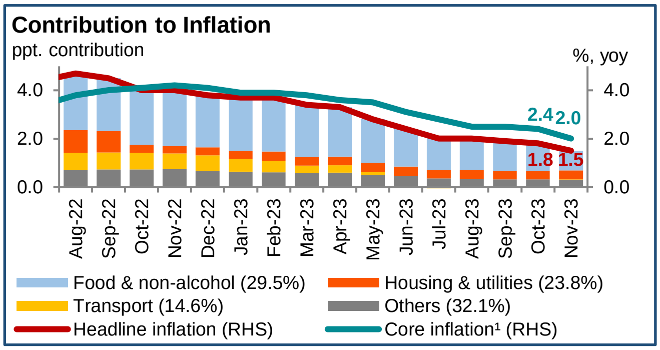
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
November 2023

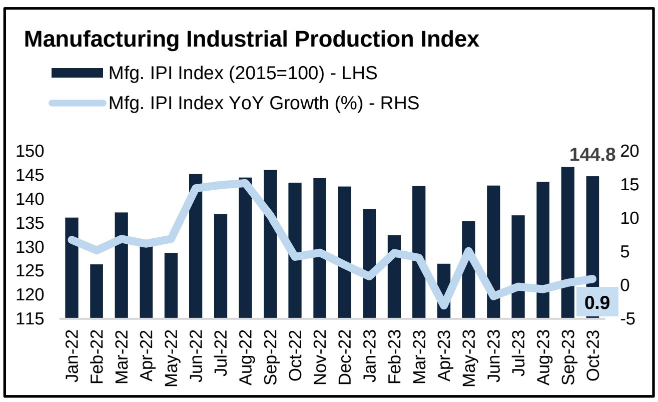
Headline inflation moderated to 1.5% in November



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

- Headline inflation continued to moderate to 1.5% in November (October 2023: 1.8%), driven by lower core (2.0%; October 2023: 2.4%) and fresh food inflation (0.1%; October 2023: 1.2%).
- Notably, the lower core inflation was largely driven by food away from home (3.9%; October 2023: 5.6%).

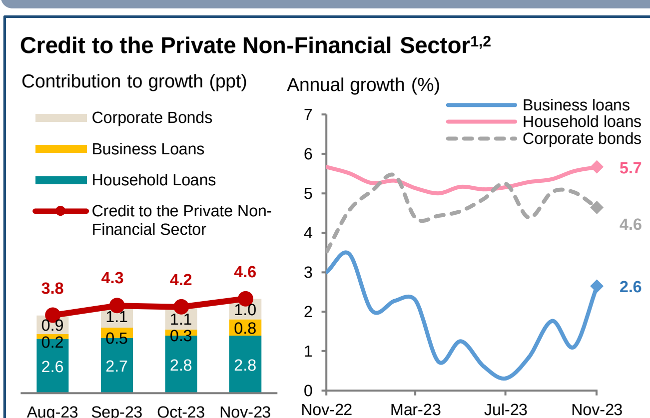
Manufacturing production improved by 0.9% in October 2023



Source: Department of Statistics, Malaysia

- The manufacturing industrial production index (IPI) grew by 0.9% on an annual basis in October 2023 (September 2023: 0.4%), underpinned by a further improvement in domestic-oriented clusters, mainly transport equipment, and food, beverages and tobacco.
- This more than offset the continued drag from export-oriented clusters amid weaker semiconductor component production and the gradual restart from oil refinery maintenance.

Higher growth in credit to the private non-financial sector



[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 4.6% as at end-November (October 2023: 4.2%), driven mainly by higher growth in credit to businesses (3.5%; October 2023: 2.8%).
- Outstanding business loans expanded by 2.6% (October 2023: 1.1%), supported by higher growth in working capital loans. Of note, growth in outstanding loans to SMEs remained forthcoming (7.9%; October 2023: 7.2%). Meanwhile, outstanding corporate bonds growth moderated slightly to 4.6% (October 2023: 5.0%).
- For households, outstanding loan growth was stable (5.7%; October 2023: 5.6%), supported by sustained growth across most loan purposes. Household loan growth continued to be driven by loans for the purchase of houses and cars, which grew by 7.6% and 9.4%, respectively (October 2023: 7.6% and 9.1%).

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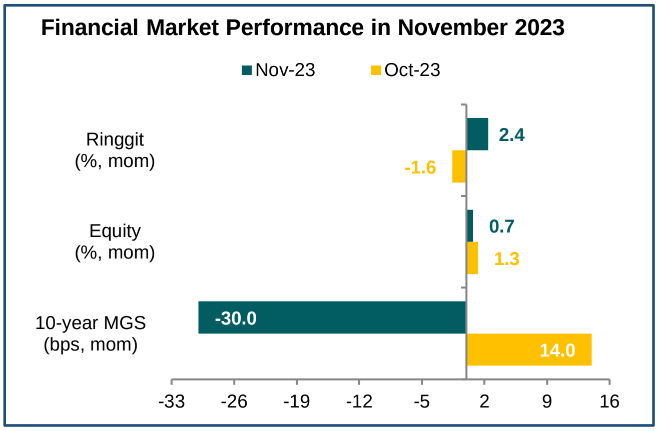
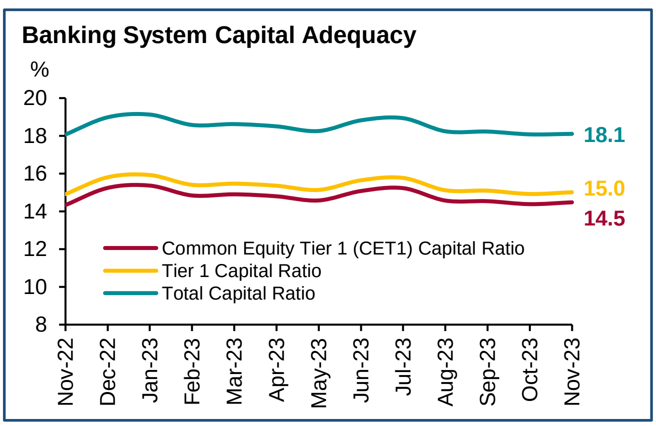
Domestic financial markets continued to be affected by global investor sentiments



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 Korea
Source: Bank Negara Malaysia, Bursa Malaysia

- Global financial conditions were driven by financial market expectations that interest rates in advanced economies had peaked. Reflecting these investor sentiments, global bond yields declined while global equity markets traded higher.
- Against this backdrop, the ringgit appreciated by 2.4% against the US dollar (regional* average: +3.2%), while the 10-year MGS yield decreased by 30 bps (regional* average: -49 bps) amid non-resident inflows into the domestic bond market.
- The FBM KLCI also traded higher by 0.7%, in line with other bourses (regional* average: 3.3%).

Banks remained well-capitalised to support economic growth

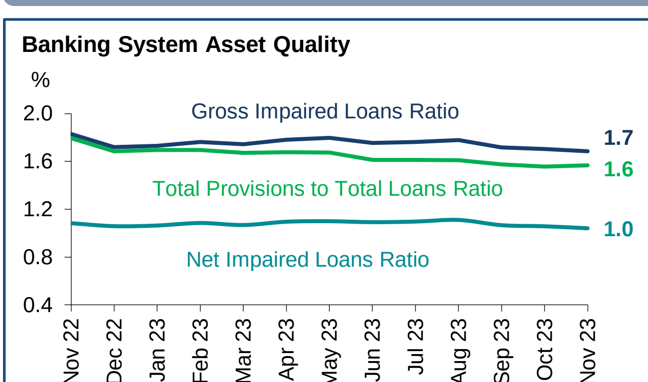


Source: Bank Negara Malaysia

- Banks' capital position remained strong to withstand potential shocks and support credit intermediation growth in the economy.
- The banking system recorded excess capital buffers[1] of RM134.1 billion as of November 2023 (October 2023: RM132.9 billion).

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

Banking system resilience continued to be underpinned by sound asset quality



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remain largely stable at 1.7% and 1.0%, respectively.
- Loan loss coverage ratio (including regulatory reserves) remained at a prudent level of 119.7% of impaired loans, with total provisions accounting for 1.6% of total loans.

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Banks remained well-capitalised to support economic growth

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Bank Negara Malaysia
29 December 2023

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