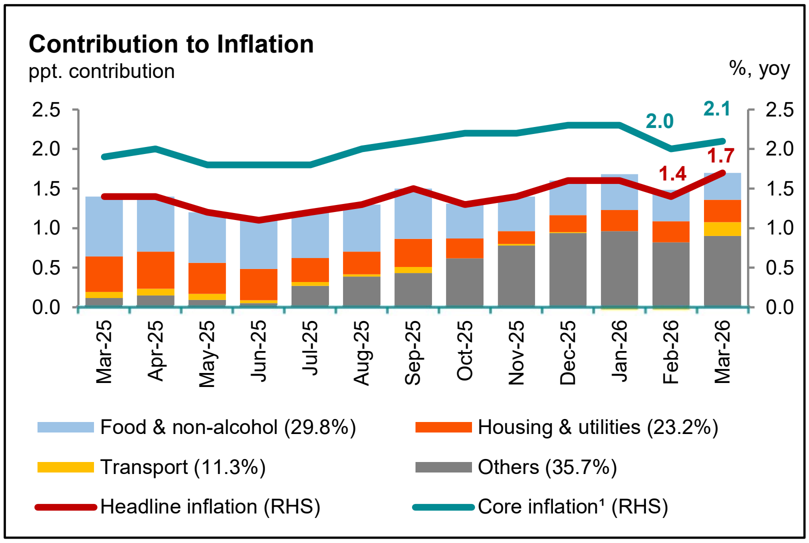
Monthly Highlights
March 2026

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

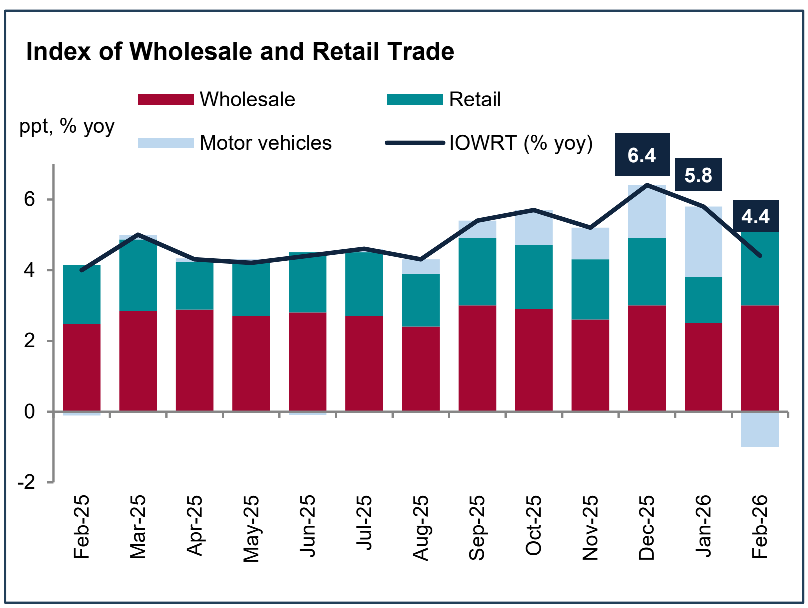
Inflation rose in March, reflecting higher fuel prices



[1] Core inflation is computed by excluding price-volatile and price-administered items.
[2] As of March 2026, Malaysian users remained eligible for a subsidised RON95 price of RM1.99/litre up to 300 litres under the BUDI95 programme. Diesel users in Sabah and Sarawak also continued to pay a subsidised price of RM2.15/litre.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

- In March, headline and core inflation[1] rose to 1.7% and 2.1% (February 2026: 1.4% and 2%), respectively.
- The increase in headline inflation was mainly driven by higher retail fuel prices, in line with elevated global oil prices, although the overall impact was moderated by continued targeted subsidies for RON95 and diesel.[2]
- This was partly offset by lower fresh food prices, particularly seafood and meat.

IOWRT grew moderately, supported by wholesale and retail gains, offset by contraction in vehicles



[1] Refers to supermarkets and department stores.
[2] Refers to construction materials, hardware, carpets, curtains, wallpaper and household furniture.
Source: Department of Statistics, Malaysia

- The Index of Wholesale and Retail Trade (IOWRT) moderated to 4.4% in February (January 2026: 5.8%).
- Growth in the wholesale and retail segment improved. This was mainly driven by wholesale of food, beverages, tobacco, and household goods; as well as retail trade in non-specialised stores[1] and retail sale of other household equipment in specialised stores[2], respectively.
- However, this was more than offset by the decline in the motor vehicle segment due to lower car sales and sales, maintenance and repair of motorcycles.

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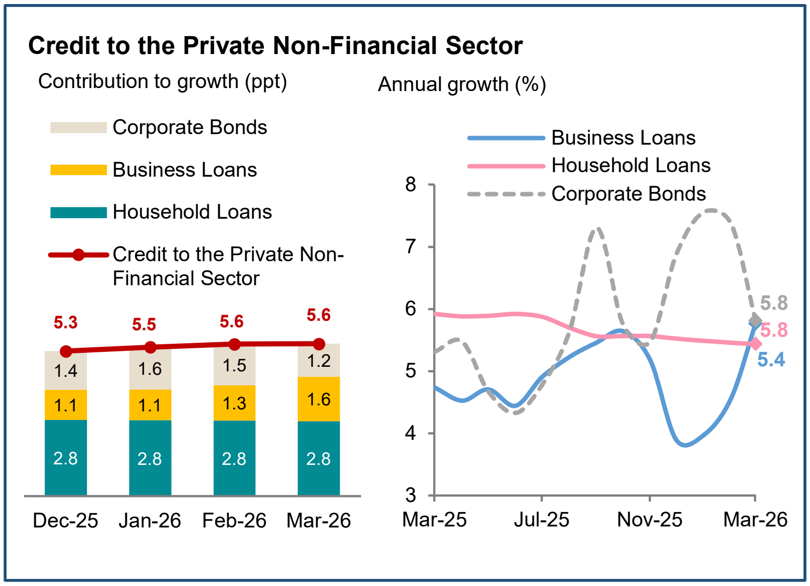
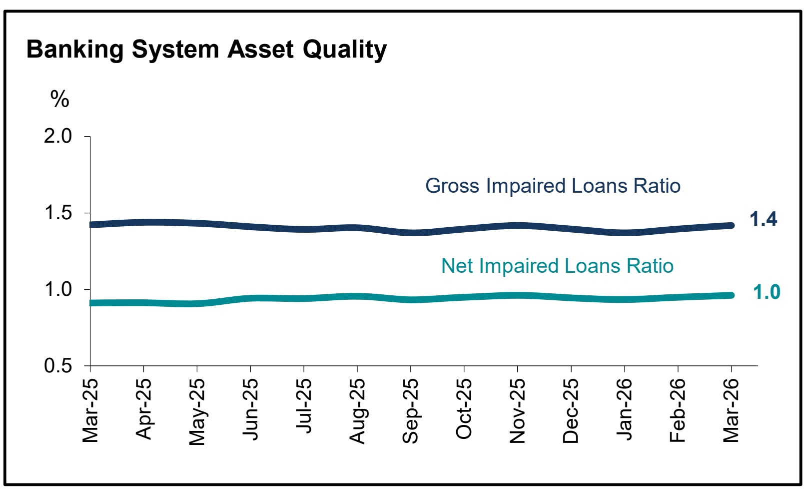
Growth in credit to the private non-financial sector was sustained in March



[1] Comprises loans for the purchase of non-residential properties, residential properties for business use, fixed assets as well as for construction activities.
Source: Bank Negara Malaysia

- Credit to the private non-financial sector grew by 5.6% (February 2026: 5.6%), supported by higher growth in outstanding loans (5.6%; February 2026: 5.1%). In contrast, growth in outstanding corporate bonds moderated to 5.8% (February 2026: 7.4%) due to lower bond issuances relative to the corresponding period last year.
- Business loan growth increased to 5.8% (February 2026: 4.6%) following higher loan growth among non-SMEs, particularly for working capital purposes. Meanwhile, growth for investment-related[1] loans remained steady across both SMEs and non-SMEs.
- Household loan growth was sustained at 5.4% (February 2026: 5.5%) amid steady loan growth across most purposes.

Banks' asset quality remained sound



Source: Bank Negara Malaysia

- Gross and net impaired loans ratios continued to be stable at 1.4% and 1%, respectively.
- Loan loss coverage ratio (including regulatory reserves) remained prudent at 125% of gross impaired loans (February 2026: 124.7%).

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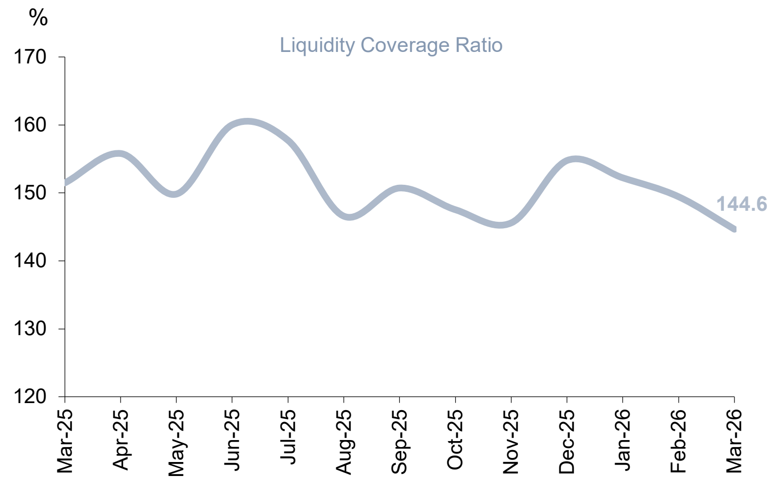
High liquid assets to buffer against any liquidity shocks

Banking System Liquidity Coverage Ratio

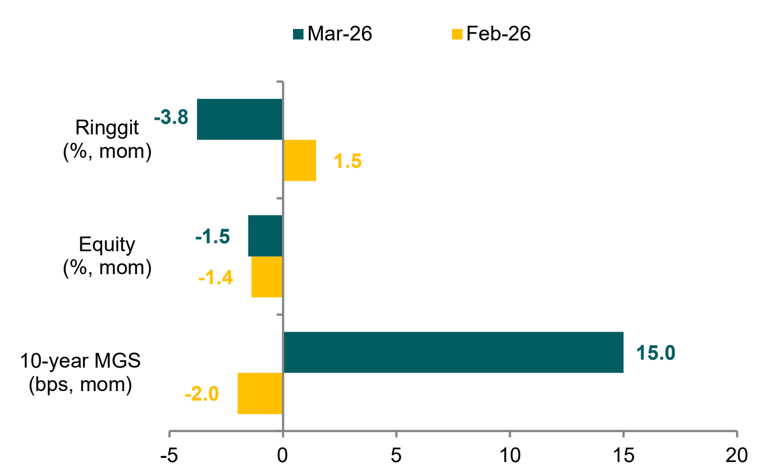


Source: Bank Negara Malaysia

- The banking system continued to record healthy liquid asset buffers with an aggregate Liquidity Coverage Ratio of 144.6% (February 2026: 149.4%).

The escalation of the West Asia conflict weighed on global and domestic financial markets

Financial Market Performance in March 2026



Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market.

[1] NEER refers to the ringgit nominal effective exchange rate, which measures the ringgit's movement against a basket of currencies of Malaysia's major trading partners.

[2] Regional countries comprise Singapore, Thailand, the Philippines, Indonesia and Korea.

Source: Bank Negara Malaysia, Bursa Malaysia and Bloomberg

- The escalation of the West Asia conflict has led to elevated geopolitical uncertainty, contributing to more cautious global investor sentiment with spillovers to domestic financial markets.
- The US dollar strengthened, reflecting global risk-off sentiment. The ringgit depreciated by 3.8% against the US dollar (NEER[1]: -1.8%), broadly in line with regional peers (regional average[2]: -3.6%).
- The 10-year MGS yield increased by 15 bps (regional average[2]: +55 bps), in line with movements of bond yields abroad, following higher global inflation expectations. Meanwhile, the FBM KLCI declined by 1.5% (regional average[2]: -10.2%), reflecting cautious investor sentiment amid heightened geopolitical risks.