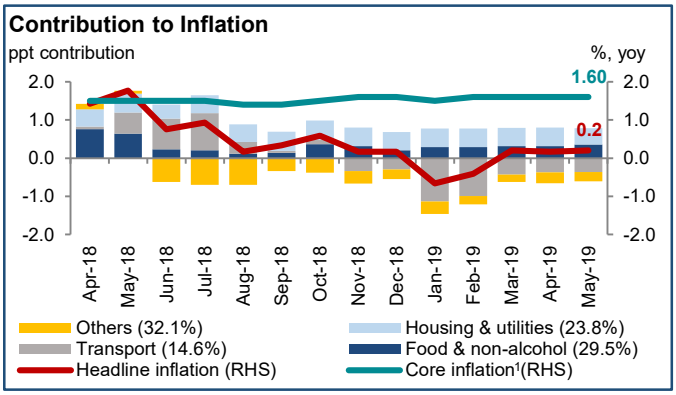
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
May 2019

Headline inflation remained unchanged in May 2019

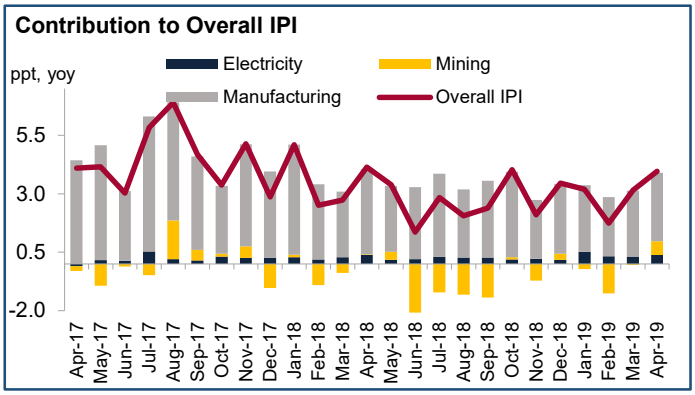


- Headline inflation was unchanged at 0.2% in May (April: 0.2%) amid continued negative contribution from transport inflation.
- Food inflation was relatively stable (May: 1.2%; April: 1.1%), with some fresh food items exhibiting higher inflation, mainly due to unfavourable weather conditions.
- Excluding the impact of the changes in the consumption tax policy, core inflation[1] was stable at 1.6%.

[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 staff estimates

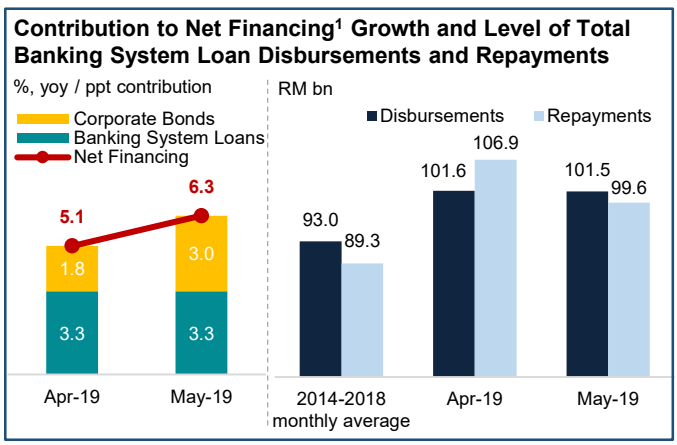
Overall IPI grew by 4.0% in April 2019



- The latest overall Industrial Production Index (IPI) recorded a higher annual growth rate of 4.0% in April (March: 3.1%) amid improvement across all sectors.
- The manufacturing sector recorded a higher growth of 4.3% in April (March: 4.1%) due to a broad-based improvement across most sub-sectors. In particular, improvement in the production of E&E products tracks similar rebound in other countries along the electronics global value chain such as Korea and Taiwan.

Source: Department of Statistics, Malaysia (DOSM)

Net financing continued to support economic activity



- Net financing[1] expanded by 6.3% in May (April: 5.1%), driven mainly by higher outstanding corporate bond growth (May: 11.1%; April: 6.8%) amid sustained growth in outstanding loans (May: 4.6%; April: 4.5%). Higher bond issuance in May was mainly in the finance, insurance, real estate and business services sector.
- Total loans disbursed by the banking system remained steady (May: RM101.5 bn; April: RM101.6 bn), significantly higher than the historical monthly average of RM93.0 bn. The positive trend is observed across both the business and household segments.
- Outstanding business loans grew by 3.4% (April: 3.2%), while outstanding household loan growth was stable at 5.3% (April: 5.2%).

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

Source: Bank Negara Malaysia

Monthly Highlights
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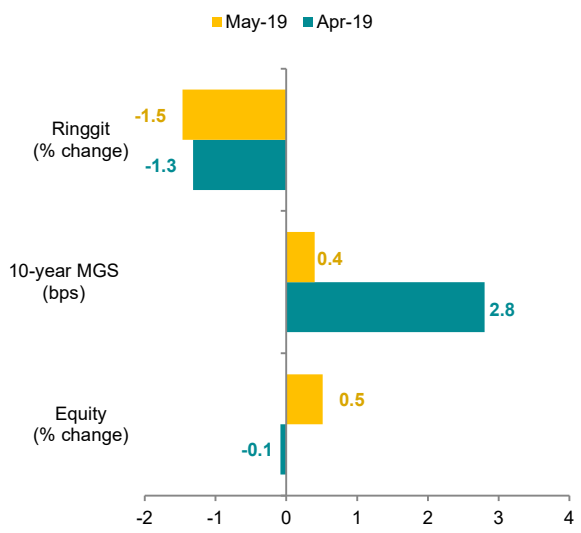
Domestic financial markets experienced mixed performance in May

Financial Markets Performance in May

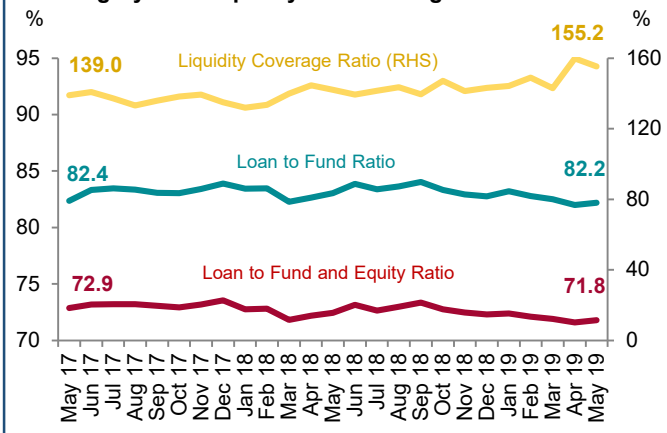


- The domestic financial markets experienced non-resident portfolio outflows, driven by cautious investor sentiments against the backdrop of escalating global trade tensions. As a result, the ringgit depreciated by 1.5% against the US dollar, in line with most regional currencies (between -0.5% to -2.2%), and the 10-year MGS yield increased marginally by 0.4 basis points.
- The FBM KLCI, however, gained 0.5%, driven by the strong corporate earnings performance across various sectors. Investor sentiments were also supported by upgrades to the outlook for the Malaysian equity market.

Source: Bank Negara Malaysia, Bursa Malaysia

Banks maintain sufficient liquidity to support intermediation and meet exigent needs

Banking System Liquidity and Funding Ratios



- Banking system liquidity remained ample, with liquidity coverage ratio (LCR) at 155.2%[1] in May (Apr-19: 159.9%). The recent slight decline was due to lower placements with BNM.
- Funding profile of the banks remained stable. The loan to fund ratio and the loan to fund and equity ratio stood at 82.2% and 71.8%, respectively.

Source: Bank Negara Malaysia

[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%.

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Bank Negara Malaysia
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