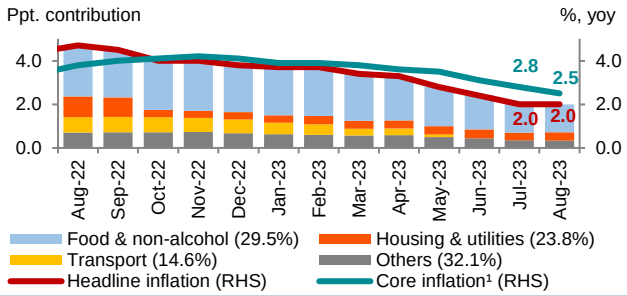
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
August 2023

Headline inflation remained unchanged at 2.0% in August

Contribution to Inflation



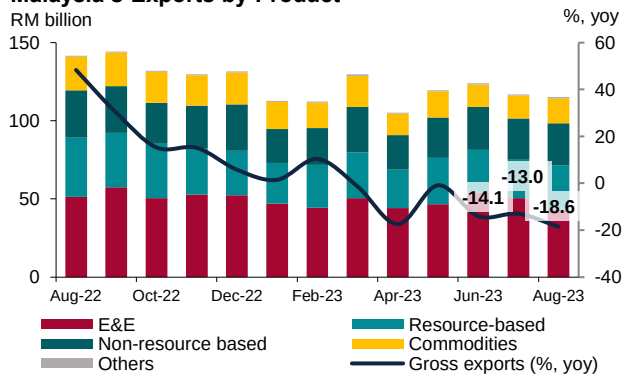
- Headline inflation remained unchanged at 2.0% (July 2023: 2.0%) as the decline in core inflation was offset by an uptick in inflation for non-core components, including fuel and electricity.
- The lower core inflation at 2.5% (July 2023: 2.8%) largely reflected lower inflation for food away from home, rental and discretionary services.

¹ Core inflation is computed by excluding price-volatile and price-administered items.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Exports declined further in August

Malaysia's Exports by Product

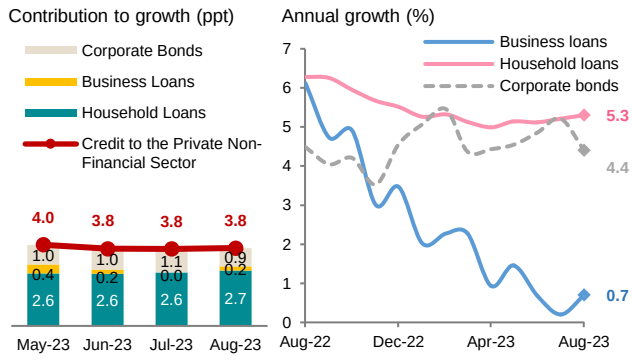


- Exports contracted by 18.6% in August 2023 (July 2023: -13.0%), reflecting weaker external demand and decline in commodity prices amid a high base effect.
- Manufactured export growth was weighed mainly by E&E products, petroleum and palm oil-based products. Meanwhile, commodities exports declined due primarily to lower palm oil, liquefied natural gas and crude petroleum shipments.
- Export growth is expected to remain in contraction in the near term, albeit at a milder pace. Downside risks remain, stemming from weaker external demand.

Source: Department of Statistics, Malaysia and MATRADE

Sustained growth in credit to the private non-financial sector in August

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



- Credit to the private non-financial sector grew by 3.8% as at end-August (July 2023: 3.8%), supported by higher growth in outstanding loans.
- For businesses, while outstanding corporate bonds grew at a slower pace of 4.4% (July 2023: 5.2%), outstanding loan growth increased to 0.7% (July 2023: 0.2%). This mainly reflected improvement in the non-SME segment, for both working capital and investment loans. Of note, growth in outstanding loans to SMEs remained largely forthcoming at 6.2% (July 2023: 6.7%).
- Growth in outstanding household loans was sustained at 5.3% (July 2023: 5.2%), supported by higher growth across most loan purposes. Household loan growth continued to be driven by loans for the purchase of houses and cars, which grew by 7.3% and 8.7%, respectively (July 2023: 7.1% and 8.4%, respectively).

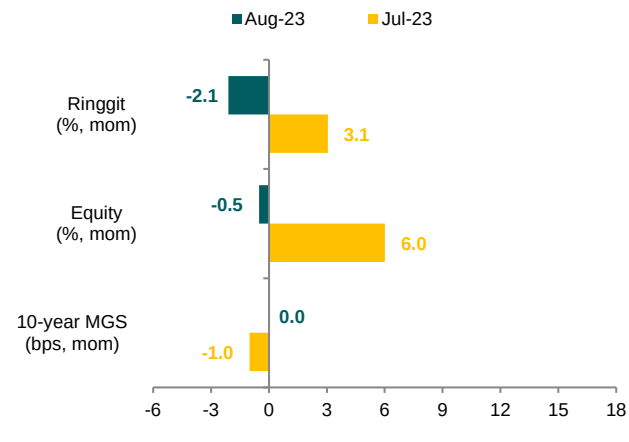
¹ Comprises loans to households and non-financial corporations from the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers).
² Starting with the publication of December 2022 Monthly Highlights and Statistics (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

BANK NEGARA MALAYSIA
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Monthly Highlights
August 2023

Domestic financial markets were driven by external factors

Financial Market Performance in August 2023[1]

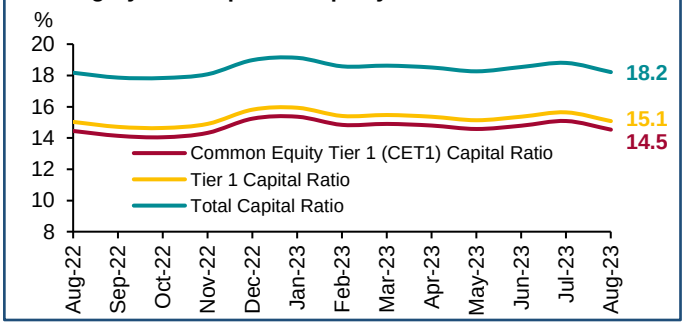


[1] The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market.
[2] Regional countries comprise of Singapore, Thailand, Philippines, Indonesia, and Korea.
Source: Bank Negara Malaysia and Bursa Malaysia

- Global financial markets were weighed down by ongoing concerns surrounding the Chinese economic slowdown. The People's Bank of China (PBoC) announced an unexpected round of monetary policy easing. Meanwhile, the US Federal Reserve's Chair Jerome Powell reaffirmed at the Jackson Hole Symposium that US monetary conditions would need to remain tight for longer.
- As a result, the ringgit depreciated against the US dollar by 2.1% (regional[2] average: -2.4%), while the FBM KLCI declined by 0.5% (regional[2] average: -2.0%). 10-year MGS yields remain unchanged in August.

Banks remain well-capitalised to support economic growth

Banking System Capital Adequacy

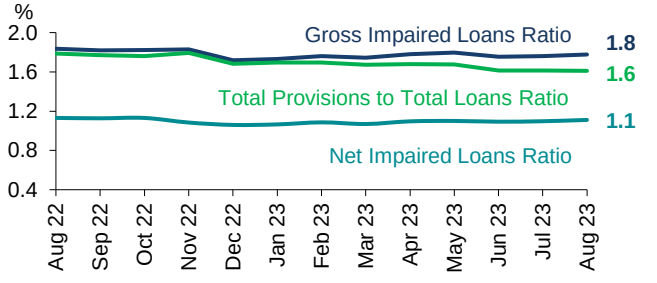


[1] Refers to total capital above the regulatory minimum, which includes the capital conservation buffer (2.5%) and bank-specific higher minimum requirements.
Source: Bank Negara Malaysia

- Banks' capital position remained strong to withstand potential shock and support credit intermediation growth in the economy.
- The banking system recorded excess capital buffers[1] of RM133.3 billion as of the reporting date.

Banking system resilience 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 1.8% and 1.1%, respectively.
- Loan loss coverage ratio (including regulatory reserves) remains at a prudent level of 115.0% of impaired loans, with total provisions accounting for 1.6% of total loans.

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

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