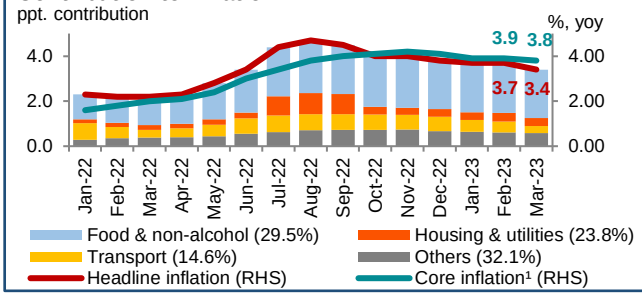
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
March 2023

Headline inflation declined to 3.4% in March

Contribution to Inflation

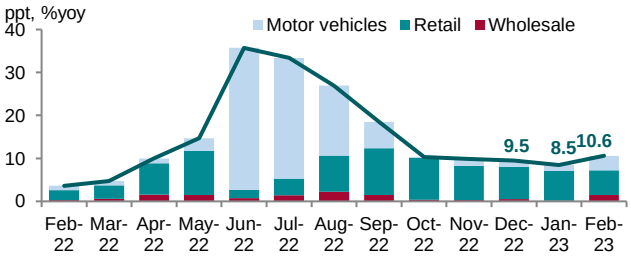


- Headline inflation declined to 3.4% in March (February: 3.7%) due mainly to lower inflation for fuel, air fares and selected food items, in line with the easing global commodity prices.
- Core inflation moderated slightly to 3.8% during the month (February: 3.9%), driven largely by lower inflation for food away from home.

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

Robust growth in volume index driven by retail and motor vehicles

Index of Wholesale and Retail Trade

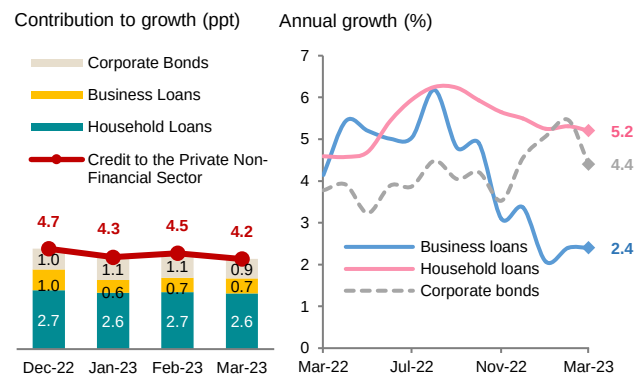


- The Index of Wholesale and Retail Trade (IOWRT) expanded by 10.6% in February 2023 (January: 8.5%).
- The higher growth was driven mainly by retail sales in non-specialised stores (e.g., department stores) followed by continued strength in purchases of motor vehicles amid the ongoing fulfilment of backlog orders.
- On a month-on-month seasonally adjusted basis, the index accelerated by 5.5% (January: 0.2%).

Source: Department of Statistics, Malaysia

Growth in credit to the private non-financial sector moderated

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



- Credit to the private non-financial sector grew by 4.2% as at end-March (February: 4.5%), attributed to slower growth in credit to businesses (3.2%; February: 3.7%).
- While growth in outstanding corporate bonds moderated (4.4%; February : 5.5%), outstanding business loan growth was sustained at 2.4% (February: 2.4%). This was supported by the continued growth in both working capital (2.2%; February: 1.9%) and investment-related loans (4.3%; February: 4.2%).
- Outstanding household loan growth remained broadly stable (5.2%; February: 5.3%), supported by growth in loans for car purchases (8.7%; February: 7.6%). This was amid weaker loan growth for the purchase of securities (-6.9%; February: -3.3%).

[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

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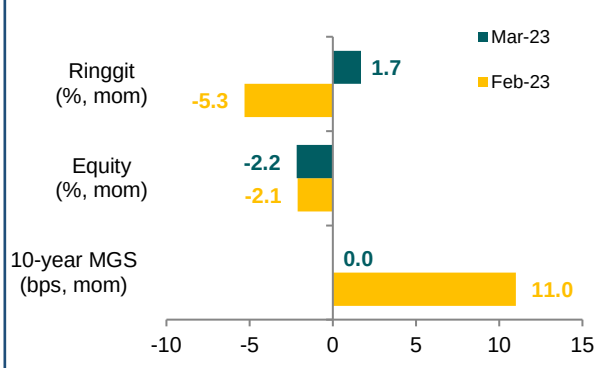
Domestic financial market conditions remained orderly

Financial Market Performance in March 2023

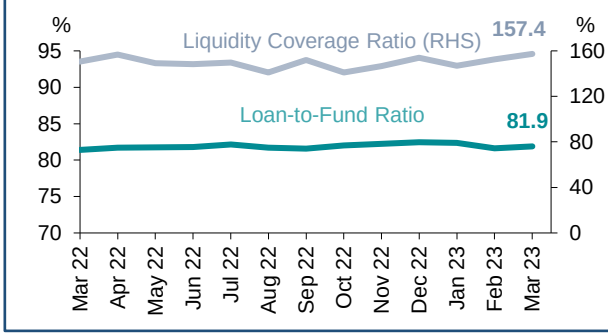


- In March, global financial markets were affected by the emergence of banking sector stress in some major economies. As spillovers were contained thus far due to early action by authorities, investors' risk appetite for emerging market currencies and bonds improved.
- In line with the performance of regional currencies, the ringgit appreciated by 1.7% against the US dollar. Conditions in the domestic bond market also remained stable.
- The FBM KLCI declined by 2.2% during the month.

Source: Bank Negara Malaysia, Bursa Malaysia
Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market

Banks maintained strong liquidity and funding positions to support intermediation

Banking System Liquidity and Funding Ratios

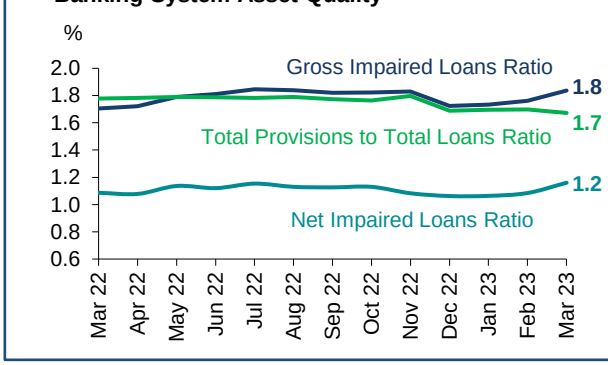


- Banks continued to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 157.4% (February-23: 152.7%).
- The aggregate loan-to-fund ratio remained stable at 81.9% (February-23: 81.6%).

Source: Bank Negara Malaysia

Asset quality in the banking system remained intact

Banking System Asset Quality



- Overall gross and net impaired loans ratios increased slightly to 1.8% (February-23: 1.8%) and 1.2% (February-23: 1.1%), respectively.
- Loan loss coverage ratio (including regulatory reserves) continue to record a prudent level of 110.5% of impaired loans, with total provisions accounting for 1.7% of total loans.

Source: Bank Negara Malaysia

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Strategic Communications Department, Level 14, Block B, Bank Negara Malaysia,
Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
E-mail: communications@bnm.gov.my
Web: www.bnm.gov.my

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Bank Negara Malaysia
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Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia.
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