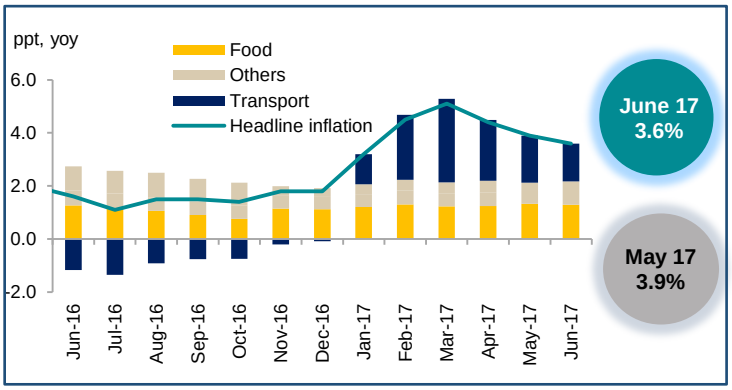
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
June 2017

Inflation declined further in June 2017

Contribution to Headline Inflation

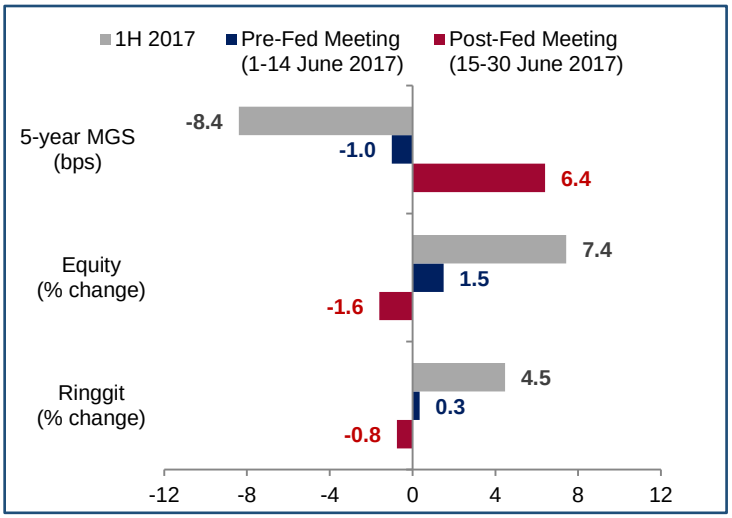


Source: Bank Negara Malaysia

- Headline inflation declined to 3.6% (May: 3.9%) due mainly to the lower fuel prices during the month (prices of RON95 petrol averaged lower at RM2.00 per litre in June compared to RM2.09 per litre in May).
- This was the third consecutive month of decline in the headline inflation from its peak of 5.1% in March.
- The average inflation rate in the first half of 2017 is 4.1%.

Financial markets were affected by the hawkish US Federal Reserve statement

Financial Markets Performance in June



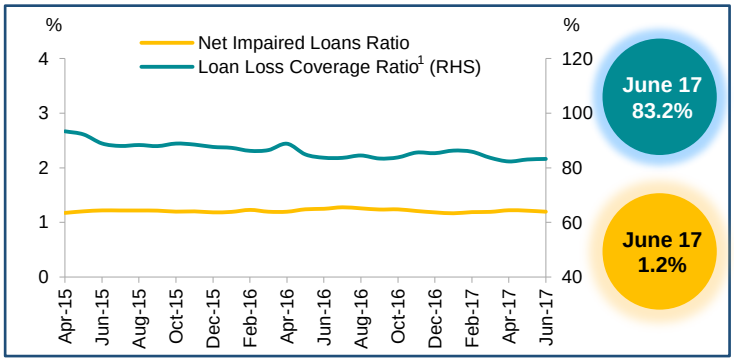
Source: Bank Negara Malaysia, Bursa Malaysia

- While the strong interest in Malaysian financial markets in April and May continued into the first half of June, the trend reversed in the middle of the month.
- This followed from the released of a hawkish statement by the US Federal Reserve (Fed), which signalled another rate increase and potential unwinding of the Fed's balance sheet later this year.
- The prospect of an increase in US interest rates led to the reversals of non-resident investments from Malaysia.
- Weakening global oil prices, which reached a 7-month low during the month following continued oversupply in the global markets, also affected sentiments.
- As a result, the 5-year MGS yield increased by 6.4 basis points during the second half of the month. The ringgit depreciated by 0.8% and the FBM KLCI decreased by 1.6% during the same period.

Monthly Highlights
June 2017

Asset quality of the banking system remained sound

Banking System: Asset Quality

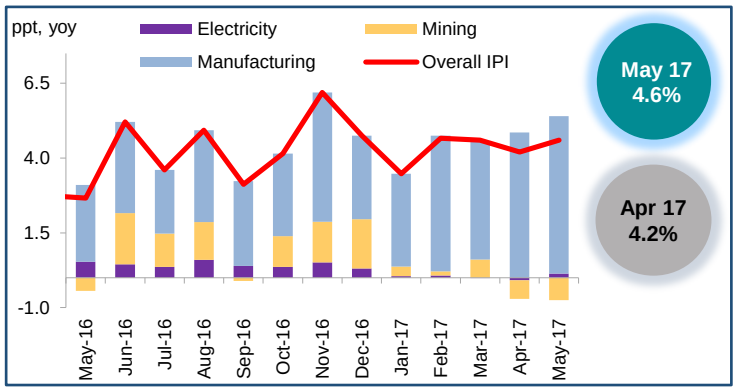


- The level of impaired loans remained stable at 1.2% of total loans net of individual impairment provisions.
- Taking into account regulatory reserves for loans and financing, all banks maintained sufficient buffer for potential credit losses, with the loan loss coverage ratio currently at 83.2%.

[1]Refers to ratio of individual plus collective impairment provisions to total impaired loans
Source: Bank Negara Malaysia

Higher overall IPI in May supported by manufacturing and electricity production

Contribution to Overall IPI

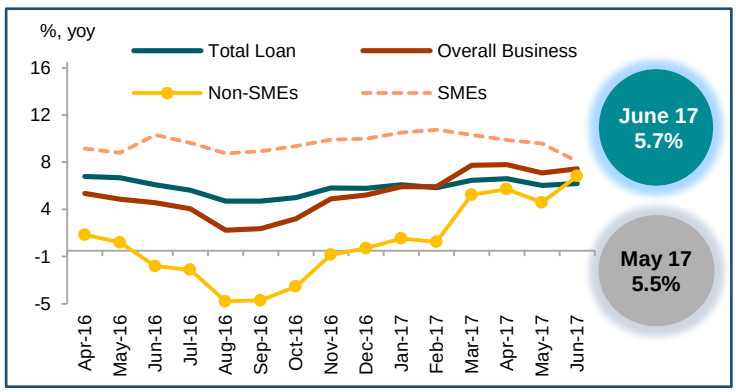


- The overall industrial production index (IPI) recorded a higher growth of 4.6% in May (Apr: 4.2%), driven mainly by a stronger expansion in manufacturing and electricity production, despite a continued decline in the mining sector.
- The better performance of the manufacturing sector (7.3%; Apr: 6.7%) was attributed to both the export- and domestic-oriented industries.

Source: Bank Negara Malaysia

Higher total loan growth driven by loans to businesses

Outstanding Banking System Loans (Annual Growth)



- The growth of outstanding loans extended by the banking system increased to 5.7% in June (May: 5.5%), driven by the higher growth in business loans.
- The improvement in business loan growth was attributed to higher growth in loans extended to businesses other than SMEs (June : 6.3%; May: 4.1%), and particularly, to businesses in major sectors such as *construction*; *manufacturing*; and *wholesale and retail trade, restaurant and hotels*.

Note: For total business loans, 50.6% is non-SMEs and 49.4% is SMEs.
Source: Bank Negara Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

Ref. No.: 07/17/13

EMBARGO: Not for publication or broadcast before 1500 hours on Monday, 31 July 2017

MONTHLY HIGHLIGHTS JUNE 2017

Inflation declined further in June 2017

- Headline inflation declined to 3.6% (May: 3.9%) due mainly to the lower fuel prices during the month (prices of RON95 petrol averaged lower at RM2.00 per litre in June compared to RM2.09 per litre in May).
- This was the third consecutive month of decline in the headline inflation from its peak of 5.1% in March.
- The average inflation rate in the first half of 2017 is 4.1%.

Financial markets were affected by the hawkish US Federal Reserve statement

- While the strong interest in Malaysian financial markets in April and May continued into the first half of June, the trend reversed in the middle of the month.
- This followed from the released of a hawkish statement by the US Federal Reserve (Fed), which signalled another rate increase and potential unwinding of the Fed's balance sheet later this year.
- The prospect of an increase in US interest rates led to the reversals of non-resident investments from Malaysia.
- Weakening global oil prices, which reached a 7-month low during the month following continued oversupply in the global markets, also affected sentiments.
- As a result, the 5-year MGS yield increased by 6.4 basis points during the second half of the month. The ringgit depreciated by 0.8% and the FBM KLCI decreased by 1.6% during the same period.

Asset quality of the banking system remained sound

- The level of impaired loans remained stable at 1.2% of total loans net of individual impairment provisions.
- Taking into account regulatory reserves for loans and financing, all banks maintained sufficient buffer for potential credit losses, with the loan loss coverage ratio currently at 83.2%.

Higher overall IPI in May supported by manufacturing and electricity production

- The overall industrial production index (IPI) recorded a higher growth of 4.6% in May (Apr: 4.2%), driven mainly by a stronger expansion in manufacturing and electricity production, despite a continued decline in the mining sector.
- The better performance of the manufacturing sector (7.3%; Apr: 6.7%) was attributed to both the export- and domestic-oriented industries.

Higher total loan growth driven by loans to businesses

- The growth of outstanding loans extended by the banking system increased to 5.7% in June (May: 5.5%), driven by the higher growth in business loans.
- The improvement in business loan growth was attributed to higher growth in loans extended to businesses other than SMEs (June: 6.3%; May: 4.1%), and particularly, to businesses in major sectors such as *construction*; *manufacturing*; and *wholesale and retail trade, restaurant and hotels*.

Bank Negara Malaysia
31 July 2017

Diterbitkan oleh:
Jabatan Komunikasi Strategik, Tingkat 14, Blok B, Bangunan Bank Negara Malaysia,
Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
Telefon: +60(3) 2698 8044 Faksimili: +60(3) 2693 6919
Web: www.bnm.gov.my