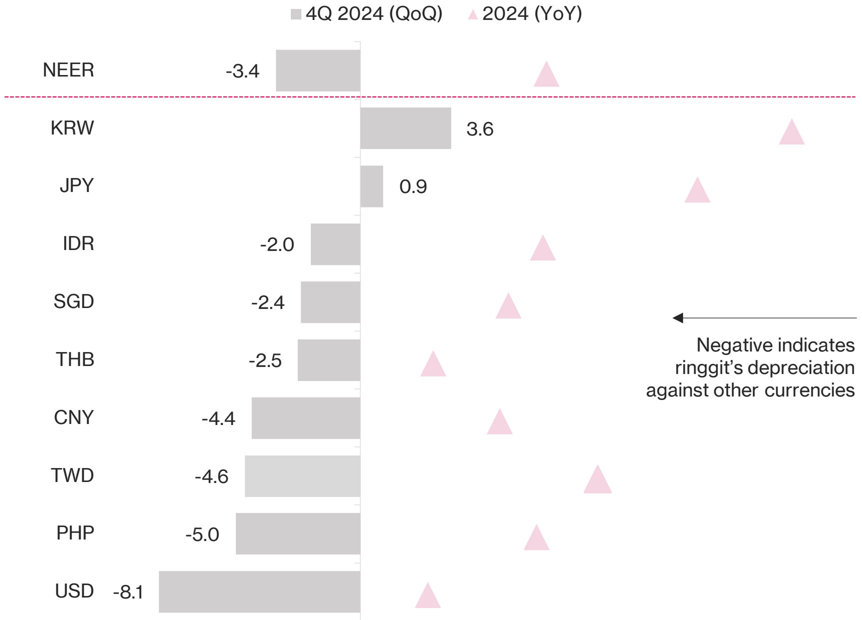
Monetary and Financial Developments

Financial Markets and Exchange Rate

The ringgit depreciated against major currencies last quarter but appreciated overall on year-on-year basis

Ringgit's depreciation in the fourth quarter reflected the shifts in global investor sentiments amid expectations for fewer US interest rate cuts in 2025 and US elections.

Performance of the ringgit against other selected major currencies
% quarter-on-quarter and year-on-year



Note: NEER refers to the nominal effective exchange rate
Source: Bank Negara Malaysia

Domestic financial market developments were largely driven by global factors

Bond yields increased in line with global bond yields amid market expectations for fewer US interest rate cuts in 2025

MGS 10Y Yield +11 bps
(3Q 2024: -15 bps)

Equity markets declined amid net foreign outflows following policy uncertainties arising from the US election in November

KLCI -0.4% QoQ
(3Q 2024: +3.7%)

Key factors

Global investor risk aversion amid uncertainties from potential trade restrictions by the upcoming US administration

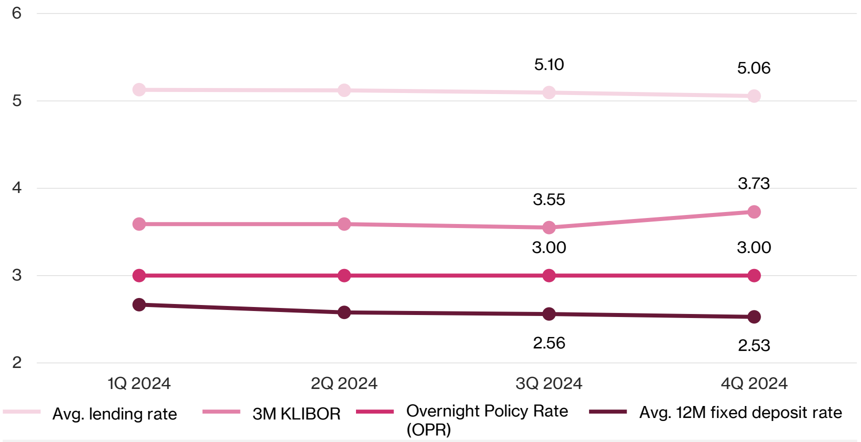
Financial market expectations for a slower pace of US monetary policy easing by the US Federal Reserve amid upward revisions in growth and inflation forecasts

Source: Bank Negara Malaysia, ETP, and Bursa Malaysia

Interest Rates and Liquidity

Fixed deposit and average lending rates declined during the quarter

Interest rates,
End-period, %

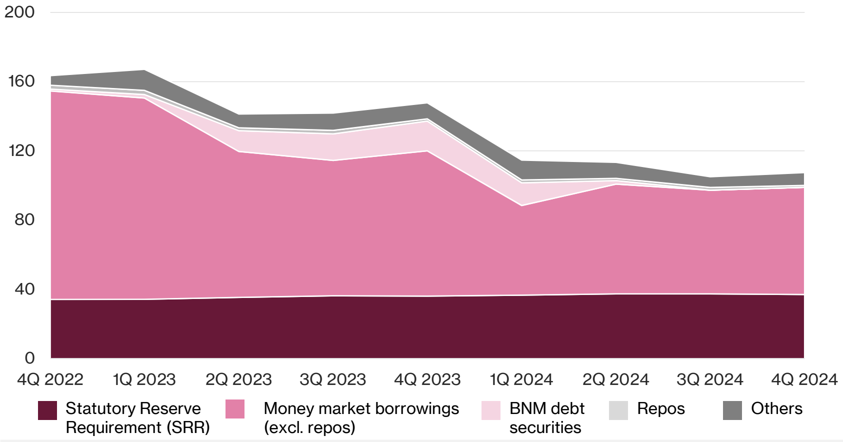


- **The 3M KLIBOR increased** amid seasonal funding demand by banks towards the year-end period to strengthen regulatory ratios. Since then, interbank rates have begun easing gradually in January 2025.
- **Retail board fixed deposit (FD) rates declined** by 2 to 8 basis points across tenures of 1 to 12 months during the quarter, reflecting banks' funding strategy to manage their cost of funds amid elevated corporate deposit rates during the year-end period.
- **Average lending rate (ALR) on outstanding loans decreased marginally** during the quarter.

Source: Bank Negara Malaysia and Bloomberg

Banking system liquidity continued to facilitate financial intermediation

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



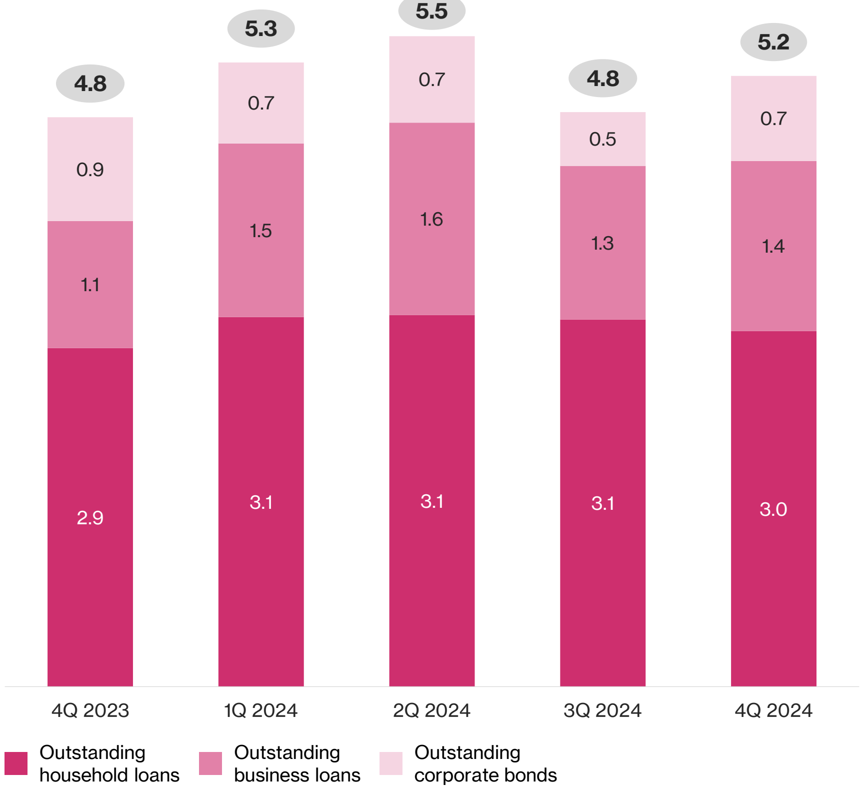
- **Total banking system liquidity increased slightly** at the end of the quarter amid higher liquidity injection by BNM.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continued to maintain surplus overnight placement with BNM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

Source: Bank Negara Malaysia

Credit Conditions

Higher credit growth, driven by growth in business loans and corporate bonds

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



Source: Bank Negara Malaysia

Key developments

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

5.2%
3Q 2024: 4.8%

- Outstanding loan[2] growth was sustained at 5.6% (3Q 2024: 5.6%) following an increase in business loan growth, while growth in household loans moderated slightly.
- Growth in outstanding corporate bonds increased to 3.5% (3Q 2024: 2.1%), amid higher bond issuances in the quarter.

Business Loans

5.1%
3Q 2024: 4.6%

- The higher growth in outstanding business loans was driven by investment-related loans, which rose mainly among SME borrowers.
- Growth in loans for working capital purposes was broadly steady.
- By sector, loan growth in the construction and manufacturing sectors increased, amid higher levels of loan applications and disbursements.

Household Loans

5.9%
3Q 2024: 6.1%

- Household loans expanded by 5.9%, following some moderation in loan growth for the purchase of housing and cars.
- Notwithstanding, the levels of loan applications and disbursements remained broadly sustained for the quarter.

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