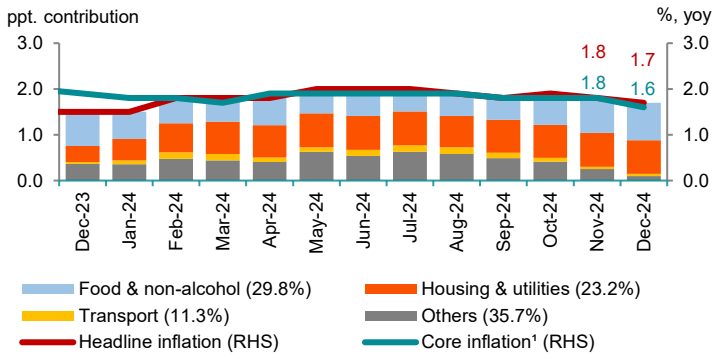


### Headline inflation continued to decline in December

#### Contribution to Inflation



- In December, headline and core inflation<sup>1</sup> declined to 1.7% (November 2024: 1.8%) and 1.6% (November 2024: 1.8%), respectively. Both headline and core inflation averaged 1.8% in 2024.
- Of note, the lower headline inflation was driven by a continued downtrend in mobile communication services inflation<sup>2</sup>, which declined further to -13.5% on an annual basis (November 2024: -11.4%) during the month.
- This was partly offset by higher inflation for vegetables (3.6%; November 2024: 1.1%), as well as fish and other seafood (0.2%; November 2024: -0.1%).

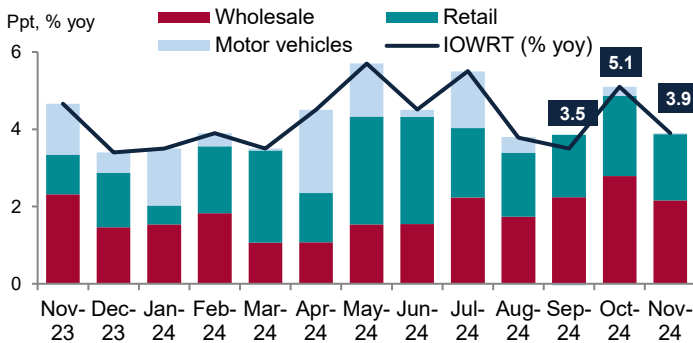
<sup>1</sup> Core inflation is computed by excluding price-volatile and price-administered items.

<sup>2</sup> The decline in inflation for mobile communication services was due to promotional pricing for mobile postpaid plans and upgrades to data quotas.

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

### Slower wholesale and retail trade growth in November

#### Index of Wholesale and Retail Trade

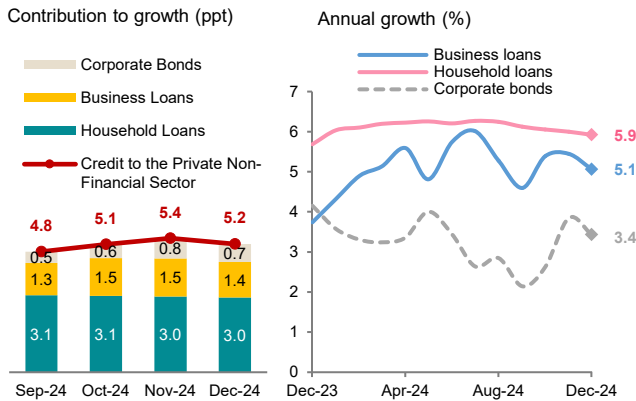


Source: Department of Statistics, Malaysia

- The Index of Wholesale and Retail Trade (IOWRT) grew by 3.9% in November 2024 (October 2024: 5.1%).
- All segments expanded albeit moderately. Growth in wholesale and retail segment was driven by wholesale trade in other specialised wholesale component and retail trade in non-specialised stores.
- In the motor vehicle segment, the contraction in sales of motor vehicles (-3.9%; October 2024: -3.9%) was offset by expansion across all other components such as sale of motor vehicles parts and accessories.

### Growth in credit to the private non-financial sector moderated in December

#### Credit to the Private Non-Financial Sector



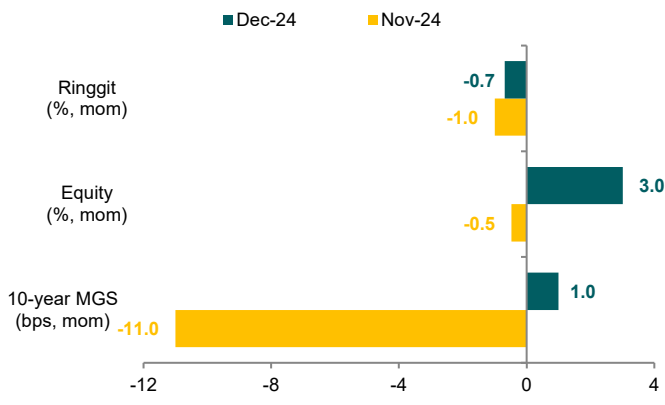
- Credit to the private non-financial sector grew by 5.2% (November 2024: 5.4%), amid a moderation in growth for outstanding business loans (5.1%; November 2024: 5.4%) and corporate bonds (3.4%; November 2024: 3.8%).
- Growth in business loans moderated, following slower loan growth among non-SMEs. Nonetheless, SME loan growth remained broadly sustained, with continued increase in growth of loans for investment-related purposes.<sup>1</sup>
- For households, loan growth was stable at 5.9% (November 2024: 6.0%), with broadly steady growth in loans across different purposes.

<sup>1</sup> Comprises loans for the purchase of non-residential properties, residential properties for business use, fixed assets, as well as for construction activities.

Source: Bank Negara Malaysia

### Domestic financial markets were mainly driven by expectations for a slower pace of US monetary policy easing and US trade policy uncertainty

#### Financial Market Performance in December 2024



- Financial markets were largely influenced by expectations for a more gradual US monetary policy easing path in 2025, amid upward revisions in the US Federal Reserve's growth and inflation forecasts. In addition, uncertainties arising from potential trade policies by the US administration continued to weigh on investors' risk sentiment.
- Against this backdrop, the US dollar strengthened, exerting depreciation pressures on regional currencies (average\*: -1.4%), including the ringgit (-0.7%).
- The 10-year MGS yield increased slightly by 1.0 bps (regional average\*: 9.8 bps) while the FBM KLCI gained 3.0% (regional average\*: -0.9%) amid positive corporate earnings prospects.

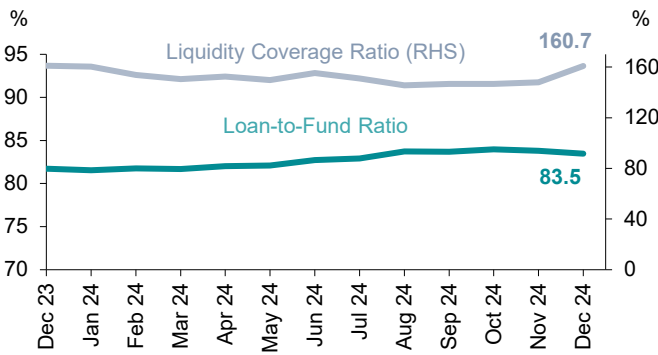
Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market

\*Regional countries comprise: Singapore, Thailand, the Philippines, Indonesia, and Republic of Korea

Source: Bank Negara Malaysia, Bursa Malaysia

### Banking system liquidity position continued to support financial intermediation

**Banking System Liquidity and Funding Ratios**



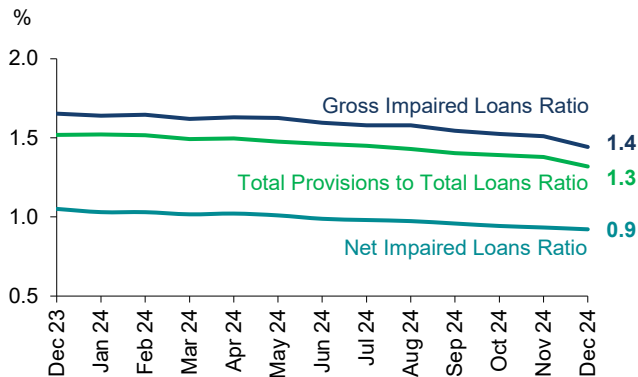
- The banking system continued to record healthy liquidity buffers with an aggregate Liquidity Coverage Ratio (LCR) of 160.7% (November 2024: 147.9%).<sup>1</sup>
- The aggregate loan-to-fund ratio remained broadly stable at 83.5% (November 2024: 83.8%).

<sup>1</sup> Higher increase in LCR due to a decline in expected cash outflows as interbank borrowing maturity were rolled over to longer than 30 days. This is in line with banks' pre-emptive measures to build buffers in preparation for the seasonal year-end deposit competition.

Source: Bank Negara Malaysia

### The banking system resilience continues to be underpinned by sound asset quality

**Banking System Asset Quality**



- Overall gross impaired loans continued to decline, improving to 1.4% (November 2024: 1.5%) while net impaired loans ratio remained stable at 0.9%.
- Loan loss coverage ratio (including regulatory reserves) remained prudent at 129.1% of impaired loans (November 2024: 128.0%).

Source: Bank Negara Malaysia