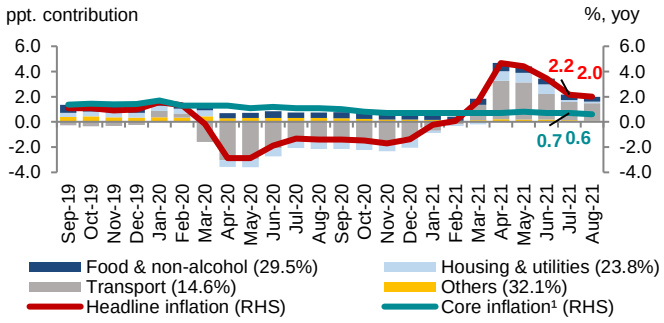
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
August 2021

Headline inflation declined to 2.0% in August

Contribution to Inflation



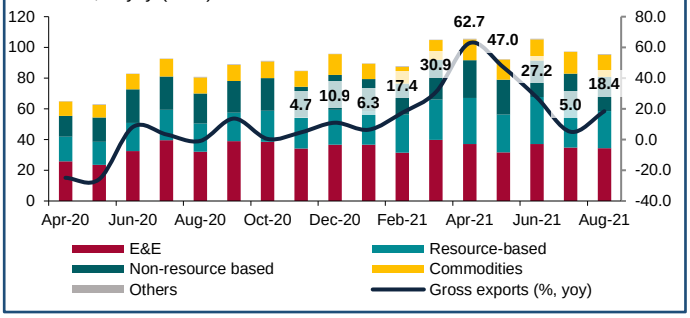
Source: Department of Statistics Malaysia (DOSM), Bank Negara Malaysia estimates

- Headline inflation declined to 2.0% in August (July: 2.2%), reflecting mainly lower inflation in the transport (August: 11.0%; July: 11.6%) and miscellaneous goods and services (August: -0.6%; July: 0.1%) categories, respectively.
- Underlying inflation, as measured by core inflation, moderated to 0.6% during the month (July: 0.7%).

[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

Strong export growth in August

Malaysia's Exports by Product

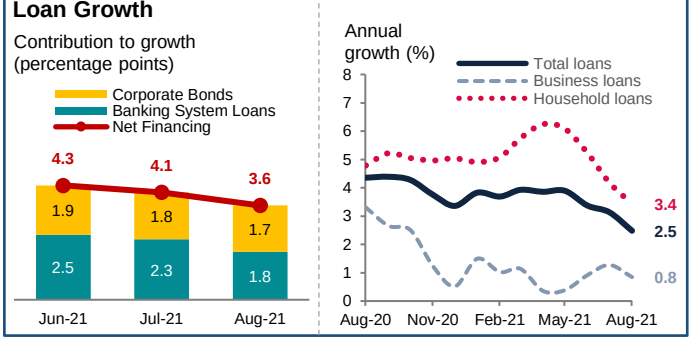


Source: Department of Statistics, Malaysia (DOSM), MATRADE

- Exports grew by 18.4% (July: 5.0%), reflecting continued strength across products and markets.
- Moving forward, export performance will continue to be underpinned by external demand and continued upcycle in global technology. In addition, strong demand for non-E&E manufactured products and higher commodity prices will provide further impetus to export growth.
- Nonetheless, the trade outlook remains contingent on the path of the COVID-19 pandemic and the strength in global growth.

Net financing growth moderated

Contribution to Net Financing[1] Growth and Outstanding Loan Growth



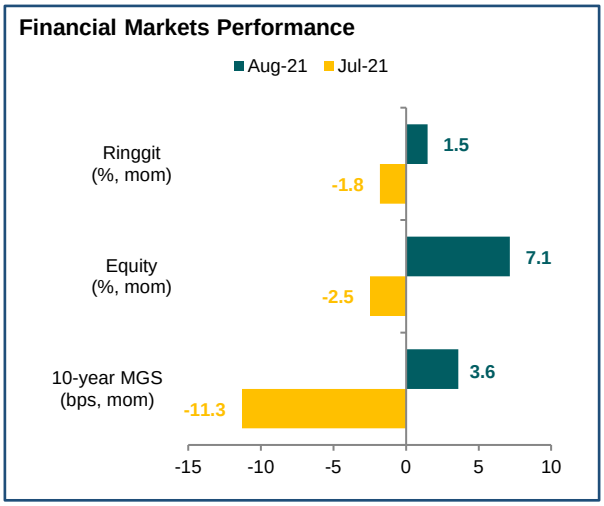
[1] Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)).
Source: Bank Negara Malaysia

- Reflecting slower economic activity due to the movement restrictions, net financing growth moderated to 3.6% (July: 4.1%) due mainly to lower outstanding loan growth (August: 2.5%; July: 3.1%). Outstanding corporate bond growth remained stable (August: 6.4%; July: 6.5%).
- Outstanding household loan growth continued to moderate (August: 3.4%; July: 4.2%). Loan disbursements, however, were higher particularly for passenger cars and residential properties, following the gradual easing of some of the movement restrictions.
- For businesses, outstanding loan growth moderated to 0.8% (July: 1.3%), as the growth in loan repayments outpaced that of disbursements.

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
August 2021

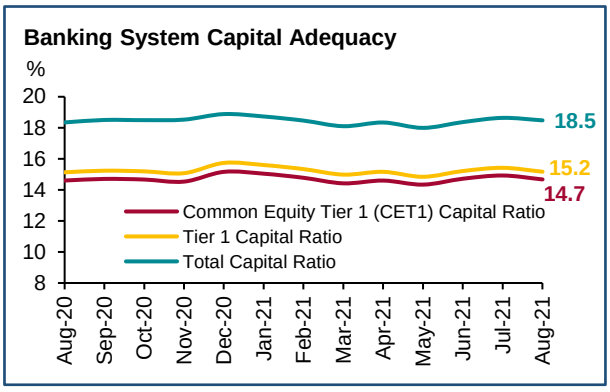
Domestic financial markets remained stable in August



Source: Bank Negara Malaysia, Bursa Malaysia

- In August, the performance of domestic financial markets were driven by both global and domestic developments.
- The FBM KLCI rose by 7.1% amid favourable company earnings reports and improved investor sentiment due to the easing of domestic COVID-19 containment measures.
- The 10-year MGS yields increased marginally. This reflected spillovers from the rise in long-term US Treasury yields, which occurred mainly between 4th to 26th August. A subsequent decline was observed following the US Federal Reserve's (Fed) Jackson Hole Symposium as financial markets shifted their expectations on the timeline of the US Fed's tapering.
- The ringgit appreciated by 1.5% against the US dollar, in line with broad US dollar depreciation against emerging economy currencies.

Banking system capitalisation remains strong

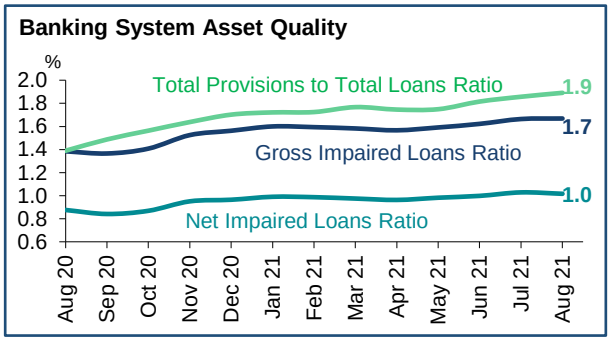


Source: Bank Negara Malaysia

- Banks remain well-capitalised to withstand potential stress and to sustain credit intermediation in the economy.
- Capital ratios declined marginally from the previous month, mainly due to dividend payments by a few banks.
- Despite a marginal decline in capital ratios, banks' excess capital buffers[1] remained strong at RM129.2 billion as at August 2021.

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

Asset quality in the banking system remained intact



Source: Bank Negara Malaysia

- Banks continue to facilitate repayment assistance to viable borrowers facing temporary financial difficulties amid a credit risk outlook that remains challenging. The share of loans classified by banks as higher credit risk remains elevated at 10.8% of total loans.
- While overall gross and net impaired loans ratios remained broadly stable at 1.7% and 1.0%, respectively, banks continue to be prudent in loan provisioning.
- Total provisions set aside against potential credit losses currently stand at 1.9% of total banking system loans.

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

PRESS RELEASE

Ref. No.: 09/21/12 **EMBARGO: For immediate release**

Monthly Highlights – August 2021

Headline inflation declined to 2.0% in August

- Headline inflation declined to 2.0% in August (July: 2.2%), reflecting mainly lower inflation in the transport (August: 11.0%; July: 11.6%) and miscellaneous goods and services (August: -0.6%; July: 0.1%) categories, respectively.
- Underlying inflation, as measured by core inflation, moderated to 0.6% during the month (July: 0.7%).

Strong export growth in August

- Exports grew by 18.4% (July: 5.0%), reflecting continued strength across products and markets.
- Moving forward, export performance will continue to be underpinned by external demand and continued upcycle in global technology. In addition, strong demand for non-E&E manufactured products and higher commodity prices will provide further impetus to export growth.
- Nonetheless, the trade outlook remains contingent on the path of the COVID-19 pandemic and the strength in global growth.

Net financing growth moderated

- Reflecting slower economic activity due to the movement restrictions, net financing growth moderated to 3.6% (July: 4.1%) due mainly to lower

outstanding loan growth (August: 2.5%; July: 3.1%). Outstanding corporate bond growth remained stable (August: 6.4%; July: 6.5%).

- Outstanding household loan growth continued to moderate (August: 3.4%; July: 4.2%). Loan disbursements, however, were higher particularly for passenger cars and residential properties, following the gradual easing of some of the movement restrictions.
- For businesses, outstanding loan growth moderated to 0.8% (July: 1.3%), as the growth in loan repayments outpaced that of disbursements.

Domestic financial markets remained stable in August

- In August, the performance of domestic financial markets were driven by both global and domestic developments.
- The FBM KLCI rose by 7.1% amid favourable company earnings reports and improved investor sentiment due to the easing of domestic COVID-19 containment measures.
- The 10-year MGS yields increased marginally. This reflected spillovers from the rise in long-term US Treasury yields, which occurred mainly between 4th to 26th August. A subsequent decline was observed following the US Federal Reserve's (Fed) Jackson Hole Symposium as financial markets shifted their expectations on the timeline of the US Fed's tapering.
- The ringgit appreciated by 1.5% against the US dollar, in line with broad US dollar depreciation against emerging economy currencies.

Banking system capitalisation remains strong

- Banks remain well-capitalised to withstand potential stress and to sustain credit intermediation in the economy.
- Capital ratios declined marginally from the previous month, mainly due to dividend payments by a few banks.
- Despite a marginal decline in capital ratios, banks' excess capital buffers[1] remained strong at RM129.2 billion as at August 2021.

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

Published by:
Strategic Communications Department, Level 14, Block B, Bank Negara Malaysia,
Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
E-mail: communications@bnm.gov.my
Web: www.bnm.gov.my

Asset quality in the banking system remained intact

- Banks continue to facilitate repayment assistance to viable borrowers facing temporary financial difficulties amid a credit risk outlook that remains challenging. The share of loans classified by banks as higher credit risk remains elevated at 10.8% of total loans.
- While overall gross and net impaired loans ratios remained broadly stable at 1.7% and 1.0%, respectively, banks continue to be prudent in loan provisioning.
- Total provisions set aside against potential credit losses currently stand at 1.9% of total banking system loans.

Bank Negara Malaysia
30 September 2021

Published by:
Strategic Communications Department, Level 14, Block B, Bank Negara Malaysia,
Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
E-mail: communications@bnm.gov.my
Web: www.bnm.gov.my