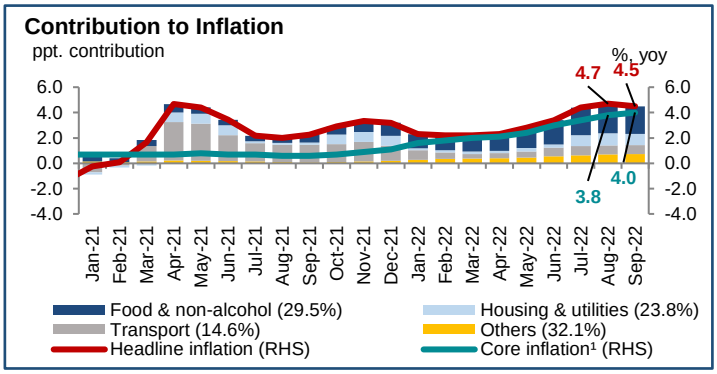
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
September 2022

Headline inflation declined to 4.5% in September

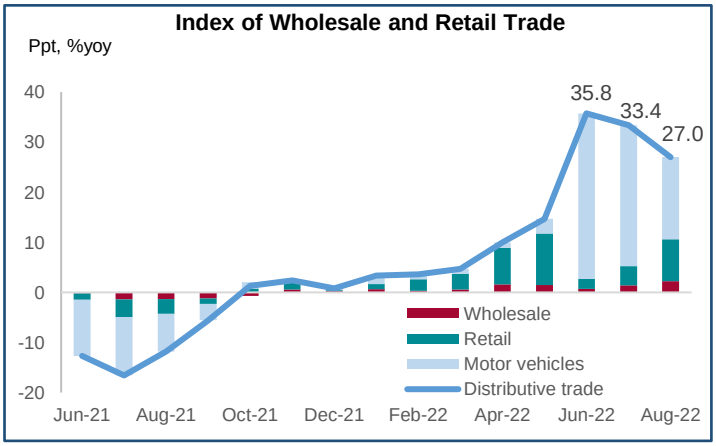


- Headline inflation declined to 4.5% in September (August: 4.7%), as lower inflation in the prices of fresh chicken, fresh vegetables and fuel more than offset higher core inflation.
- Core inflation increased to 4.0% (August: 3.8%) largely reflecting higher inflation in the prices for repair and maintenance of personal transport, food away from home, and bread and bakery products.
- Core inflation increased more moderately by 0.3% on a month-on-month basis (August: 0.6%).

[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

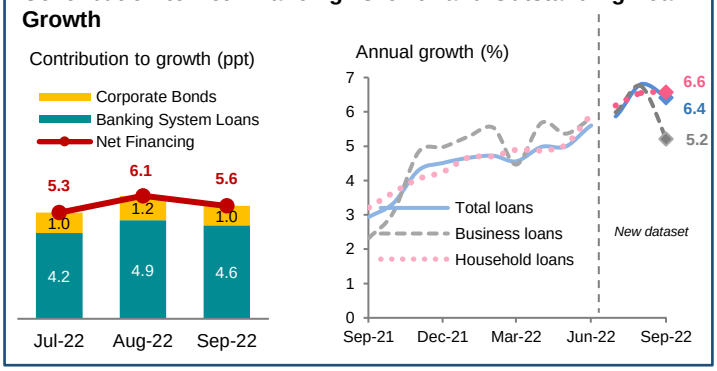
Wholesale and retail trade growth remained strong in August



- The Index of Wholesale and Retail Trade (IOWRT) continued to record double digits, though lower, growth of 27% in August 2022 (July: 33.4%). The strong growth was driven mainly by the motor vehicle segment. In addition to the low base in August 2021 - when showrooms were closed during the implementation of the National Recovery Plan (NRP) in the first half of the month - continued strength in purchases of motor vehicles also provided a lift to growth.
- This, together with stronger activity in the retail segment contributed to the acceleration in month-on-month seasonally adjusted growth of 3.1% (July: -1.6%).

Source: Department of Statistics Malaysia

Net financing growth moderated in September



- Net financing grew by 5.6% as at end-September (August: 6.1%), reflecting lower growth in both outstanding loans (6.4%; August: 6.8%) and corporate bonds (3.5%; August: 4.3%).
- Growth in outstanding household loans remained unchanged at 6.6%, reflecting steady growth across most purposes. Despite some moderation, loan disbursements continued to record high growth, amid sustained repayment trends.
- For businesses, growth in outstanding loans declined to 5.2% (August: 6.8%), partly due to a higher base effect. Nonetheless, loan disbursements remained sustained, driven particularly by the wholesale trade, consumer manufacturing, and civil engineering segments.

[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. Figures may not add up due to rounding.

Source: Bank Negara Malaysia

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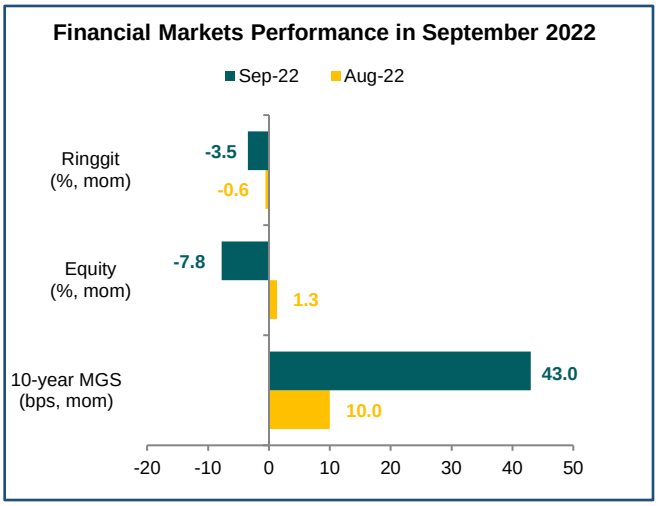
Domestic financial conditions tightened further in September, driven mainly by external developments

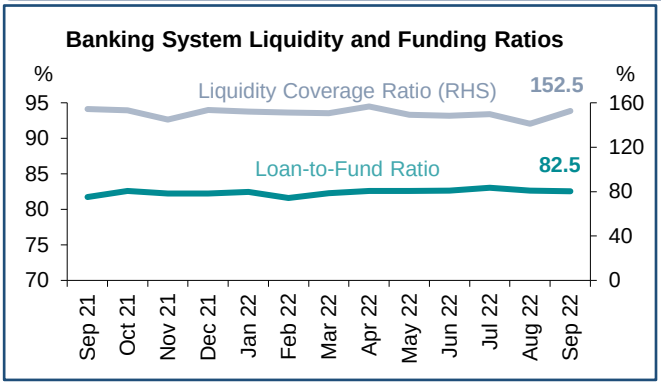


Source: Bank Negara Malaysia, Bursa Malaysia

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

- In September, global bond yields rose, equity markets declined and the US dollar strengthened further. This reflected expectations of further monetary policy tightening, especially by the US Federal Reserve to address persistent inflationary pressures amid a more moderate global growth outlook.
- Notwithstanding this, average trading volume and FX volatility in the domestic financial markets remained healthy.
- The 10-year MGS yields continued to rise by 43.0 bps (regional* average: 58.0 bps) while the FBM KLCI declined by 7.8% (regional* average: -6.9%), driven by non-resident portfolio outflows from the domestic bond and equity markets.
- The ringgit depreciated by 3.5% against the US dollar (regional* average: -3.8%) amid continued strength of the US currency.

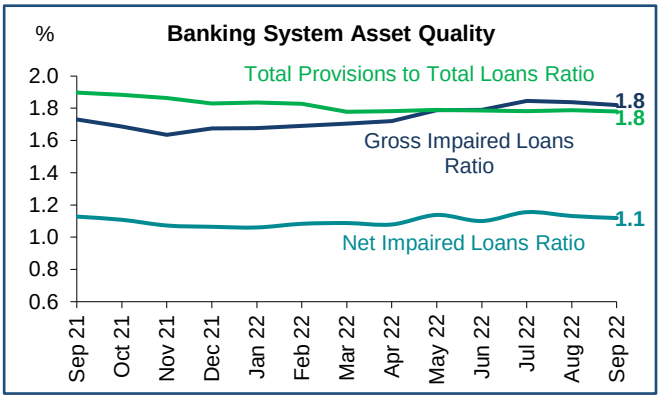
Banks maintained strong liquidity and funding positions to support intermediation



Source: Bank Negara Malaysia

- Banks continue to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 152.5% (Aug-22: 141.1%).
- Sustained deposit growth riding on recovery in economic activities, continue to support banks' lending activities.
- The aggregate loan-to-fund ratio remained stable at 82.5% (Aug-22: 82.6%).

Asset quality in the banking system remained intact



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remained broadly stable at 1.82% (Aug-22: 1.84%) and 1.12% (Aug-22: 1.13%), respectively.
- Loan loss coverage ratio (including regulatory reserves) remains at a prudent level of 115.2% of impaired loans, with total provisions accounting for 1.8% of total loans.
- As of end-September 2022, the banking system recorded RM 41.9 billion of total provisions and regulatory reserves.

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