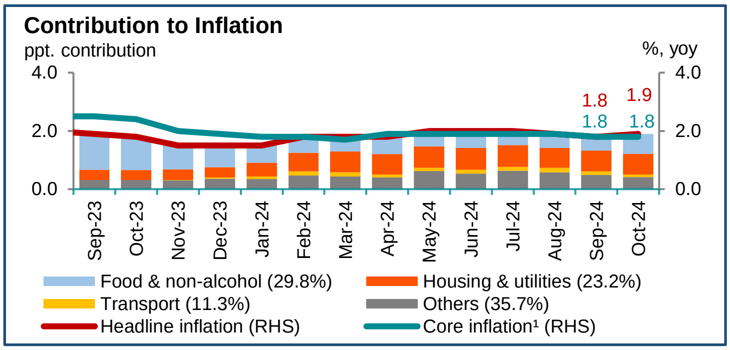
Monthly Highlights
October 2024

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Headline inflation increased slightly, largely reflecting higher food inflation



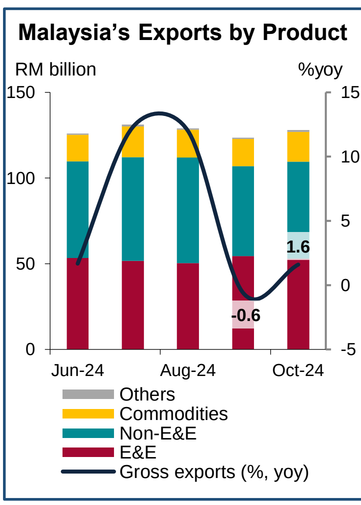
[1] Core inflation is computed by excluding price-volatile and price-administered items.

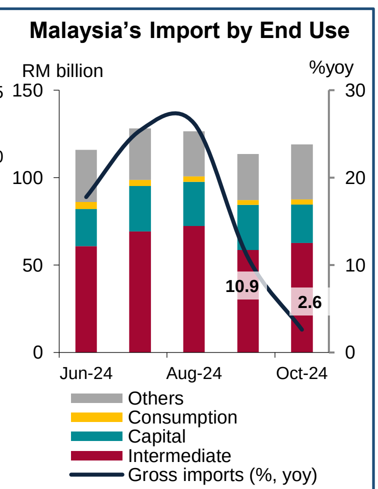
[2] The lower inflation in information and communication services reflects a large one-off price reduction by telecommunications providers through upgraded data quotas for selected post-paid plans.

Source: Department of Statistics, Malaysia (DOSM) and BNM estimates

- In October, headline inflation edged up to 1.9% (September 2024: 1.8%), while core inflation remained stable at 1.8% (September 2024: 1.8%).
- The higher headline inflation was largely driven by food and beverages inflation, which increased to 2.3% (September 2024: 1.6%) during the month. This was partly offset by lower inflation for information & communication services[2] (-1.7%; September 2024: 0.4%) and retail fuel (-0.1%; September 2024: 0.4%).

Export growth turned positive, while import growth moderated in October





Source: Department of Statistics, Malaysia (DOSM), Malaysia External Trade Development Corporation (MATRADE)

- Exports grew by 1.6% (September 2024: -0.6%), lifted by stronger E&E exports. Non-E&E and commodities exports declined, due mainly to lower exports of petroleum-related products.
- Import growth moderated to 2.6% (September 2024: 10.9%), driven by a contraction in capital imports and continued moderation of intermediate imports.
- Going forward, exports are expected to improve amid continued external demand and tech upcycle. Meanwhile, imports remain subject to upside risks of higher-than-anticipated investment, lifting capital imports.

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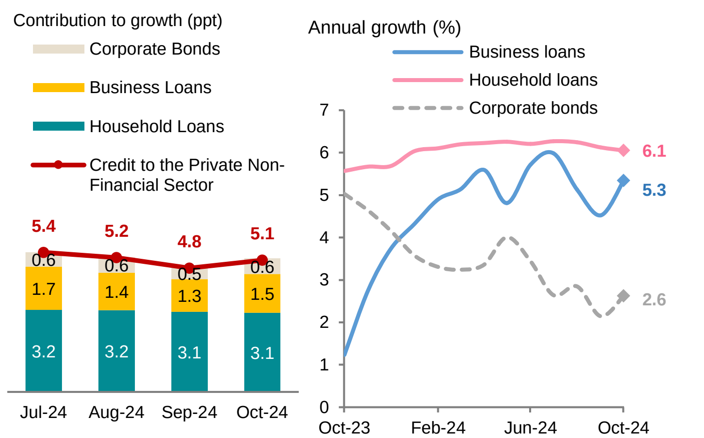
Higher growth in credit to the private non-financial sector

Credit to the Private Non-Financial Sector[1]

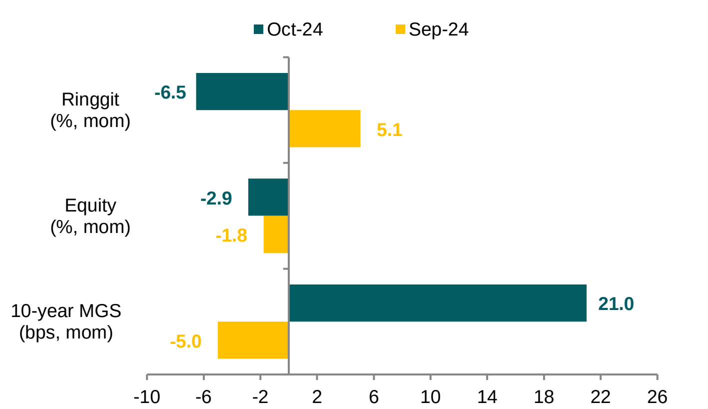


[1]Comprises loans to households and non-financial corporations from the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers).
Note: Numbers may not add up due to rounding.
Source: Bank Negara Malaysia

- Credit to the private non-financial sector grew by 5.1% in October (September 2024: 4.8%), amid higher growth in business loans (5.3%; September 2024: 4.5%) and corporate bonds (2.6%; September 2024: 2.1%).
- The increase in business loan growth was driven by higher growth in non-SME loans across purposes, while loan growth for SMEs remained sustained. In addition, loan applications were higher during the month, reflecting steady demand for financing among businesses.
- For households, loan growth continued to be sustained at 6.1% (September 2024: 6.1%), amid broadly steady growth in loans across purposes.

Domestic financial markets were mostly affected by global investor sentiments

Financial Market Performance in October 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 investors' sentiments were mainly shaped by the revised expectations of slower interest rate cuts by the US Federal Reserve amid stronger-than-expected labour market and inflation data releases, the outcome of the US Presidential Election and ongoing geopolitical tension in the Middle East.
- Against this backdrop, the US dollar strengthened, exerting depreciation pressure on regional currencies (regional* average: -4.3%), including the ringgit (-6.5%).
- The 10-year MGS yield increased by 21 bps (regional average: +15.7 bps) in tandem with higher UST yields, following a stronger US economy and persistent inflation concerns. Meanwhile, the FBM KLCI fell by 2.9% amid foreign equity outflows.

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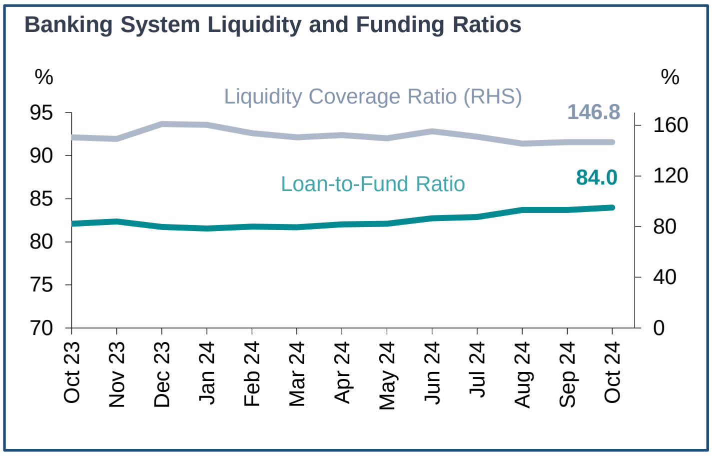
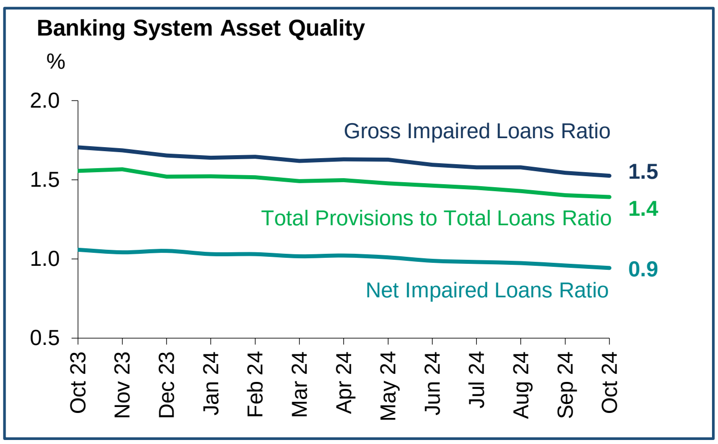
Banking system liquidity position remained supportive of financial intermediation



Source: Bank Negara Malaysia

- The banking system continued to record healthy liquidity buffers with an aggregate Liquidity Coverage Ratio of 146.8% (September 2024: 146.6%).
- The aggregate loan-to-fund ratio remained broadly stable at 84.0% (September 2024: 83.7%).

Banks' asset quality remained sound and stable



Source: Bank Negara Malaysia

- Overall gross impaired loans ratio remained stable at 1.5% while net impaired loans ratio improved slightly to 0.9% (September 2024: 1.0%).
- Loan loss coverage ratio (including regulatory reserves) continued to be prudent at 126.6% of impaired loans (September 2024: 125.1%).