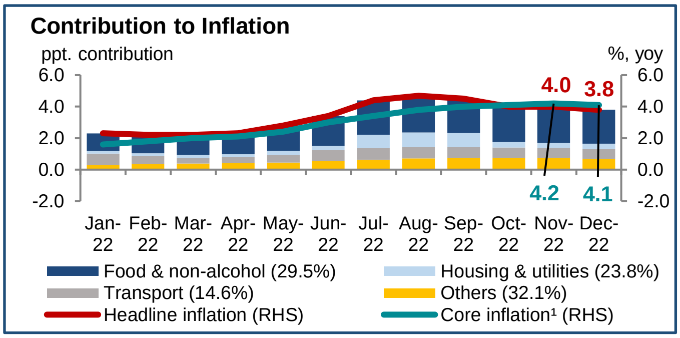
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
December 2022

Headline inflation declined to 3.8% in December

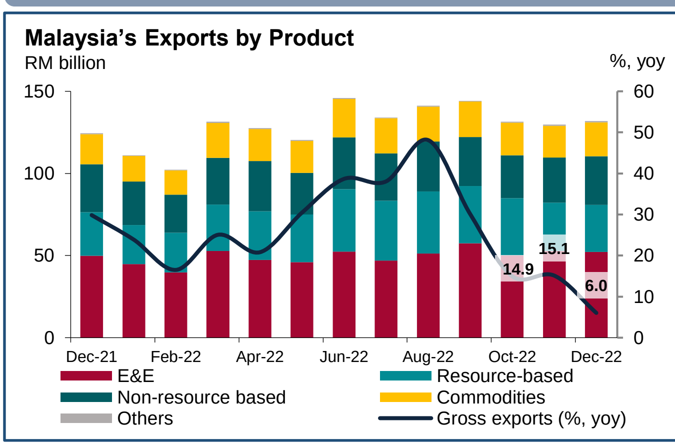


[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

Source: Department of Statistics Malaysia (DOSM), Bank Negara Malaysia estimates

- Headline inflation declined to 3.8% in December (November: 4.0%) due to the continued moderation in fresh food and fuel inflation, as well as lower core inflation.
- Core inflation edged lower but remained high at 4.1% during the month (November: 4.2%). The lower core inflation largely reflected lower inflation for repair and maintenance for personal transport, bread and bakery products and lotteries and gambling.

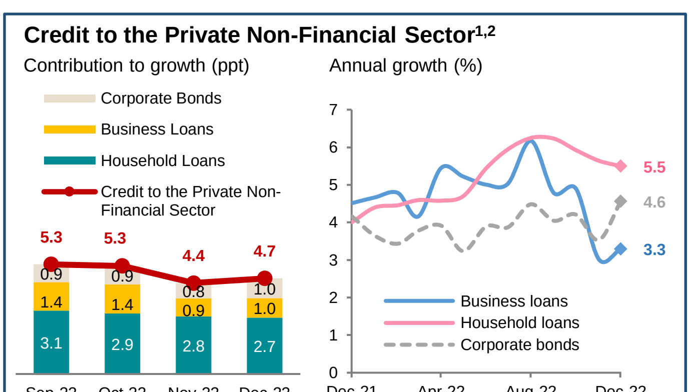
Export growth moderated in December



Source: Department of Statistics, Malaysia (DOSM), MATRADE

- Exports grew by 6.0% (November: 15.1%) in December 2022. Overall, exports grew by 25.0% in 2022.
- Manufactured export growth were driven by petroleum and E&E products. Meanwhile, commodities exports continued to be supported mainly by LNG and crude petroleum shipments.
- Moving forward, the moderation in global growth and lower commodity prices are expected to weigh on Malaysia's export growth.

Higher growth in credit to the private non-financial sector



[1] Comprises loans to households and non-financial corporations by the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers).
[2] Starting with the publication of December 2022 Monthly Highlights and Statistics (MHS), this series is introduced to enhance the quality of financing data. This new data series is available in the MHS Table 2.18.
Source: Bank Negara Malaysia

- Credit to the private non-financial sector grew by 4.7% as at end-December (November: 4.4%), reflecting higher growth in credit to businesses (3.8%; November: 3.2%).
- For businesses, the stronger credit growth was driven by higher growth for both outstanding corporate bonds (4.6%; November: 3.5%) and outstanding business loans (3.3%; November: 3.0%).
- Outstanding household loans grew by 5.5% (November: 5.6%), as growth in loan repayments outpaced that of disbursements. Despite some moderation in outstanding loan growth for the purchase of housing and cars, growth in loan disbursements remained strong (10.4%; November: 9.1%).

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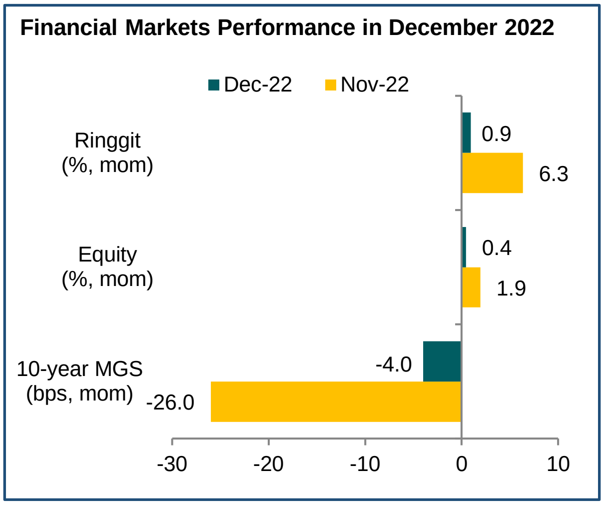
Domestic financial conditions continued to ease, reflecting improving investors' risk sentiment

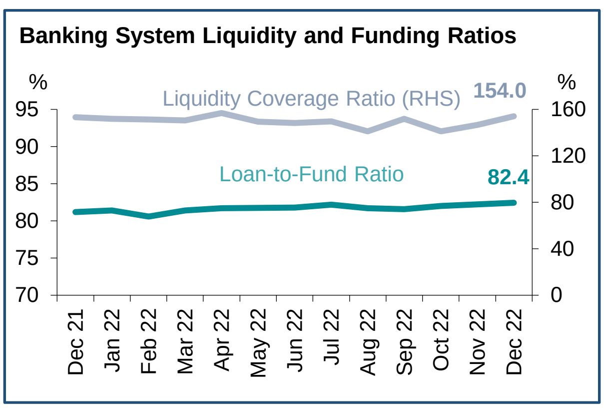


Source: Bank Negara Malaysia, Bursa Malaysia

*Regional countries comprise Singapore, Thailand, Philippines, Indonesia and Korea

- Global financial conditions were mainly driven by expectations for a slower monetary policy tightening by major central banks moving forward, as inflation showed signs of peaking. Meanwhile, investors' risk sentiment was supported further by the earlier-than-expected reopening of China's international borders.
- Subsequently, domestic financial conditions eased, with the 10-year MGS yields declining by 4.0 bps (regional* average: -4.4 bps). The FBM KLCI rose by 0.4% (regional* average: -3.1%), contributed mainly by the plantation sector amid higher crude palm oil prices during the month.
- The ringgit continued to appreciate against the US dollar (+0.9%), in line with the movement of other regional currencies (average*: 2.0%).

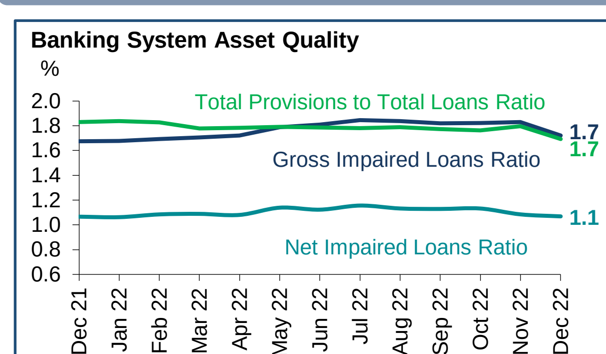
Banks maintained strong liquidity and funding positions to support intermediation



Source: Bank Negara Malaysia

- The banking system overall Liquidity Coverage Ratio improved in December as banks were proactive in managing their buffers to address the year end seasonal fluctuation in banking system liquidity.
- The aggregate loan-to-fund ratio remained largely stable at 82.4% (November: 82.2%), supported by sound growth in deposits of 5.9% (November: 5.9%).

Asset quality in the banking system remained intact



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remained broadly unchanged at 1.7% (November: 1.8%) and 1.1% (November: 1.1%), respectively.
- Loan loss coverage ratio (including regulatory reserves) continued to record a prudent level of 118.2% of impaired loans, with total provisions accounting for 1.7% of total loans.

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