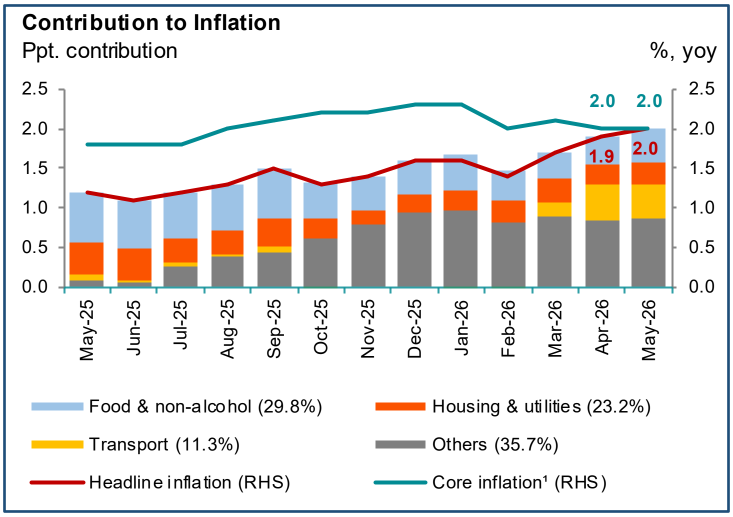
Monthly Highlights

May 2026

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Headline inflation edged higher while core inflation remained stable in May



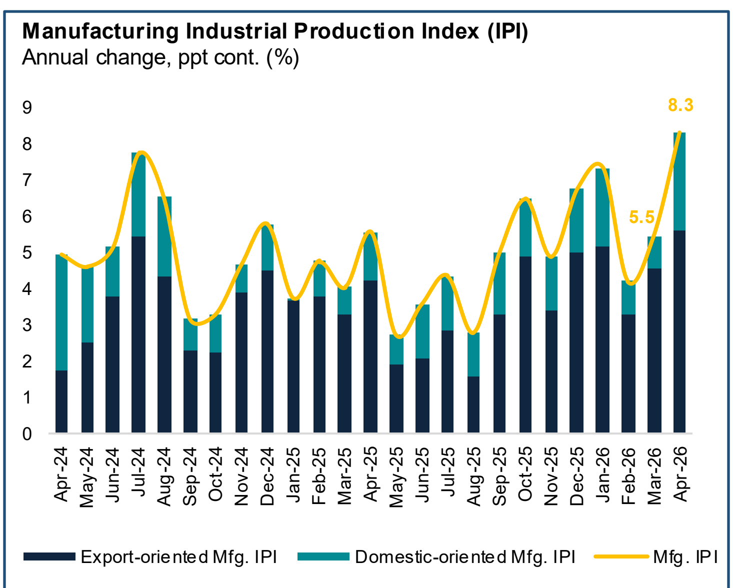
[1] Core inflation is computed by excluding price-volatile and price-administered items.

[2] Average retail prices of RON97 and diesel declined to RM4.81/litre and RM5.01/litre, respectively, in May 2026 (April 2026: RM5.06/litre and RM5.92/litre). Diesel prices in Sabah and Sarawak remained subsidised at RM2.15/litre.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

- In May, headline inflation edged higher to 2% (April 2026: 1.9%) while core inflation[1] remained stable at 2% (April 2026: 2%).
- The slight increase in headline inflation largely reflected price developments of non-core items. Notably, prices for vegetables and electricity increased from the previous month. The increase in electricity prices reflected the imposition of surcharge following higher generation costs.
- These pressures were partly offset by lower inflation for domestic air travel and retail fuel, particularly RON97 and diesel[2].

Higher growth in manufacturing production



Source: Department of Statistics, Malaysia

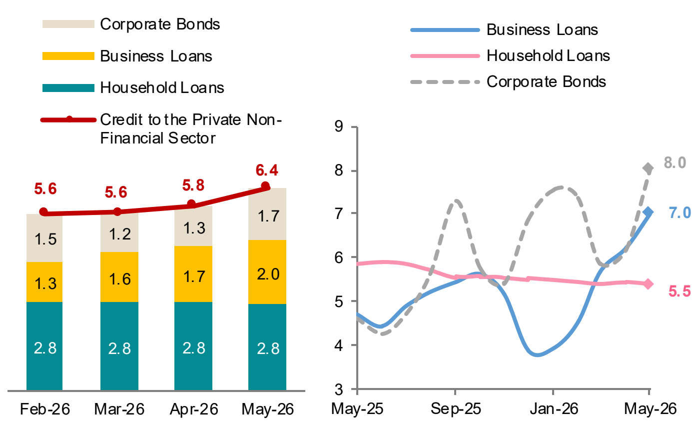
- The Manufacturing Industrial Production Index registered higher growth of 8.3% in April 2026 (March 2026: 5.5%).
- Export-oriented clusters expanded by 8.5% (March 2026: 6.7%), driven by higher production of electrical and electronics (E&E) and primary-related products such as refined petroleum and chemical products.
- Growth in domestic-oriented clusters strengthened to 8% (March 2026: 2.8%), reflecting higher production of motor vehicles, food processing products and construction-related materials.

Monthly Highlights
May 2026

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Stronger credit growth to the private non-financial sector

Credit to the Private Non-Financial Sector
Contribution to growth (ppt) Annual growth (%)



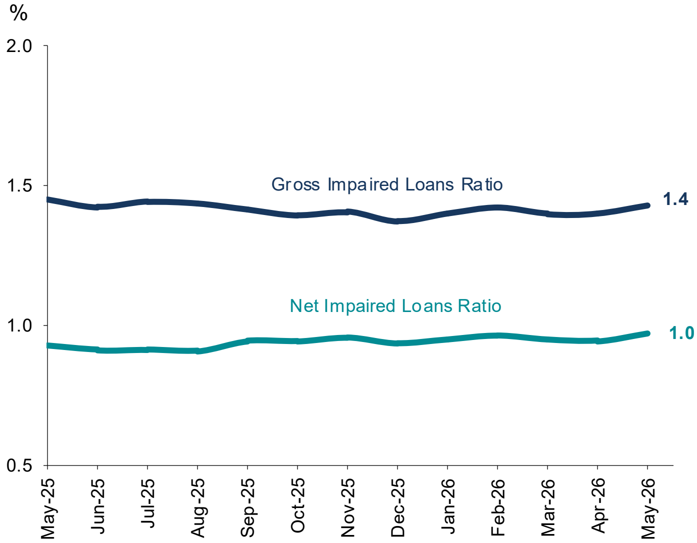
[1] Comprises loans for the purchase of non-residential properties, residential properties for business use, fixed assets as well as for construction activities.

Source: Bank Negara Malaysia

- Credit to the private non-financial sector grew by 6.4% (April 2026: 5.8%), driven mainly by businesses, as reflected in higher growth of outstanding corporate bonds (8%; April 2026: 6.2%) and outstanding business loans (7%; April 2026: 6.2%).
- Business loan growth increased, primarily driven by working capital purposes. Meanwhile, growth for investment-related[1] loans remained broadly steady.
- Household loan growth was sustained at 5.5% (April 2026: 5.5%) amid steady loan growth across most purposes.

Banks' asset quality remained intact

Banking System Asset Quality
%



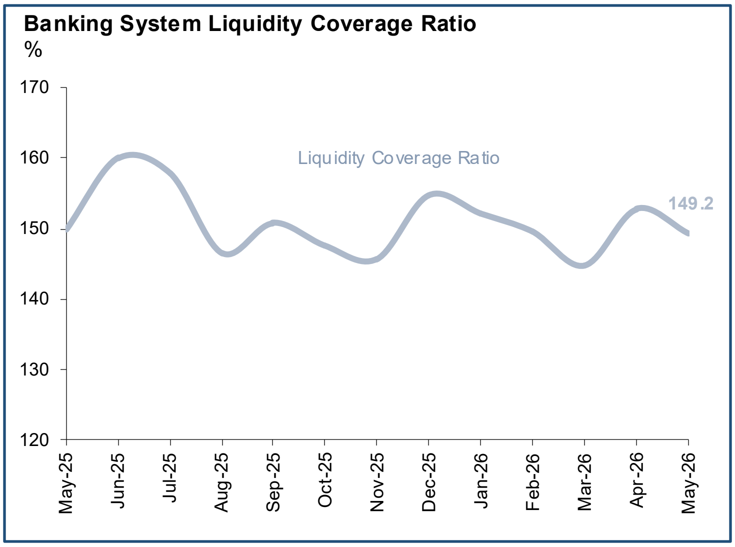
Source: Bank Negara Malaysia

- Gross and net impaired loans ratios remained broadly unchanged at 1.4% and 1%, respectively, underpinned by stable impairments and sustained loan growth.

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
May 2026

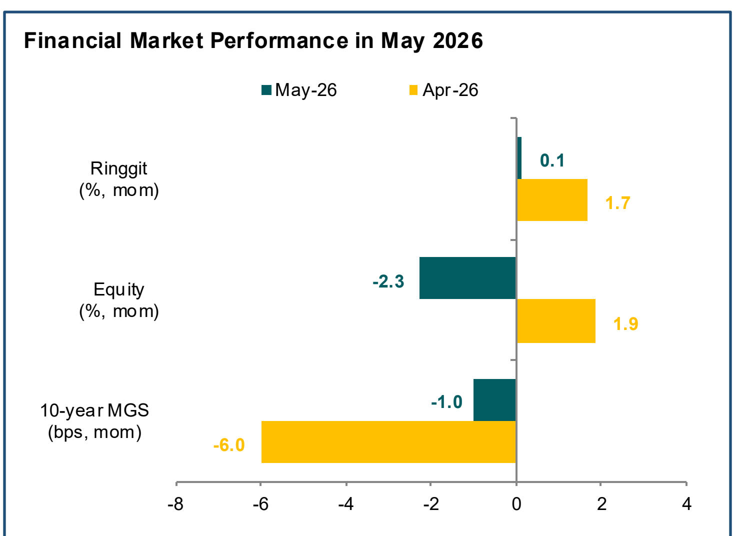
Banks maintained adequate liquidity buffers to withstand potential liquidity shocks



Source: Bank Negara Malaysia

- The banking system continued to record healthy liquid asset buffers with an aggregate Liquidity Coverage Ratio of 149.2% (April 2026: 152.8%).

Financial markets remained influenced by geopolitical uncertainties and expectations of US monetary policy



Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market.

[1] NEER refers to the ringgit nominal effective exchange rate, which measures the ringgit's movement against a basket of currencies of Malaysia's major trading partners.

[2] Regional countries comprise Singapore, Thailand, the Philippines, Indonesia and Korea.

Source: Bank Negara Malaysia, Bursa Malaysia and Bloomberg

- Global financial markets continued to be influenced by uncertainties surrounding the Middle East conflict as well as a shift in the expected US Federal Reserve policy rate path, although there was some improvement in sentiment amid optimism over a potential resolution to the conflict during the month.
- Amid these global developments, the ringgit appreciated slightly by 0.1% against the US dollar (NEER[1]: -0.1%), broadly outperforming other regional currencies (regional average[2]: -0.7%).
- The 10-year MGS yield remained broadly stable, declining marginally by 1 bp (regional average[2]: +13 bps), supported by domestic investor demand. Meanwhile, the FBM KLCI declined by 2.3% (regional average[2]: 4.6%) amid non-resident outflows.