



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

BNM Quarterly Bulletin

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4Q Fourth Quarter 2023

The BNM Quarterly Bulletin presents a quarterly review of Malaysia's economic, monetary and financial developments. It includes the Bank's latest assessments on the direction of the economy going forward. The Bulletin also provides insights on current economic and financial issues, including highlights of policy initiatives undertaken by Bank Negara Malaysia in pursuit of its mandates.

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Key Highlights for 4Q 2023

GDP grew by 3%

What are the factors supporting growth?



Continued expansion in household spending

Private Consumption: 4.2% (3Q 2023: 4.6%)



Stronger growth of inbound tourism

Exports of Services: 37.3% (3Q 2023: 21.2%)



Higher investment growth

Gross Fixed Capital Formation: 6.4% (3Q 2023: 5.1%)

Continued improvements in labour market



Unemployment Rate

3.3%

(3Q 2023: 3.4%)



Private Sector Real Wages

1.5%

(3Q 2023: 1.4%)

Note: Private sector wages refer to wages of worker in the manufacturing and services sectors.

Lower headline inflation at 1.6%

What are the key factors affecting inflation?



Lower food inflation

Food and non-alcoholic beverages inflation: 2.8% (3Q 2023: 4.1%)

Partly offset by



Slight increase in fuel inflation

Fuel inflation: -1% (3Q 2023: -2.9%)

The ringgit appreciated against the US dollar



MYR/USD

2.1%

(3Q 2023: -0.2%)



US Dollar Index

-4.6%

(3Q 2023: 3.2%)

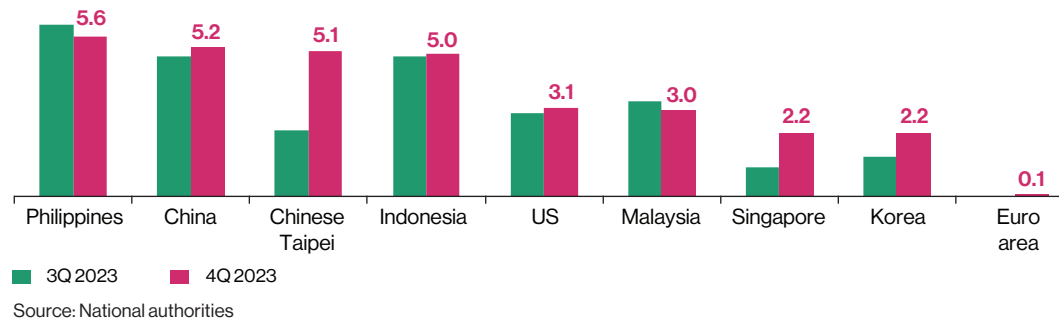
International Economic Environment

Global Economic Performance

Global growth remained moderate in 4Q 2023



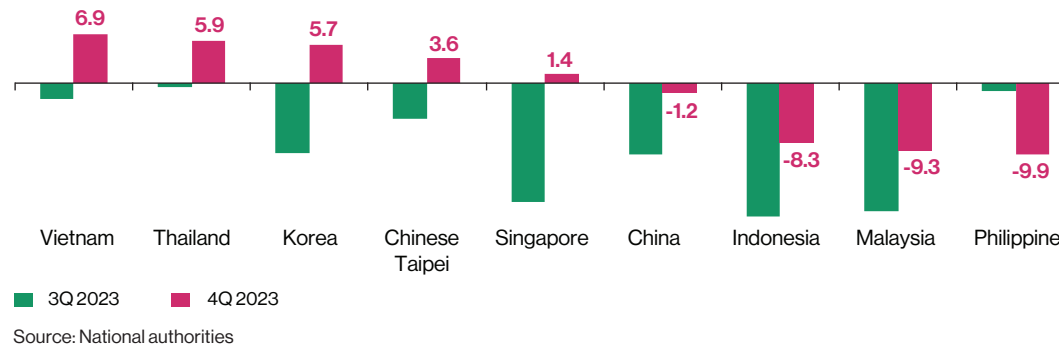
GDP of Selected Economies
Annual change, %



Smaller contraction in exports growth, while some countries have registered positive growth



Exports of Selected Economies in USD terms
Annual change, %



Highlights

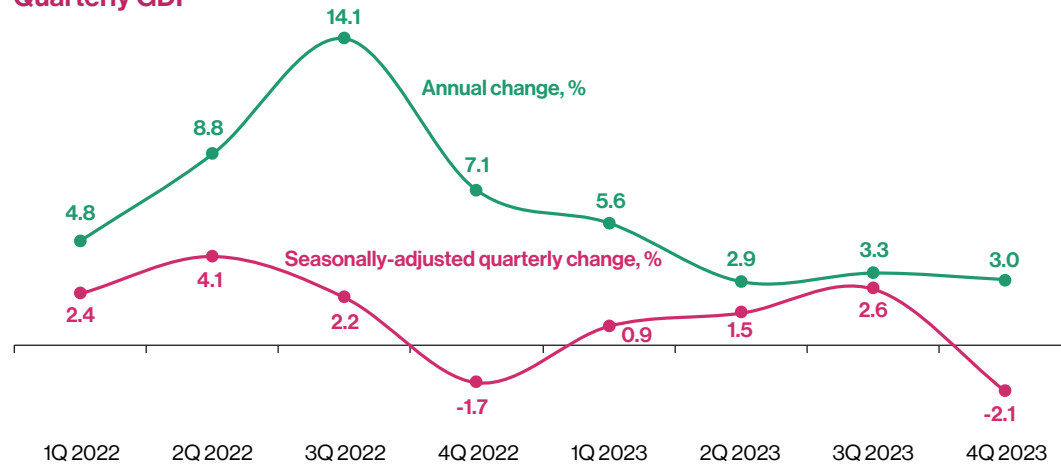
- **Global growth remained moderate**, weighed by high interest rates. Resilient labour markets continued to support growth.
- **US and China registered higher growths**, driven by stronger private consumption, investments and net exports.
- **Signs of trade recovery.** Further signs of improvement in electrical and electronics (E&E), as well as machinery and equipment (M&E) industries.
- **Headline and core inflation trended downward**, in line with lower commodity prices.
- **Brent oil price remained elevated** at USD83 per barrel in 4Q 2023 (3Q 2023: USD86 per barrel) as geopolitical risk persists.

Developments in the Malaysian Economy

Gross Domestic Product

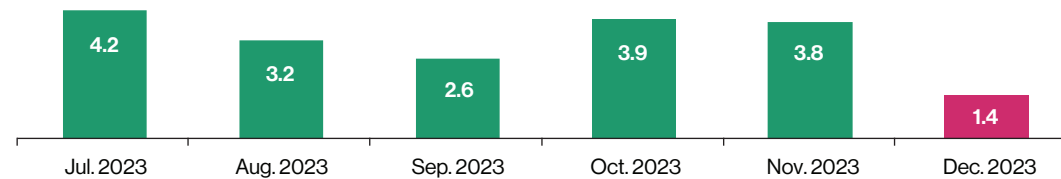
GDP grew by 3% in 4Q 2023. Overall 2023 growth normalised to 3.7% (2022: 8.7%)

Quarterly GDP



Slower economic activity in December weighed on 4Q 2023 growth

Monthly GDP
Annual change, %



Source: Department of Statistics, Malaysia

What factors support growth in 4Q 2023?



Continued household spending



Improvement in labour market conditions



Further recovery in tourism activities



Sustained investment activity

Which sectors affected growth in December 2023?



Services (Dec: 3%)
Nov: 5.5%; Oct: 4.1%



Manufacturing (Dec: -1.5%)
Nov: -0.2%; Oct: 0.9%

Developments in the Malaysian Economy

Malaysia's Economic Performance

Higher domestic demand

Annual change, %

Private Consumption



Continued household spending in both necessities and discretionary items

Private Investment



Support from capacity expansion by firms and further progress in ongoing projects

Public Consumption



Higher supplies and services spending by the Government

Public Investment



Higher capital expenditure by Government and public corporations

Net Exports



Higher imports outpaced exports

Expansion in most economic sectors

Annual change, %

Services



Ongoing recovery of tourism activities weighed by contraction in finance and insurance subsector

Manufacturing



Continued weakness in E&E cluster amid tech downcycle, offsetting resilient growth in domestic-oriented clusters

Construction



Further expansion in civil engineering subsector weighed by weak non-residential activities

Mining



Improvement in natural gas and oil production

Agriculture



Expansion in oil palm production amid improved labour supply

Developments in the Malaysian Economy

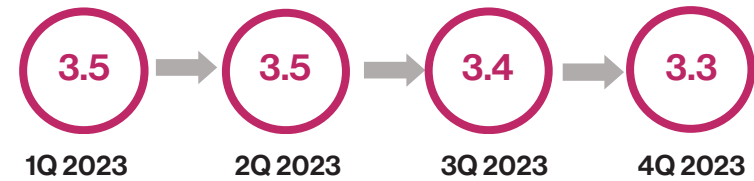
Labour Market Conditions

Labour market continued to improve

- The unemployment rate declined further to 3.3% in 4Q 2023 (3Q 2023: 3.4%), reaching pre-pandemic levels.
- Employment improved to 16.35 million persons in 4Q 2023 (3Q 2023: 16.25 million persons) amid continued demand for labour.
- Labour supply remained forthcoming as the labour force participation rate was sustained at 70.1% in 4Q 2023 (3Q 2023: 70.1%).

Lower unemployment rate

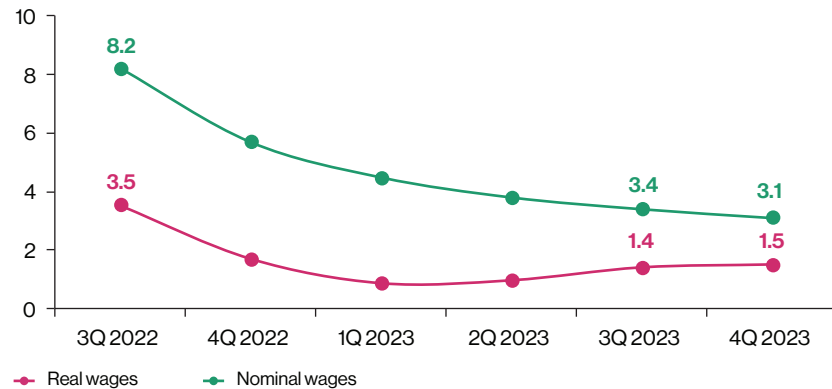
*Unemployment rate,
% of labour force*



Source: Department of Statistics, Malaysia

Higher real wages as inflation declines

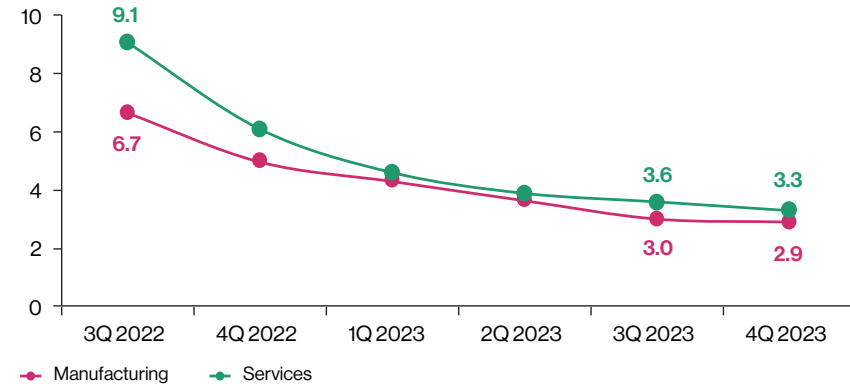
*Private sector wages,
Annual change, %*



Note: Private sector wages refers to wages of workers in the manufacturing and services sector.

Source: Department of Statistics, Malaysia, Bank Negara Malaysia Estimates

*Sectoral nominal wages,
Annual change, %*



Developments in the Malaysian Economy

Disinflation trend continued amid easing cost environment

Headline and core inflation continued to moderate during the quarter

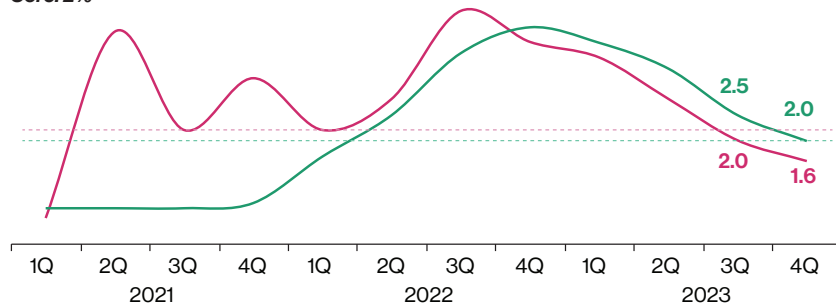
Annual change, %

- Headline inflation declined further, with core inflation moderating to its long-term average

Long-term average (2011-2019)

Headline: 2.2%

Core: 2%



Selected Non-Core Item

Fresh food



0.5%
(3Q 2023: 1.9%)

Selected Core Items

Food away from home



4.3%
(3Q 2023: 6%)

Food at home



1.6%
(3Q 2023: 2.8%)

Repair and maintenance of personal transport



4.7%
(3Q 2023: 6.7%)

Note: Core inflation is computed by excluding price-volatile and price-administered items from headline inflation.

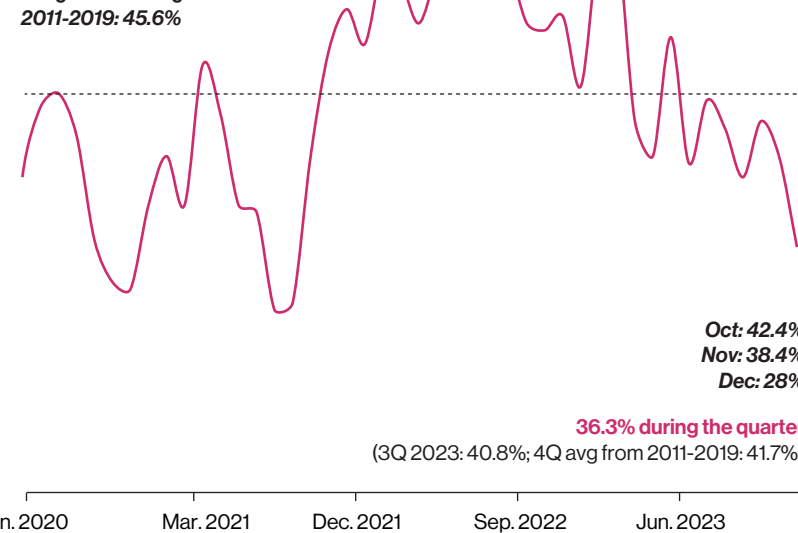
Source: Department of Statistics, Malaysia, Bank Negara Malaysia Estimates

Inflation pervasiveness declined further

Share of CPI items recording month-on-month price increase, %

- Fewer items recording higher prices in the quarter

Long-term average 2011-2019: 45.6%



Oct: 42.4%
Nov: 38.4%
Dec: 28%

36.3% during the quarter
(3Q 2023: 40.8%; 4Q avg from 2011-2019: 41.7%)

Source: Department of Statistics, Malaysia, Bank Negara Malaysia Estimates

Developments in the Malaysian Economy

External Sector Development

Smaller decline in exports, while imports growth turned positive



Gross exports

-6.9% (3Q 2023: -15.2%)

Improving exports of non-E&E products and commodities

Gross imports

1.3% (3Q 2023: -16.3%)

Higher imports of capital and intermediate goods

Continued current account surplus with outflows in financial account



Current Account

RM0.3 bil; 0.1% of GDP
(3Q 2023: RM9.1 bil; 2% of GDP)

Driving factors:

- Marked increase in primary income deficit due to higher investment income accrued to foreign investors in Malaysia.

Which is offset by:

- Continued goods surplus underpinned by improvement in exports as demand from key trade partners improved.
- Narrower services deficit reflecting higher travel receipts amid the ongoing recovery in inbound tourism.



Financial Account

Net outflows RM19.9 bil
(3Q 2023: Net inflows RM14.9 bil)

Driving factors:

- Net outflows in other investment, driven mainly by higher repayment for interbank borrowing by onshore banks.
- Net outflows in portfolio investment due mainly to acquisition of debt securities abroad by resident investors.

Which offset:

- Higher FDI inflows particularly in the ICT and manufacturing sectors.

Source: Department of Statistics, Malaysia, Bank Negara Malaysia

External debt declined slightly

RM1.24 trillion or 68.2% of GDP
(3Q 2023: RM1.25 trillion or 69% of GDP)

- Lower interbank borrowings due to repayments by domestic banks.
- Maturity of bonds and notes.

External debt remained manageable

% of total external debt

CURRENCY

Ringgit-denominated: 33.1%

Unaffected by ringgit exchange rate fluctuations

FCY-denominated: 66.9%

of which 65% is subject to BNM prudential & regulatory requirements and 16.6% are due to intragroup loans

MATURITY

Medium- and long-term: 58.3%

Limited rollover risks

International Investment Position

RM119.4 billion (3Q 2023: RM94.9 billion)

International Reserves* USD114.8 billion

- **5.4 months** of imports of goods and services.
- **1 time** of short-term external debt.

* As at 31 January 2024.

Source: Ministry of Finance Malaysia, Department of Statistics Malaysia and Bank Negara Malaysia

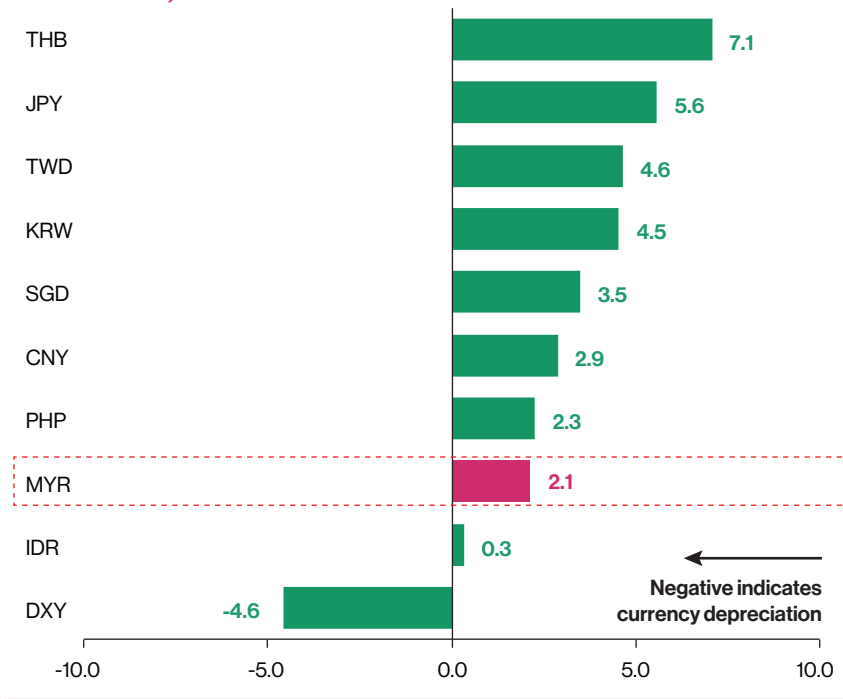
Monetary and Financial Developments

Financial Markets and Exchange Rate

The ringgit appreciated against the US dollar

Ringgit's appreciation was in line with major trade partners amid broad-based US dollar weakness

Performance of the US Dollar Index and Regional Currencies Against the US Dollar, % QoQ



The ringgit depreciated against major trading partners

NEER -0.9%
(3Q 2023: +1.4%)

Note: NEER refers to the nominal effective exchange rate.
Source: Bank Negara Malaysia and Bloomberg

Domestic financial markets were driven mainly by changes in expectations over the global monetary policy path



Bond yields declined

in line with regional peers on expectations of rate cuts by the US Federal Reserve

MGS 10Y Yield

-23 bps
(3Q 2023: +12 bps)



Equity markets rose

supported by lower global interest rate expectations and positive reaction to various national master plans announced in the third quarter of 2023

KLCI

+2.1% QoQ
(3Q 2023: +3.4%)

Key factors



Consensus that the US policy rate has peaked and that the US Federal Reserve will start easing monetary policy along with other major central banks in 2024



Positive impact from the implementation of domestic structural reforms is expected to be supportive of domestic financial markets

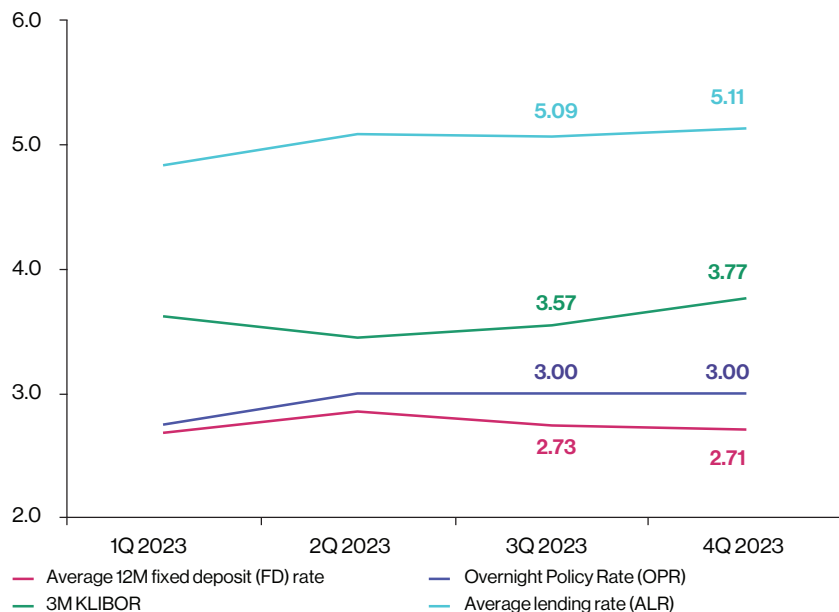
Source: Bank Negara Malaysia, ETP and Bursa Malaysia

Monetary and Financial Developments

Interest Rates and Liquidity

Interbank rates edged higher while fixed deposit rates declined

Interest rates (at end-period), %

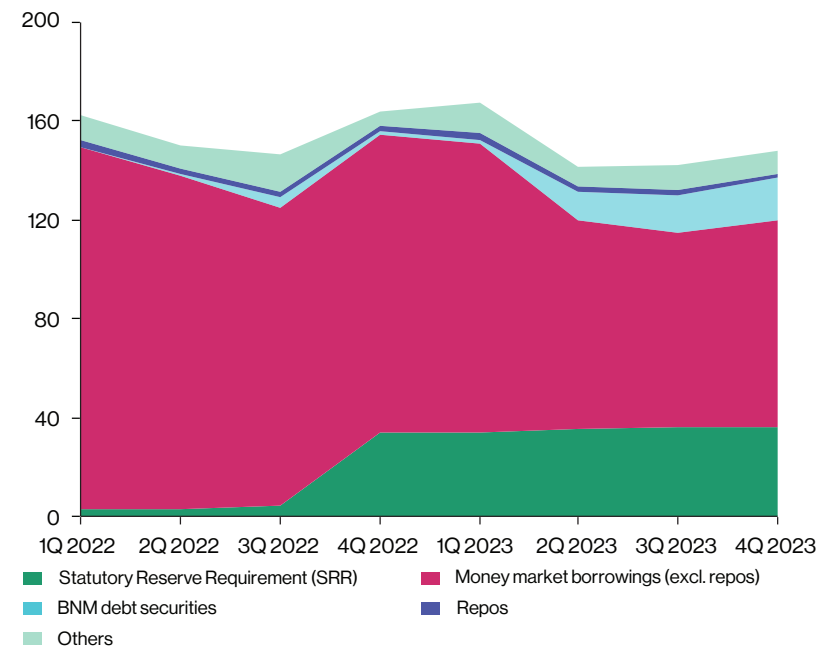


- **The 3M KLIBOR edged higher** amid pre-emptive funding demand by banks following the seasonal year-end deposit competition. Since then, interbank market conditions have eased with the 3M KLIBOR trending lower beginning January 2024.
- **Fixed deposit (FD) rates declined** by 1 and 3 basis points across tenures of 1 to 12 months, reflecting banks' funding strategy to manage their cost of funds.
- **Average lending rate (ALR) on outstanding loans increased marginally** during the quarter.

Source: Bank Negara Malaysia and Bloomberg

Sufficient banking system liquidity to support financial intermediation

Outstanding ringgit liquidity placed with BNM (at end-period), RM billion



- **Total banking system liquidity remained sufficient**, increasing slightly amid higher liquidity injection by BNM.
- At the institutional level, **almost all banks maintained surplus overnight placement** with BNM as at end-December 2023.

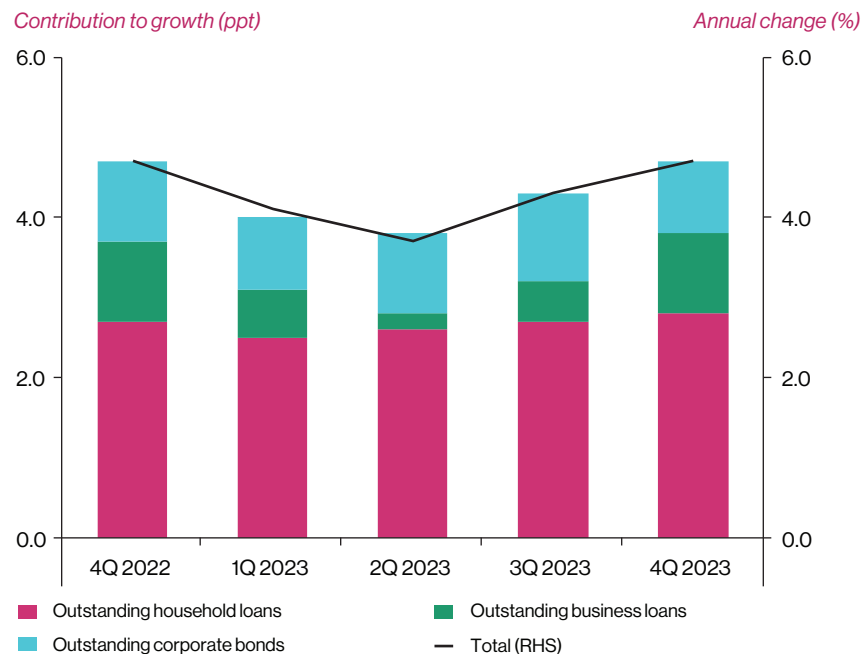
Source: Bank Negara Malaysia

Monetary and Financial Developments

Credit Conditions

Credit growth increased following improvement in business loan growth

Credit to the Private Non-Financial Sector¹



¹ Consists of outstanding corporate bonds and outstanding loans to businesses and households.

Source: Bank Negara Malaysia

Key developments

Credit to the Private Non-Financial Sector
4.7%²
(3Q 2023: 4.3%)

- Outstanding loans³ expanded by 4.9% (3Q 2023: 4.1%), driven by higher growth in business loans.
- Outstanding corporate bonds growth moderated slightly to 4.2% (3Q 2023: 5%).

Business Loans
3.6%
(3Q 2023: 1.9%)

- The higher business loan growth was driven mainly by higher growth in working capital loans.
- Of note, the growth in outstanding SME loans remained forthcoming (8.2%; 3Q 2023: 7%).

Household Loans
5.6%
(3Q 2023: 5.4%)

- Outstanding household loan growth continued to be sustained across key purposes.
- This reflected the continued demand for loans, especially loans for the purchase of housing, car and personal use.

² All numbers quoted are in terms of annual change.

³ Refers to loans from the banking system and development financial institutions (DFIs).

Source: Bank Negara Malaysia

The Bank's Policy Considerations

Highlights of the January MPC meeting

- The Monetary Policy Committee (MPC) maintained the OPR at 3.00% at the November 2023 and January 2024 MPC meetings.
- The MPC remains vigilant to ongoing developments to inform the assessment on the outlook of domestic inflation and growth.



Monetary policy remains supportive of the economy

At the November 2023 and January 2024 MPC meetings, the MPC maintained the OPR at 3.00%.


At the latest MPC meeting in January, the MPC assessed that the global economy continues to expand, driven by domestic demand amid strong labour market conditions. There are further signs of recovery in the electrical and electronics (E&E) sector, but global trade remains soft partly due to the continued shift in spending from goods to services, and ongoing trade restrictions. While China's economy continues to show signs of improvement, its recovery remains modest given the weakness in the property market. Global headline and core inflation edged downwards in recent months but continue to be above average. On the global front, while the monetary policy stance is likely to remain tight in

the near term, the tightening cycle has peaked for most central banks. The growth outlook remains subject to downside risks, mainly from an escalation of geopolitical tensions, higher-than-anticipated inflation outturns, and heightened volatility in global financial markets.

At the January MPC meeting, the fourth quarter advance estimates for GDP affirmed that the overall growth of the Malaysian economy for 2023 expanded within expectations. Moving forward, the MPC assessed that domestic growth is expected to improve in 2024, supported by the recovery in exports and resilient domestic expenditure. Continued employment and wage growth remain supportive of household spending. Tourist arrivals and spending are expected to improve further. Investment activity would be supported by continued progress of multi-year projects in both the private and public sectors, and implementation of catalytic initiatives under the national master plans. The growth outlook remains subject to downside risks stemming from weaker-than-expected external demand and larger declines in commodity production. Meanwhile, upside risks to growth mainly emanate from greater spillover from the tech upcycle, stronger-than-expected tourism activity and faster implementation of existing and new projects.

As expected, both headline and core inflation continued to moderate in the fourth quarter, mainly due to lower cost pressures amid stabilising demand conditions. Overall, both

The Bank's Policy Considerations



headline and core inflation for 2023 are within expectations, averaging for the year at 2.5% and 3%, respectively. In 2024, inflation is expected to remain modest, broadly reflecting stable cost and demand conditions. Risks to the inflation outlook remain highly subject to changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments. Of note, the Government's intention to review price controls and subsidies in 2024 will affect the outlook for inflation and demand conditions.

The recent ringgit movements as at the January MPC meeting were assessed to be primarily driven by external factors, and not reflective of the current domestic economic performance and prospects. As the risk of heightened volatility in the global financial and foreign exchange markets remains, Bank Negara Malaysia will continue to ensure sufficient liquidity to support the orderly functioning of the domestic foreign exchange market. Financial institutions continue to operate with strong capital and liquidity buffers, with domestic financial conditions remaining conducive to sustain credit growth.

At the current OPR level, the MPC deemed that the monetary policy stance remains supportive of the economy and is consistent with the current assessment of the inflation and growth prospects. The MPC remains vigilant to ongoing developments to inform the assessment on the outlook of domestic inflation and growth. The MPC will ensure that the monetary policy stance remains conducive to sustainable economic growth amid price stability.

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Macroeconomic Outlook



Sustained global growth in 2024

Despite tight monetary policy, trade rebound and resilient labour market will support global growth

The global economy is expected to grow at a sustained pace in 2024. Tight monetary policy and withdrawal of fiscal support will weigh on growth. But this will be offset by a rebound in international trade, resilient labour market and falling inflation. The global trade rebound is driven by global technology upcycle, and full recovery in tourism activity. Global inflation will moderate further, as falling commodity prices and loosening labour market translate to lower core inflation. After benefiting from reopening recovery in 2023, China's growth is expected to soften in 2024, given continued drag from the property market downturn.

Downside risks stem mainly from an escalation of geopolitical tensions, higher-than-anticipated inflation outturns, and heightened volatility in global financial markets. However, upside risk to global growth could arise from stronger-than-expected domestic demand, especially in advanced economies, and stronger fiscal policy support in China.



Malaysian economy to continue expansion

Domestic demand to anchor growth in 2024

For 2024, growth of the Malaysian economy is expected to trend higher, lifted by the recovery in exports and resilient domestic expenditure. Household spending will be supported by continued growth in employment and wages. Tourist arrivals and spending are expected to improve further. Moreover, investment activity would be supported by continued progress of multi-year projects in both the private and public sectors, and the implementation of catalytic initiatives under national master plans. Budget 2024 measures will also provide additional support to economic activity.

The growth outlook remains subject to downside risks from weaker-than-expected external demand and declines in commodity production. Meanwhile, upside risks to domestic growth emanate from greater spillover from the tech upcycle, stronger-than-expected tourism activity and faster implementation of both existing and new projects.

Macroeconomic Outlook



Headline inflation and core inflation are expected to remain modest in 2024

Headline inflation is expected to average between 2.1% - 3.6%¹ for the year as a whole

As expected, both headline and core inflation have moderated, mainly due to lower cost pressures amid stabilising demand conditions. In 2024, inflation is expected to remain modest, broadly reflecting stable cost and demand conditions. However, the inflation outlook remains highly subject to changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments.

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¹ Source: Economic Outlook 2024, Ministry of Finance Malaysia.

Table 1: GDP by Expenditure Components (at constant 2015 prices)

	Share 2023 (%)	2022		2023				
		4Q	Year	1Q	2Q	3Q	4Q	Year
		Annual growth (%)						
Aggregate Domestic Demand (excluding stocks)	94.1	6.8	9.2	4.6	4.5	4.8	5.2	4.8
Private sector	76.2	7.8	10.3	5.6	4.5	4.5	4.2	4.7
Consumption	60.8	7.3	11.2	5.9	4.3	4.6	4.2	4.7
Investment	15.5	10.3	7.2	4.7	5.1	4.5	4.0	4.6
Public sector	17.8	3.9	4.7	-0.3	4.6	6.2	8.4	5.1
Consumption	13.3	3.0	4.5	-2.2	3.8	5.8	7.3	3.9
Investment	4.6	6.0	5.3	5.7	7.9	7.5	11.3	8.6
Net Exports	4.7	23.0	-1.0	54.4	-3.7	-22.7	-35.6	-11.3
Exports of Goods and Services	66.3	8.6	14.5	-3.3	-9.4	-12.0	-6.3	-7.9
Imports of Goods and Services	61.6	7.2	15.9	-6.5	-9.7	-11.1	-2.9	-7.6
Real GDP	100.0	7.1	8.7	5.6	2.9	3.3	3.0	3.7
GDP (q-o-q growth, seasonally adjusted)	-	-1.7	-	0.9	1.5	2.6	-2.1	-

Note: Figures may not add up due to rounding and exclusion of stocks.

Source: Department of Statistics, Malaysia

Table 2: GDP by Economic Activity (at constant 2015 prices)

	Share 2023 (%)	2022		2023				
		4Q	Year	1Q	2Q	3Q	4Q	Year
		Annual growth (%)						
Services	59.2	9.1	10.9	7.3	4.7	5.0	4.2	5.3
Manufacturing	23.4	3.9	8.1	3.2	0.1	-0.1	-0.3	0.7
Agriculture	6.4	1.1	0.1	1.0	-1.0	0.9	1.9	0.7
Mining	6.2	6.3	2.6	2.4	-2.3	-0.1	3.8	1.0
Construction	3.6	10.1	5.0	7.4	6.2	7.2	3.6	6.1
Real GDP	100.0	7.1	8.7	5.6	2.9	3.3	3.0	3.7

Note: Numbers do not add up due to rounding and exclusion of import duties component.

Source: Department of Statistics, Malaysia

Table 3: Balance of Payments¹

	2022		2023				
	4Q	Year	1Q	2Q	3Q	4Q	Year
	RM billion						
Current Account	27.5	55.1	4.3	9.1	9.1	0.3	22.8
(% of GDP)	5.9	3.2	1.0	2.1	2.0	0.1	1.2
Goods	57.7	186.0	39.9	29.5	32.7	30.8	132.9
Services	-12.1	-56.4	-12.8	-11.3	-10.3	-7.4	-41.9
Primary income	-11.6	-59.4	-16.9	-6.3	-11.0	-20.9	-55.1
Secondary income	-6.5	-15.1	-5.9	-2.8	-2.2	-2.3	-13.2
Financial Account	-1.1	12.4	-2.4	-11.6	14.9	-19.9	-18.9
Direct investment	-9.3	15.9	10.9	-4.9	-6.1	4.7	4.6
Assets	-24.1	-48.9	-2.5	-9.8	-13.3	-7.4	-33.0
Liabilities	14.8	64.9	13.4	4.9	7.2	12.1	37.6
Portfolio investment	-26.7	-50.6	-33.3	8.1	-14.1	-6.4	-45.7
Assets	-15.0	-30.5	-16.3	-10.1	-15.4	-10.3	-52.2
Liabilities	-11.7	-20.1	-17.0	18.3	1.3	3.9	6.5
Financial derivatives	-1.7	-2.2	-0.9	0.3	0.5	-3.8	-3.9
Other investment	36.6	49.2	20.9	-15.1	34.6	-14.4	26.0
Net errors & omissions²	-3.8	-13.6	-7.6	-9.9	-16.3	9.6	-24.2
Overall Balance	22.5	53.4	-5.7	-12.4	7.7	-10.2	-20.6

Assets: (-) denotes outflows due to the acquisition of assets abroad by residents.

Liabilities: (+) denotes inflows due to the incurrence of foreign liabilities.

¹ In accordance with the Sixth Edition of the Balance of Payments and International Investment Position Manual (BPM6) by the International Monetary Fund (IMF).

² As at 1Q 2018, quarterly net E&O excludes reserves revaluation changes. This practice is backdated up to 1Q 2010.

Note: Numbers may not add up due to rounding.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Table 4: Outstanding External Debt

	2022	2023	
	end-Dec	end-Sep	end-Dec
	RM billion		
Total External Debt	1,144.7	1,252.0	1,242.5
USD billion equivalent	260.7	266.7	270.7
By instrument			
Bonds and notes	176.0	175.6	169.8
Interbank borrowings	218.6	238.4	220.7
Intragroup loans	155.2	185.2	189.2
Loans	76.0	82.7	86.9
Non-resident holdings of domestic debt securities	246.6	269.7	269.5
Non-resident deposits	111.6	139.1	137.5
IMF allocation of Special Drawing Rights (SDRs)	28.2	29.7	29.7
Others	132.6	131.4	139.1
Maturity profile			
Medium- and long-term	663.0	722.5	724.1
Short-term	481.6	529.5	518.4
Currency denomination			
Ringgit	378.7	410.0	411.5
Foreign	766.0	842.0	831.1
Total debt / GDP (%)	63.9	69.0	68.2
Short-term debt / Total debt (%)	42.1	42.3	41.7
Reserves / Short-term external debt (times)	1.0	1.0	1.0

Note: Figures may not add up due to rounding.

Source: Ministry of Finance Malaysia and Bank Negara Malaysia

Table 5: Credit to the Private Non-Financial Sector

	2022	2023		2022	2023	
	4Q	3Q	4Q	4Q	3Q	4Q
	End-period (RM billion)			Annual change (%)		
Total Credit to the Private Non-Financial Sector¹	2610.7	2689.7	2734.4	4.7	4.3	4.7
Outstanding corporate bonds ²	550.6	570.2	573.4	4.6	5.0	4.2
Outstanding loans ^{3,4}	2060.1	2119.5	2160.9	4.7	4.1	4.9
Businesses	748.2	758.4	775.1	3.4	1.9	3.6
SMEs	355.4	373.9	384.6	5.7	7.0	8.2
Non-SMEs	388.5	380.4	386.4	1.4	-2.7	-0.5
Households	1311.9	1361.2	1385.8	5.5	5.4	5.6
Credit to Businesses ⁵	1298.7	1328.6	1348.5	3.9	3.2	3.8

¹ Starting with the 4Q 2022 Quarterly Bulletin, credit to the private non-financial sector was introduced to enhance the quality of data on financing channelled towards the generation of domestic economic activity. This replaces the previous series on net financing to the private sector.

² Includes conventional and Islamic short-term papers in addition to longer-term bonds and sukuk; excludes issuances by Cagamas, government, financial institutions and non-bank financial institutions.

³ Loans by the banking system and development financial institutions (DFIs). Refer to the sum of outstanding business and household loans, and excludes loans to government, financial institutions, non-bank financial institutions and other entities.

⁴ Excludes loans sold to Cagamas without recourse.

⁵ Comprises outstanding loans to businesses and outstanding corporate bonds.

Note: Numbers may not add up due to rounding.

Source: Bank Negara Malaysia

Table 6: Loan Indicators¹

	2022	2023		2022	2023	
	4Q	3Q	4Q	4Q	3Q	4Q
	During the period (RM billion)			Annual Change (%)		
Total Private Non-Financial Sector²						
Loan applications	323.0	419.6	399.4	-4.7	4.4	23.7
Loan approvals	165.5	205.3	200.3	7.9	-2.0	21.1
Loan disbursements	560.3	561.4	578.6	11.7	8.0	3.3
Loan repayments	557.7	552.2	557.7	16.7	4.1	0.0
Of which:						
Businesses³						
Loan applications	125.0	182.1	159.4	11.1	4.8	27.6
Loan approvals	83.6	105.2	106.1	30.2	-5.5	26.8
Loan disbursements	438.1	427.5	440.2	12.1	6.3	0.5
Loan repayments	441.8	427.2	428.5	15.5	2.4	-3.0
SMEs						
Loan applications	66.9	106.8	81.5	1.5	26.2	21.8
Loan approvals	35.3	51.4	49.3	16.6	7.3	39.6
Loan disbursements	125.9	133.2	141.1	11.3	5.8	12.1
Loan repayments	123.9	130.2	133.2	14.2	4.4	7.5
Non-SMEs						
Loan applications	57.9	75.2	77.9	24.6	-14.6	34.5
Loan approvals	48.1	52.8	56.7	42.2	-16.4	17.8
Loan disbursements	310.0	292.8	297.5	12.1	6.6	-4.0
Loan repayments	315.6	295.7	293.5	15.7	1.6	-7.0
Households						
Loan applications	198.0	237.5	240.0	-12.6	4.1	21.2
Loan approvals	81.9	100.1	94.3	-8.1	2.0	15.2
Loan disbursements	122.1	133.8	138.4	10.3	13.7	13.3
Loan repayments	115.9	125.0	129.1	21.5	10.7	11.4

¹ Loans for all segments include data from the banking system and development financial institutions (DFIs).

² Refer to the sum of outstanding business and household loans, and excludes loans to government, financial institutions, non-bank financial institutions and other entities.

³ Numbers for SMEs and Non-SMEs may not add up to total businesses given the inclusion of those with no classification by firm size.

Note: Numbers may not add up due to rounding.

Source: Bank Negara Malaysia

Table 7: Banking System Profitability Indicators

	2022	2023		2022	2023	
	4Q	2Q	4Q ^p	4Q	2Q	4Q ^p
	%			Annual change (percentage points)		
Return on equity ¹	12.3	11.6	11.2	2.8	-0.2	-1.1
Return on assets ¹	1.4	1.3	1.2	0.3	-0.03	-0.1
	RM million			Annual change (%)		
Net interest income	16,206	14,676	14,834	10.4	-5.2	-8.5
Add: Fee-based income	2,877	3,015	3,408	-7.8	6.4	18.5
Less: Operating cost ²	10,914	10,809	11,141	16.2	17.1	2.1
Gross operating profit	8,169	6,882	7,100	-2.8	-24.2	-13.1
Less: Impairment ³ and other provisions	389	836	1,348	-8.1	-8.1	246.2
Gross operating profit after provision	7,779	6,045	5,752	22.6	-26.0	-26.1
Add: Other income ¹	3,752	5,155	4,486	56.8	66.9	19.5
Pre-tax profit¹	11,532	11,200	10,238	32.0	-0.5	-11.2

^p Preliminary

¹ Banking system profits are aggregated at the entity level. The aggregated results for 2019 onwards are subsequently adjusted for dividend income received from domestic banking subsidiaries (previously added at both the parent and subsidiary levels). The adjustment is reflected under 'Other income'. Differences in comparative pre-tax figures reported in previous Quarterly Bulletins are estimated to range between 5.5% and 10.7%.

² Refers to staff costs and overheads.

³ Refers to 12 Months Expected Credit Losses (ECL), Lifetime ECL Not Credit Impaired and Lifetime ECL Credit Impaired based on the Malaysian Financial Reporting Standard 9 (MFRS 9).

Source: Bank Negara Malaysia

Table 8: Insurance and Takaful Sector Profitability Indicators

	2022	2023		2022	2023	
	4Q	2Q	4Q ^p	4Q	2Q	4Q ^p
	RM million			Annual change (%) ²		
Life Insurance & Family Takaful						
Excess income over outgo ¹	5,497	1,034	2,224	1,274.6	123.5	-59.5
General Insurance & General Takaful						
Operating profit	1,097	887	1,010	209.4	17.7	-7.9
Claims ratio (%)	52	58	55	-9.0	-7.2	3.5

^p Preliminary

¹ Excess income over outgo excludes investment-linked unit funds to reflect the core performance of ITOs' profitability more accurately and thus, may not be directly comparable to the data reported in previous publications.

² Refers to percentage points for the annual change of claims ratio.

Source: Bank Negara Malaysia

Table 9: Federal Government Finance¹

	2022		2023 ^p		
	4Q	Year	3Q	4Q	Year
	RM billion				
Revenue	86.8	294.4	77.9	88.7	315.0
<i>Annual growth (%)</i>	14.3	25.9	-6.5	2.2	7.0
Operating expenditure	93.7	292.7	69.7	97.7	311.3
<i>Annual growth (%)</i>	47.8	26.4	0.8	4.3	6.3
Current account	-7.0	1.7	8.1	-9.0	3.7
Net development expenditure	24.7	70.2	19.6	31.1	95.1
<i>Annual growth (%)</i>	86.0	10.9	25.9	25.7	35.4
COVID-19 Fund ²	15.9	31.0	0.0	0.0	0.0
Overall balance	-47.6	-99.5	-11.5	-40.1	-91.4
Memo:					
Total net expenditure	134.3	393.9	89.3	128.8	406.4
<i>Annual growth (%)</i>	47.7	18.5	-1.1	-4.1	3.2
Total Federal Government debt (as at end-period)	1079.6	1079.6	1156.7	1172.5	1172.5
Domestic Debt	821.5	821.5	875.0	891.0	891.0
External Debt	258.1	258.1	281.6	281.5	281.5
<i>Non-resident holdings of RM-denominated debt</i>	233.1	233.1	256.5	256.3	256.3
<i>Offshore borrowing</i>	25.0	25.0	25.2	25.1	25.1

^p Preliminary

¹ Figures may not add up due to rounding.

² A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan.

Source: Ministry of Finance, Malaysia and Bank Negara Malaysia