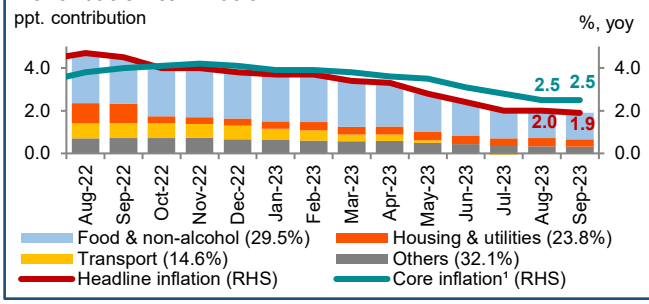
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
September 2023

Headline inflation moderated to 1.9% in September

Contribution to Inflation

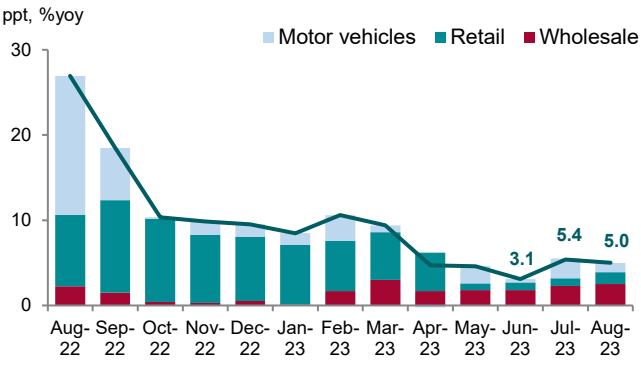


- Headline inflation declined slightly to 1.9% (August 2023: 2%) driven largely by fresh food inflation, which continued to trend lower during the month (1.6%; August 2023: 2%).
- Meanwhile, core inflation remained steady at 2.5% (August 2023: 2.5%). Higher inflation for goods such as rice and jewellery were offset by moderation in selected services including vehicle repair and maintenance, and recreational services.

[1] Core inflation is computed by excluding price-volatile and price-administered items
Source: Department of Statistics, Malaysia & Bank Negara Malaysia estimates

Slightly slower wholesale and retail trade growth in August

Index of Wholesale and Retail Trade

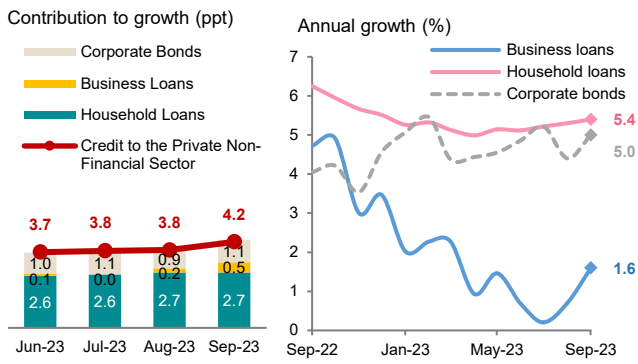


- The Index of Wholesale and Retail Trade (IOWRT) increased by 5% in August 2023 (July 2023: 5.4%).
- The index of retail sales improved, amid higher growth in non-specialised stores (e.g. supermarkets and department stores) and retail sales of household equipment (e.g. furniture and appliances).
- However, growth in the motor vehicle segment moderated.

Source: Department of Statistics, Malaysia

Credit growth remained supportive of economic activity

Credit to the Private Non-Financial Sector[1,2]



- Credit to the private non-financial sector grew by 4.2% as at end-September (August 2023: 3.8%), reflecting mainly the higher growth in credit to businesses (3%; August 2023: 2.3%).
- Outstanding business loans grew by 1.6% (August 2023: 0.7%), following higher growth in working capital loans for both SMEs and non-SMEs. Of note, SME loan growth improved to 6.7% (August 2023: 6.2%). Meanwhile, the growth in outstanding corporate bonds also increased to 5% (August 2023: 4.4%).
- For households, outstanding loan growth edged higher to 5.4% (August 2023: 5.3%), supported by steady expansion across all loan purposes. This reflected continued loan demand, with the growth in loan applications higher at 3.8% (August 2023: 3%).

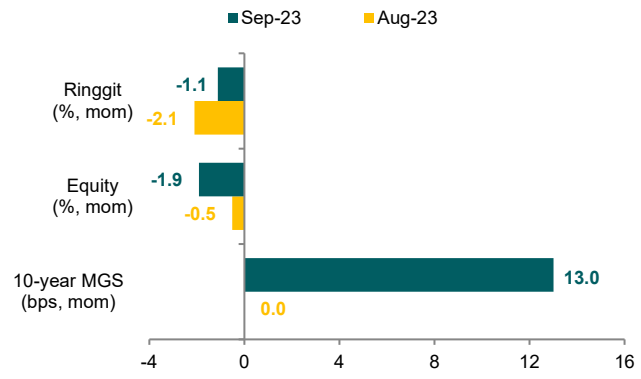
[1] Comprises loans to households and non-financial corporations from the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers)
[2] Starting with the publication of December 2022 Monthly Highlights and Statistics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

BANK NEGARA MALAYSIA
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Monthly Highlights
September 2023

Domestic financial markets were driven by investor expectations for a "higher-for-longer" interest rate path in the US

Financial Market Performance in September 2023

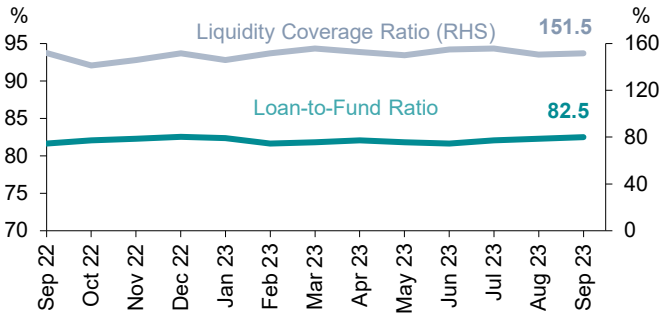


- Global financial conditions tightened following increased expectations for a "higher-for-longer" interest rate path forecasted by the US Federal Open Market Committee (FOMC), which were supported by data releases indicating the resilience of the US labour market and economic activity.
- Against this backdrop, the 10-year MGS yields rose by 13 bps (regional* average: 28 bps). Amid extended US dollar strength, the ringgit also depreciated by 1.1% (regional[1] average: -1.8%), while the FBM KLCI traded lower by 1.9% following weakened investor sentiment.

Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market
[1]Regional countries comprise: Singapore, Thailand, Philippines, Indonesia, and Korea
Source: Bank Negara Malaysia, Bursa Malaysia

Banks maintained strong liquidity and funding positions to support intermediation

Banking System Liquidity and Funding Ratios

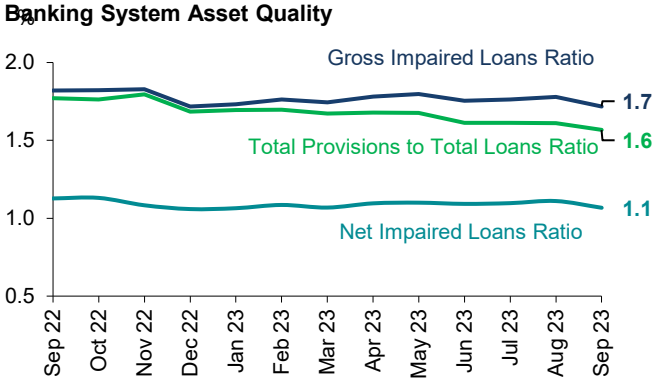


- Banks continued to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 151.5% (August 2023: 150.3%).
- The banking system loan-to-fund ratio remained broadly stable at 82.5% (August 2023: 82.3%).

Source: Bank Negara Malaysia

Asset quality in the banking system remained intact

Banking System Asset Quality



- Overall gross and net impaired loans ratios remained broadly stable at 1.72% (August 2023: 1.78%) and 1.07% (August 2023: 1.11%), respectively.
- Loan loss coverage ratio (including regulatory reserves) continued to be at a prudent level of 117.5% of impaired loans.
- Total provisions to total loans ratio remained on a steady moderating trend, aided by loan growth and provision writeback following improvement in asset quality.

Source: Bank Negara Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

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