

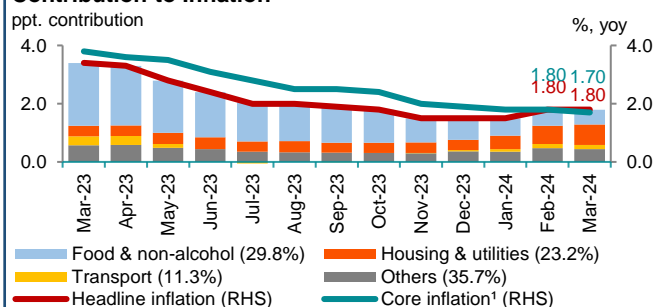


# Monthly Highlights

## March 2024

### Headline inflation remained stable, while core inflation edged lower

#### Contribution to Inflation



<sup>1</sup> Core inflation is computed by excluding price-volatile and price-administered items.

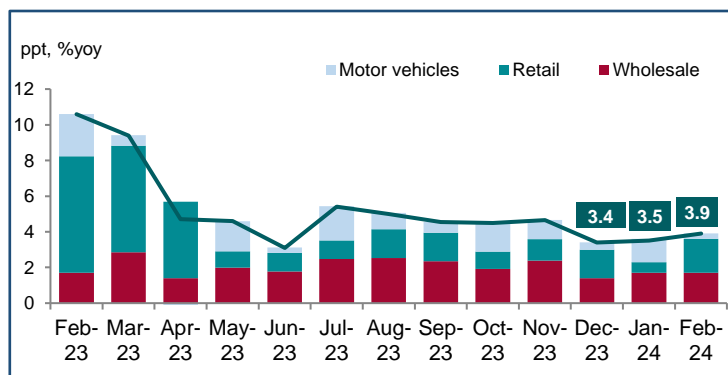
Note: Beginning January 2024, the goods and services in the CPI basket are reclassified based on a new set of weights

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

- Headline inflation remained stable at 1.8% in March (February 2024: 1.8%), while core inflation moderated to 1.7% (February 2024: 1.8%).
  - During the month, the implementation of a higher sales and service tax (SST) rate exerted some upward pressure on headline inflation – notably for electricity (March 24: +2%; February 2024: 0%) following an increase in service tax on high-usage (>600kWh) users.
- However, this was offset by broader declines in inflation, particularly from food & beverages (March 2024: 1.7%; February 2024: 1.9%).

### Higher wholesale and retail trade growth in February

#### Index of Wholesale and Retail Trade



Source: Department of Statistics, Malaysia, Malaysian Automotive Association

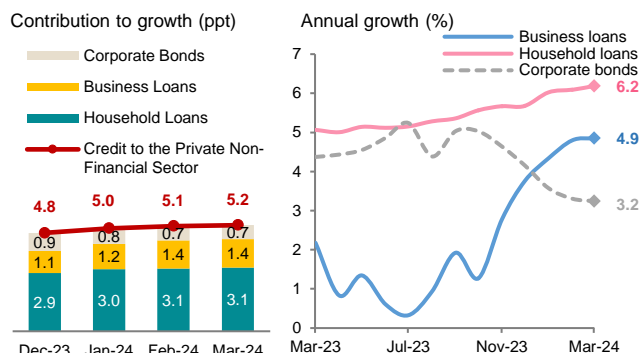
- The Index of Wholesale and Retail Trade (IOWRT) increased by 3.9% in February 2024 (January 2024: 3.5%).
- The expansion was driven mainly by wholesale trade in other specialised wholesale components<sup>1</sup> and retail trade in other goods in specialised store components<sup>2</sup>.
- However, growth in the motor vehicle segment moderated to 2.6% (January 2024: 12.1%), dragged by the decline in the sale of motor vehicle components (62,833 units; January 2024: 65,499 units; February 2023: 63,561 units).

<sup>1</sup> Other specialised wholesale component include petrol, lubricants, metals, paints, construction materials, as well as fittings and fixtures.

<sup>2</sup> Retail sale of other goods in specialised stores include footwear, clothing, leather goods, watches and jewellery.

### Steady growth in credit to the private non-financial sector

#### Credit to the Private Non-Financial Sector<sup>1,2</sup>



<sup>1</sup> 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).

<sup>2</sup> 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.

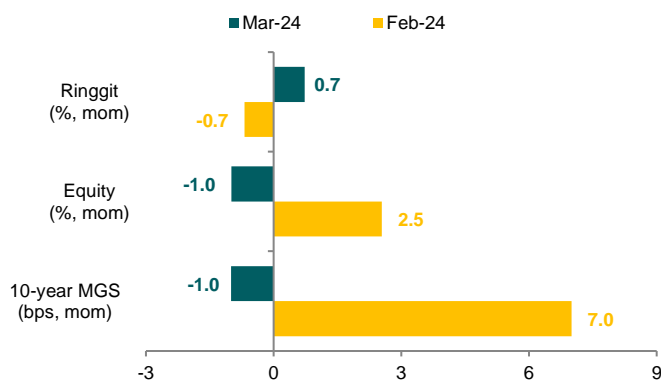
Numbers may not add up due to rounding.

Source: Bank Negara Malaysia

- Credit to the private non-financial sector expanded by 5.2% as at end-March 2024 (February 2024: 5.1%), driven by steady growth in both outstanding loans (5.7%; February 2024: 5.6%) and outstanding corporate bonds (3.2%; February 2024: 3.3%).
- Outstanding business loan growth was sustained at 4.9% (February 2024: 4.8%). This was supported by higher investment-related loan growth amid more moderate growth in working capital loans.
- For households, outstanding loan growth remained forthcoming at 6.2% (February 2024: 6.1%), with stable loan growth across key loan purposes, including purchasing housing and cars.

### Domestic financial markets were mostly influenced by global investors' expectations for the US policy rate to be high for longer

#### Financial Market Performance in March 2024



Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market

\*Regional countries comprise: Singapore, Thailand, Philippines, Indonesia, and Korea

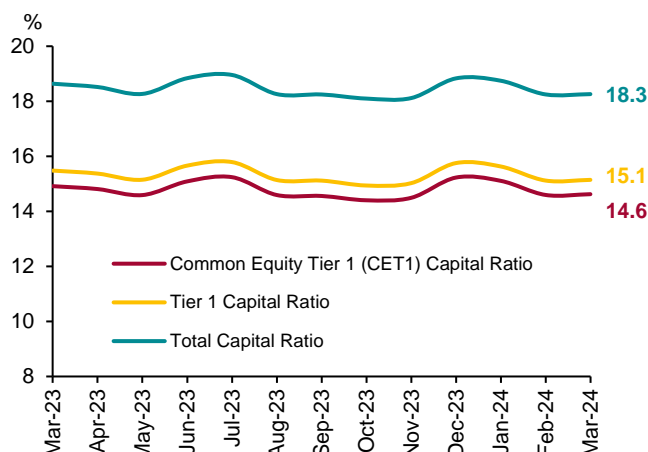
Source: Bank Negara Malaysia, Bursa Malaysia

- Financial market participants revised their expectations downward for the size of 2024 US policy rate cuts in response to still-elevated US inflation and a strong labour market, affecting global financial market conditions.
- Against this backdrop, FBM KLCI traded lower by 1% (regional\* average: +1.2%) while the 10-year MGS yield decreased marginally by 1 basis point (bp) (regional\* average: -1 bp).
- The ringgit appreciated by 0.7% against the US dollar (regional\* average: -0.8%), reflecting improved foreign exchange liquidity conditions amid the coordinated actions by the Government and BNM to encourage more inflows into the foreign exchange market.



### Banks remain well-capitalised to support economic growth

#### Banking System Capital Adequacy



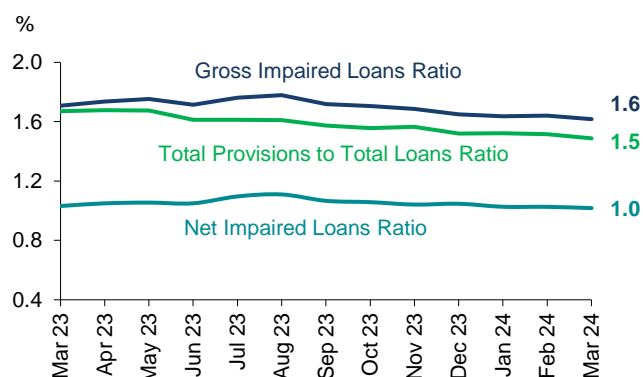
- Banks' capital position remained strong to withstand potential shock and support credit intermediation growth in the economy.
- The banking system recorded excess capital buffers<sup>1</sup> of RM139.5 billion as of the reporting date.

<sup>1</sup> 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

### Banking system resilience continues to be underpinned by sound asset quality

#### Banking System Asset Quality



- Overall gross and net impaired loans ratios remain largely stable at 1.6% and 1%, respectively.
- Loan loss coverage ratio (including regulatory reserves) remains at a prudent level of 120.9% of impaired loans, with total provisions accounting for 1.5% of total loans.

Source: Bank Negara Malaysia



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CENTRAL BANK OF MALAYSIA

## PRESS RELEASE

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Tuesday, 30 April 2024**

### **Monthly Highlights – March 2024**

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- However, this was offset by broader declines in inflation, particularly from food & beverages (March 2024: 1.7%; February 2024: 1.9%).

#### **Higher wholesale and retail trade growth in February**

- The Index of Wholesale and Retail Trade (IOWRT) increased by 3.9% in February 2024 (January 2024: 3.5%).
- The expansion was driven mainly by wholesale trade in other specialised wholesale components<sup>2</sup> and retail trade in other goods in specialised store components<sup>3</sup>.

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- However, growth in the motor vehicle segment moderated to 2.6% (January 2024: 12.1%), dragged by the decline in the sale of motor vehicle components (62,833 units; January 2024: 65,499 units; February 2023: 63,561 units).

### **Steady growth in credit to the private non-financial sector**

- Credit to the private non-financial sector<sup>4,5</sup> expanded by 5.2% as at end-March 2024 (February 2024: 5.1%), driven by steady growth in both outstanding loans (5.7%; February 2024: 5.6%) and outstanding corporate bonds (3.2%; February 2024: 3.3%).
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### **Domestic financial markets were mostly influenced by global investors' expectations for the US policy rate to be high for longer**

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<sup>6</sup> Regional countries comprise: Singapore, Thailand, Philippines, Indonesia, and Korea.

### **Banks remain well-capitalised to support economic growth**

- Banks' capital position remained strong to withstand potential shock and support credit intermediation growth in the economy.
- The banking system recorded excess capital buffers<sup>7</sup> of RM139.5 billion as of the reporting date.

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### **Bank Negara Malaysia**

**30 April 2024**

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