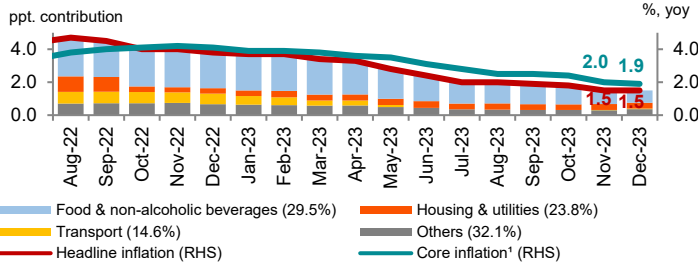


### Headline inflation remained unchanged at 1.5% in December

#### Contribution to Inflation

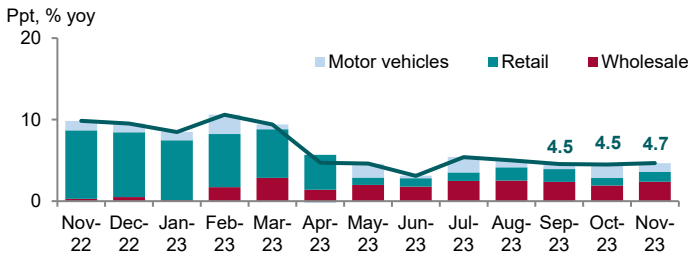


- Headline inflation remained unchanged at 1.5% in December (November 2023: 1.5%), while core inflation edged lower to 1.9% (November 2023: 2.0%).
- In particular, the moderation in core inflation was due to lower inflation for food away from home at 3.4% (November 2023: 3.9%).

<sup>1</sup> Core inflation is computed by excluding price-volatile and price-administered items.  
Source: Department of Statistics, Malaysia & Bank Negara Malaysia estimates

### Slightly higher wholesale and retail trade growth in November

#### Index of Wholesale and Retail Trade

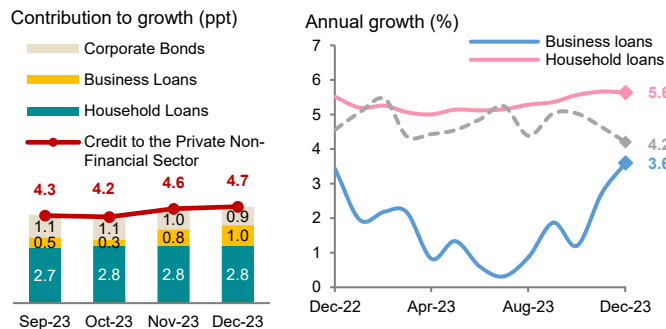


- The Index of Wholesale and Retail Trade (IOWRT) increased by 4.7% in November 2023 (October 2023: 4.5%).
- The expansion was driven by wholesale trade in other specialised wholesale components followed by retail trade in other household equipment in specialised stores.
- However, sales of motor vehicles moderated during the month.

Source: Department of Statistics, Malaysia

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

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



- Credit to the private non-financial sector grew by 4.7% as at end-December (November 2023: 4.6%), driven mainly by higher growth in credit to businesses (3.8%; November 2023: 3.5%).
- Outstanding business loan growth increased to 3.6% (November 2023: 2.7%), driven mainly by higher growth in working capital loans. Of note, SME loan growth continued to improve (8.2%; November 2023: 7.9%). Outstanding corporate bonds growth, however, moderated slightly to 4.2% (November 2023: 4.6%).
- For households, outstanding loan growth was sustained at 5.6% (November 2023: 5.7%), supported by broadly stable growth across most loan purposes. This was reflective of the continued demand for loans, with the growth in loan applications higher at 26.0% (November 2023: 13.5%).

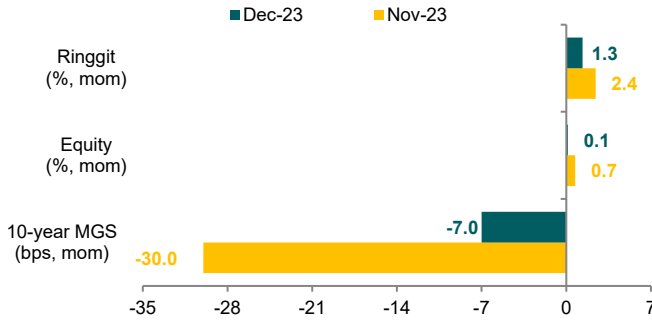
<sup>1</sup> Comprises loans to households and non-financial corporations from the banking system, development financial institutions (DFIs) and corporate bonds issued by non-financial corporations (including short-term papers).

<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.

Source: Bank Negara Malaysia

### Domestic financial markets were primarily influenced by global investors' expectations for US policy rate reductions in 2024

#### Financial Market Performance in December 2023



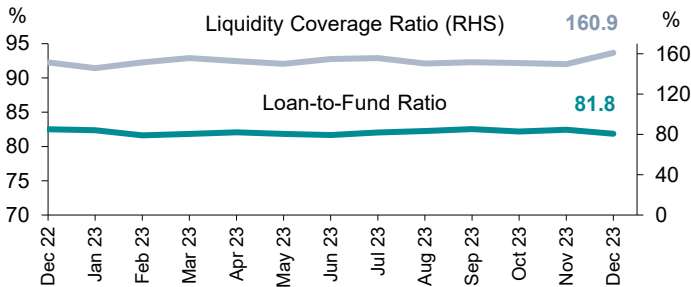
- Global financial conditions were driven by financial market expectations that the US Federal Reserve would begin lowering their policy interest rate as early as 2024 due to continued disinflation. Reflecting these investor sentiments, global bond yields declined while global equity markets traded higher.
- Against this backdrop, the ringgit appreciated by 1.3% against the US dollar (regional\* average: +0.6%), while the 10-year MGS yield decreased by 7 bps (regional\* average: -29 bps).
- Meanwhile, the FBM KLCI traded slightly higher by 0.1%, in line with other bourses (regional\* average: 3.2%).

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

### Banks maintained strong liquidity and funding positions to support intermediation

#### Banking System Liquidity and Funding Ratios

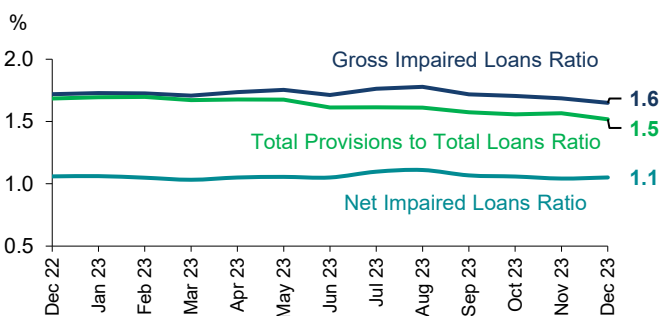


Source: Bank Negara Malaysia

- The banking system overall Liquidity Coverage Ratio rose in December as banks proactively managed buffers to address anticipated year end seasonal fluctuations in their deposit levels.
- The aggregate loan-to-fund ratio remained broadly stable at 81.8% (November 2023: 82.5%).

### Asset quality in the banking system remained intact

#### Banking System Asset Quality



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remained broadly stable at 1.6% (November 2023: 1.7%) and 1.1% (November 2023: 1.0%), respectively.
- Loan loss coverage ratio (including regulatory reserves) continues to be at a prudent level of 119.2% of impaired loans, with total provisions accounting for 1.5% of total loans.



## PRESS RELEASE

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Ref. No.: 01/24/07

**EMBARGO: Not for publication or broadcast before 1500 hours on Wednesday, 31 January 2024**

### **Monthly Highlights – December 2023**

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- In particular, the moderation in core inflation<sup>1</sup> was due to lower inflation for food away from home at 3.4% (November: 3.9%).

#### **Slightly higher wholesale and retail trade growth in November**

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- The expansion was driven by wholesale trade in other specialised wholesale components followed by retail trade in other household equipment in specialised stores.
- However, sales of motor vehicles moderated during the month.

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

- Credit to the private non-financial sector<sup>2,3</sup> grew by 4.7% as at end-December (November 2023: 4.6%), driven mainly by higher growth in credit to businesses (3.8%; November 2023: 3.5%).

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### **Domestic financial markets were primarily influenced by global investors' expectations for US policy rate reductions in 2024**

- Global financial conditions were driven by financial market expectations that the US Federal Reserve would begin lowering their policy interest rate as early as 2024 due to continued disinflation. Reflecting these investor sentiments, global bond yields declined while global equity markets traded higher.
- Against this backdrop, the ringgit appreciated by 1.3% against the US dollar (regional\* average: +0.6%), while the 10-year MGS yield decreased by 7 bps (regional<sup>4</sup> average: -29 bps).
- Meanwhile, the FBM KLCI traded slightly higher by 0.1%, in line with other bourses (regional average: 3.2%).

### **Banks maintained strong liquidity and funding positions to support intermediation**

- The banking system overall Liquidity Coverage Ratio rose in December as banks proactively managed buffers to address anticipated year end seasonal fluctuations in their deposit levels.

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**Bank Negara Malaysia**  
**31 January 2024**