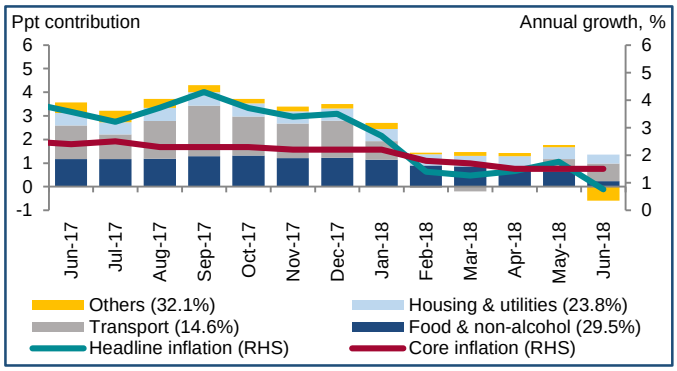
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
June 2018

Headline inflation declined to 0.8% in June 2018

Contribution to Inflation

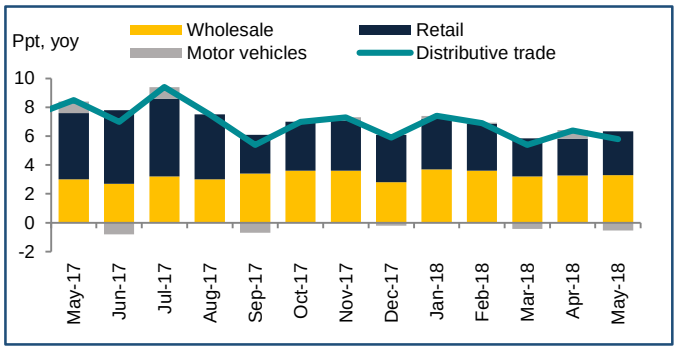


- The lower headline inflation (May 1.8%) was due mainly to the reduction in prices of goods and services following the zerorisation of the GST rate.
- The decline in inflation was broad-based, with 11 of the 12 categories registering lower inflation.
- Core inflation[1], which excludes the impact of zerorisation of GST, remained stable at 1.5% in June (May: 1.5%).

[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of the GST.
Source: Department of Statistics, Malaysia and staff estimates

IODT growth moderated in May due to decline in the motor vehicles segment

Contribution to Overall IODT

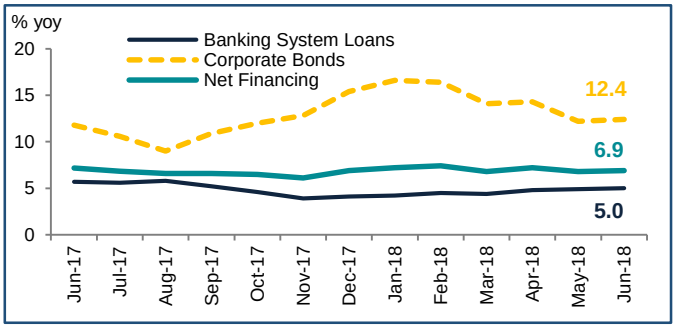


- The Index of Distributive Trade (IODT) growth moderated in May (5.8%, April: 6.4%), due mainly to a decline in the motor vehicles segment, as consumers delay purchases to benefit from the zerorisation of the GST rate which commenced on 1 June 2018.
- The wholesale and retail segments, however, improved amid continued strength in trade activity and better consumer sentiment.

Source: Department of Statistics, Malaysia

Net financing growth continued to support economic activity

Net Financing through Banking System Loans and Corporate Bonds



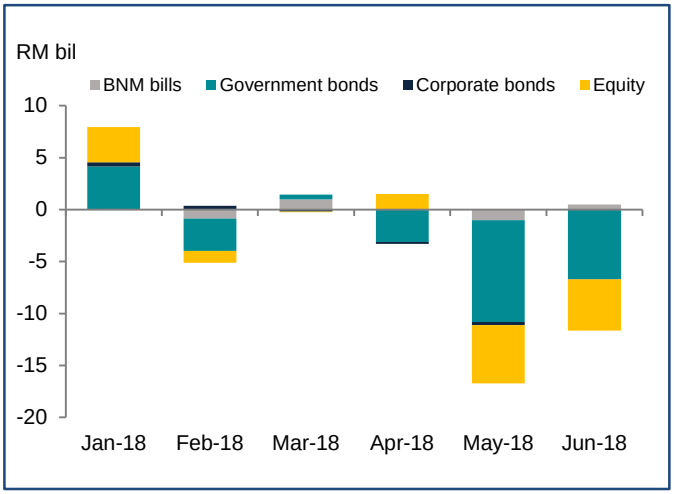
- Net financing[1] growth was sustained at 6.9% in June (May: 6.8%), supported by the steady growth in both outstanding corporate bonds (June: 12.4%; May: 12.2%) and outstanding banking system loans (June: 5.0%; May: 4.9%).
- The outstanding loan growth remained stable for both businesses (June: 3.0%; May: 3.2%) and households (June: 5.8%; May: 5.6%).
- The growth[2] of household loan applications and approvals for the purchase of passenger cars increased significantly in June to 15.3% and 21.9%, respectively, due mainly to higher demand for financing during the tax holiday period[3] (May: -2.9% and -2.5%, respectively).

[1] Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.
[2] 3-month moving average.
[3] The 1 June – 31 August 2018 period during which the GST was zerorised from 6%, and prior to the reinstatement of the Sales and Services Tax (SST) from September 2018.
Source: Bank Negara Malaysia

Monthly Highlights
June 2018

Financial markets faced continued non-resident outflows in June

Non-Resident Portfolio Flows

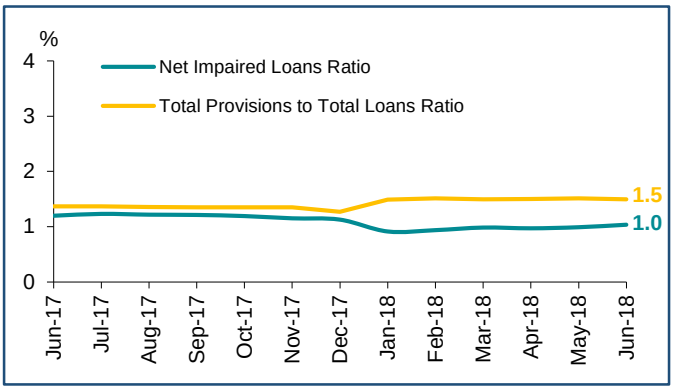


- In June, the domestic financial markets continued to experience non-resident outflows amid renewed trade war concerns and expectations of a faster pace of US monetary policy normalisation.
  - The FBM KLCI declined by 2.8% and the ringgit depreciated by 0.5% against the US dollar.
- The domestic bond market, however, was supported by strong demand by domestic institutional investors. During the month, MGS yields declined by between 0.4 to 8.8 basis points.

Source: Bank Negara Malaysia, Bursa Malaysia

Asset quality of the banking system remained sound

Banking System: Asset Quality



- In June 2018, the level of net impaired loans ratio and total provisions to total loans ratio remained unchanged at 1.0% and 1.5%, respectively.
- Given the stable credit condition and its benign outlook, the remaining impact of MFRS 9[1] on banks is expected to be manageable.

[1] Malaysian Financial Reporting Standards 9: Financial Instruments

Source: Bank Negara Malaysia, Bursa Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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MONTHLY HIGHLIGHTS – JUNE 2018

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- Given the stable credit condition and its benign outlook, the remaining impact of MFRS 9[5] on banks is expected to be manageable.

Bank Negara Malaysia
31 July 2018

[3] 3-month moving average.
[4] The 1 June – 31 August 2018 period during which the GST was zerorised from 6%, and prior to the reinstatement of the Sales and Services Tax (SST) from September 2018.
[5] Malaysian Financial Reporting Standards 9: Financial Instruments

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