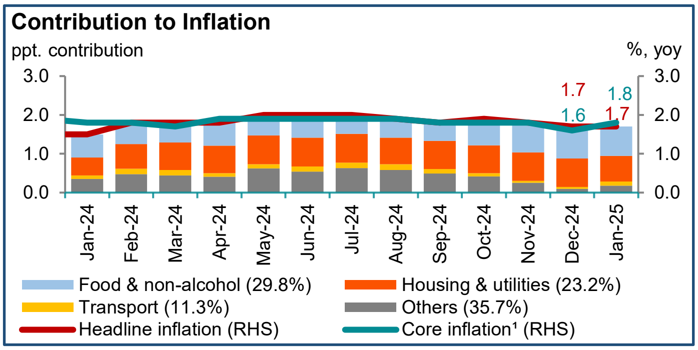
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights

January 2025

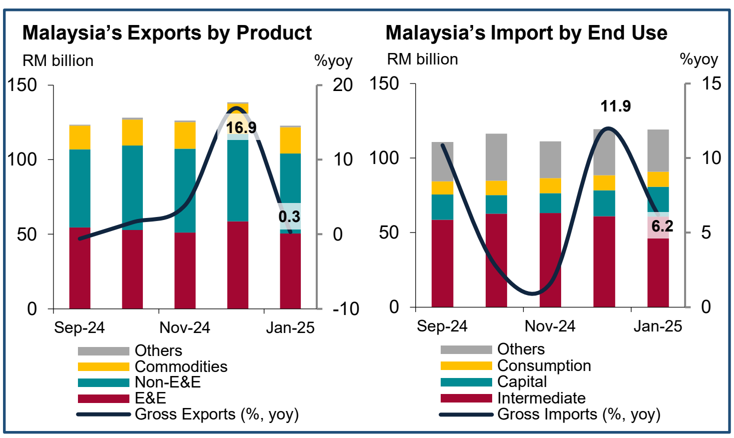
Headline inflation remained stable in January



[1] Core inflation is computed by excluding price-volatile and price-administered items
[2] Including RON97 and motor cars.
Source: Department of Statistics, Malaysia (DOSM) and BNM estimates

- In January, headline inflation remained stable at 1.7% (December 2024: 1.7%), while core inflation increased to 1.8% (December 2024: 1.6%).
- In terms of components, there were higher inflationary pressures for transport,[2] repair and maintenance for dwelling, as well as seasonal price changes for fish and other seafood.
- This was offset by lower inflation for sewerage and vegetables.

Growth of exports and imports moderated in January



Source: DOSM, MATRADE

- Export growth moderated to 0.3% (December 2024: 16.9%) mainly due to the contraction of non-E&E exports, particularly petroleum products. However, the E&E segment continued to expand strongly (14.8%; December 2024: 27.9%).
- Import increased by 6.2% (December 2024: 11.9%), driven mainly by robust imports of capital goods (45.9%; December 2024: 41.3%).
- Going forward, export growth in 2025 is expected to remain steady supported by sustained external demand and global tech upcycle. However, there are downside risks stemming from further escalation in trade tensions.

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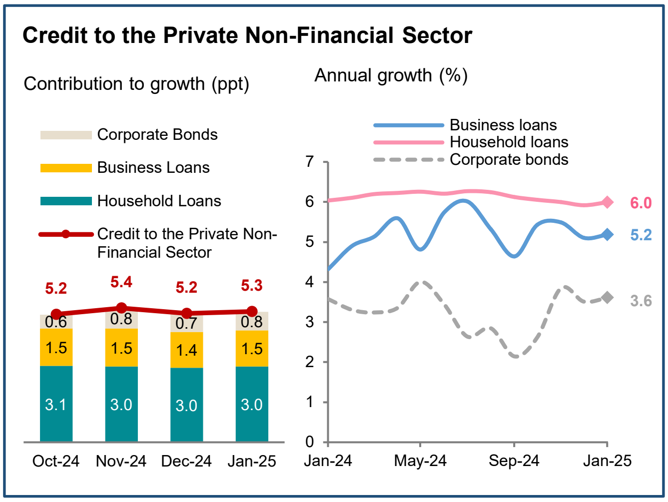
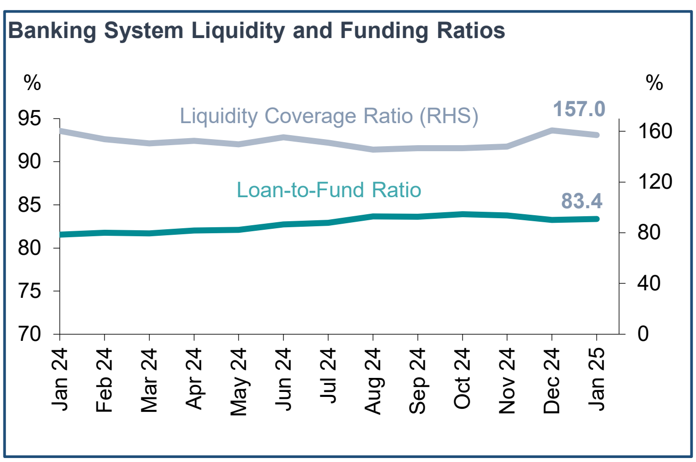
Sustained growth in credit to the private non-financial sector



[1] 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

- Credit to the private non-financial sector grew by 5.3% as at end-January 2025 (December 2024: 5.2%), following steady growth in outstanding loans (5.7%; December 2024: 5.6%) and corporate bonds (3.6%; December 2024: 3.5%).
- Growth in business loans was sustained at 5.2% (December 2024: 5.1%). This was supported by higher growth in working capital loans, while growth in loans for investment-related purposes[1] moderated, mainly among non-SMEs. For SMEs, outstanding loan growth remained strong at 8.3% (December 2024: 8.1%).
- For households, outstanding loan growth remained stable at 6% (December 2024: 5.9%), with broadly sustained growth across most loan purposes.

Banking system liquidity position remains healthy to facilitate financial intermediation



Source: Bank Negara Malaysia

- The banking system continued to record healthy liquidity buffers with an aggregate Liquidity Coverage Ratio of 157% (December 2024: 160.7%).
- The aggregate loan-to-fund ratio remained broadly stable at 83.4% (December 2024: 83.2%).

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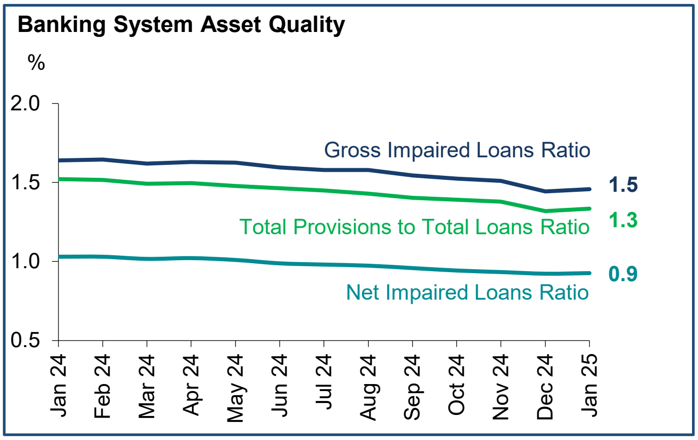
Banking system asset quality remains sound

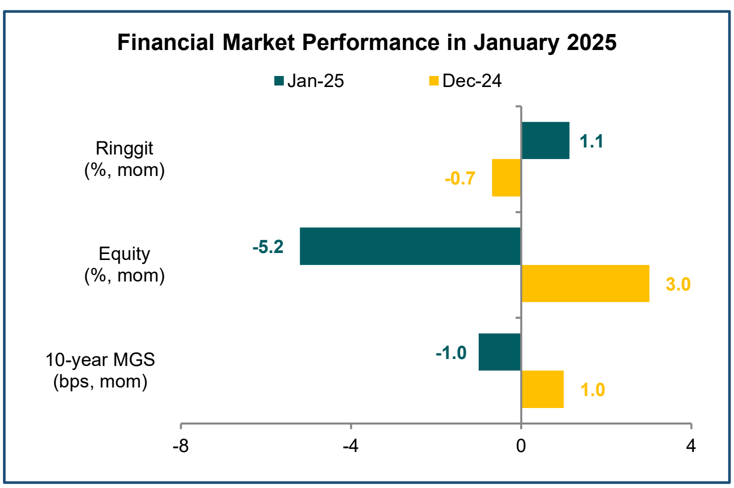


[1] Preliminary
Source: Bank Negara Malaysia

- Gross impaired loans ratio increased slightly to 1.5% (December 2024: 1.4%), but net impaired loans ratio remained stable at 0.9%.
- Loan loss coverage ratio (including regulatory reserves) remained prudent at 128.6%[1] of impaired loans (December 2024: 129%).

Link to BNM Monthly Statistical Tables

Domestic financial markets remained resilient amid developments surrounding US economic and monetary policies



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

- Global financial markets were largely influenced by expectations surrounding US economic policies under the new administration and the US Federal Reserve (Fed) monetary policy trajectory. During its January meeting, the US Fed maintained the policy rate at 4.25%-4.5%, while indicating fewer rate cuts in 2025 alongside upward revisions to US inflation and growth forecasts.
- Notwithstanding, the ringgit appreciated by 1.1% against the US dollar, in line with movements in other regional currencies (average*: 0.3%). Meanwhile, the 10-year MGS yield remained broadly stable (-1.0 basis point).
- On the other hand, the FBM KLCI declined by 5.2% amid net foreign outflows, particularly driven by sell-offs in stocks relating to artificial intelligence and data centres.