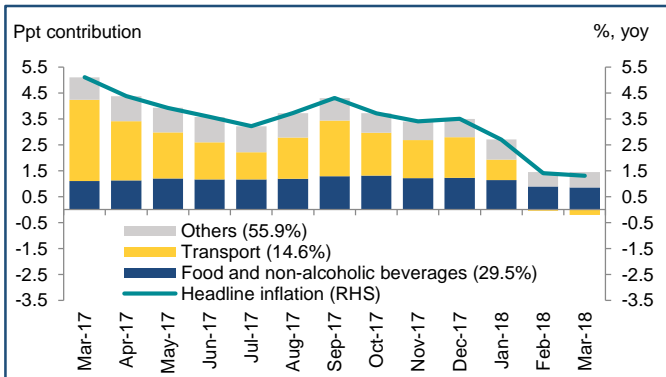


### Inflation remained low

Contribution to Inflation

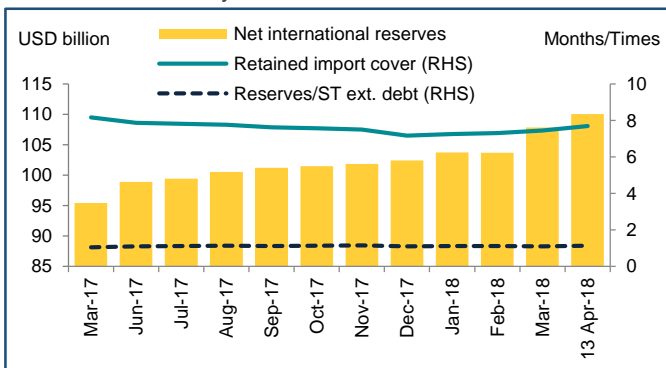


Source: Department of Statistics, Malaysia and staff estimates

- Headline inflation was 1.3% in March (February: 1.4%).
  - The *transport* category registered lower inflation of -1.5% (February: -0.3%) due to the decline in average domestic fuel prices during the month.
  - Inflation in the *food and non-alcoholic beverages* category moderated further to 2.8% in March (February: 3.0%), reflecting mainly the improved supply of *fresh seafood*.

### International reserves increased

Malaysia's International Reserves

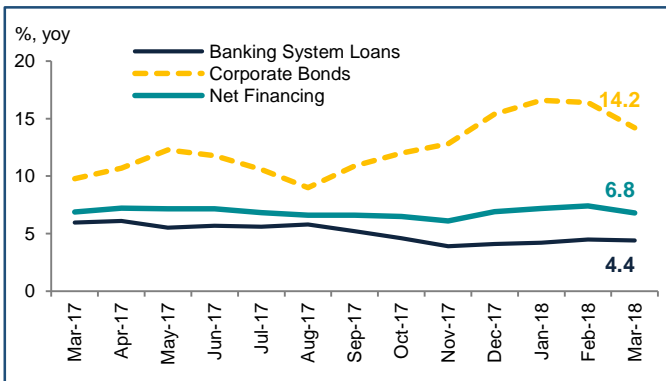


Source: Department of Statistics, Malaysia

- International reserves rose to USD110.0 billion as at 13 April 2018.
- The reserves position remains adequate to facilitate international transactions. It is sufficient to finance 7.7 months of retained imports, significantly higher than the 3-month international threshold, and is 1.1 times the short-term external debt.

### Net financing growth continued to support economic activity

Net Financing through Banking System Loans and Corporate Bonds

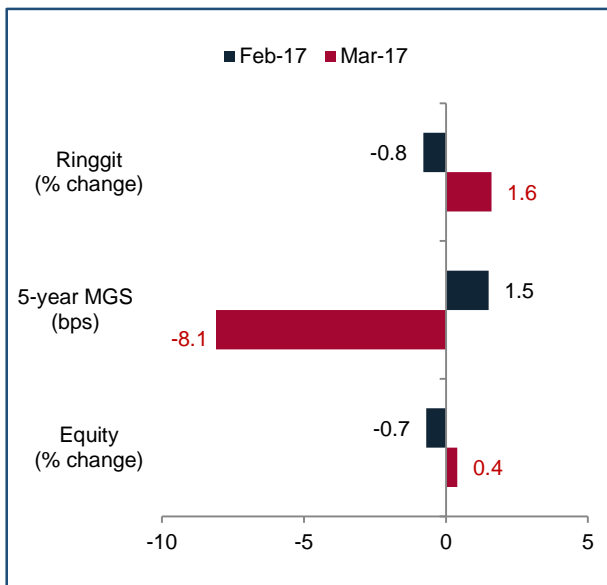


<sup>1</sup> Net financing refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)), and outstanding corporate bonds.  
Source: Bank Negara Malaysia

- Net financing<sup>1</sup> growth moderated to 6.8% in March (February: 7.4%). The growth of net outstanding issuances of corporate bonds moderated to 14.2% (February: 16.4%) while growth of outstanding loans of the banking system was sustained at 4.4% (February: 4.5%).
- Business loan growth remained steady in March at 1.9% (February: 2.0%). In particular, the growth of loans to SMEs increased to 5.8% (February: 5.4%).
- Household loan growth was stable at 5.6% (February: 5.6%).

### Domestic financial markets were affected by volatile global conditions

Financial Markets Performance in March

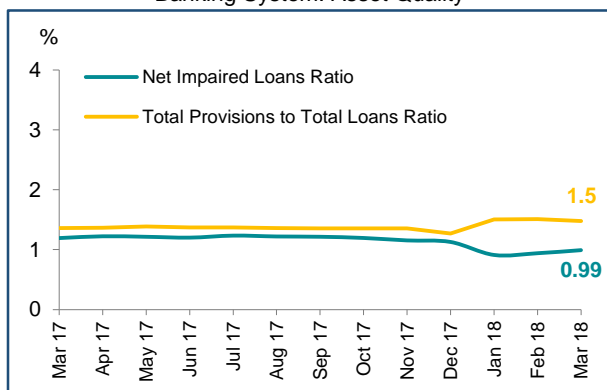


Source: Bank Negara Malaysia, Bursa Malaysia

- In March, the domestic financial markets recorded a positive performance amid easing concerns over uncertainties surrounding the US monetary policy and US-China trade tensions. Slower wage growth in the US and the unchanged projected path of monetary policy normalisation by the Federal Reserve reduced uncertainty over the pace of interest rate increases in 2018.
- The ringgit appreciated by 1.6% and the 5-year MGS yield declined by 8.1 basis points following non-resident inflows. The FBM KLCI also increased by 0.4% to 1863.5 points.
- FX swap volume increased by USD17.9 billion to USD120.9 billion due mainly to an increase in interbank swap activity, corresponding to quarter-end increase in dollar demand by importers and corporates. This led to 1-month implied dollar funding cost via FX swaps increasing by 2 basis points to 2.31% as at end-March (end-February: 2.29%) and the average 1-month USD/MYR swap points correspondingly declining 3 points to 40 points (February: 43 points).

### Asset quality of the banking system remained sound

Banking System: Asset Quality



Source: Bank Negara Malaysia

- The level of impaired loans increased marginally to 0.99% of total loans net of individual impairment provisions (February: 0.94%).
- Since January 2018, banks' provisioning levels increased as they refine their methodologies in estimating impairment provisions with the implementation of MFRS 9.
- Total provisions to total loans ratio sustained at 1.5%. (February: 1.5%)



## SIARAN AKHBAR

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**EMBARGO: Not for publication or broadcast before 1500 hours on Monday, 30 April 2018**

### MONTHLY HIGHLIGHTS – MARCH 2018

#### **Inflation remained low**

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#### **International reserves increased**

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- The reserves position remains adequate to facilitate international transactions. It is sufficient to finance 7.7 months of retained imports, significantly higher than the 3-month international threshold, and is 1.1 times the short-term external debt.

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

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### **Domestic financial markets were affected by volatile global conditions**

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**Bank Negara Malaysia**  
**30 April 2018**