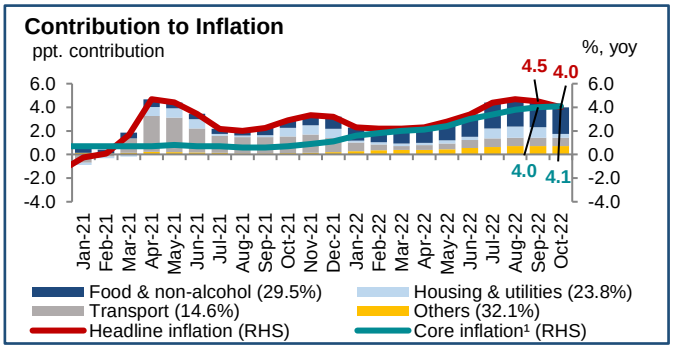
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
October 2022

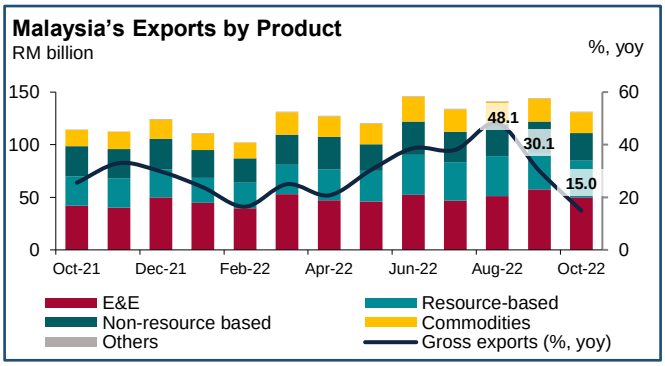
Headline inflation declined to 4.0% in October



- As expected, headline inflation moderated to 4.0% in October (September: 4.5%), following the dissipation of the base effect in electricity inflation.[2]
- Core inflation increased slightly to 4.1% (September: 4.0%). The increase was predominantly contributed by food-related services and goods.
- On a month-on-month basis, the increase in core CPI moderated further to 0.1% in October (September: 0.3%).

[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.
[2] The base effect arose from the discount on electricity bill implemented in 3Q 2021, which contributed to higher inflation in 3Q 2022.
Source: Department of Statistics Malaysia (DOSM), Bank Negara Malaysia estimates

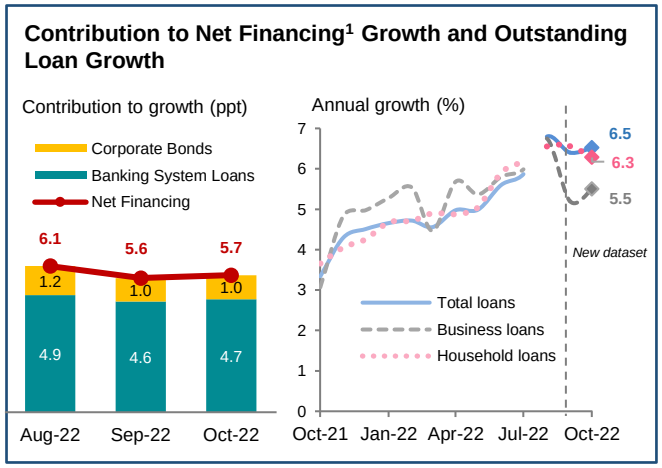
Continued export growth in October



- Exports registered a growth of 15% (September: 30.1%) in October 2022.
- Manufactured export growth was driven by E&E and petroleum products. Commodities exports continued to be attributed mainly to 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. Nevertheless, Malaysia's diversified exports across products and markets should help cushion this impact.

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

Continued expansion in net financing supporting economic activity



- Net financing grew by 5.7% as at end-October (September: 5.6%), reflecting slightly higher growth in both outstanding loans (6.5%; September: 6.4%) and corporate bonds (3.6%; September: 3.5%).
- Household loan growth moderated to 6.3% (Sep: 6.6%) as loan repayments growth outpaced that of disbursements across major loan purposes. The slower growth in disbursements reflected moderation in loan demand particularly for the purchase of big-ticket items such as houses and cars.
- For businesses, growth in outstanding loans increased to 5.5% (September: 5.2%), with higher loan growth recorded across most purposes. By segment, growth in loan disbursements remained forthcoming, particularly for SMEs.

[1] Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)) and outstanding corporate bonds. Data from July 2022 onwards are based on the new set of loan/financing data reflecting the latest requirements.
Source: Bank Negara Malaysia

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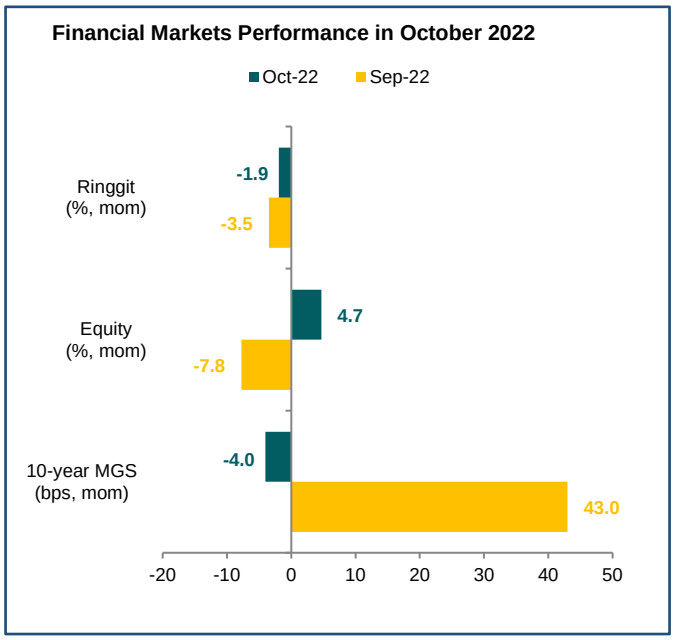
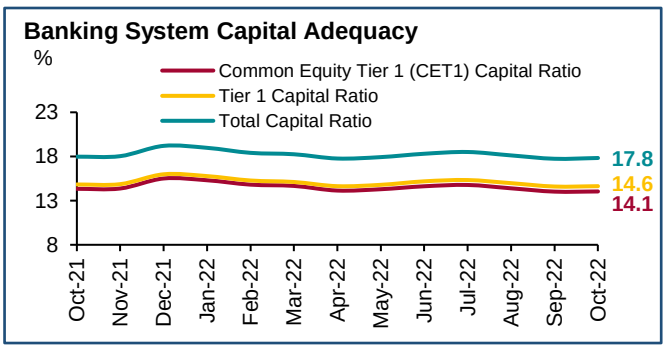
Domestic financial market adjustments remained orderly



- Global financial conditions continued to tighten. Many central banks had raised their policy rates and signalled further rate hikes to dampen high and persistent inflation. Against this backdrop, the global growth outlook has weakened, with the IMF lowering its 2023 global growth forecast to 2.7% from 2.9%.
- As these factors continued to support the US dollar strength, the ringgit depreciated by 1.9% against the US dollar during the month (regional[1] average: -0.04%).
- Notwithstanding these global developments, domestic financial market adjustments remained orderly and financial conditions had somewhat eased. The 10-year MGS yields declined by 4.0 bps (regional[1] average: +13.3 bps) and the FBM KLCI gained 4.7% (regional[1] average: +2.9%), supported by the strong growth momentum of the domestic economy.

[1] Regional countries comprise Singapore, Thailand, Philippines, Indonesia and Korea.
Source: Bank Negara Malaysia, Bursa Malaysia

Banks remain well-capitalised to support economic recovery

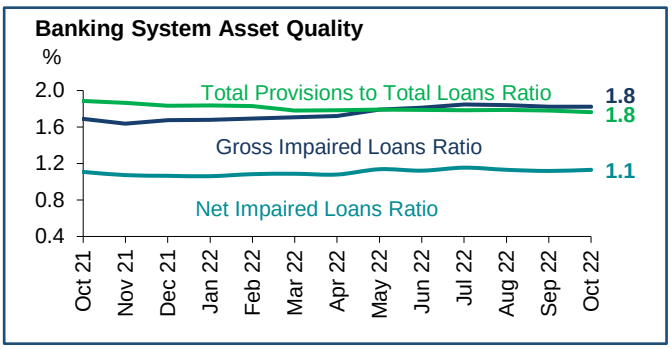


- Banks' capital position remained strong to withstand potential stress and continue supporting credit flows to the economy with excess capital buffers[1] of RM123.1 billion.
- Capital ratios rose marginally in October, driven by increases in retained earnings and new issuances of capital instruments.

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

Source: Bank Negara Malaysia

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



- Overall gross and net impaired loans ratios remain unchanged at 1.8% and 1.1%, respectively.
- Loan loss coverage ratio (including regulatory reserves) remains at a prudent level of 114.2% of impaired loans, with total provisions accounting for 1.8% of total loans.
- As of end-October 2022, the banking system recorded RM 41.9 billion of total provisions and regulatory reserves.

Source: Bank Negara Malaysia