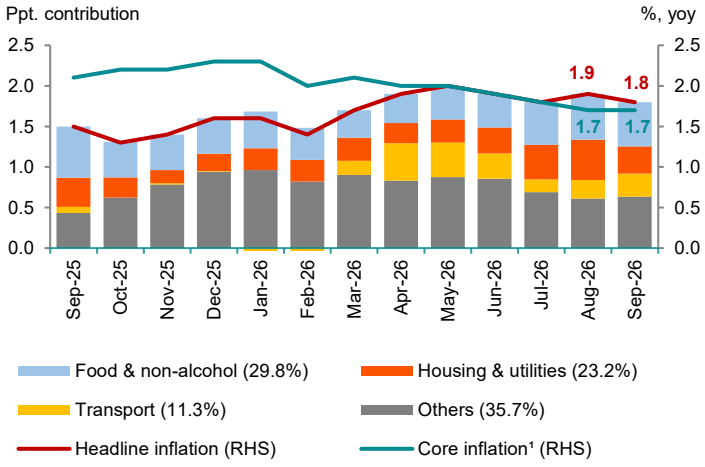
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
September 2026

Headline inflation moderated, while core inflation was unchanged in September

Contribution to Headline Inflation

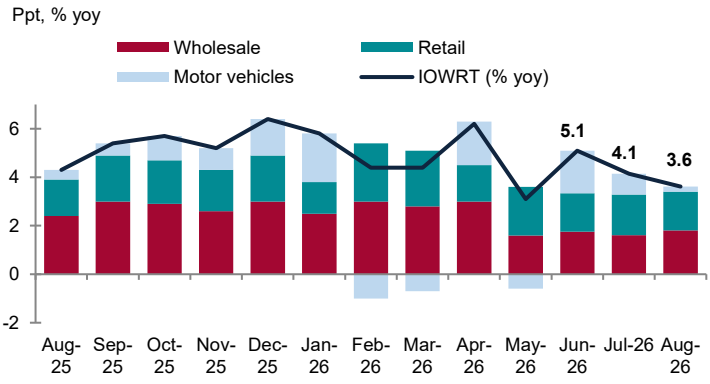


[1] Core inflation is computed by excluding price-volatile and price-administered items.
[2] In September, the average retail price of RON97 rose to RM4.64/litre (August: RM4.28/litre).
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

- In September, headline inflation eased to 1.8% (August 2026: 1.9%), while core[1] inflation remained unchanged at 1.7% (August 2026: 1.7%).
- The decline in headline inflation partly reflected lower electricity charges and vegetable prices, alongside the dissipation of base effects from higher water tariffs in September 2025. These downward effects were partly offset by higher prices for RON97,[2] fish and other seafood, and eggs.
- Core inflation remained unchanged, as lower inflation from mobile communication services, reflecting base effects from prices increases in September 2025, was offset by higher inflation in other core items.

Wholesale trade strengthened, while retail and motor vehicle growth moderated

Index of Wholesale and Retail Trade



[1] Refers to wholesale of household goods, including clothing, pharmaceuticals, furniture, appliances, and electronic products.
[2] Refers to the wholesale of fuels, metals, construction materials, chemicals, and other industrial products.
[3] Refers to specialised retailers selling apparel, pharmaceuticals, cosmetics, jewellery, and other personal goods.
Source: Department of Statistics, Malaysia

- The Index of Wholesale and Retail Trade (IOWRT) moderated to 3.6% in August 2026 (July 2026: 4.1%).
- Growth in the wholesale segment (4%; July 2026: 3.6%) strengthened, driven mainly by wholesale of household goods[1] and other specialised wholesale trade.[2]
- However, this was more than offset by the moderation in motor vehicle sales and retail trade. The slowdown in retail trade mainly reflected weaker growth in the sale of other goods in specialised stores.[3]

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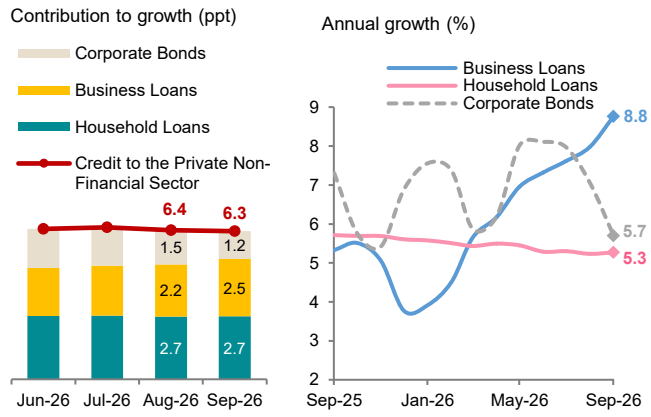
Stable credit growth to the private non-financial sector

Credit to the Private Non-Financial Sector

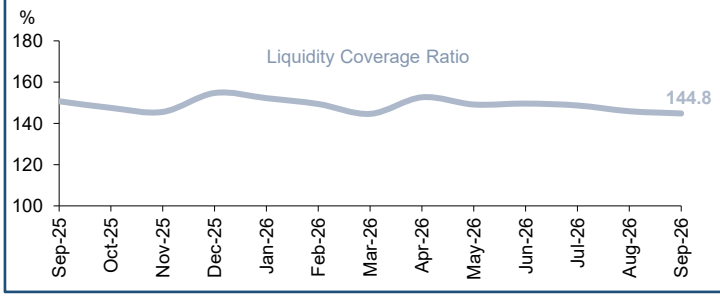


Source: Bank Negara Malaysia

- Credit growth to the private non-financial sector remained broadly stable at 6.3% (August 2026: 6.4%), as higher growth in outstanding loans (6.5%; August 2026: 6.2%) offset the moderation in outstanding corporate bonds (5.7%; August 2026: 7.1%).
- Business loan growth continued to increase (8.8%; August 2026: 8%), driven primarily by demand for working capital loans. From a sectoral perspective, the services and manufacturing sectors recorded higher loan growth.
- Meanwhile, household loan growth was sustained at 5.3% (August 2026: 5.2%) supported by steady loan growth across most purposes.

Banks continued to maintain healthy liquidity buffers

Banking System Liquidity Coverage Ratio

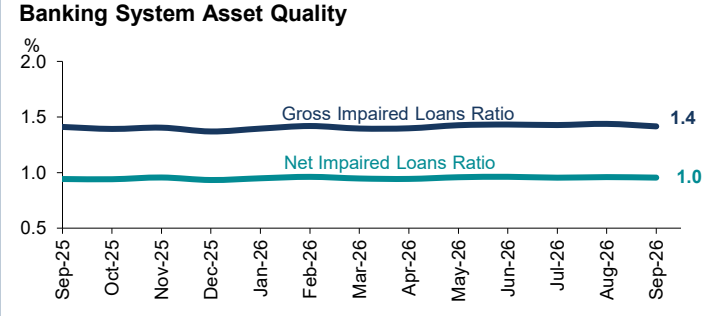


Source: Bank Negara Malaysia

- The banking system continued to record healthy liquid asset buffers with an aggregate Liquidity Coverage Ratio of 144.8% (August 2026: 145.9%).

Banks' asset quality remained sound

Banking System Asset Quality



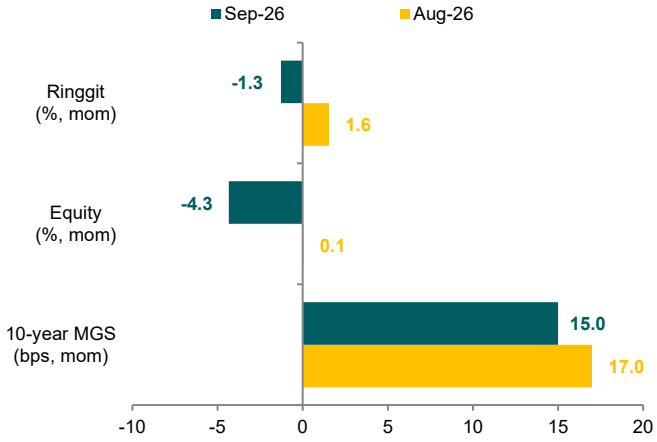
Source: Bank Negara Malaysia

- Gross and net impaired loans ratios remained broadly unchanged at 1.4% and 1%, respectively.
- Loan loss coverage ratio (including regulatory reserves) remained prudent at 126% of gross impaired loans (August 2026: 125.2%).

Monthly Highlights
September 2026

Financial markets continued to be shaped by evolving global monetary policy expectations amid ongoing geopolitical uncertainties

Financial Market Performance in September 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

- Global financial markets were mainly driven by higher interest rates following monetary policy tightening by several major central banks. Elevated inflation and heightened geopolitical tensions contributed to expectations of further monetary policy tightening globally.
- Against this backdrop, the 10-year MGS yield increased by 15 bps (regional average:[2] 19.3 bps), while the FBM KLCI declined by 4.3% (regional average:[2] -2.6%), in line with global and regional trends and amid non-resident outflows from the domestic financial market.
- Consistent with these developments, the ringgit was lower against the US dollar by 1.3% (NEER:[1] -0.8%, regional average:[2] -0.5%).