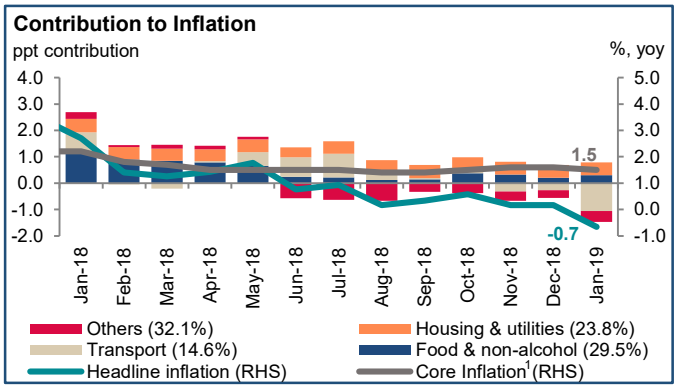
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights

January 2019

Headline inflation turned negative but core inflation remains broadly stable

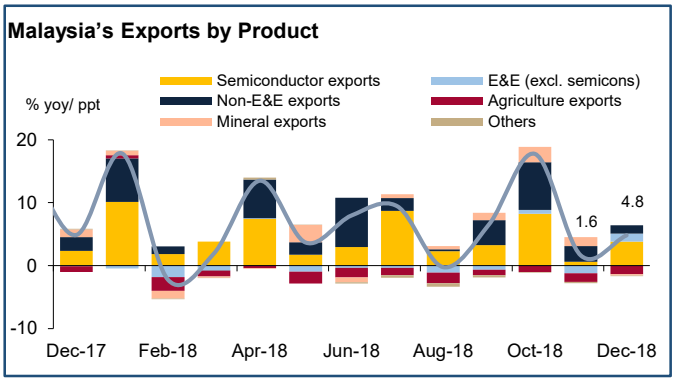


- Headline inflation declined to -0.7% (December 2018: 0.2%), due mainly to lower domestic fuel prices (January 2019: -13.1%; December 2018: -3.4%).
- However, food inflation increased to 1.0% during the month (December 2018: 0.7%), due mainly to higher prices for *food away from home*.
- Excluding the impact of the changes in the consumption tax policy, core inflation remained broadly stable at 1.5% in January 2019 (December 2018: 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

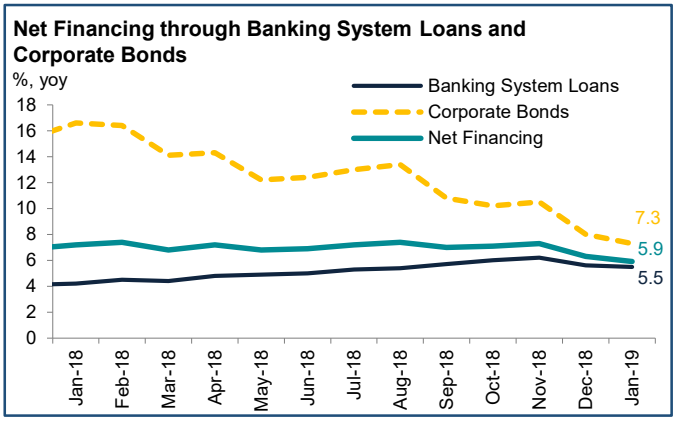
Stronger export growth in December 2018



- Exports registered a higher growth of 4.8% in December 2018 (November 2018: 1.6%), due to stronger growth in manufactured exports, driven by E&E exports.
- Going forward, export growth is expected to ease, in tandem with the moderation in global growth and trade activity.

Source: Department of Statistics Malaysia (DOSM), MATRADE

Net financing continued to expand



- Net financing[1] recorded annual growth of 5.9% in January 2019 (December 2018: 6.3%) amid continued moderation in the growth of outstanding corporate bonds (January 2019: 7.3%, December 2018: 8.0%).
- Outstanding business loan growth moderated to 4.8% in January 2019 (December 2018: 5.4%), mainly in the *construction*, *finance, insurance and business services,* and *real estate* sectors.
- Growth in outstanding household loans was sustained at 5.5% (December 2018: 5.6%).

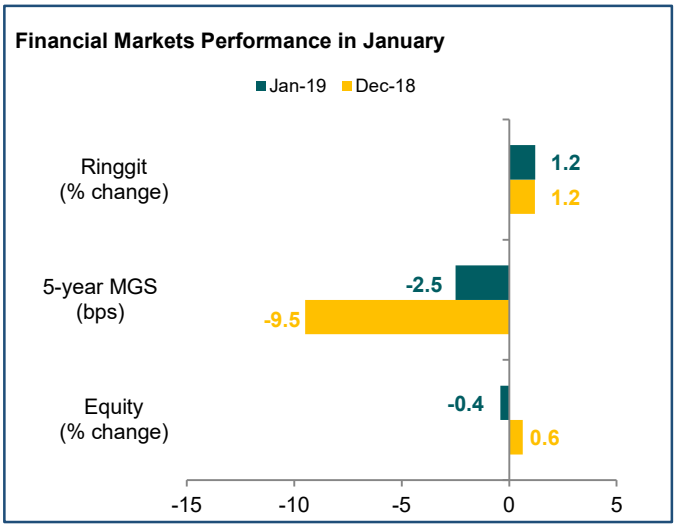
[1] Net financing refers to outstanding loans of the banking system [excluding development financial institutions (DFIs)], and outstanding corporate bonds.

Source: Bank Negara Malaysia

Monthly Highlights

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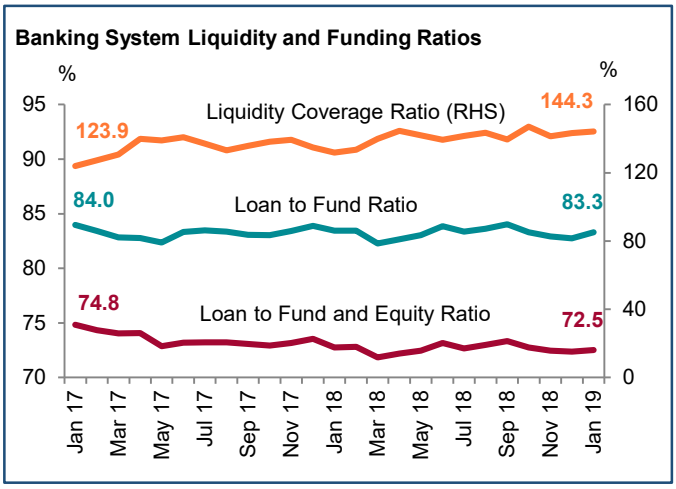
Performance in the domestic financial markets was mixed



Source: Bank Negara Malaysia, Bursa Malaysia

- The ringgit appreciated by 1.2% against the US dollar in January 2019, driven mainly by non-resident portfolio inflows amid expectations for a slower pace of US monetary policy normalisation.
- The 5-year MGS yield declined by 2.5 basis points, in line with the downward trend in regional bond yields.
- The FBM KLCI, however, declined by 0.4% due mainly to weaker sentiments in the *industrial products and services* sector amid concerns over volatile commodity prices, including crude oil and alumina.

Banks maintain sufficient liquidity to support intermediation and meet exigent needs



- Banking system liquidity coverage ratio (LCR) stood at 144.3%, with all banks recording LCR levels above 100%[1].
- Funding profile of the banks was broadly stable. The loan to fund ratio and the loan to fund and equity ratio stood at 83.3% and 72.5%, respectively.

[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%.
Source: Bank Negara Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

SIARAN AKHBAR

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MONTHLY HIGHLIGHTS – JANUARY 2019

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Bank Negara Malaysia
28 February 2019

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