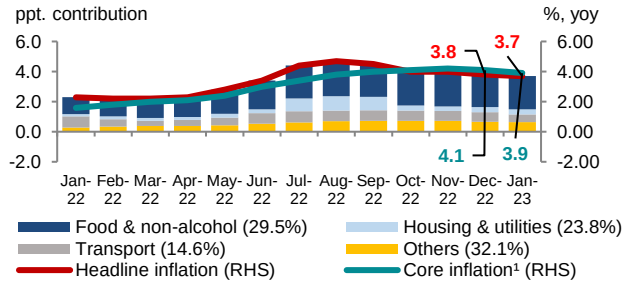
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
January 2023

Headline inflation moderated to 3.7% in January

Contribution to Inflation



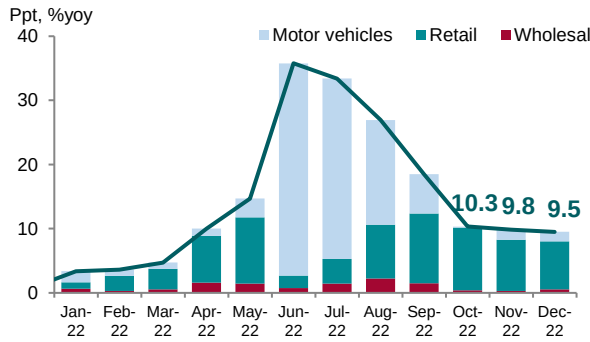
[1] Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

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

- Headline inflation moderated to 3.7% in January (December 2022: 3.8%) due mainly to lower core inflation.
- Core inflation declined to 3.9% during the month (December 2022: 4.1%). The lower core inflation largely reflected lower inflation in several core services categories, such as telephone and telefax services, repair and maintenance for personal transport, and food away from home.

Robust growth in all export categories

Index of Wholesale and Retail Trade

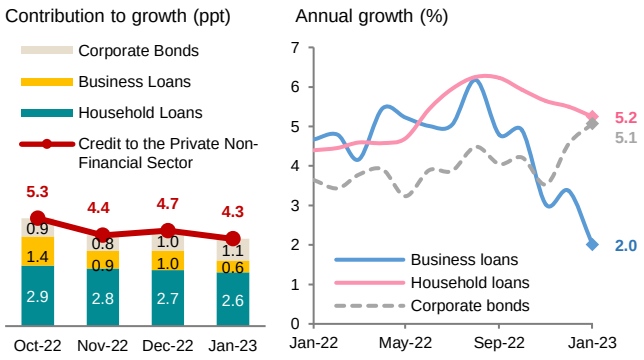


Source: Department of Statistics Malaysia

- The Index of Wholesale and Retail Trade (IOWRT) expanded by 9.5% in December 2022 (November 2022: 9.8%). Growth was supported by higher sales of discretionary goods such as clothing, footwear, jewellery and cosmetic goods as well as necessities in physical stores, such as supermarkets, compared to December 2021, when the economy just reopened.
- On a seasonally adjusted m-o-m basis, the index continued to expand marginally by 0.2% (November 2022: 1.2%).

Growth in credit to the private non-financial sector moderated in January

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



[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

- Outstanding credit to the private non-financial sector grew by 4.3% as at end-January 2023 (December 2022: 4.7%), amid slower growth in credit to both businesses (3.3%; December 2022: 3.9%) and households (5.2%; December 2022: 5.5%).
- The growth in outstanding business loans moderated to 2.0% (December 2022: 3.4%), due mainly to slower growth in working capital financing (1.5%; December 2022: 4.2%). Meanwhile, outstanding corporate bonds continued to grow at a faster pace (5.1%; December 2022: 4.6%).
- For households, outstanding loan growth moderated slightly as the growth in loan repayments (21.4%) continued to outpace that of loan disbursements (9.2%).

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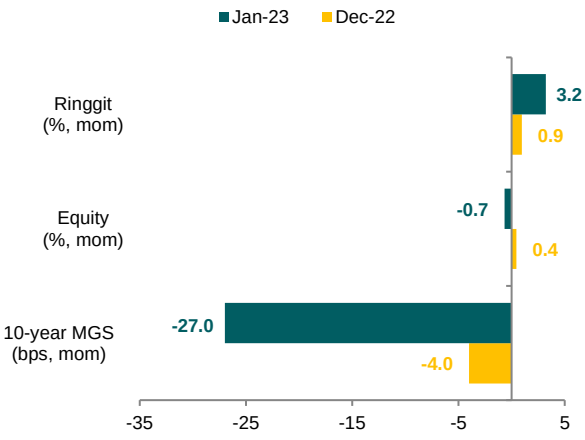
Monthly Highlights
January 2023

Domestic financial conditions eased following expectations of a slowdown in US monetary policy tightening and positive investor risk sentiment

Financial Markets Performance in January 2023



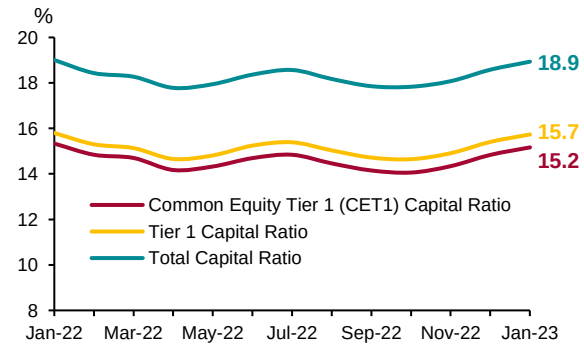
Source: Bank Negara Malaysia, Bursa Malaysia

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

- Global financial conditions eased amid continued expectations for smaller interest rate increases by the US Federal Reserve moving forward, as inflation showed tentative signs of slowing down. Additionally, China's reopening and its expected positive spillovers to the global economy improved investors' risk sentiment.
- Consequently, domestic financial conditions eased, with the 10-year MGS yields declining by 27.0 bps (regional* average: -37.5 bps). However, the FBM KLCI decreased marginally by 0.7% (regional* average: +4.2%) driven mainly by the plantation and healthcare sectors.
- The ringgit appreciated by 3.2% against the US dollar, in line with a broad-based appreciation in major and regional* (average: +3.3%) currencies against the US dollar.

Banks remain well-capitalised to support economic recovery

Banking System Capital Adequacy



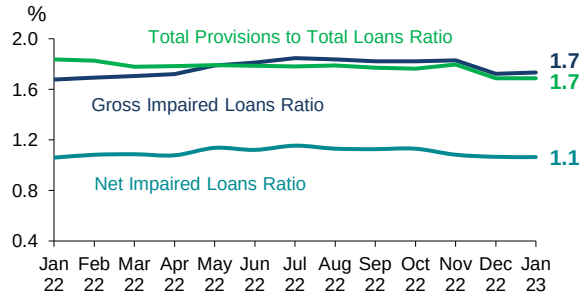
Source: Bank Negara Malaysia

- Banks' capital position remains strong to support credit flows to the economy, with excess capital buffers[1] of RM141.5 billion.
- Capital ratios rose marginally in January, 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

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

Banking System Asset Quality



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remain largely unchanged at 1.7% and 1.1%, respectively.
- Loan loss coverage ratio (including regulatory reserves) remains at a prudent level of 117.1% of impaired loans, with total provisions accounting for 1.7% of total loans.

BANK NEGARA MALAYSIA
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Bank Negara Malaysia
28 February 2023

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