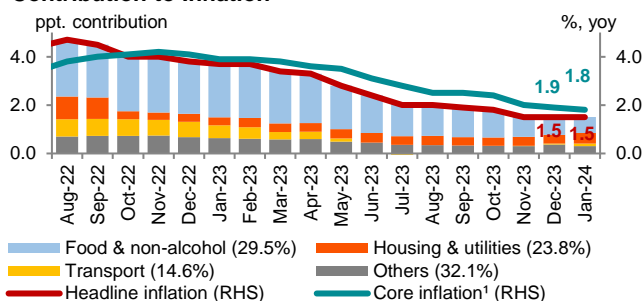


Headline inflation remained unchanged while core inflation continued moderating

Contribution to Inflation



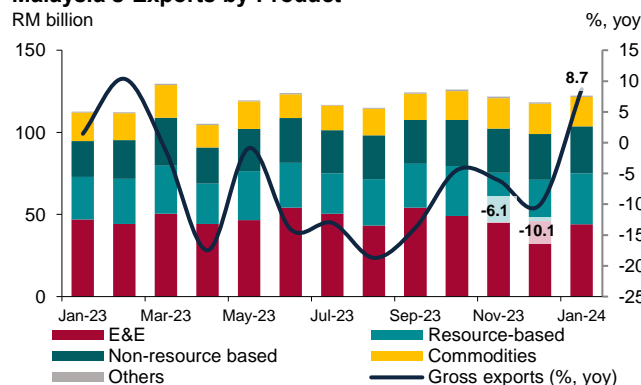
¹ Core inflation is computed by excluding price-volatile and price-administered items.

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

- Headline inflation remained unchanged at 1.5% in January (December 2023: 1.5%), while core inflation edged lower to 1.8% (December 2023: 1.9%).
- Inflation for food and non-alcoholic beverages continued to trend lower during the month, though this was offset by higher inflation for sewerage and RON97 fuel.

Export growth turned positive

Malaysia's Exports by Product

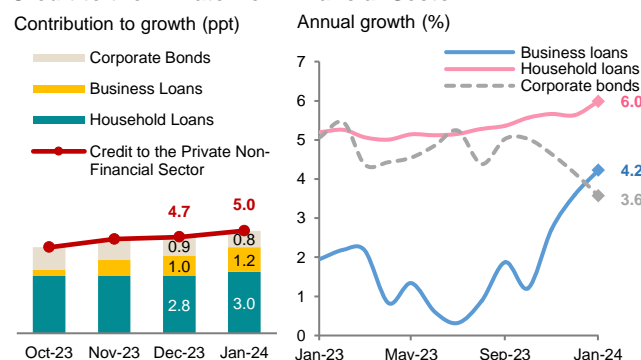


Source: Department of Statistics, Malaysia (DOSM), MATRADE

- Exports turned around to register positive growth (8.7%; December 2023: -10.1%), the first time since March 2023. This is driven by broad-based improvement in both manufactured and commodities exports.
- Manufactured exports rebounded, supported by double-digit growth in non-E&E exports and smaller contraction in E&E exports. Meanwhile, commodities exports also improved driven by higher palm oil exports.
- Looking ahead, exports are expected to continue on this recovery path throughout 2024. Downside risks remain, stemming from weaker external demand.

Higher 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.

Source: Bank Negara Malaysia

- Credit to the private non-financial sector grew by 5% as at end-January 2024 (December 2023: 4.7%), supported by higher growth in outstanding loans (5.4%; December 2023: 4.9%).
- Outstanding business loan growth increased to 4.2% (December 2023: 3.6%), supported by higher growth in investment-related loans. Of note, growth in outstanding loans to SMEs remained forthcoming (8%; December 2023: 8.2%). Meanwhile, outstanding corporate bonds growth moderated to 3.6% (December 2023: 4.2%).
- For households, outstanding loan growth increased to 6% (December 2023: 5.6%), with sustained growth across most loan purposes. This was reflective of the continued demand for loans, especially for the purchase of houses and cars.

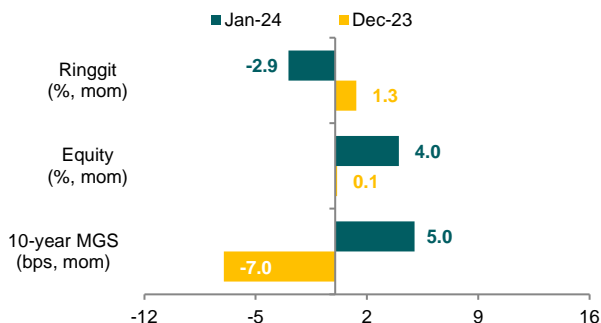


Monthly Highlights

January 2024

Domestic financial markets were primarily influenced by global investors' expectations for the US policy rate to be higher-for-longer

Financial Market Performance in January 2024



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

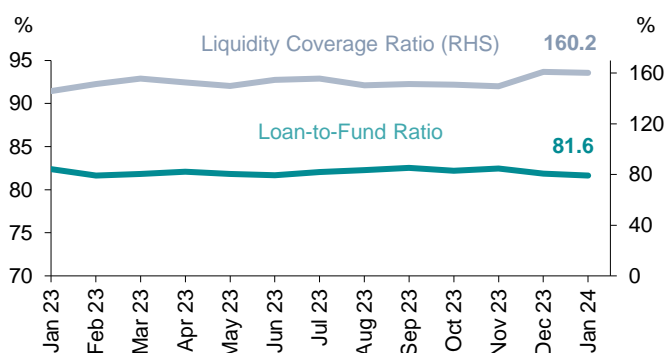
*Regional countries comprise: Singapore, Thailand, Philippines, Indonesia, and Korea

Source: Bank Negara Malaysia, Bursa Malaysia

- Global financial conditions were primarily driven by evolving financial market expectations that the US Federal Reserve would keep current elevated policy interest rate for a longer period largely due to the resilience in the US labour market.
- Against this backdrop, the ringgit depreciated by 2.9% against the US dollar (regional* average: -2.5%), while the 10-year MGS yield increased by 5 bps (regional* average: +12 bps).
- Nevertheless, FBM KLCI traded higher by 4% amid foreign equity inflows (regional* average: -2%).

Banks maintained strong liquidity and funding positions to support intermediation

Banking System Liquidity and Funding Ratios

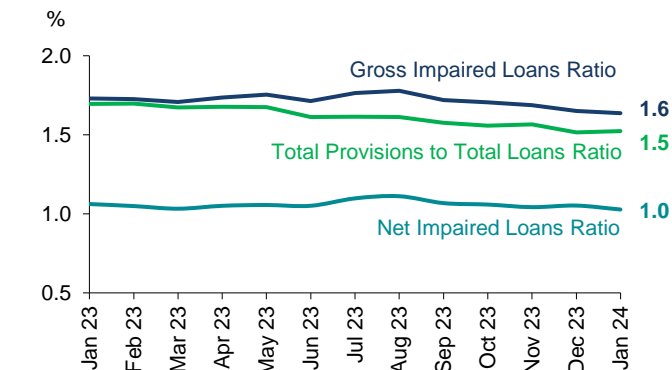


Source: Bank Negara Malaysia

- Banking system continue to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 160.2% (December 2023: 160.9%).
- The aggregate loan-to-fund ratio remained broadly stable at 81.6% (December 2023: 81.8%).

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 1.64% and 1% (December 2023: 1.65% and 1.1%), respectively.
- Loan loss coverage ratio (including regulatory reserves) continue to be at a prudent level of 120.8% (December 2023: 119%) of impaired loans, with total provisions accounting for 1.5% (December 2023: 1.5%) of total loans.



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

PRESS RELEASE

Ref. No.: 02/24/08

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Bank Negara Malaysia

29 February 2024