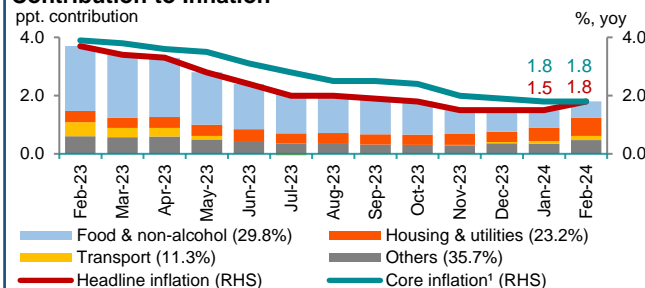


Headline inflation edged higher, while core inflation remained unchanged

Contribution to Inflation



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

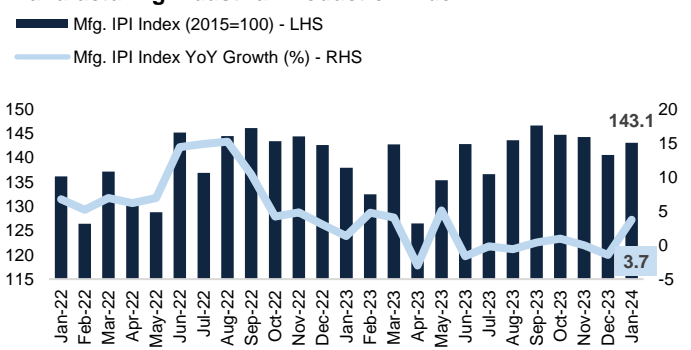
Note: Beginning January 2024, the goods and services in the CPI basket are reclassified based on a new set of weights.

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

- Headline inflation increased to 1.8% in February (January 2024: 1.5%), while core inflation remained unchanged at 1.8% (January 2024: 1.8%).
- The increase in inflation is driven mainly by higher inflation for utilities, following upward revision in water tariffs in early February. For core inflation, higher food away from home inflation was largely offset by lower inflation for actual rental paid by tenants.

Manufacturing IPI rebounded to 3.7% in January 2024

Manufacturing Industrial Production Index

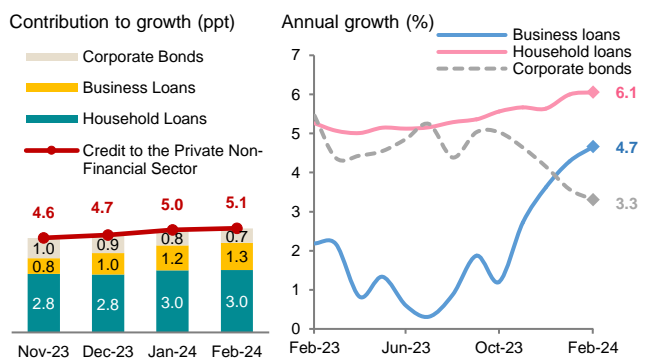


Source: Department of Statistics, Malaysia

- The manufacturing industrial production index grew by 3.7% in January 2024 (December 2023: -1.4%).
- Growth in the export-oriented clusters turned around amid stronger production of chemical, rubber, and plastic products while production of electrical and electronics (E&E) registered a modest rebound.
- Meanwhile, growth in the domestic-oriented clusters improved further, reflecting higher production of both transport equipment and construction materials.

Sustained growth in credit to the private non-financial sector

Credit to the Private Non-Financial Sector^{1,2}



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.

Numbers may not add up due to rounding.

Source: Bank Negara Malaysia

- Credit to the private non-financial sector grew by 5.1% as at end-February 2024 (January 2024: 5%), supported by higher growth in outstanding loans (5.6%; January 2024: 5.4%).
- Outstanding business loan growth increased to 4.7% (January 2023: 4.3%), driven by higher growth in both working capital and investment-related loans. Meanwhile, outstanding corporate bonds growth moderated to 3.3% (January 2024: 3.6%).
- For households, outstanding loan growth remained stable at 6.1% (January 2024: 6%), with sustained growth across key loan purposes. Of note, growth in household loan disbursements has remained forthcoming (11.1%; January 2024: 19%).

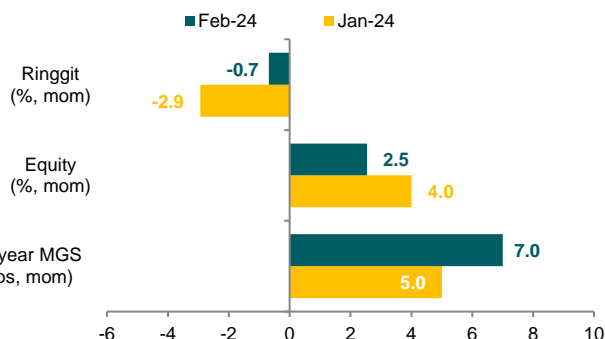


Monthly Highlights

February 2024

Domestic financial markets were mainly driven by global investors' expectations that the US Federal Reserve would keep its policy rate high for longer

Financial Market Performance in February 2024



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

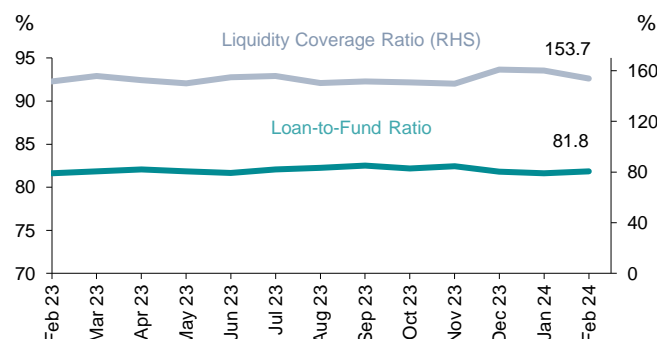
* Regional countries comprise: Singapore, Thailand, Philippines, Indonesia, and South Korea

Source: Bank Negara Malaysia, Bursa Malaysia

- Global financial markets reacted to expectations that the US Federal Reserve would make fewer rate cuts and maintain its current high policy interest rate for longer in light of the release of strong US labour market data and persistently elevated core inflation.
- Against this backdrop, the ringgit depreciated by 0.7% against the US dollar (regional* average: -0.1%), while the 10-year Malaysian Government Securities (MGS) yield increased by 7 bps (regional* average: +7 bps).
- Meanwhile, FBM KLCI traded higher by 2.5% amid foreign equity inflows (regional* average: +3.1%).

Banks liquidity and funding positions are strong to support intermediation

Banking System Liquidity and Funding Ratios

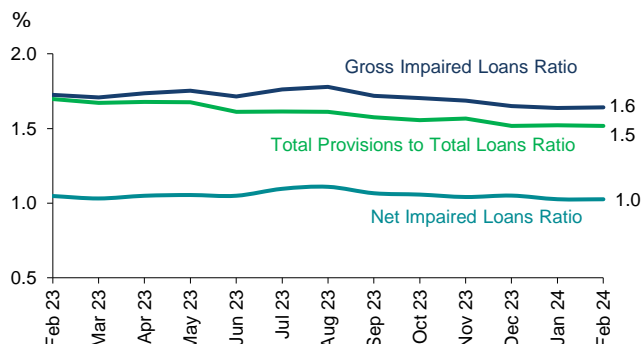


Source: Bank Negara Malaysia

- Banking system continues to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 153.7% (January 2024: 160.2%).
- The aggregate loan-to-fund ratio remained broadly stable at 81.8% (January 2024: 81.6%).

Asset quality in the banking system remained intact

Banking System Asset Quality



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remained stable at 1.6% and 1%, respectively.
- Loan loss coverage ratio (including regulatory reserves) continues to be at a prudent level of 120% (January 2024: 120.8%) of impaired loans, with total provisions accounting for 1.5% of total loans.



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

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Monthly Highlights – February 2024

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- The increase in inflation is driven mainly by higher inflation for utilities, following upward revision in water tariffs in early February. For core inflation, higher food away from home inflation was largely offset by lower inflation for actual rental paid by tenants.

Manufacturing industrial production index (IPI) rebounded to 3.7% in January 2024

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Bank Negara Malaysia

29 March 2024