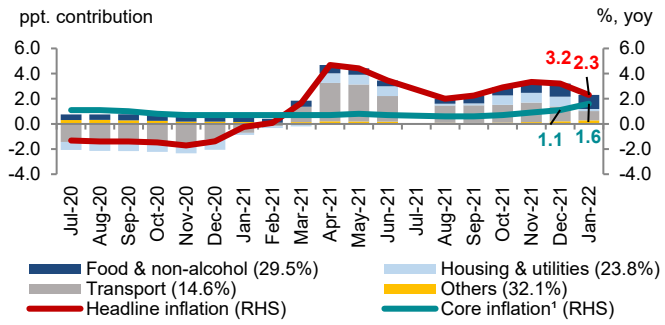
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

# Monthly Highlights
## January 2022

## Headline inflation moderated to 2.3% in January 2022

**Contribution to Inflation**



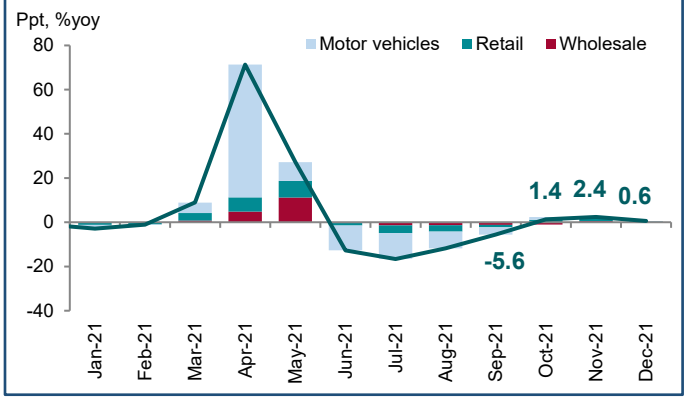

- Headline inflation moderated to 2.3% in January 2022 (December: 3.2%) due mainly to the lower contribution from fuel and electricity inflation. This was partly offset by higher food and non-alcoholic beverages inflation (3.6%; December: 3.2%).
- Underlying inflation, as measured by core inflation, increased to 1.6% (December: 1.1%), driven mainly by food away from home, and repair and maintenance for personal transport.

[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 moderated in December 2021

**Index of Wholesale and Retail Trade**

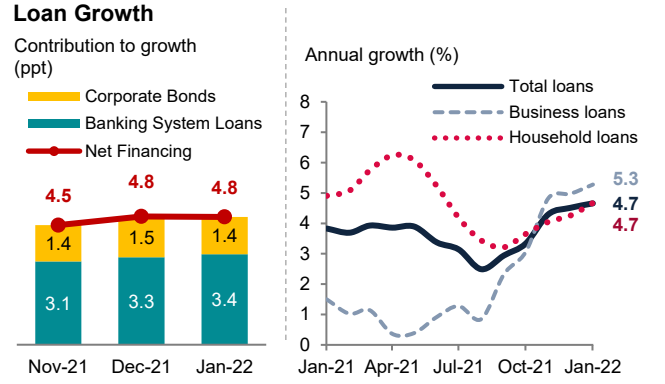



- The Index of Wholesale and Retail Trade (IOWRT) expanded at a more moderate pace of 0.6% in December 2021 (November: 2.4%). The slower growth was recorded across all sub-components.
- The index decelerated on a seasonally adjusted month-on-month basis (-0.4%; November: 1.2%). This reflected mainly slowing activities in the retail segments, amid rising price pressures faced by consumers in the last quarter of the year.

Source: Department of Statistics Malaysia (DOSM)

## Sustained net financing growth amid continued support from bank lending

**Contribution to Net Financing[1] Growth and Outstanding Loan Growth**




- Net financing growth was sustained at 4.8% in January 2022, as outstanding loan growth increased (4.7%; December: 4.5%) amid some moderation in outstanding corporate bond growth (5.0%; December: 5.5%).
- Outstanding household loans grew by 4.7% (December: 4.3%), in line with the higher growth in loan disbursements (21.3%; December: 7.4%), which outpaced the growth in loan repayments (6.0%; December: 1.2%).
- Growth in outstanding business loans (5.3%; December: 5.0%) continued to be supported by working capital loans. By sector, it was mainly driven by the manufacturing and wholesale and retail trade sectors.

[1] Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs)) and outstanding corporate bonds.
[2] Numbers may not add up due to rounding.

Source: Bank Negara Malaysia

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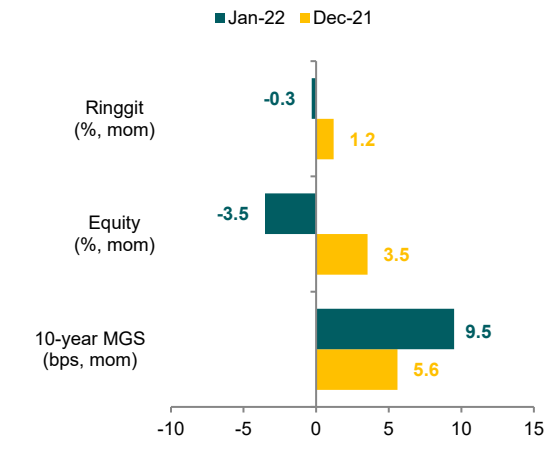
## Financial markets driven by expectations of tighter global monetary conditions

**Financial Markets Performance in January**

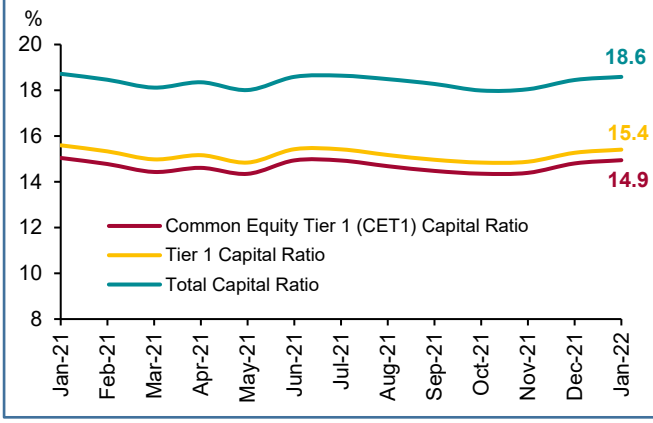



Source: Bank Negara Malaysia, Bursa Malaysia

- Domestic financial market conditions tightened in January 2022 as MGS yields rose and the domestic equity market declined. This was driven mainly by firmer expectations for a faster pace of US monetary policy tightening and the corresponding broad strengthening in the US dollar.
- During the month, despite marginal ringgit depreciation, Malaysia continued to record non-resident portfolio inflows into the equities and bond market. Importantly, despite the weaker financial market performance, financial market adjustments remained orderly amid sufficient trading liquidity.

## Banking system capitalisation remains strong

**Banking System Capital Adequacy**



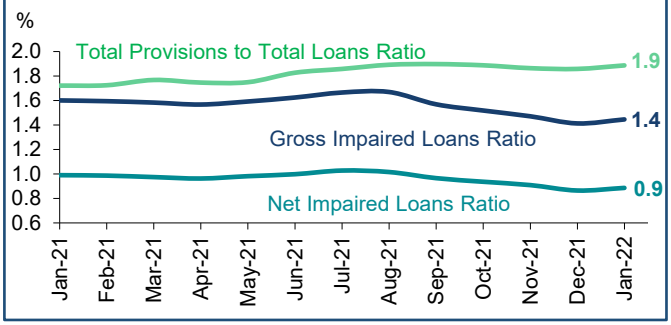

Source: Bank Negara Malaysia

- Banks remain well-capitalised to withstand potential stress and continue supporting credit flows to the economy.
- Capital ratios rose slightly in January 2022 due to recognition of year-end profits. This was partially offset by valuation adjustments on available-for-sale financial instruments.
- Banks' loss-absorbing capacity remains strong, with excess capital buffers[1] of RM131.9 billion as at January 2022.

[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 continued to be underpinned by sound asset quality

**Banking System Asset Quality**




Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remained broadly stable at 1.4% and 0.9%, respectively.
- Banks continue to set aside additional provisions against potential credit losses. Total provisions currently stand at 1.9% of total banking system loans and 130.5% of impaired loans.