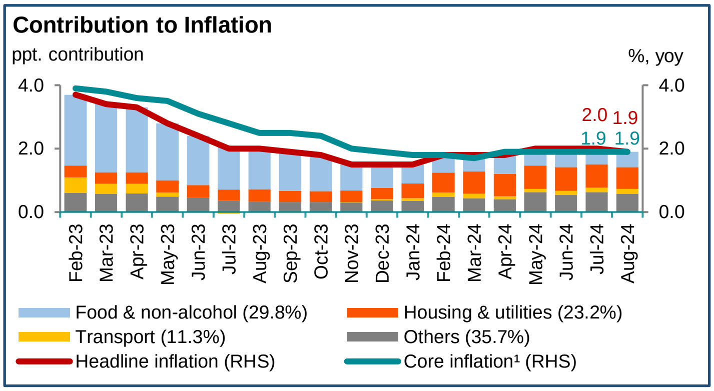
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
August 2024

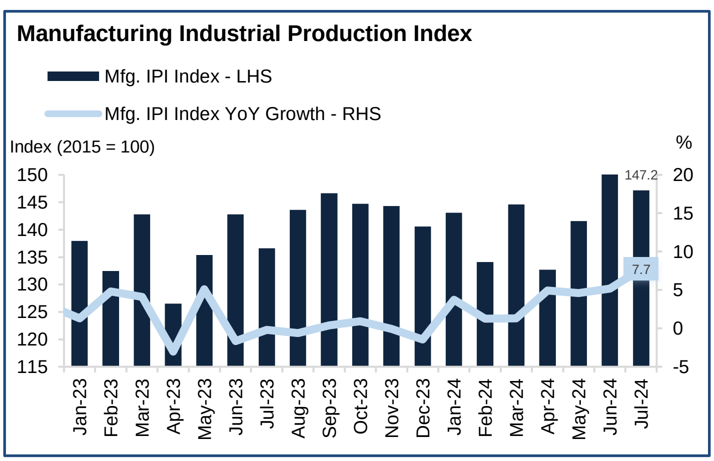
Headline and core inflation remained stable



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

- In August, headline inflation edged lower to 1.9% (July 2024: 2%), while core inflation[1] remained unchanged at 1.9% (July 2024: 1.9%).
- The decline in headline inflation was mainly driven by lower inflation in water supply and food away from home.

Manufacturing production remained strong in July 2024



Source: Department of Statistics, Malaysia

- The manufacturing industrial production index expanded further by 7.7% in July 2024 (June 2024: 5.2%).
- Export-oriented clusters expanded further as shown in the higher production of both electrical and electronics (E&E) and primary-related products such as wood and rubber.
- Sustained growth in domestic-oriented clusters was underpinned by higher production in tobacco and positive turnaround in wearing apparel and the automotive subcluster.

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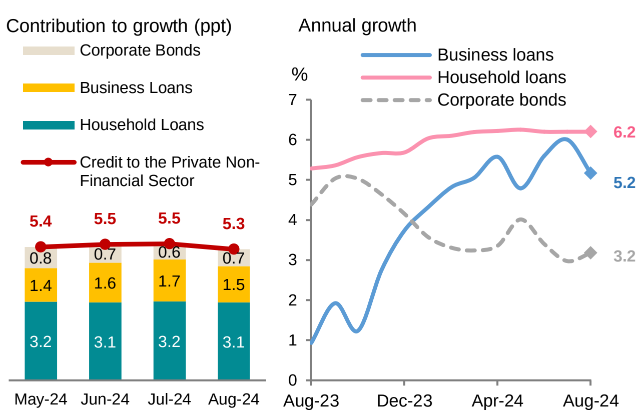
Growth in credit to the private non-financial sector moderated in August

Credit to the Private Non-Financial Sector[1]

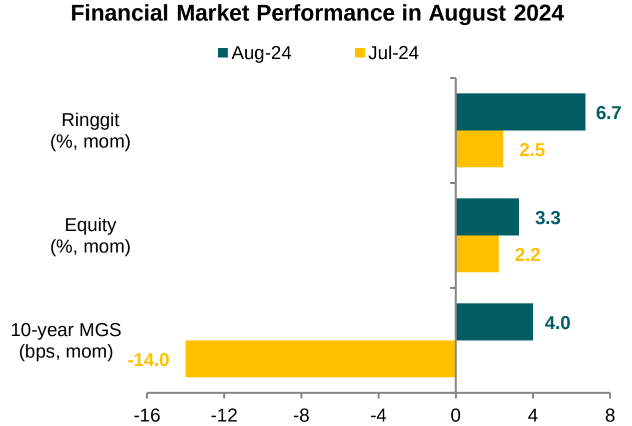


[1] Comprises loans to households and non-financial corporations from the banking system and development financial institutions (DFIs) and corporate bonds issued by non-financial corporations (including short-term papers).
Note: Numbers may not add up due to rounding.
Source: Bank Negara Malaysia

- Growth in credit to the private non-financial sector moderated to 5.3% as at end-August (July 2024: 5.5%) amid lower outstanding loan growth (5.8%; July 2024: 6.2%). Growth in outstanding corporate bonds increased to 3.2% (July 2024: 3%).
- Household loan growth was sustained at 6.2% (July 2024: 6.2%), with steady growth across most purposes, including purchase of houses and cars.
- For businesses, loan growth moderated to 5.2% (July 2024: 6%), on account of slower growth in working capital loans among non-SMEs. Notwithstanding, SME loan growth was sustained across both working capital and investment purposes.

Domestic financial markets remained largely driven by external developments, including increased expectations of US monetary policy easing

Financial Market Performance in August 2024



Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market.
[1] Regional countries comprise: Singapore, Thailand, Philippines, Indonesia, and South Korea.

Source: Bank Negara Malaysia, Bursa Malaysia

- In August, financial market participants' expectations shifted towards the possibility of earlier and deeper policy rate cuts by the US Federal Reserve, following US economic data suggesting a slowdown in the labour market and cooling inflation.
- Against this backdrop, the ringgit appreciated by 6.7% against the US dollar (regional[1] average: +4.2%). The 10-year Malaysian Government Securities (MGS) yield remained relatively stable, rising by a modest 4bps (regional[1] average: -11bps), while the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) traded higher by 3.3% (regional[1] average: +1.8%).

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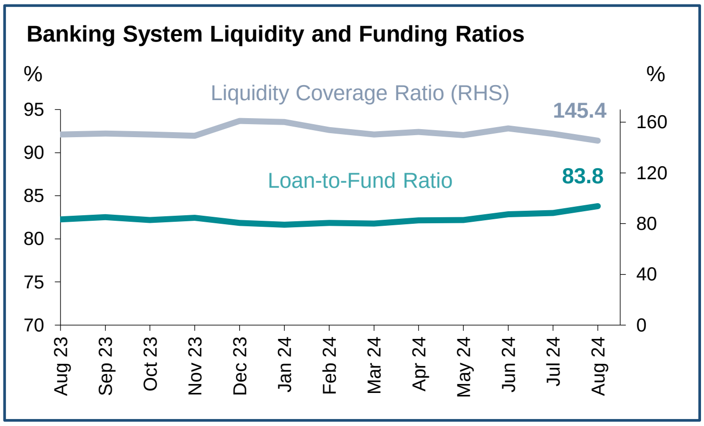
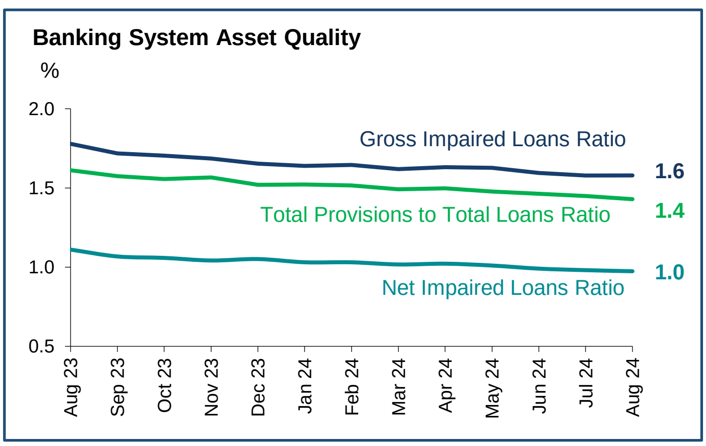
Banks' liquidity and funding positions remained supportive of intermediation activities



Source: Bank Negara Malaysia

- The banking system continued to record healthy liquidity buffers with an aggregate Liquidity Coverage Ratio of 145.4% (July 2024: 150.8%).
- The aggregate loan-to-fund ratio remained broadly stable at 83.8% (July 2024: 83%).

The banking system resilience continues to be underpinned by sound asset quality



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remained stable at 1.6% and 1%, respectively.
- Loan loss coverage ratio (including regulatory reserves) continued to be at a prudent level of 123.8% of impaired loans (July 2024: 124.5%).