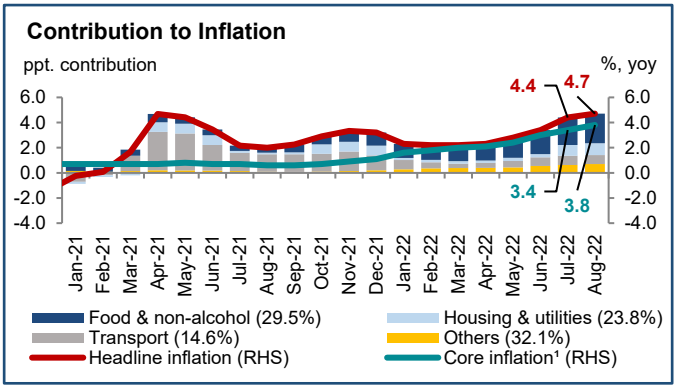
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
August 2022

Headline inflation increased to 4.7% in August

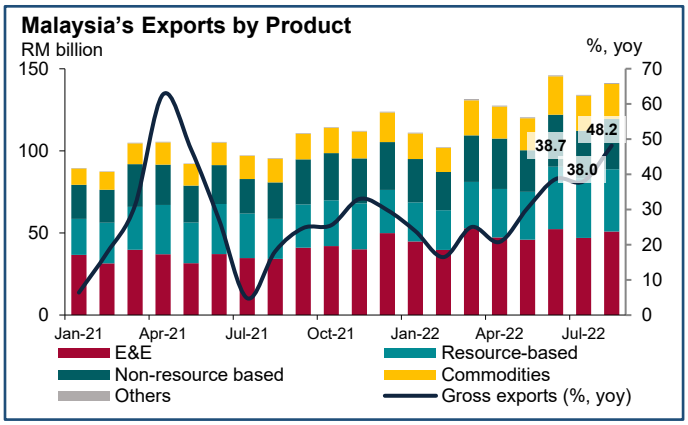


- Headline inflation increased to 4.7% in August (July: 4.4%), in line with market expectations.
- Core inflation increased to 3.8% during the month (July: 3.4%). The increase largely reflected higher prices for rental and food away from home.
- Notwithstanding the higher annual inflation, ten of the 12 main CPI categories registered moderating month-on-month increases.

[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 and Bank Negara Malaysia estimates

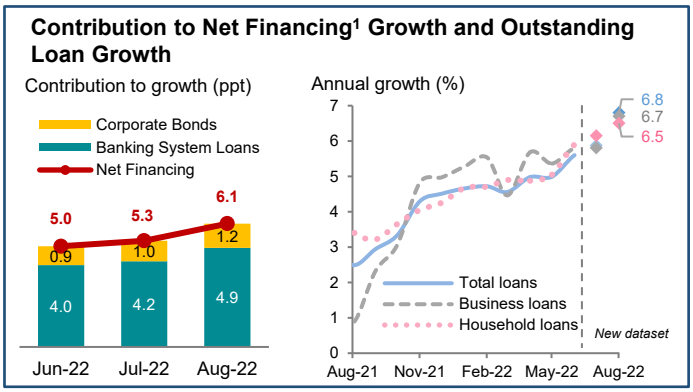
Robust export growth in August



- Exports registered a robust growth of 48.2% (July: 38%) in August 2022.
- Manufactured export growth was driven by E&E and petroleum products. Meanwhile, exports of commodities continued to be supported mainly by CPO, LNG and crude petroleum shipments.
- Moving forward, the moderation in global growth and lower commodity prices are expected to weigh on Malaysia's export growth. Malaysia's diversified exports across products and markets should help cushion this impact.

Source: Department of Statistics, Malaysia and MATRADE

Sustained net financing growth in August



- Net financing grew by 6.1% as at end-August (July: 5.3%), driven by higher growth in both outstanding loans (6.8%; July: 5.9%) and corporate bonds (4.3%; July: 3.7%).
- Outstanding household loans grew by 6.5% (July: 6.1%) amid steady growth across most purposes. Notably, loan disbursements growth reflected sustained growth in loan applications, particularly for the purchase of houses and cars.
- For businesses, growth in outstanding loans rose to 6.7% (July: 5.9%), mainly driven by the wholesale trade, manufacturing and utilities sectors. By segment, credit flows to SMEs remained particularly forthcoming, with outstanding loan growth higher at 7.5% (July: 6.6%).

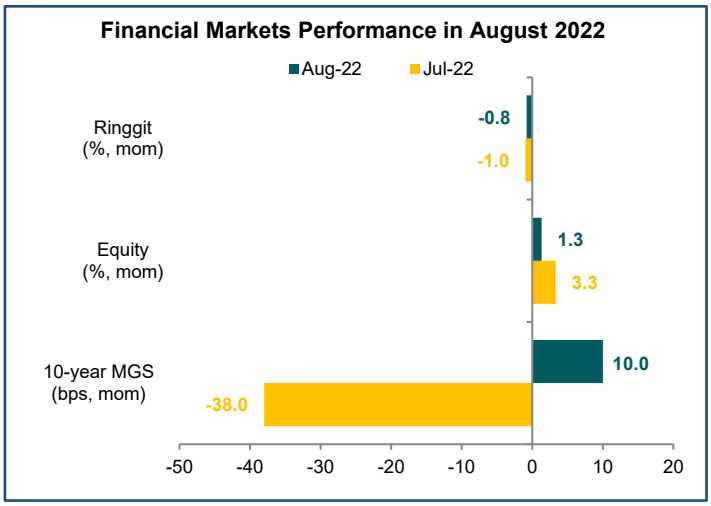
[1] Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)) and outstanding corporate bonds. Data from July 2022 onwards are based on the new set of loan/financing data reflecting the latest requirements. Figures may not add up due to rounding.

Source: Bank Negara Malaysia

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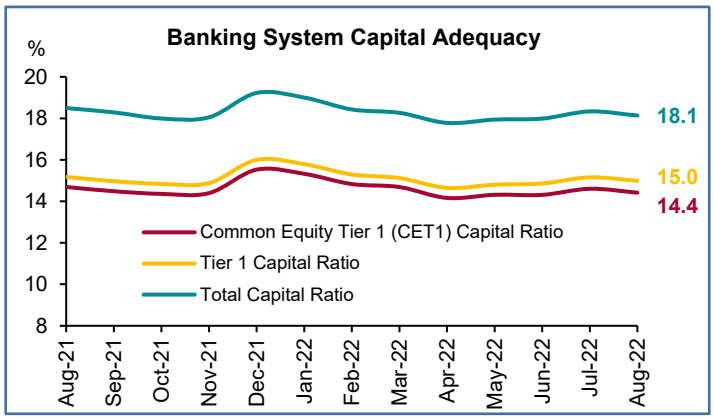
Domestic financial markets were supported by foreign portfolio inflows



Source: Bank Negara Malaysia, Bursa Malaysia
*Regional countries comprise Singapore, Thailand, Philippines, Indonesia and Korea

- In August, global financial conditions tightened as the US Federal Reserve reaffirmed its commitment to bring US inflation down despite lower US growth expectations. Domestic financial market adjustments remained orderly amid low FX volatility and sufficient trading volume.
- The 10-year MGS yield increased by 10.0 bps (regional* average: +11.7 bps) alongside the higher 10-year US Treasury bond yield (+45.4 bps).
- The ringgit depreciated by 0.8% (regional* average: -1.3%) amid continued strong US dollar environment, while the FBM KLCI rose by 1.3% (regional* average: +2.8%) supported by foreign inflows and stronger-than-expected 2Q Malaysia GDP growth.

Banks remained well-capitalised to support economic recovery

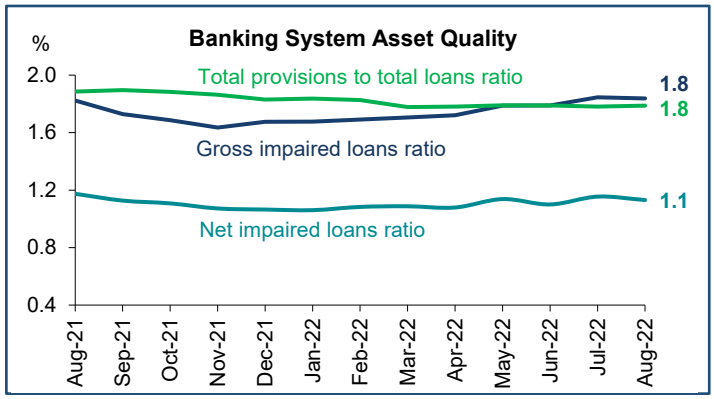


Source: Bank Negara Malaysia

- Banks' capital position remained strong to withstand potential stress and continue supporting credit flows to the economy.
- This enabled some banks to sustain dividend payouts during the month.
- As at end-August, the banking system recorded RM126.7 billion excess capital buffers[1].

[1] Refers to total capital above the regulatory minimum, which includes the capital conservation buffer (2.5%) and bank-specific higher minimum requirements

The resilience of banks continued to be underpinned by sound asset quality



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remained broadly stable at 1.84% (July: 1.85%) and 1.1% (July: 1.2%), respectively.
- Loan loss coverage ratio (including regulatory reserves) remained at a prudent level of 113.7% of impaired loans, with total provisions accounting for 1.8% of total loans.
- As at end-August, the banking system recorded RM 41.5 billion of total provisions and regulatory reserves.

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

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Bank Negara Malaysia
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