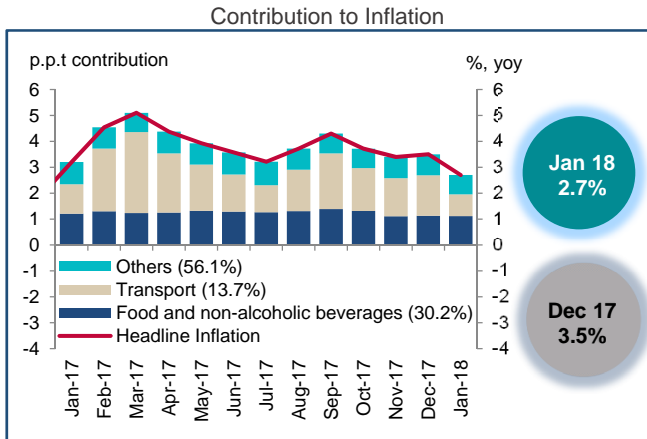
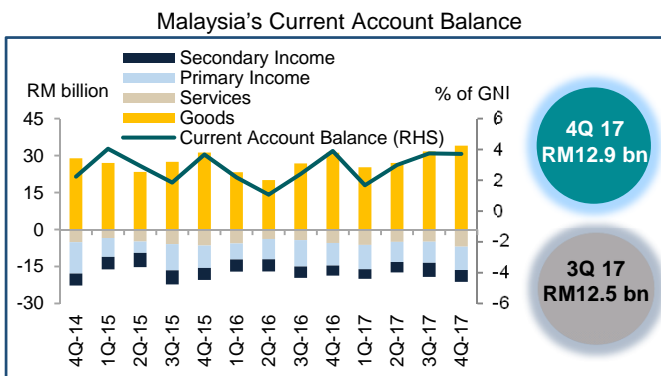


### Inflation moderated in January 2018



- Headline inflation moderated to 2.7% in January due mainly to lower *transport* inflation at 5.7% (December 2017: 11.5%).
  - Although RON95 petrol averaged slightly higher at RM2.28 per litre in January 2018 (December 2017: RM2.27 per litre), the higher base of RON95 price in January 2017 (RM2.10 per litre) compared to December 2016 (RM 1.90 per litre) resulted in lower inflation in the *transport* category.
- Food inflation was also lower at 3.8% (December: 4.1%) reflecting lower inflation in the *fish and seafood* category.

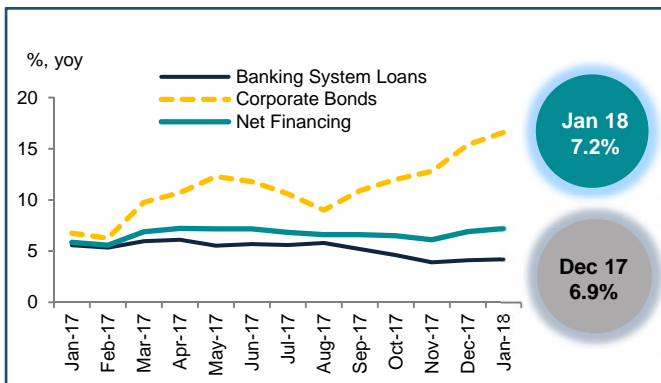
### Higher current account surplus in 4Q 2017



- The current account surplus widened, reflecting a larger goods surplus and lower secondary income deficit.
- Going forward, the current account surplus is expected to continue registering a healthy surplus, supported mainly by the goods account.

### Net financing growth continued to support economic activity

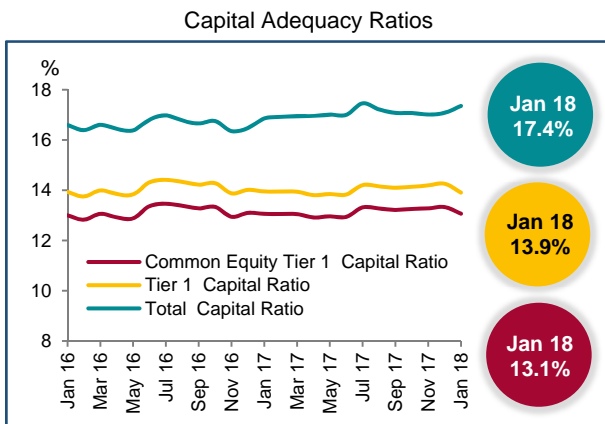
#### Net Financing through Banking System Loans and Corporate Bonds



- Net financing<sup>1</sup> growth increased to 7.2% in January 2018 (December 2017: 6.9%). The growth of net outstanding issuances of corporate bonds continued to increase, with a double-digit growth rate of 16.6% (December 2017: 15.4%). The growth of outstanding loans of the banking system also increased slightly to 4.2% (December 2017: 4.1%).
- The growth of outstanding business loans increased to 2.0% in January 2018 (December 2017: 1.8%), driven mainly by *wholesale and retail trade, restaurants and hotels; real estate; construction; and primary agriculture* sectors.

<sup>1</sup> Net financing refers to loans extended by the banking system (excluding development financial institutions (DFIs) and corporate bonds).  
Source: Bank Negara Malaysia

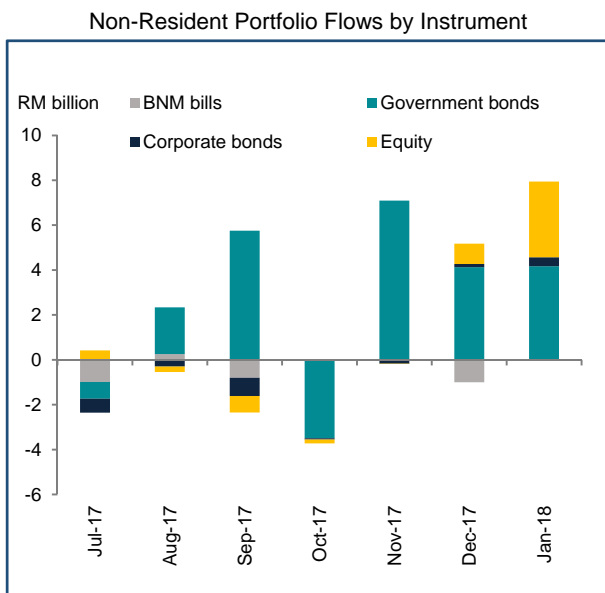
### Banking system capitalisation remained strong



Source: Bank Negara Malaysia

- Financial institutions are well-positioned to withstand macroeconomic and financial shocks, with excess capital buffers of RM140 billion as at January 2018.
- More than 75% of total capital comprised high quality loss-absorbing capital in the form of Common Equity Tier 1 Capital (i.e. equity, retained earnings and reserves).

### Financial markets attracted non-resident inflows amid positive sentiments



Note: Government bonds include Malaysian Government Securities (MGS), Government Investment Issues (GII) and Sukuk Perumahan Kerajaan (SPK)

Source: Bank Negara Malaysia, Bursa Malaysia

- In January, the domestic financial markets were supported by positive sentiments, driven by Malaysia's strong economic outlook and higher global oil prices.
- As a result, the MGS and equity markets attracted non-resident inflows amounting to RM4.2 billion and RM3.4 billion, respectively.
- Following the inflows, the ringgit appreciated by 4.3% against the US dollar and the FBM KLCI increased by 4.0% in January.
- In the bond market, 3-year, 5-year and 10-year MGS yields increased by 5 basis points each, following the increase in the OPR by 25 basis points. The impact of the OPR increase on MGS yields was mitigated by non-resident inflows into the MGS market.
- FX swap volumes increased by USD11.3 billion to USD112.1 billion, contributed mainly by the portfolio investments hedging activities of non-residents. An improvement in dollar liquidity conditions due to higher inflows during the month resulted in a lower 1-month implied dollar funding cost via FX swaps to 1.76% as at end-January (end-December: 2.16%). In addition, the average 1-month USD/MYR swap points increased by 14 points to 50 points during the month factoring in the OPR increase.



## SIARAN AKHBAR

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### **MONTHLY HIGHLIGHTS – JANUARY 2018**

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- Food inflation was also lower at 3.8% (December: 4.1%) reflecting lower inflation in the *fish and seafood* category.

#### **Higher current account surplus in 4Q 2017**

- The current account surplus widened, reflecting a larger goods surplus and lower secondary income deficit.
- Going forward, the current account surplus is expected to continue registering a healthy surplus, supported mainly by the goods account.

#### **Net financing growth continued to support economic activity**

- Net financing<sup>1</sup> growth increased to 7.2% in January 2018 (December 2017: 6.9%). The growth of net outstanding issuances of corporate bonds continued to increase, with a double-digit growth rate of 16.6% (December 2017: 15.4%). The growth of outstanding loans of the banking system also increased slightly to 4.2% (December 2017: 4.1%).

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**Bank Negara Malaysia**  
**28 February 2018**