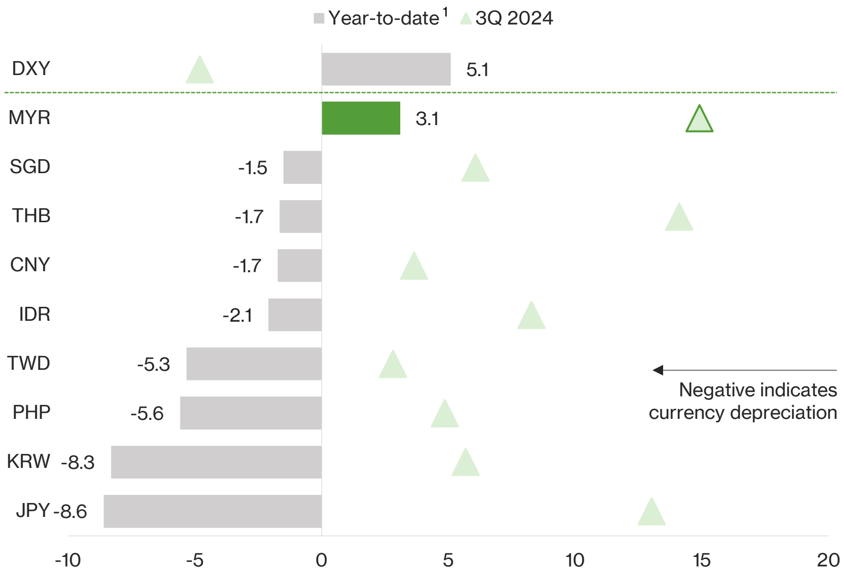
Financial Markets and Exchange Rate

The ringgit appreciated against the US dollar and against its major trading partners

Ringgit's appreciation was in line with major trade partners following the shift towards a monetary policy easing by the US Federal Reserve

Performance of the US dollar Index and regional currencies against the US dollar,
% year-to-date and quarter-on-quarter



Ringgit appreciated against major trading partners

NEER 3Q 2024: +9.9%
2Q 2024: 1.6%

[1] Year-to-date as of 13 November 2024. Numbers in the bar chart are the year-to-date figures.
Note: NEER refers to the nominal effective exchange rate
Source: Bank Negara Malaysia and Bloomberg

Domestic financial market developments were driven by global and domestic factors

Bond yields decreased
in line with regional peers due to global monetary policy easing

MGS 10Y Yield -15 bps
(2Q 2024: +1 bps)

Equity markets rose
amid net foreign inflows, driven by expectations of stronger domestic corporate earnings

KLCI +3.7% QoQ
(2Q 2024: +3.5%)

Key factors

Expectations for further rate cuts by the US Federal Reserve led to US dollar weakness during the quarter which subsequently drove the appreciation of regional currencies

Strong growth, rising investments, and commitment to reforms spurring investor confidence in financial markets

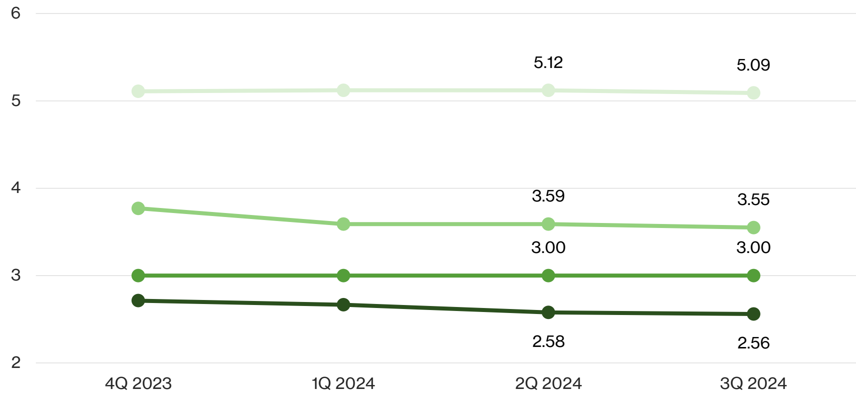
Source: Bank Negara Malaysia, ETP, Bursa Malaysia and Bloomberg

Monetary and Financial Developments

Interest Rates and Liquidity

Interbank rates and fixed deposit rates declined during the quarter

Interest rates,
End-period, %

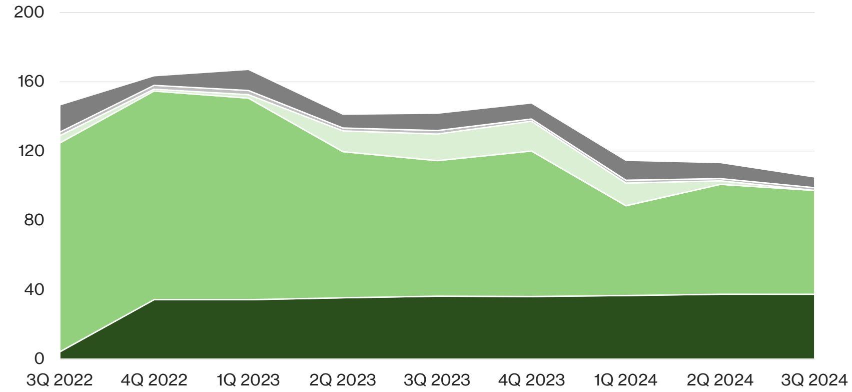


- **The 3M KLIBOR declined slightly** to 3.55%, while interbank rates similarly eased during the quarter.
- **Fixed deposit (FD) rates declined slightly** by 1 to 3 basis points across tenures of 1 to 12 months as banks continued to adjust their funding strategy to manage their cost of funds.
- **Average lending rate (ALR) on outstanding loans decreased marginally** during the quarter, mainly for business loans.

Source: Bank Negara Malaysia and Bloomberg

Banking system liquidity remains supportive of financial intermediation

Outstanding ringgit liquidity placed with BNM,
End-period, RM billion



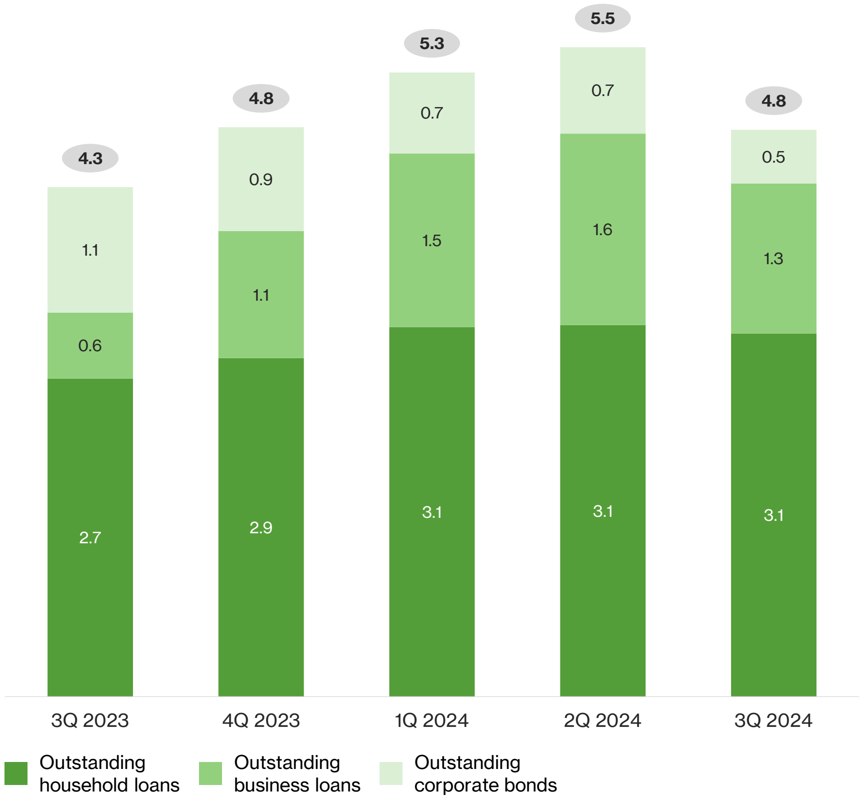
- **Total banking system liquidity at the end of the quarter declined** amid lower liquidity injection by BNM.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continue to maintain surplus overnight placement with BNM as at end-September 2024.

Source: Bank Negara Malaysia

Credit Conditions

Moderation in credit growth for businesses, while household loan growth remained sustained

Credit to the Private Non-Financial Sector,[1]
Contribution to growth, ppt



[1] Consists of outstanding corporate bonds and outstanding loans to businesses and households.
Source: Bank Negara Malaysia

Key developments

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

4.8%
2Q 2024: 5.5%

- Slower growth in outstanding loans[3] (5.5%; 2Q 2024: 6%), following moderation in business loan growth.
- Growth in corporate bonds also moderated to 2.1% (2Q 2024: 3.4%), amid stronger growth in redemptions.

Business Loans

4.5%
2Q 2024: 5.7%

- Business loan growth was more moderate at 4.5% (2Q 2024: 5.7%), amid slower growth in loans to non-SMEs. Notwithstanding, SME loan growth continued to be forthcoming (8.8%; 2Q 2024: 9.5%).
- By sector, loan growth for the services sector was sustained, while growth moderated for the manufacturing and construction sectors.

Household Loans

6.1%
2Q 2024: 6.2%

- For households, loan growth remained steady, driven by loans for the purchase of housing and cars.
- Growth in household loan applications remained robust with sustained approval rates.

[2] All numbers quoted are in terms of annual change.
[3] Refers to loans from banking system and development financial institutions (DFIs).
Source: Bank Negara Malaysia