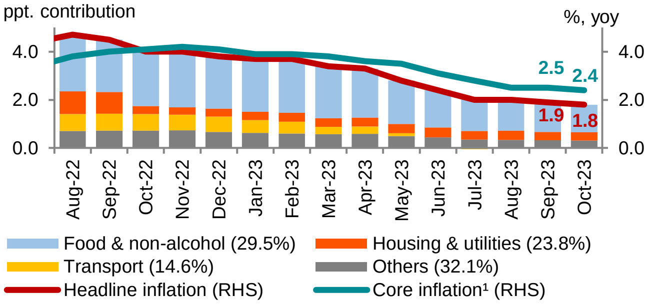
Monthly Highlights
October 2023

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Headline inflation edged lower to 1.8% in October

Contribution to Inflation

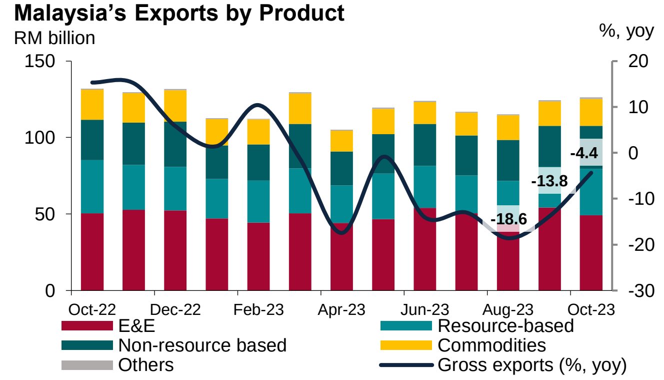


[1] Core inflation is computed by excluding price-volatile and price-administered items.
Source: Department of Statistics, Malaysia & Bank Negara Malaysia estimates

- Headline inflation edged lower to 1.8% (September 2023: 1.9%) driven largely by lower fresh food inflation (1.2%; September 2023: 1.6%).
- Meanwhile, core inflation was lower at 2.4% (September 2023: 2.5%) during the month.
  - In particular, the moderation was due to lower inflation for selected services including food away from home and repair and maintenance for personal transport.

Smaller contraction in exports

Malaysia's Exports by Product

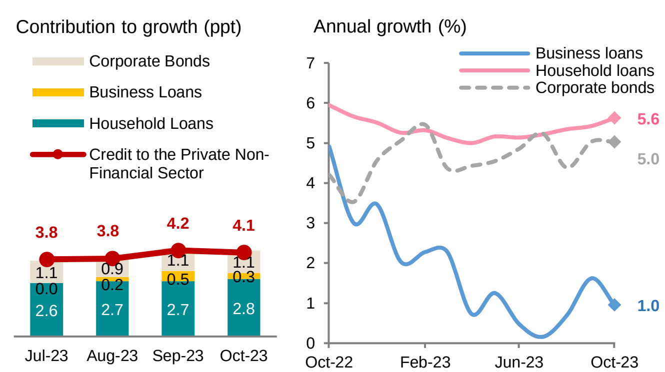


Source: Department of Statistics, Malaysia (DOSM), MATRADE

- Exports contracted at a slower pace (-4.4%; September 2023: -13.8%), reflecting improvement in both manufactured and commodities exports.
- Manufactured exports recorded smaller declines in both E&E and non-E&E exports. Meanwhile, commodities exports were supported by improved palm oil exports.
- Looking ahead, exports are expected to gradually improve towards the end of the year. Downside risks remain, stemming from weaker external demand.

Sustained growth in credit to the private non-financial sector

Credit to the Private Non-Financial Sector[1,2]



[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 4.2% as at end-October (September 2023: 4.2%), underpinned by higher outstanding household loan growth amid slower growth in credit to businesses.
- Outstanding business loans expanded by 1.0% (September 2023: 1.6%), due mainly to more moderate growth in working capital loans among non-SMEs. Growth in outstanding loans to SMEs, however, remained forthcoming (6.9%; September 2023: 6.7%). Meanwhile, the growth in outstanding corporate bonds was sustained at 5.0% (September 2023: 5.0%).
- For households, outstanding loan growth improved slightly to 5.6% (September 2023: 5.4%), supported by higher growth across most loan purposes. This reflected higher demand for household loans, particularly for the purchase of houses, cars and personal use.

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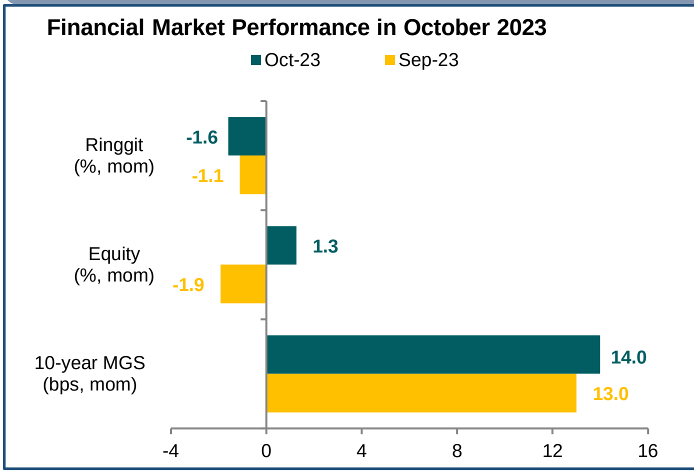
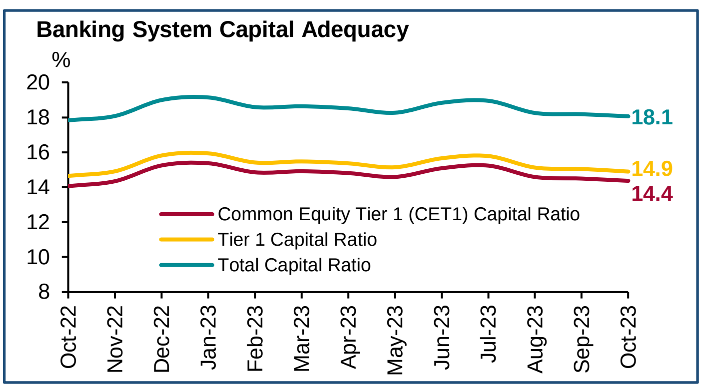
Domestic financial markets were mostly affected by global investor sentiments



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 South Korea
Source: Bank Negara Malaysia, Bursa Malaysia

- Global financial conditions were affected mainly by the rise in the 10-year US treasury yield as strong US economic data led to growing investor expectations of a higher policy rate environment.
- Against this backdrop, the 10-year MGS yield increased by 14 basis points (regional* average: +22 bps) while the ringgit depreciated by 1.6% against the US dollar (regional* average: -0.3%).
- The FBM KLCI increased by 1.3% amid improved domestic equity market sentiments post-Budget 2024.

Banks remained well-capitalised to support economic growth

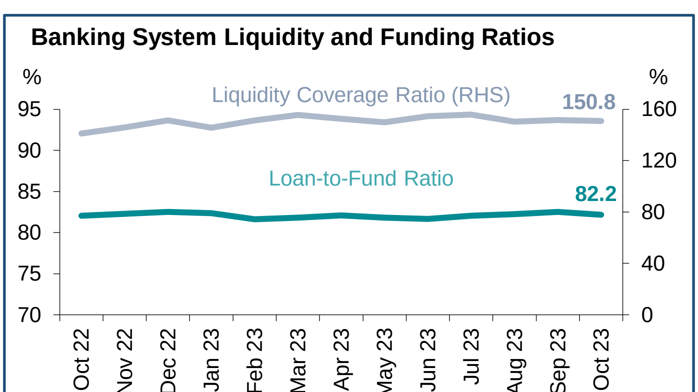


Source: Bank Negara Malaysia

- Capital ratios were broadly stable, supportive of banks' financial intermediation activities and bolstering their ability to withstand unexpected losses.
- The banking system excess capital buffer[1] remained healthy at RM132.6 billion.

[1] Refers to total capital above the regulatory minimum, which includes the capital conservation buffer (2.5%) and bank-specific higher minimum requirements

Banks maintained strong liquidity and funding positions



Source: Bank Negara Malaysia

- The banking system continued to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 150.8% (September 2023: 151.5%).
- The aggregate loan-to-fund ratio remained largely stable at 82.2% (September 2023: 82.5%).