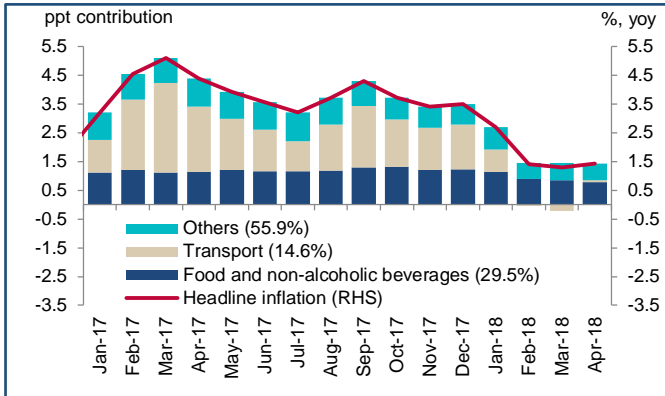


Inflation remained low

Contribution to Inflation



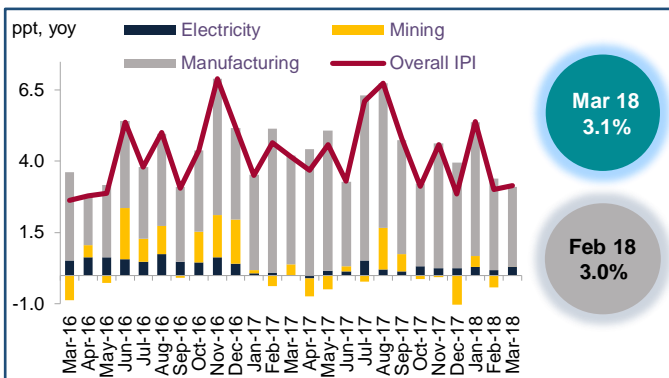
Source: Department of Statistics, Malaysia and staff estimates

• Headline inflation was at 1.4% in April.

- The *transport* category registered higher inflation of 0.4% (March: -1.5%). Despite broadly stable domestic fuel prices compared to March, the year-on-year increase was larger than that in the previous month.
- The impact from higher transport inflation was partially mitigated by food inflation, which moderated further to 2.6% following lower prices for *vegetables* and *fish and seafood* (March: 2.8%).

Overall IPI growth sustained in March

Contribution to Overall IPI

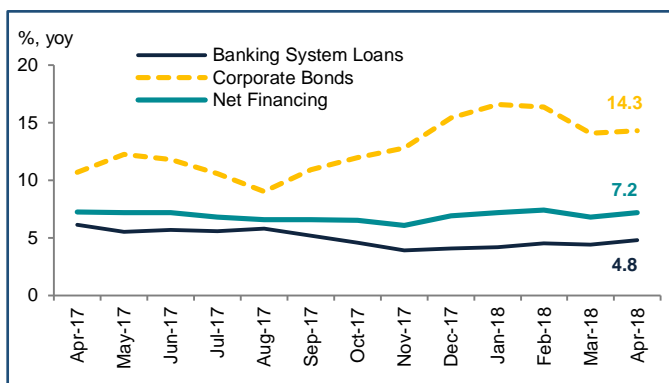


Source: Department of Statistics, Malaysia

- The overall industrial production index (IPI) sustained its growth at 3.1% in March (February: 3.0%), amidst a rebound in mining and electricity output, despite a moderation in the production of manufacturing output.
- The slower growth in the manufacturing sector (4.1%; February: 4.7%) was due mainly to the moderation in output of primary-related products such as the production of refined petroleum and chemicals.

Net financing growth continued to support economic activity

Net Financing through Banking System Loans and Corporate Bonds

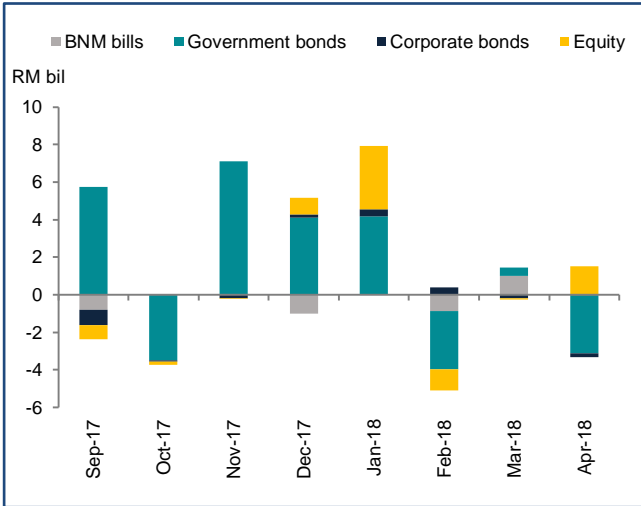


- Net financing¹ growth increased to 7.2% in April (March: 6.8%), driven by the higher growth in both net outstanding issuances of corporate bonds (April: 14.3%; March: 14.1%) and outstanding banking system loans (April: 4.8%; March: 4.4%).
- Business loan growth increased to 3.1% in April (March: 1.9%), with higher loan growth across most sectors.
- Household loan growth remained steady at 5.7% (March: 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

Financial markets remained orderly despite non-resident outflows

Non-Resident Portfolio Flows by Instrument

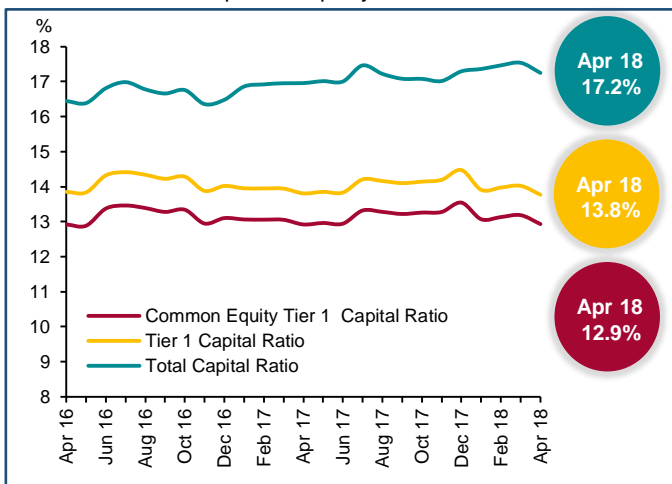


Source: Bank Negara Malaysia, Bursa Malaysia

- In April, domestic financial markets remained orderly despite non-resident portfolio outflows stemming from cautious investor sentiments following rising US Treasury yields and uncertainties leading up to the 14th General Election.
- As a result, the ringgit depreciated by 1.6% against the US dollar and the 5-year MGS yield increased by 24.5 basis points.
- The FBM KLCI, however, increased by 0.4% to 1870.4 points, supported by higher crude oil prices and easing global geopolitical tensions.
- FX swap volume increased by USD3.8 billion to USD124.7 billion largely driven by higher non-residents' portfolio investment hedging activities ahead of the General Election in early May. The average 1-month USD/MYR swap point was unchanged at 40 points (March: 40 points) as financial markets expected policy rates to remain firm during the month.

Banking system capitalisation remained strong

Capital Adequacy Ratios



Source: Bank Negara Malaysia

- Financial institutions are well-positioned to withstand macroeconomic and financial shocks, with excess capital buffers of RM138.2 billion as at April 2018.
- The slight moderation in capital adequacy ratios between March and April 2018 was largely attributable to the payment of dividends by banks and the maturity of capital instruments.



SIARAN AKHBAR

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EMBARGO: Not for publication or broadcast before 1500 hours on Thursday, 31 May 2018

MONTHLY HIGHLIGHTS – APRIL 2018

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Bank Negara Malaysia
31 May 2018