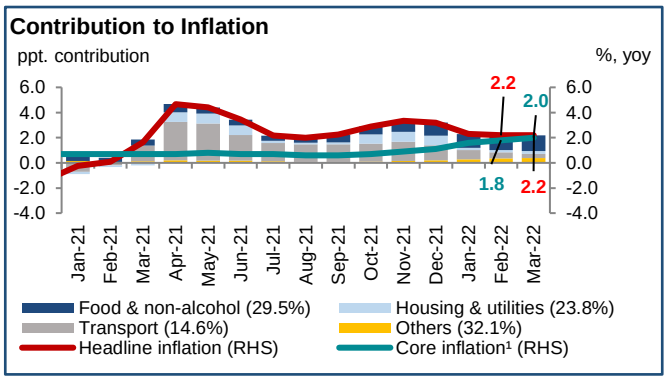
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
March 2022

Headline inflation remained stable at 2.2% in March

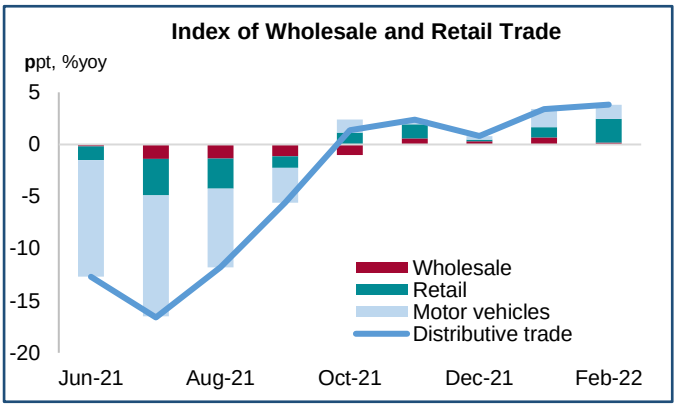


- Headline inflation was unchanged at 2.2% (February: 2.2%), mainly reflecting lower fuel inflation which was offset by higher core inflation.
- Core inflation was higher at 2.0% (February: 1.8%), due to higher inflation in food away from home, jewellery, and other services for personal transport equipment.

[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

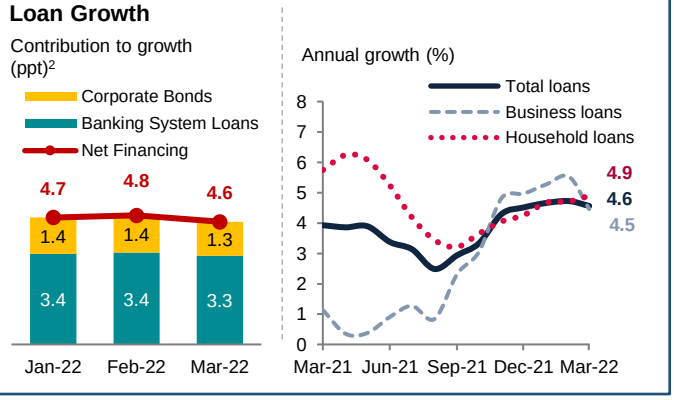
Wholesale and Retail Trade expanded in February



- The Index of Wholesale and Retail Trade (IOWRT) grew by 3.8% in February 2022 (January: 3.4%). The higher growth was driven mainly by the retail segment. Improvement in retail was broad based across most components, with the exception of retail sale of information & communication equipment (-3.2%; January: -0.8%).
- On a month-on-month seasonally adjusted basis, growth accelerated to 4.9% (January: 1.3%). This was amid reopening of the economy and better labour market conditions, which had provided support to household spending.

Source: Department of Statistics Malaysia

Net financing growth moderated slightly in March



- Net financing grew by 4.6%, amid lower growth in outstanding corporate bonds (4.6%; February: 5.0%).
- Growth in outstanding household loans was stronger at 4.9% (February: 4.7%), reflecting growth across all purposes, as loan disbursements growth picked up (10.2%; February: 3.1%).
- For businesses, outstanding loan growth was lower (4.5%; February: 5.5%) amid lower growth in working capital financing. Nonetheless, growth in working capital loan disbursements remained strong (12.4%; February: 19.8%; 2017-19 average: 4.8%), despite some base effects from higher disbursements in March 2021.

[1] Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)) and outstanding corporate bonds.
[2] Numbers may not add up due to rounding.

Source: Bank Negara Malaysia

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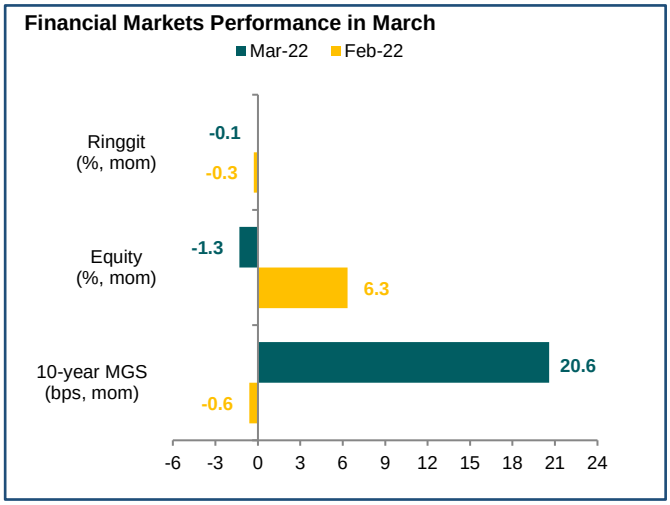
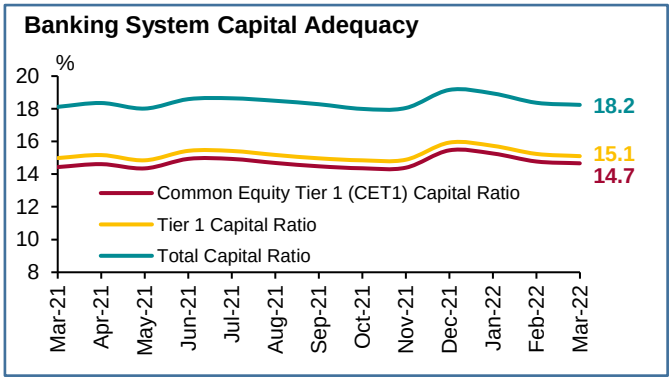
Domestic financial markets driven by tighter global financial conditions and geopolitical developments



Source: Bank Negara Malaysia, Bursa Malaysia

- In March, global financial market sentiments were affected by faster-than-anticipated monetary policy normalisation path by the US Federal Reserve and the conflict in Ukraine. The corresponding broad US dollar strength during the month also resulted in a marginal depreciation of the ringgit.
- Domestic financial market conditions tightened, following the increase in 10-year MGS yields by 20.6 basis points, and the decline in the FBM KLCI by 1.3%.
- Despite the weaker financial market performance, adjustments remained orderly amid sufficient trading liquidity.

Banking system remains well-positioned to support economic recovery

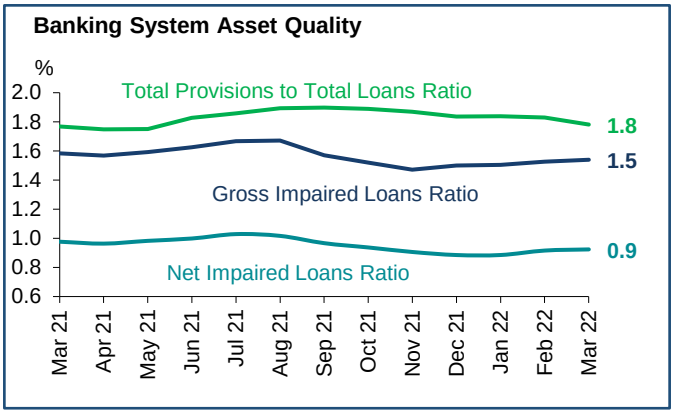


Source: Bank Negara Malaysia

- Banks maintained strong capitalisation levels, with excess capital buffers[1] of RM125.5 billion as at March 2022.
- Capital ratios declined marginally, mainly driven by valuation adjustments on available-for-sale financial instruments amidst rising bond yields.

[1] Refers to total capital above the regulatory minimum, which includes the capital conservation buffer (2.5%) and bank-specific higher minimum requirements

The resilience of banks continued to be underpinned by sound asset quality



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remained broadly stable at 1.5% and 0.9%, respectively.
- Banks' provisioning levels remained high, as banks continue to be prudent, with loan loss coverage ratio (including regulatory reserves) of 133% (2020-2021 average: 129%).
- Total provisions eased marginally to 1.8% as a share of total banking system loans (February: 1.9%).