BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 08/17/19

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MONTHLY HIGHLIGHTS JULY 2017

Inflation declined further in July 2017

- Headline inflation declined further to 3.2% (June: 3.6%) driven mainly by lower fuel prices during the month. Prices of RON95 petrol averaged RM1.96 per litre in July compared to RM2.00 per litre in June.
- Inflation in the *food* and *non-alcoholic* beverages sub-category remained relatively stable at 4.2% (June: 4.3%).

Financial markets remained stable in July amid cautious market sentiments

- The Malaysian financial markets were relatively stable in July 2017 amid cautious market sentiments leading up to the FOMC meeting on 26 July 2017.
- Financial market participants also traded cautiously during the month amid uncertainties stemming from geopolitical tensions between the US and North Korea and concerns over US administration's ability to deliver its fiscal reforms.
- This resulted in marginal movements in the bond, equity, and ringgit markets.
    - Bond yields increased by 3.8 basis points amid non-resident outflows of RM1.5 billion.
    - The equity market and the ringgit exchange rate were relatively unchanged.

Banks' funding structure remained supportive of financing activity

- Banks continued to diversify funding sources to better manage currency and maturity mismatches.
- Reflective of banks' broader funding base, the loan-to-fund ratio stood at 83.5%.

- Banking system Liquidity Coverage Ratio (LCR) stood at 137.1%, well above the transitional[1] minimum regulatory requirement of 80%.

Broad-based upskilling of financial sector workforce

- Total employment by the financial sector was sustained at 165,044 persons in July 2017.
- High-skilled workers represented 74% and 83% of the banking and insurance/takaful sector workforce respectively, with this overall share increasing over the years.
- More than 90% of jobs created and job vacancies were similarly for high-skilled positions, providing the impetus for further upskilling of the workforce going forward.

Net financing growth moderated but remained supportive of economic activity

- The growth of net financing to the private sector moderated to 6.8% in July (June: 7.2%). Although the growth in net outstanding issuances of corporate bonds moderated, it remained supportive at 10.6% (June: 11.8%). Banking system outstanding loan growth was stable at 5.6% (June: 5.7%).
- Outstanding SME loan growth improved to 8.1% during the month (June: 7.6%), driven by the expansion in the *manufacturing*; *construction*; and *finance, insurance and business services* sectors.

Bank Negara Malaysia
30 August 2017

[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 2017, the minimum requirement is set at 80%.

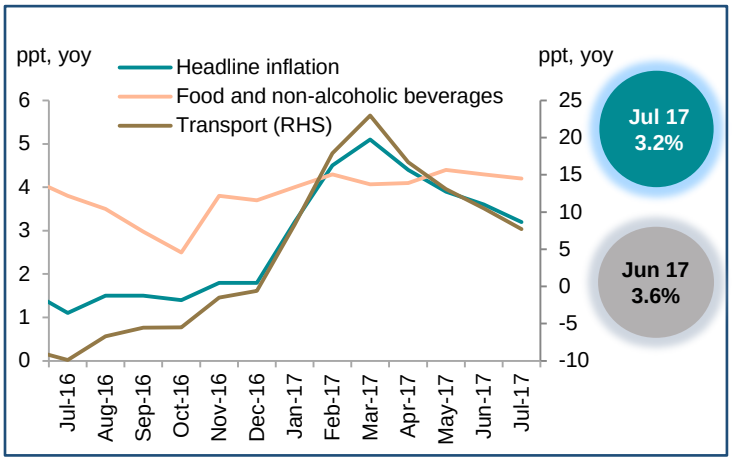
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Monthly Highlights
July 2017

Inflation declined further in July 2017

Contribution to Headline Inflation

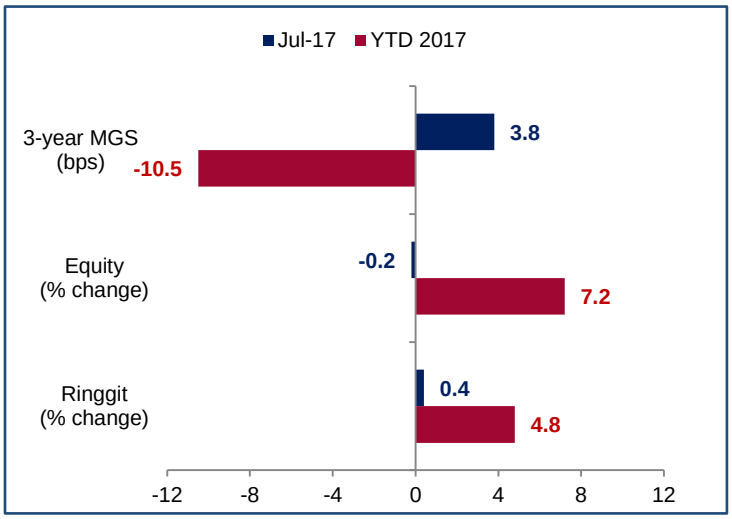


Source: Bank Negara Malaysia

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Financial markets remained stable in July amid cautious market sentiments

Financial Markets Performance in July



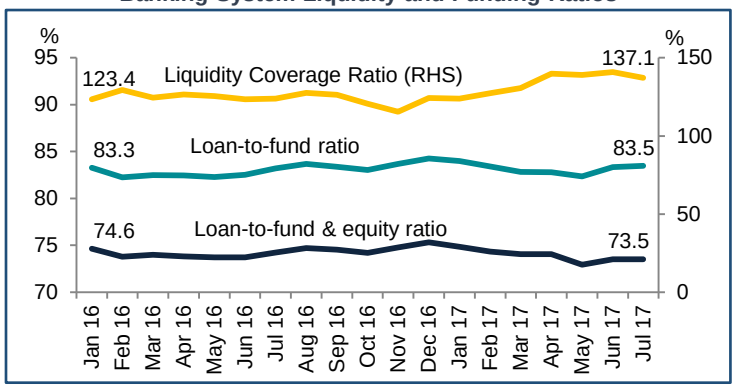
Source: Bank Negara Malaysia, Bursa Malaysia

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Monthly Highlights
July 2017

Banks' funding structure remained supportive of financing activity

Banking System Liquidity and Funding Ratios

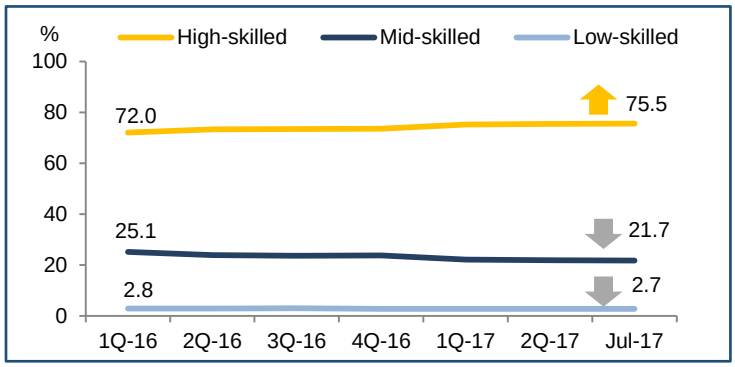


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Source: Bank Negara Malaysia

Broad-based upskilling of financial sector workforce

Employment in the Financial Sector[1] by Skills

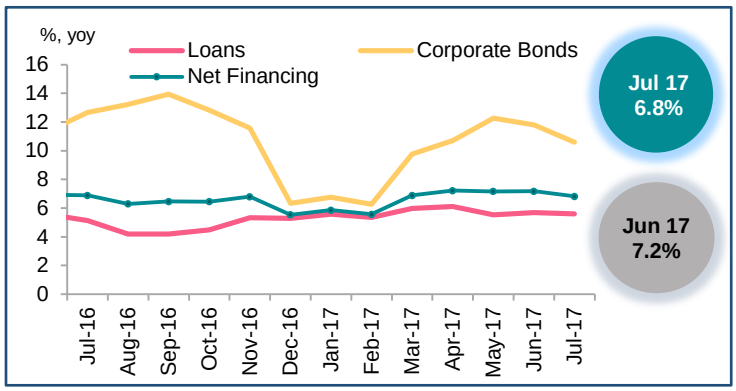


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[1] Covers Banking Institutions, Development Financial Institutions, Insurance Companies and Takaful Operators.
Source: Bank Negara Malaysia

Net financing growth moderated but remained supportive of economic activity

Net Financing through Banking System Loans and Corporate Bonds



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