10.5% (September: 7.0%). The growth of net outstanding issuances of corporate bonds remained healthy at 10.2% (September: 10.8%).
- Household loan growth was sustained at 5.9% (September: 6.0%).

Monthly Highlights
October 2018

Domestic financial markets continued to be affected by external developments

Financial Markets Performance

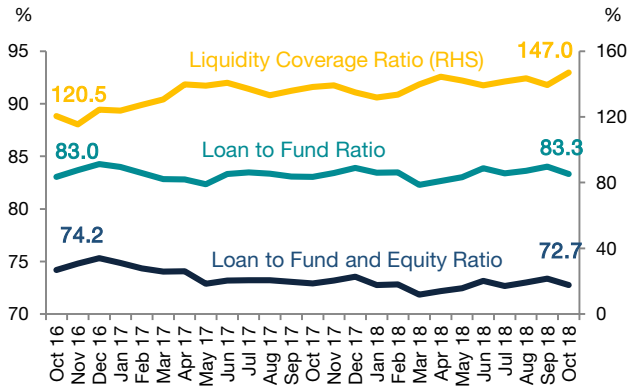


Source: Bank Negara Malaysia, Bursa Malaysia

- The domestic financial markets experienced non-resident portfolio outflows in October, due mainly to external developments.
  - The ringgit depreciated by 1.0% amid sustained US dollar strength and non-resident portfolio outflows. Positive sentiments on the US dollar was driven mainly by releases of positive US economic data and signalling by the US Federal Reserve on further planned interest rate increases.
  - The FBM KLCI declined by 4.7%. Sentiments were affected by the sharp sell-offs in US equities following profit-taking ahead of US earnings announcements and concerns over tighter financing conditions in the corporate sector, as reflected by the higher US Treasury yields.
  - 5-year MGS yield remained stable, increasing by only 4.1 basis points during the month.

Banks maintain sufficient liquidity to support intermediation and meet exigent needs

Banking System Liquidity and Funding Ratios



- Banking system liquidity coverage ratio (LCR) stood at 147%, with all banks recording LCR levels above 100%, despite full implementation[1] only coming into effect on 1 January 2019.
- Funding profile of the banks was stable. The loan to fund ratio and the loan to fund and equity ratio stood at 83.3% and 72.7%, 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 2018, the minimum requirement is set at 90%.

Source: Bank Negara Malaysia

BANK NEGARA MALAYSIA
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MONTHLY HIGHLIGHTS – OCTOBER 2018

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Bank Negara Malaysia
30 November 2018

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