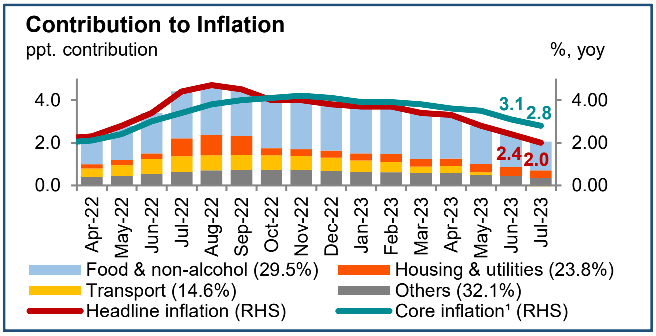
# Monthly Highlights
## July 2023

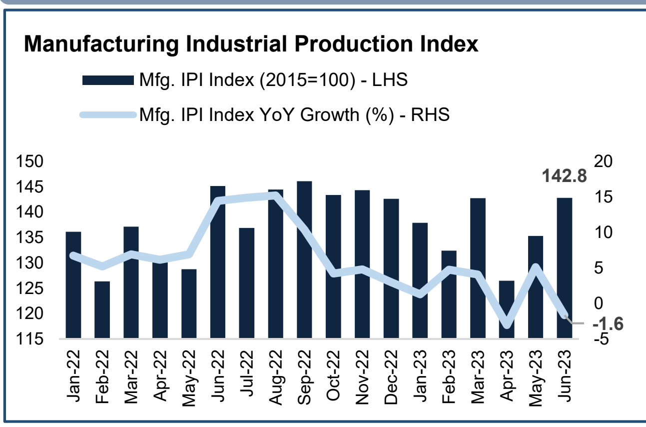
## Headline inflation continued to moderate to 2.0% in July




[1] Core inflation is computed by excluding price-volatile and price-administered items.
Source: Department of Statistics, Malaysia & Bank Negara Malaysia estimates

- Headline inflation declined to 2.0% (June 2023: 2.4%) in line with easing monthly price increases.
- The decline was driven by lower core inflation at 2.8% (June 2023: 3.1%) attributed mainly to lower inflation for food away from home and selected discretionary services.

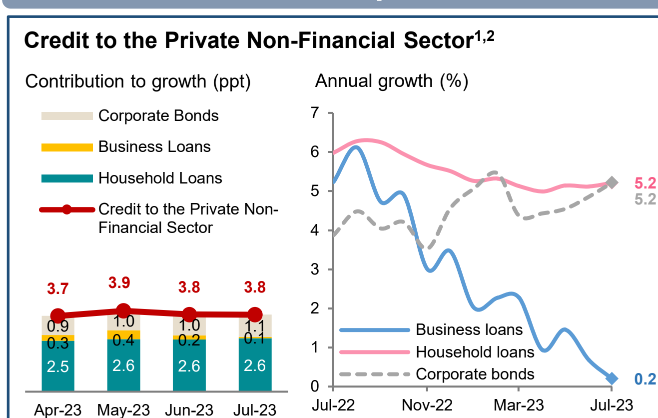
## Manufacturing production contracted by 1.6% in June




Source: Department of Statistics, Malaysia

- Manufacturing IPI contracted by 1.6% in June 2023 compared to a year ago, weighed down by weaker production of electrical and electronic products (E&E) and refined petroleum products amid the global tech cycle downturn and decline in mining output, respectively.
- However, production in the domestic-oriented clusters remained resilient, reflecting mainly the continued growth in food, beverages and tobacco, metals and non-metallic products as well as transport equipment.

## Growth in credit to the private non-financial sector was sustained in July




1 Comprises loans to households and non-financial corporations from the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers).
2 Starting with the publication of December 2022 Monthly Highlights and Statistics (MHS), this series was introduced to enhance the quality of financing data. This new data series is available in the MHS Table 2.18.
Source: Bank Negara Malaysia

- Credit to the private non-financial sector grew by 3.8% as at end-July (June 2023: 3.8%), underpinned by sustained loan growth in the household segment.
- Outstanding business loans expanded at a slower pace of 0.2% (June 2023: 0.7%), due mainly to a more moderate growth in working capital loans among non-SMEs. Growth in outstanding loans to SMEs, however, remained forthcoming (6.7%; June 2023: 6.4%). In addition, outstanding corporate bonds growth continued to increase (5.2%; June 2023: 4.9%), as bond issuances growth outpaced that of redemptions.
- Growth in outstanding household loans was sustained at 5.2% (June 2023: 5.1%), with steady growth registered across most loan purposes. This was reflective of the higher growth in household loan applications, particularly for the purchase of houses, cars and personal use.

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BANK NEGARA MALAYSIA
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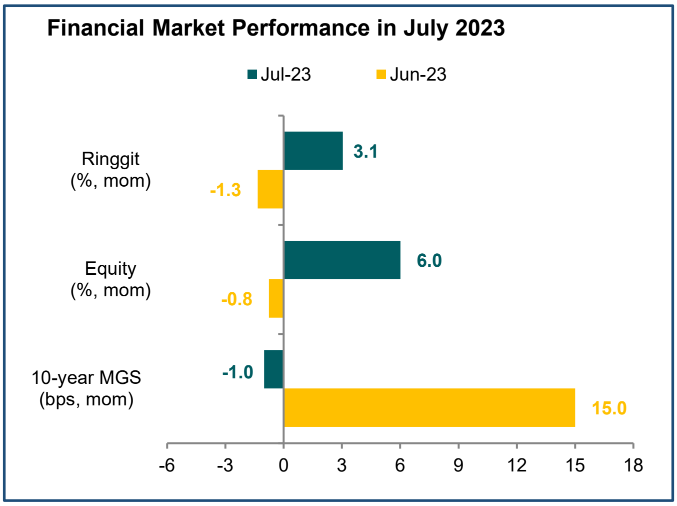
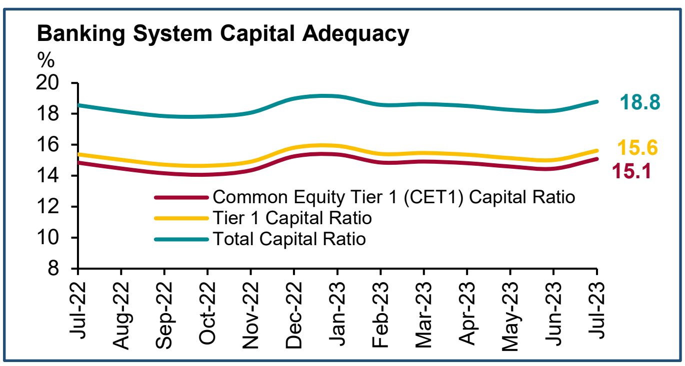
### Domestic financial markets were mostly affected by investors' expectations of the US policy rate cycle




Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market
*Regional countries comprise: Singapore, Thailand, Philippines, Indonesia, and Korea
Source: Bank Negara Malaysia, Bursa Malaysia

- Domestic financial markets developments were driven mainly by financial market expectations that the US Federal Reserve's monetary policy tightening cycle was nearing its end after the policy rate increase at the July FOMC meeting.
- The ringgit appreciated against the US dollar by 3.1%, higher than the regional* average of 1.9%. 10-year MGS yields declined marginally by 1 bps. The FBM KLCI also increased by 6.0% (regional* average: 3.5%).

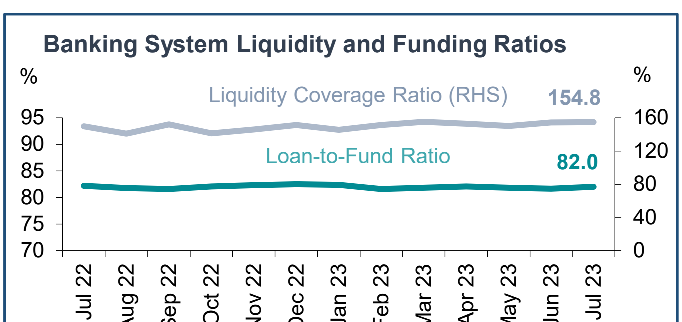
### Banks remained well-capitalised to support economic growth




1 Refers to total capital above the regulatory minimum, which includes the capital conservation buffer (2.5%) and bank-specific higher minimum requirements
Source: Bank Negara Malaysia

- Banks' capital position remained strong to withstand potential stress and provide credit to support economic activities.
- The banking system excess capital buffer[1] was healthy at RM142.0 billion.

### Banks maintained strong liquidity and funding positions




Source: Bank Negara Malaysia

- Banking system continued to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 154.8% (June 2023: 154.3%).
- The aggregate loan-to-fund ratio remained largely stable at 82.0% (June 2023: 81.6%).

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# PRESS RELEASE

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**Domestic financial markets were mostly affected by investors' expectations of the US policy rate cycle**

- Domestic financial market developments were driven mainly by financial market expectations that the US Federal Reserve's monetary policy tightening cycle was nearing its end after the policy rate increase at the July Federal Open Market Committee (FOMC) meeting.
- The ringgit appreciated against the US dollar by 3.1%, higher than the regional[4] average of 1.9%. 10-year MGS yields declined marginally by 1 bps. The FBM KLCI also increased by 6.0% (regional[4] average: 3.5%).

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**Banks remained well-capitalised to support economic growth**

- Banks' capital position remained strong to withstand potential stress and provide credit to support economic activities.
- The banking system excess capital buffer[5] was healthy at RM142.0 billion.

**Banks maintained strong liquidity and funding positions**

- Banking system continued to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 154.8% (June 2023: 154.3%).
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**Bank Negara Malaysia**
**30 August 2023**

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