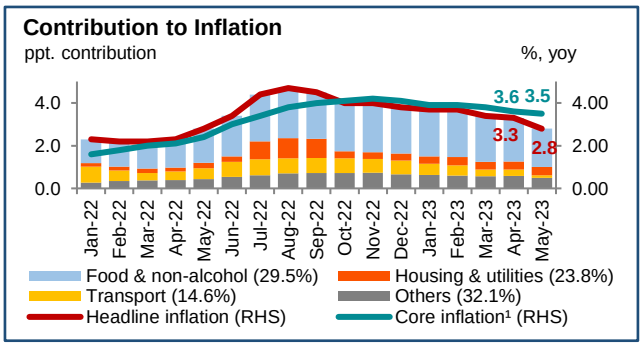
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
May 2023

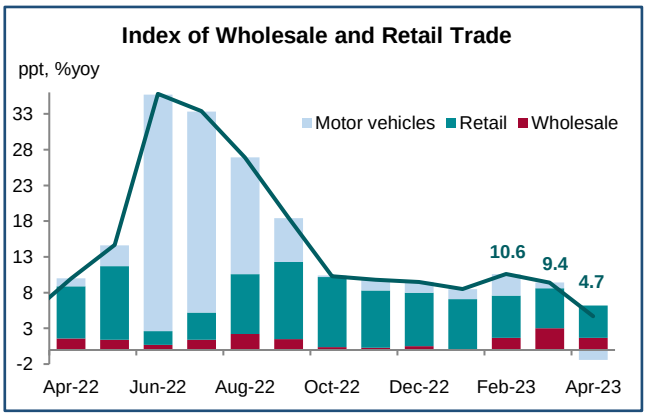
Headline inflation declined further to 2.8% in May



- Headline inflation moderated to 2.8% (April 2023: 3.3%). This decline was largely due to non-core CPI components, particularly lower inflation for fuel (-0.2 percentage points, ppt) and fresh food (-0.1ppt).
- Core inflation also declined slightly to 3.5% (April 2023: 3.6%) amid lower inflation for communication services.

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

Index of wholesale and retail trade growth moderated in April

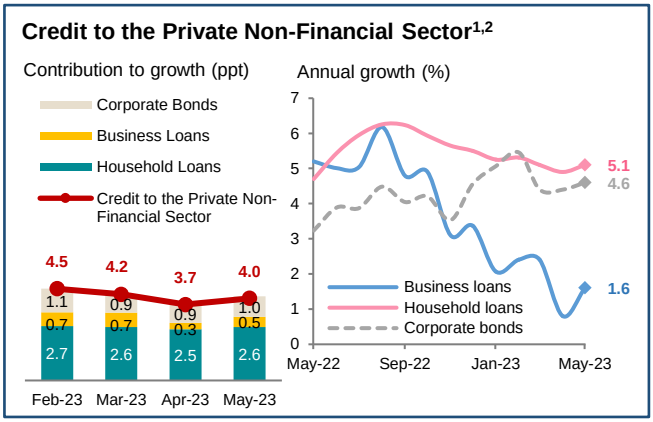


Source: Department of Statistics, Malaysia

- The Index of Wholesale and Retail Trade (IOWRT) expanded more moderately by 4.7% in April 2023 (March 2023: 9.4%). The lower growth was due mainly to the decline in the motor vehicle segment.
- However, the retail segment continued to record a double-digit growth of 10.0% (March 2023: 13.8%), supported by sales in non-specialised and other specialised stores[1].
- On a month-on-month seasonally adjusted basis, the index increased at a faster pace of 6.5% (March 2023: -0.9%).

[1] Other goods in specialised stores includes clothing, footwear, pharmaceuticals, cosmetics, watches, jewellery and optical goods.

Growth in credit to the private non-financial sector improved in May



- Credit to the private non-financial sector expanded by 4.0% as at end-May (April 2023: 3.7%), driven mainly by higher growth in credit to businesses (2.8%; April 2023: 2.5%).
- Outstanding corporate bonds grew by 4.6% (April 2023: 4.4%), while outstanding business loans expanded by 1.6% (April 2023: 1.0%). The higher business loan growth reflected improvement in loans for both working capital and investments to SMEs and non-SMEs.
- In the household segment, outstanding loan growth was sustained at 5.1% (April 2023: 5.0%), supported by higher growth across most loan purposes. Of note, household loan growth continued to be driven by loans for the purchase of houses and cars, which grew by 7.0% and 8.4%, respectively (April 2023: 6.8% and 8.0%).

[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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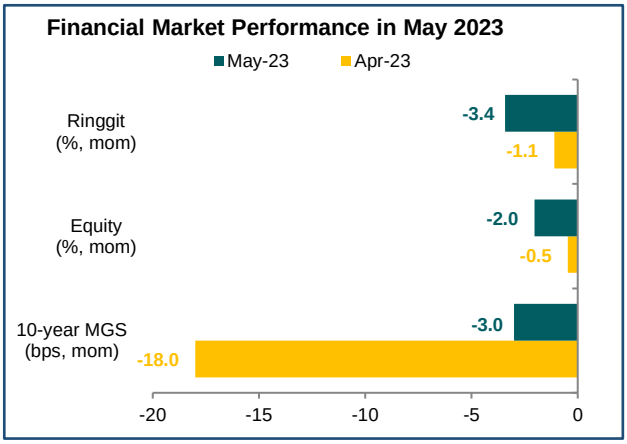
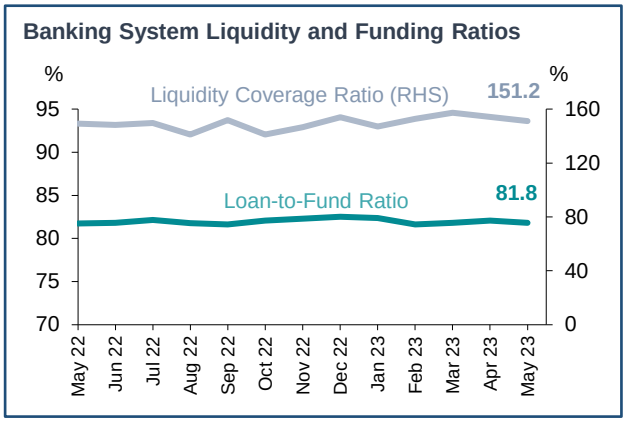
Domestic financial markets were largely affected by external factors



- Global investors maintained a risk-off approach throughout May, as concerns over the impact of the US debt ceiling crisis and the weaker-than-expected rebound in China's economy weighed on global financial markets.
- As a result, the ringgit depreciated against the US dollar by 3.4% (regional[1] average: -1.2%). Similarly, the FBM KLCI declined by 2.0% (regional[1] average: -1.3%).
- Nonetheless, the 10-year MGS yields decreased slightly by 3 basis points, supported by non-resident inflows into the domestic bond market.

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

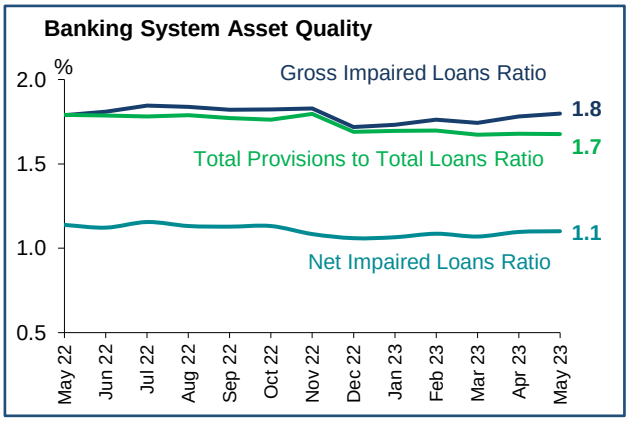
Banks maintained strong liquidity and funding positions to support intermediation



- Banks continued to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 151.2% (April 2023: 154.3%).
- The aggregate loan-to-fund ratio remained stable at 81.8% (April 2023: 82.1%).

Source: Bank Negara Malaysia

Asset quality in the banking system remained intact



- Overall gross and net impaired loans ratios remained broadly unchanged at 1.80% (April 2023: 1.78%) and 1.10% (April 2023: 1.10%), respectively.
- Loan loss coverage ratio (including regulatory reserves) remained at a prudent level of 114.1% of impaired loans, with total provisions accounting for 1.7% of total loans.

Source: Bank Negara Malaysia