



BNM Quarterly Bulletin

Vol. 38 No.1

1Q

First 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 1Q 2023

GDP grew by 5.6%

What are the factors supporting growth?



Further expansion of household spending

Private Consumption: 5.9%



Continued investment activity

Gross Fixed Capital Formation: 4.9%



Higher inbound tourism

Net Exports of Goods & Services: 54.4%

Lower headline inflation but remained elevated at 3.6%

What are the factors affecting inflation?



Easing global commodity prices

Lower price pressures, due mainly to moderation in fuel inflation

Partly offset by



Higher fresh vegetables inflation

Due to adverse weather conditions

Continued improvement in labour markets



Employment

16.1 mil

(4Q 2022: 15.9 mil)



Real Wages

0.9%

(4Q 2022: 1.7%)

The ringgit appreciated slightly against the US dollar



MYR/USD

+0.1%

(4Q 2022: +5.2%)



US Dollar Index

-1.0%

(4Q 2022: -7.7%)

Box Article: The Bank's Liquidity Operations to Achieve its Mandates

The Bank has instruments/facilities in place to:

- ✓ Maintain sufficient day-to-day liquidity
- ✓ Alleviate exigent liquidity needs
- ✓ Ensure orderly functioning of FX and bond markets

International Economic Environment

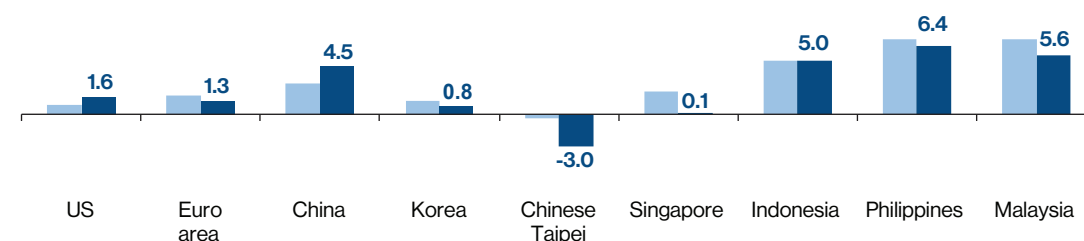
Global Economic Performance

Modest global growth in 1Q 2023

GDP of Selected Economies

Annual change, %

■ 4Q 2022 ■ 1Q 2023



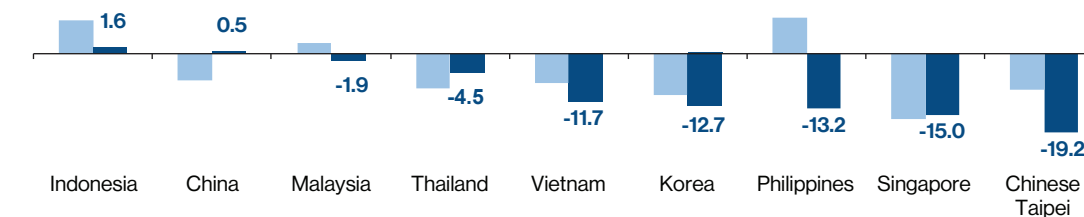
Source: National authorities

Contraction in most regional economies' exports

Exports of Selected Economies in USD terms

Annual change, %

■ 4Q 2022 ■ 1Q 2023



Source: National authorities

What are the key developments in the global economy?

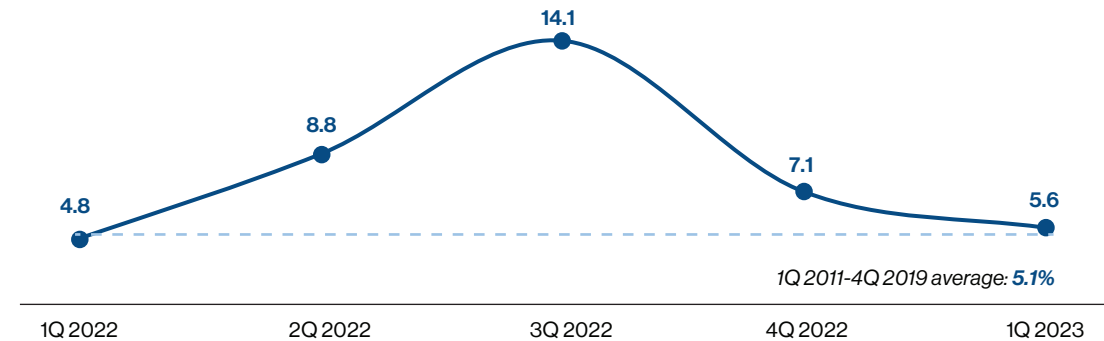
- **Modest global growth** driven partly by a rebound in economic activities in China. Resilient labour market in US and euro area also supported growth.
- **Contraction in regional exports** reflected slowing global demand, ongoing shift in consumption from goods to services and downcycle in E&E sector, particularly for consumer electronics.
- **Headline inflation continued to moderate** amid softening commodity prices and easing global supply chain conditions. Underlying inflation remained high, attributable to the continued labour market tightness, resilient demand and persistence in selected components such as rental.
- **Brent crude oil prices trended lower** at USD82 per barrel in 1Q 2023 (4Q 2022: USD90 per barrel) as global oil supplies gradually improved.

Developments in the Malaysian Economy

Gross Domestic Product

Continued expansion of GDP by 5.6% in 1Q 2023

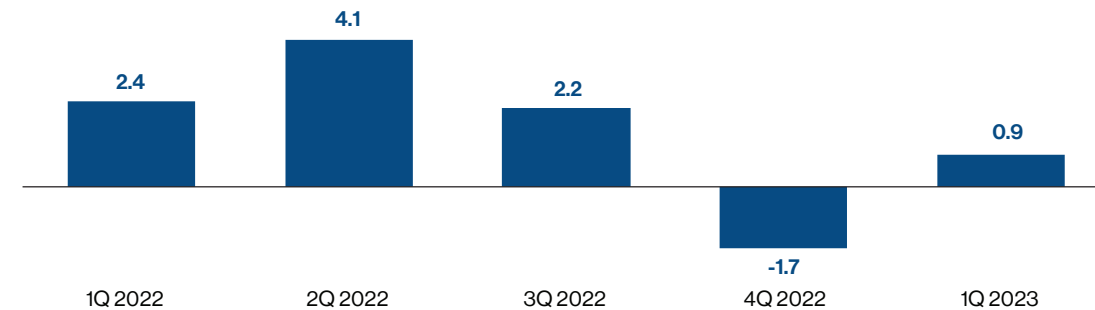
Annual change, %



Source: Department of Statistics, Malaysia

On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9%

Quarterly change, %



Source: Department of Statistics, Malaysia

What are the factors supporting annual growth?



Further expansion of household spending



Continued investment activity



Improving labour market conditions



Higher tourism activities

Developments in the Malaysian Economy

Malaysia's Economic Performance

Further expansion in domestic demand

Annual change, %

Private Consumption



Improving labour market conditions and policy measures such as higher minimum wage and continued cash transfers

Private Investment



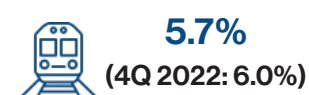
Continued capacity expansion by firms and further progress of construction activities

Public Consumption



Lower Government supplies & services spending

Public Investment



Driven mainly by capital expenditure by public corporations

Net Exports



Further recovery in tourism activities

Continued growth in key economic sectors

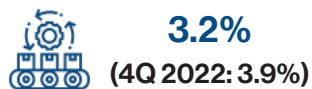
Annual change, %

Services



Better retail spending, continued tourism recovery, improving real estate & business services

Manufacturing



Fulfilment of motor vehicle backlogs and continued growth in E&E production

Construction



Continued progress of large transportation and utility projects, higher end-works in nearly-completed projects

Mining



Moderate performance in crude oil and natural gas production

Agriculture



Increased oil palm output and higher arrival of foreign plantation workers under Foreign Workers Employment Relaxation Plan (FWERP)

Developments in the Malaysian Economy

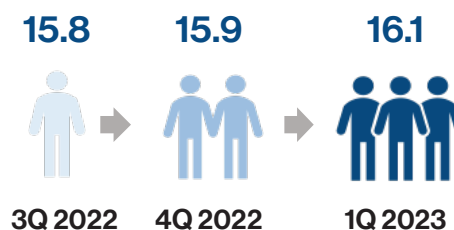
Labour Market Conditions

Labour markets continued to improve

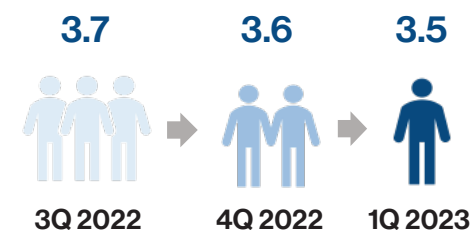
- The unemployment rate continued to improve driven by sustained employment growth.
- Labour supply remains forthcoming as the labour force participation rate increased to 69.8% (4Q 2022: 69.5%).

Lower unemployment rate

Employment levels, Million persons



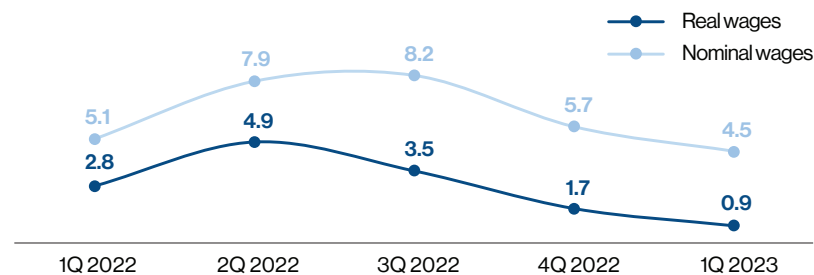
Unemployment rate, % of labour force



Source: Department of Statistics, Malaysia

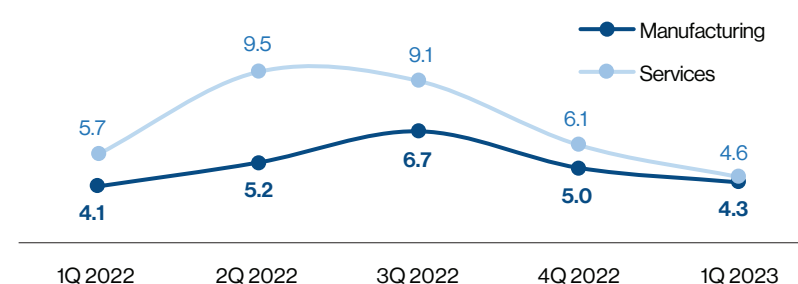
Continued expansion in private sector wages

Private sector wages, Annual change, %



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

Sectoral nominal wage growth, Annual change, %



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

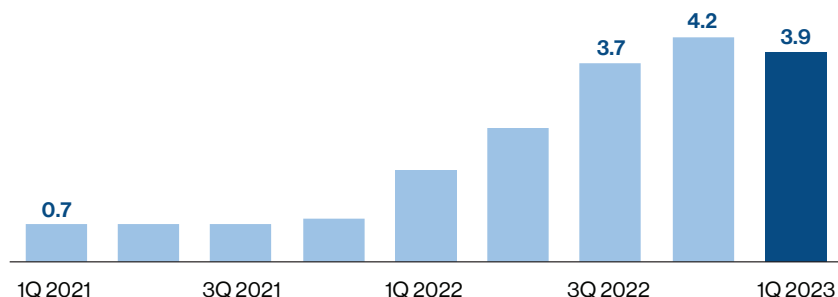
Developments in the Malaysian Economy

Inflation Trend

Core inflation moderated but remained elevated at 3.9% during the quarter

Annual change, %

- Core inflation remained elevated reflecting continued strength in domestic demand.



Selected Core Services Items

Repair and maintenance of personal transport  **10.8%**
(4Q 2022: 13.8%)

Telephone and telefax services  **-1.7%**
(4Q 2022: 0%)

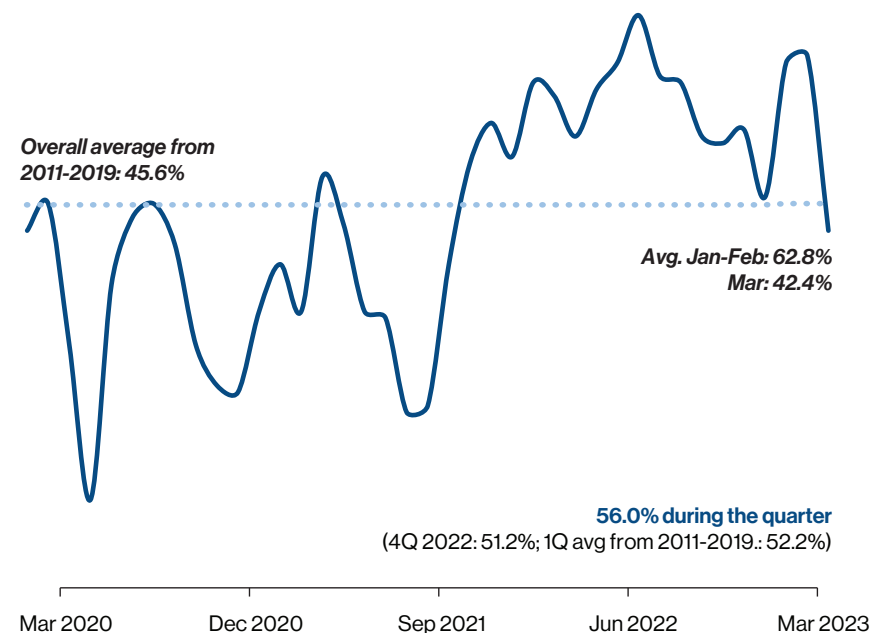
Food away from home  **8.9%**
(4Q 2022: 9.5%)

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

Higher pervasiveness in January-February reflecting typical early-year adjustments

Share of CPI Items Recording Month-on-Month Price Increase, %

- This partly reflected price adjustments by firms typically done at the beginning of the year, as well as continued price increases for some food-related items.
- Fewer items recorded higher prices in March.



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

Developments in the Malaysian Economy

External Sector Development

Slower export and import growth



Gross exports

2.8% (4Q 2022: 11.8%)

Weaker external demand and moderating commodity prices

Gross imports

3.7% (4Q 2022: 18.5%)

Weighed down mainly by weaker intermediate imports due to moderation in manufactured exports and domestic demand

Smaller current account surplus and higher financial account outflow



Current Account

RM4.3 bil; 1.0% of GDP
(4Q 2022: RM27.5 bil; 5.9% of GDP)

Driving Factors:

- Smaller goods surplus following moderation in external demand.
- Larger primary income deficit driven mainly by lower investment income from investments abroad.
- The services account remained in deficit, reflecting mainly continued deficit in transportation and other business services accounts.



Financial Account

Net outflows RM2.4 bil
(4Q 2022: Net outflows RM1.1 bil)

Driving Factors:

- Higher net portfolio outflows due to non-residents' redemption of matured foreign currency debt and higher resident portfolio investment abroad.
- Net inflows in direct investment due to continued net inflows in foreign direct investment (FDI) amid lower direct investment abroad (DIA).
- Net inflows in other investment, driven by non-resident deposits in domestic banking system and higher interbank borrowing by resident banks.

Source: Department of Statistics, Malaysia, Bank Negara Malaysia

External debt edged higher

RM1,168.7 billion or 64.5% of GDP

(4Q 2022: RM1,144.7 billion or 63.9% of GDP)

- **Higher interbank borrowings** for back-to-back lending abroad and investment purposes.
- **Higher deposits** partly placed by foreign related entities.

External debt remained manageable

% of total external debt

CURRENCY

Ringgit-denominated: 34.0%

Unaffected by ringgit exchange rate fluctuations

FCY-denominated: 66.0%

of which 67% is subject to BNM prudential & regulatory requirements and 15.1% are due to intragroup loans

MATURITY

Medium-and long-term: 57.1%

Limiting rollover risks

International Investment Position

RM84.5 billion (4Q 2022: RM54.2 billion)

International Reserves* USD114.4 billion

- **4.9 months**** of imports of goods and services.
- **1.0 time** of short-term external debt.

* As at 28 April 2023.

** Coverage differ from the press statement on international reserves as it reflects the latest 1Q 2023 data on imports of goods and services.

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

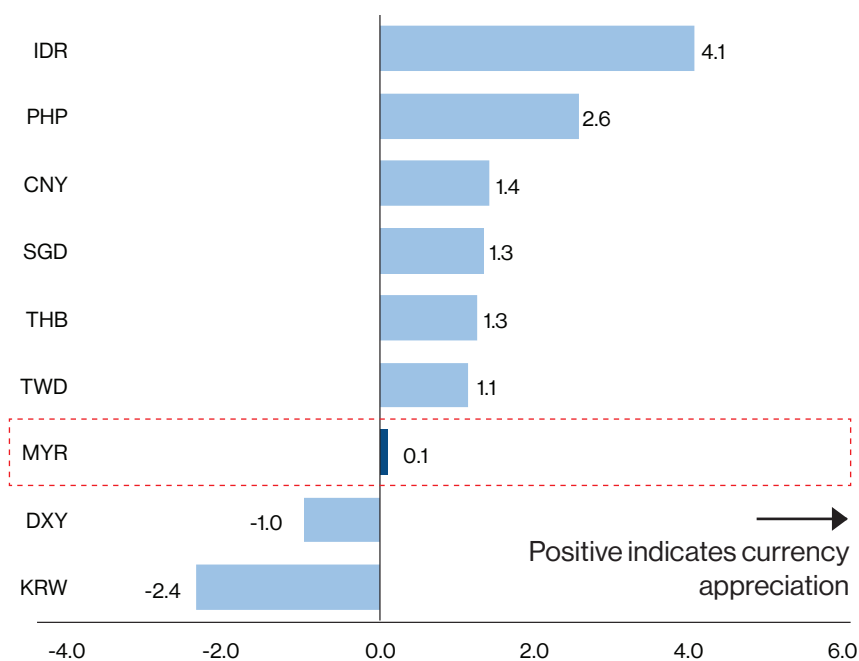
Monetary and Financial Developments

Financial Markets and Exchange Rate

Ringgit appreciated slightly against the US dollar

Driven by shifting sentiments surrounding the global economic outlook

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



Ringgit broadly depreciated against major trading partners

NEER
-0.9%
(4Q 2022: 0.7%)

Source: Bank Negara Malaysia and Bloomberg

Domestic financial conditions remained broadly stable



Bond yields declined
in line with global bond yields' movement

MGS 10Y Yield
-16 bps
(4Q 2022: -34 bps)



Equity market fell
due to weaker-than-expected 4Q 2022 global corporate earnings

KLCI
-4.9% QoQ
(4Q 2022: +7.2%)

Key factors



Uncertainty about the global economic outlook amid the banking sector stress in some advanced economies led to mixed expectations for the global monetary policy path and corporate earnings prospects



Investors' outlook for emerging market economies, including Malaysia, remained intact as contagion risks from the recent episodes of banking sector stress in advanced economies were assessed to be limited

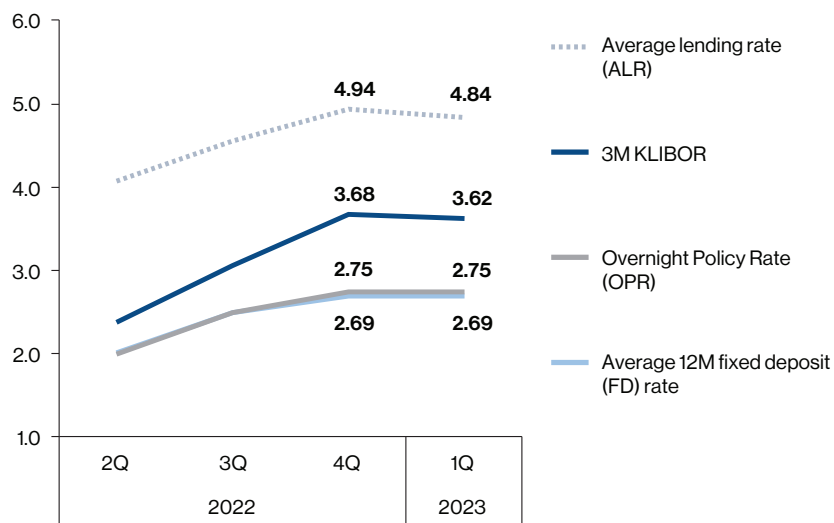
Source: Bank Negara Malaysia, ETP and Bursa Malaysia

Monetary and Financial Developments

Interest Rates and Liquidity

Interbank rates declined slightly during the quarter

Interest Rates (at end-period), %



- **Normalisation in interbank rates** following some easing in the tighter interbank market conditions observed towards end-2022.¹
- **Average lending rate (ALR) on outstanding loans declined**, driven by few selected banks.²
- **Broadly stable fixed deposit (FD) rates** amid the unchanged overnight policy rate (OPR).

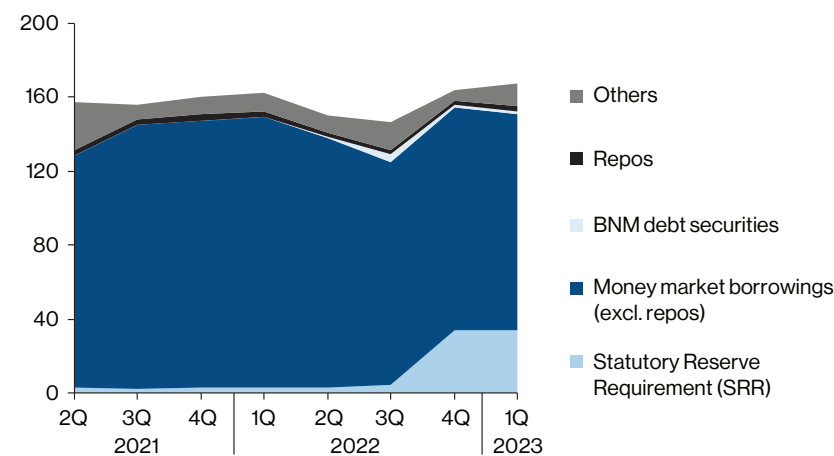
¹ Due mainly to greater competition for funding among banks approaching year-end to improve regulatory ratios.

² Following bank-specific adjustment to the computation method for ALR effective January 2023.

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



- **Banking system liquidity remained sufficient** at both the institutional and system-wide levels.
- Slightly higher outstanding liquidity placed with BNM at the end of the quarter amid net portfolio inflows.
- At the institutional level, almost all banks maintained surplus liquidity positions with the Bank as at end-March 2023.

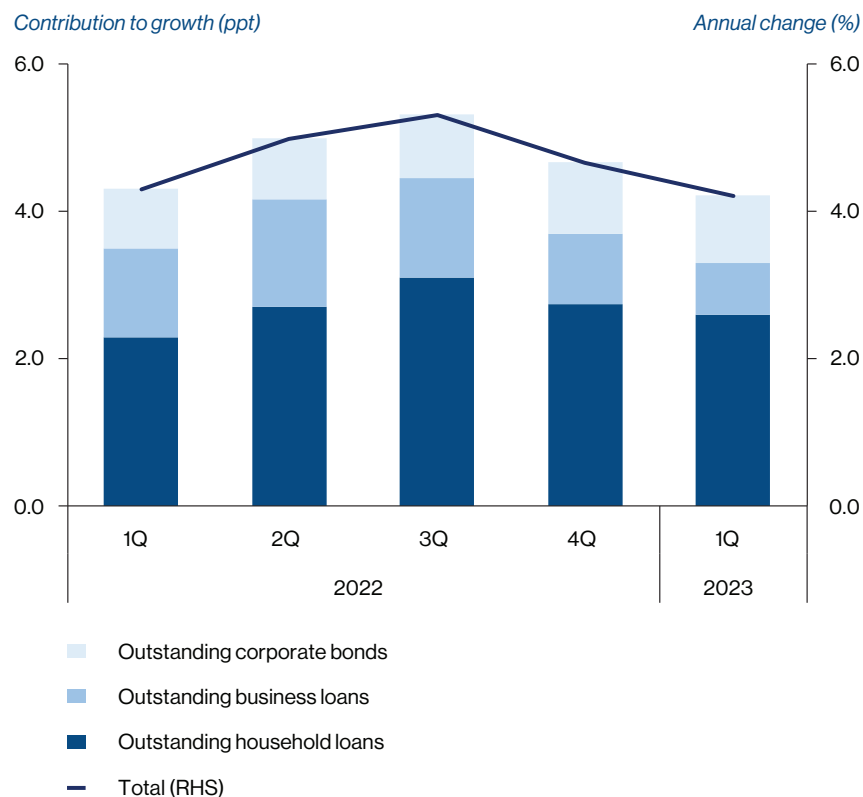
Source: Bank Negara Malaysia

Monetary and Financial Developments

Credit Conditions

Credit growth moderated as loan repayments outpaced disbursements

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

4.2%²
(4Q 2022: 4.7%)

- Slower growth in outstanding loans (4.2%; 4Q 2022: 4.7%) as loan repayments growth (10.8%) outpaced that of disbursements (7.5%) across segments.
- Outstanding corporate bonds also grew at a more moderate pace (4.4%; 4Q 2022: 4.6%).

Business Loans

2.4%
(4Q 2022: 3.4%)

- Moderation in loan growth was partly driven by continued growth in repayments, amid the higher and expected increase in borrowing costs.
- Loan disbursements growth also moderated from the previous higher base,³ although the levels remained well above pre-COVID-19 average.
- Investment-related loans⁴ remained forthcoming, especially for SMEs.

Household Loans

5.2%
(4Q 2022: 5.5%)

- Weaker loan growth for purchase of securities.
- Loan growth for purchase of big-ticket items⁵ remained sustained, with higher growth recorded for car purchases.

² All numbers quoted are in terms of annual change

³ Where firms started drawing down more on existing credit lines for working capital needs over the COVID-19 period

⁴ Comprises loans for the purchase of non-residential properties, residential properties for business use, fixed assets and construction purposes

⁵ Comprises residential properties, non-residential properties, and cars
Source: Bank Negara Malaysia

Box Article

The Bank's Liquidity Operations to Achieve its Mandates

Highlights

- The box article aims to provide an overview of the Bank's toolkit to manage liquidity in various parts of the financial system.
- Whether as part of maintaining sufficient day-to-day liquidity or as part of alleviating exigent liquidity needs for the banking system, the Bank will conduct open market operations or deploy appropriate funding facilities to fulfil its mandates.



INTRODUCTION

Liquidity management in the financial system by Bank Negara Malaysia can be classified into two broad categories: Banking system liquidity (which primarily affects the liability side of the Bank's balance sheet) and financial market liquidity (which primarily affects the asset side of the Bank's balance sheet).

Banking system liquidity is defined as reserves or balances held by financial institutions in their accounts with the Bank. These reserves are used for settling payments between financial institutions, fulfilling statutory reserve requirements, meeting prudential regulations such as the liquidity coverage ratio, and supporting healthy levels of precautionary buffers as part of liquidity management. When financial institutions have enough reserves to meet these various demands, liquidity is deemed to be sufficient.

However, there are exogenous factors that can affect the level of liquidity in the banking system. These are transactions that are not under the direct control of the Bank. For example, an increase in currency-in-circulation during festive seasons represents a drain on liquidity. This is because financial institutions would swap out their reserves with the Bank to meet customer withdrawals of currency notes and coins. Conversely, when the Government pays salaries or benefits, liquidity increases as reserves flow from Government accounts kept with the Bank into the banking system.

Banking system liquidity, therefore, can fluctuate on a daily or seasonal basis. These fluctuations may require the Bank to step in to ensure liquidity remains sufficient to support the effective functioning of the banking system. In this regard, the Bank has in place a range of facilities in its toolkit to manage banking system liquidity. These facilities have interlinking functions that serve monetary or financial stability objectives. The first section of this box article will elaborate on such facilities in two parts i.e., facilities for liquidity provision and facilities for monetary policy implementation.

The subsequent section of the box article highlights facilities in the Bank's toolkit to support market liquidity (or trading liquidity) in domestic financial markets, specifically in the foreign exchange (FX) and secondary Government bond markets. Market liquidity is a measure of market participants' ability to transact financial assets efficiently without causing a significant market price impact. One indicator to gauge market liquidity is the bid-ask spread, where liquidity can be inferred as tight when transactions cause spreads to widen sharply, creating disruptions to effective price discovery.

Box Article

The Bank's Liquidity Operations to Achieve its Mandates

It is worth noting that the usage of market liquidity facilities tends to have a direct impact on the level of banking system liquidity as well. This is because operations to manage market liquidity in the FX and government bond markets involve changes to asset levels in the Bank's balance sheet, resulting in a corresponding increase or decrease of banking system liquidity (which is a major component of the Bank's liabilities). For example, during episodes of capital inflows, there will be an increase in demand for the domestic currency in the FX market. The Bank will then supply domestic currency in exchange for the foreign currency in the FX market, resulting in an increase in banking system liquidity.



PART 1(a) – BANKING SYSTEM LIQUIDITY: LIQUIDITY PROVISION

Supplying liquidity into the banking system via regular open market operations, facilities embedded in RENTAS and special liquidity facilities

The Bank conducts regular open market operations to ensure that the banking system's liquidity requirements are met

As a regular part of running its business, the liquidity position of a financial institution could fluctuate between being in surplus and deficit even when the overall liquidity in the banking system is deemed sufficient. If a financial institution requires additional reserves to meet its needs (i.e., it is in a deficit liquidity position), it can borrow via the interbank market from other financial institutions with surplus reserves.

Financial institutions can also borrow directly from the Bank if sourcing reserves via the interbank market is not available or too costly. This may arise where there is friction that hampers the movement of reserves between financial institutions, or there is insufficient liquidity in the overall banking system.

The Bank's instruments to inject liquidity into the banking system are mainly offered on an overnight or short-term basis. For example, the Bank conducts term reverse repurchase agreements (reverse repo) and FX swaps to provide additional liquidity to financial institutions in exchange for eligible securities and foreign currencies respectively. Where there is a need to increase liquidity levels on a more enduring basis, the Bank may also conduct an outright purchase of Government securities in the secondary market from financial institutions to increase the amount of reserves in the banking system. Such transactions are not deemed as deficit financing, and are conducted infrequently via the secondary market to increase the amount of banking system liquidity. Currently, the Bank's holdings are less than 1.2% of total outstanding Government securities.

While the Bank stands ready to provide liquidity as needed, it also aims to incentivise market-driven interbank activity. Central banks should be seen only as the lender of last resort, and in this context, the Bank's lending instruments are typically priced at a premium. Additionally, to ensure that these instruments are regularly available to a diverse set of financial institutions with different creditworthiness at around a single rate, lending is extended on a secured basis against a set of predefined, high-quality, and highly liquid collateral.

Box Article

The Bank's Liquidity Operations to Achieve its Mandates

Table 1: Facilities under Regular Open Market Operations (Liquidity Injections)

Facility/ Instrument	Term reverse repo	FX Swap (Buy/Sell FCY)	Outright purchase of MGS/MGII
Tenor	Up to 1 year	Varies	N/A
Trigger/ Frequency	Regular auctions	As needed	As needed
Rate	Market-determined		
Eligible Participants	FSA/IFSA licensed banks ¹		
Eligible Collateral	Routine eligible collateral ²	Not applicable	Not applicable

The Bank has embedded liquidity provision instruments into the RENTAS payments system to ensure timely settlements

The Bank operates the RENTAS payments system that is used for real-time gross settlements of transfers of reserves between financial institutions. As these payments are often of large value and high frequency, the Bank also developed liquidity provision facilities within the RENTAS system to ensure timely and reliable settlements. An example of such facilities is the Intraday Credit Facility (ICF) that provides a bilateral credit line between a financial institution and the Bank to ensure that reserve balances are sufficient on an intraday basis for payments to clear. Another facility is the Auto-Collateralised Overnight Funding Facility (ACOFF).

Unlike the ICF, the ACOFF provides an overnight credit line during the MYR Evening Settlement Window and is granted through an outright sale of pledged securities for funding.

Table 2: Facilities for Liquidity Provision Embedded in RENTAS

Facility/ Instrument	Intraday Credit Facility (ICF)	Auto-Collateralised Overnight Funding Facility (ACOFF)
Tenor	Intraday	Overnight
Trigger/ Frequency	Automatic (using K-account on RENTAS)	
Rate	No charge if settled before cut-off	OPR +25bps
Eligible Participants	FSA/IFSA licensed banks	
Eligible Collateral	Routine eligible collateral	

The Bank stands ready to provide access to special liquidity facilities as part of its financial stability mandate

Following Basel III reforms, the Bank introduced the Liquidity Coverage Ratio (LCR) requirements to ensure that financial institutions hold sufficient high-quality liquid assets (HQLA) to withstand acute liquidity stress scenarios over a period of 30 days. When there is a need for financial institutions to support their LCR ratio during times of market stress, the Restricted Committed Liquidity Facility (RCLF) allows financial institutions to temporarily transform their non-HQLA assets into Level 2B³ HQLA to facilitate their compliance with the regulatory ratio at a more reasonable cost than by accessing the market.

¹ FSA – Financial Services Act 2013; IFSA – Islamic Financial Services Act 2013.

² Routine eligible collateral are securities accepted under the Bank's Standing Facilities. The full list can be found in the Bank's Policy Document on Standing Facilities issued on 30 July 2020.

³ Assets to be included in the stock of HQLA can be broken down into Level 1, Level 2A and Level 2B assets. Level 2B HQLA is subject to a limit of no more than 15% of total HQLA held by a bank.

Box Article

The Bank's Liquidity Operations to Achieve its Mandates

Financial institutions are able to tap the RCLF with the Bank on a bilateral basis by committing to a monthly Facility Fee, which is currently set at 75bps per annum. Since inception to date, this facility has never been utilised as financial institutions have been able to maintain LCR levels well above the minimum requirement of 100%. The banking system LCR stands at 157% in March 2023 (Monthly average in 2022: 149%).

Also in line with the Bank's financial stability mandate, the Bank is empowered under Section 32 of the Central Bank of Malaysia Act (CBA) 2009 to provide liquidity assistance to any financial institution, for the purpose of averting or reducing financial stability risk. This provision enables the Bank to mitigate and prevent the risk of idiosyncratic liquidity problems or perceived problems, from threatening an otherwise solvent or viable financial institution that may in turn pose a risk to overall financial stability. Liquidity assistance can only be extended to BNM regulated financial institutions and systemic⁴ non-BNM regulated entities that are viable. The latter is assessed on a case-by-case basis and must be authorised by the Financial Stability Executive Committee (FSEC),⁵ based on an assessment of credible threats posed by the entity to broader financial stability.

The liquidity assistance would take the form of collateralised lending, where the Bank may lend against a wide range of collateral, with appropriate haircuts and subject to terms that would aim to

minimise moral hazard, mitigate potential market distortions, and avert contagion to the rest of the financial system. Institutions which have been granted such liquidity assistance are also subject to intensified supervisory scrutiny to mitigate credit risks to the Bank and encourage a swift recovery by the institution.

Table 3: Special Liquidity Facilities

Facility/ Instrument	Restricted Committed Lending Facility (RCLF)	Emergency Liquidity Assistance (ELA)
Tenor	A minimum of 1 month and can be rolled over as needed	Discretionary (as determined by the Bank)
Trigger/ Frequency	By request of FIs (bilateral agreement with the Bank)	Discretionary (triggered by the Bank)
Rate	OPR+25bps for each drawdown, plus 75bps of the agreed size of RCLF for the establishment of the facility	Determined by the Bank
Eligible Participants	FSA/IFSA licensed banks	FSA/IFSA licensed banks; DFIA ⁷ regulated banks; Other systemic non-BNM regulated institutions
Eligible Collateral	Routine and slightly expanded eligible collateral ⁶	Routine and expanded eligible collateral

³ Systemic institutions are institutions whose distress or disorderly failure may pose a credible threat to overall financial stability.

⁴ The FSEC consists of six members, a majority of whom are non-executive members who are independent of the Bank's Management. The FSEC meets regularly and supports the Bank's statutory mandate of preserving financial stability through its powers to decide on specific policy measures that may be taken by the Bank to avert or reduce risks to financial stability.

⁶ Specifically for RCLF, the expanded eligible collateral only refers to scrippless securities not included under routine eligible collateral.

⁷ DFIA – Development Financial Institutions Act 2002.

Box Article

The Bank's Liquidity Operations to Achieve its Mandates



PART 1(b) – BANKING SYSTEM LIQUIDITY: MONETARY POLICY IMPLEMENTATION

Managing liquidity in the banking system via regular open market operations, statutory reserve requirement and standing facilities to ensure that the overnight unsecured interbank rate trades close to the Bank's policy rate

The Bank imposes a statutory reserve requirement (SRR) to manage the level of excess liquidity in the banking system

The statutory reserve requirement (SRR) is a liquidity management instrument to influence the level of excess reserves available in the banking system. Based on current market liquidity conditions, financial institutions are required to set aside a percentage of their reserve balances (determined by the SRR rate) with the Bank into their Statutory Reserve Account (SRA) in RENTAS. These balances are not remunerated. The SRR rate, which is equivalent to a proportion of financial institutions' eligible liabilities was last reduced in March 2020 by 100 basis points to 2% and remains unchanged to date. As at end March 2023, the SRR balance stood at MYR34.2 billion, which is 20.5% of total liquidity in the banking system.

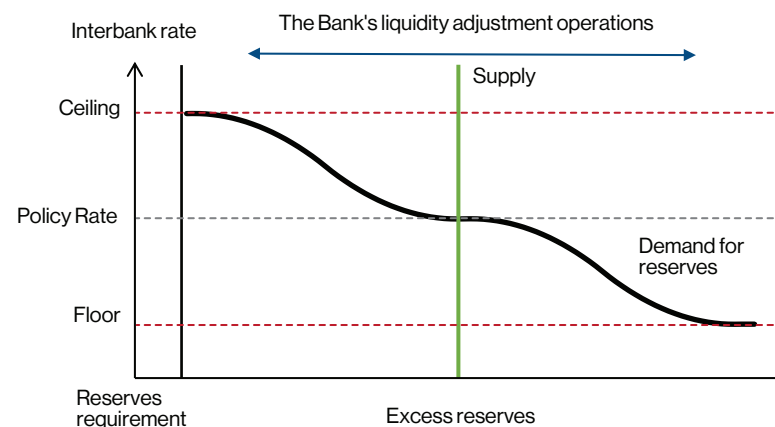
The Bank can both inject and absorb liquidity as part of monetary policy implementation via regular open market operations

The Bank's Monetary Policy Committee meets six times a year and decides on the Overnight Policy Rate (OPR). The OPR is the Bank's policy interest rate that influences, among others, lending and financing rates, as well as deposit rates.

Changes in the OPR is the sole indicator of the stance of the Bank's monetary policy, which is aimed at promoting monetary stability that is conducive to the sustainable growth of the Malaysian economy.

Operationally, the OPR is an immediate policy target that needs to be transmitted to the economy by the Bank. The Bank does this by guiding the overnight unsecured interbank rate to trade close to the OPR. This is achieved by adjusting the level of liquidity in the banking system, which the Bank has direct control over in order to achieve its monetary stability objectives. If there is a system-wide liquidity deficit, without open market operations, the overnight unsecured interbank rate will likely trade higher than the OPR. Conversely, if banking system liquidity is in surplus, financial institutions would have little incentive to trade reserves with each other, pushing the overnight unsecured interbank rate lower than the OPR.

Chart 1: Illustration of the Bank's liquidity adjustment operations to influence interbank rate to trade close to the Bank's policy rate



Box Article

The Bank's Liquidity Operations to Achieve its Mandates

With this, the Bank seeks to manage banking system liquidity via injection and absorption instruments. Most of these instruments have a temporary effect on liquidity i.e., the Bank only injects/ absorbs liquidity for a fixed tenor before the facility matures at a later date. For example, the Bank can conduct uncollateralised money market term tenders to remove liquidity from the banking system. The maturity of the Bank's term tenders ranges from overnight to a maximum of six months, depending on market conditions and the maturity profile of outstanding placements. In addition to fixed tenders, the Bank also conducts Range Maturity Auctions (RMA), in which financial institutions are able to choose the preferred maturity date for their placement with the Bank vis-à-vis a predetermined range tenor set by the Bank.

While uncollateralised overnight and term tenders are currently the Bank's main instruments to absorb liquidity, the Bank also issues its own securities for the same purpose. In December 2006, the Bank introduced Bank Negara Monetary Notes (BNMNs), replacing the previous iteration called Bank Negara Bills (BNBs). The Bank in November 2017 began issuing Bank Negara Interbank Bills (BNIBs), a version of BNMNs which is only available and tradable between licensed banks with the aim of enhancing the intermediation of liquidity in the interbank money market. BNIBs are issued with a tenor ranging from 3 months to 1 year and the issuance and pricing of these securities form a key component to build the short-term money market curve, aid financial institutions in managing their liquidity positions for varying tenors, and help meet the needs of financial institutions for liquid assets.

When there is a need to remove liquidity in banking system on a more enduring basis due to an abundance of overall liquidity in the banking system, the Bank may also conduct an outright sale of eligible securities that it holds—namely securities issued by the Government—to decrease the level of liquidity in the banking system.

Table 4: Facilities under Regular Open Market Operations (Liquidity Absorption)

Facility/ Instrument	Uncollateralised term tenders	Bank Negara Interbank Bills (BNIBs) – Local Currency	Outright sale of MGS/MGII
Tenor	Overnight to 6 months - Fixed - Determined by FIs (range maturity auctions)	1 month to 1 year	Not applicable
Trigger/ Frequency	Overnight, weekly	As needed	As needed
Rate	Market-determined		
Eligible Participants	FSA/IFSA licensed banks	Only available and tradable between FSA/IFSA licensed banks	FSA/IFSA licensed banks

Box Article

The Bank's Liquidity Operations to Achieve its Mandates

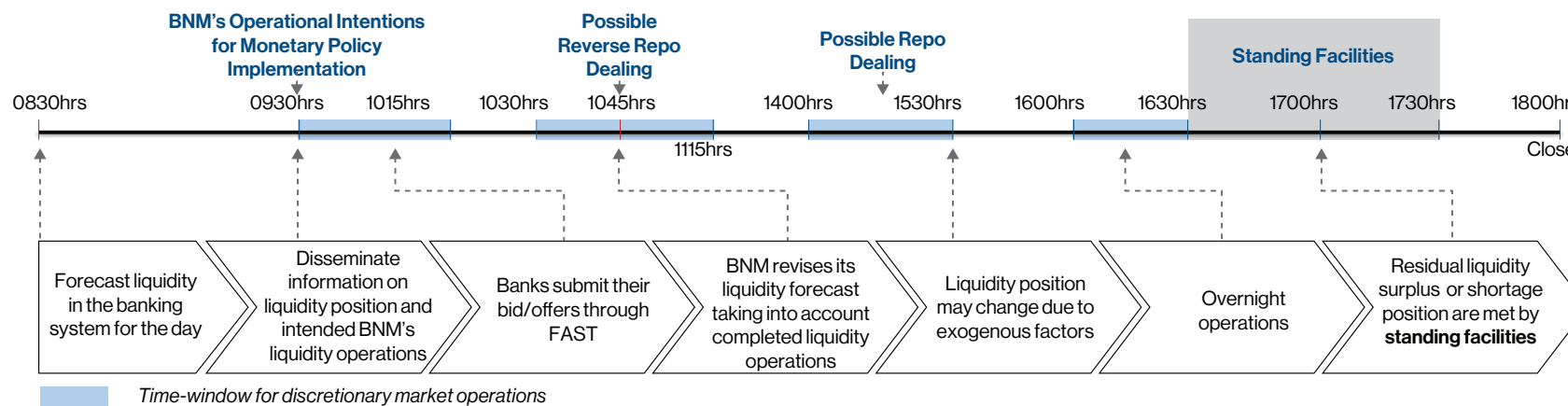
The Bank also administers the overnight standing facilities, an interest rate corridor which reinforces the OPR

In order to ensure that overnight unsecured interbank rate trades within a pre-determined band around the OPR, the Bank implements the overnight standing facilities. The standing facilities are, in essence, a corridor which form a floor rate and a ceiling rate at which the Bank will provide a deposit facility and a lending facility, respectively. This corridor is transparent to financial institutions, with the ceiling rate set at 25bps above OPR and the floor rate set at 25bps below OPR. The use of the standing facilities serves as a final option should liquidity surpluses or deficits arise late in the day owing to unforeseen factors that cannot be covered by normal money market transactions. This 50bps corridor band thus promotes active trading between market participants as they seek to avoid having to transact with the Bank at punitive rates at the end of the trading day.

Table 5: Corridor Bands of the Overnight Standing Facilities

Facility/ Instrument	Standing deposit facility	Standing reverse repo facility
Tenor	Overnight	
Trigger/ Frequency	Daily	
Rate	OPR - 25bps	OPR + 25bps
Eligible Participants	FSA/IFSA licensed banks; DFIA regulated banks	
Eligible Collateral	Not applicable	Routine eligible collateral

Chart 2: Chart 2: Daily Schedule of the Bank's Regular Open Market Operations



Box Article

The Bank's Liquidity Operations to Achieve its Mandates



FINANCIAL MARKET LIQUIDITY: FX MARKET

Providing foreign currency liquidity via operations in the domestic FX market and establishing bilateral/multilateral swap arrangements

In addition to liquidity facilities for the banking system, the Bank also has in place facilities to ensure orderly domestic FX market conditions

Given Malaysia's deep trade and financial integration with the global economy, international reserve holdings are vital as a tool that can be deployed to insulate the domestic economy against excessive shocks caused by internal or external developments. For example, during episodes of high market volatility driven by capital flow reversals, the Bank may step in as needed to support the domestic FX market liquidity or to attenuate excessive volatility in the Malaysian ringgit by selling foreign currency outright to the market. These interventions are consistent with Malaysia's flexible exchange rate regime, allowing necessary macroeconomic adjustments to take place in an orderly manner.

Apart from outright transactions, the Bank also utilizes FX swaps to manage the US dollar liquidity in the domestic FX market. Depending on liquidity conditions, the Bank will use FX swaps to temporarily absorb or inject liquidity in either the Malaysian ringgit or foreign currency. Another instrument that the Bank utilises to manage onshore foreign currency liquidity is the foreign currency Bank Negara Interbank Bill (FC BNIB), which can be issued in the US dollar and is only tradable among interbank market participants.

Additionally, the Bank has access to bilateral and multilateral swap arrangements to manage varying foreign currency demands in the onshore financial markets. The Bank has established access to the US Federal Reserve's Foreign and International Monetary Authorities (FIMA) Repo Facility, which acts as an added source of US dollar liquidity especially during periods of higher volatility in the global FX markets. The Bank has also set up foreign currency swap lines with regional central banks which allows the Bank to obtain foreign currencies to facilitate demand in the domestic FX market. The Bank's participation in multilateral cooperation has also resulted in initiatives such as the Chiang Mai Initiative Multilateralisation and the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Repo Lines. More recently, the Bank joined the Bank for International Settlements Renminbi Liquidity Arrangement (RMBLA) reserve-pooling arrangement among a number of central banks in Asia Pacific.

Table 6: Facilities to Enhance FX Market Liquidity

Facility/ Instrument	Outright foreign currency transactions	FX Swap
Tenor	Spot and forward	Varies
Trigger/ Frequency	As needed	
Rate	Market-determined	
Eligible Participants	Eligible counterparties	
Eligible Collateral	Eligible counterparties ⁸	FSA/IFSA licensed banks

⁸ Eligible Counterparties: Counterparties approved by the Bank for its FX operations, based on powers stipulated under the Central Bank of Malaysia Act 2009 for the purposes of maintaining efficient and effective functioning of the exchange rate regime and the FX market.

Box Article

The Bank's Liquidity Operations to Achieve its Mandates

Table 6 (continued): Facilities to Enhance FX Market Liquidity

Facility/ Instrument	Bank Negara Interbank Bills (BNIBs) – Foreign Currency	Swap and repo arrangements with foreign central banks
Tenor	1 month to 1 year	Varies
Trigger/ Frequency	As needed	
Rate	Market-determined	Varies
Eligible Participants	Only available and tradable between FSA/ IFSA licensed Banks	Not applicable
Eligible Collateral	Not applicable	Varies



PART 2(b) – FINANCIAL MARKET LIQUIDITY: SECONDARY GOVERNMENT BOND MARKET

Enhancing liquidity in the secondary government bond market via bond repo

The Bank conducts repo operations to enhance secondary market liquidity for government bonds

In an effort to improve the liquidity in Malaysia's secondary bond market, the Bank conducts repurchase operations to supply illiquid, off-the-run bonds to the secondary bond market. These bonds are often from the Bank's own holdings but can be also sourced from the Institutional Securities Custodian Programme (ISCAP). ISCAP supports the Bank's strategic goal of improving bond market liquidity by releasing captive holdings of bonds which are usually held to maturity by institutional investors and financial institutions.

Under ISCAP, participants (usually domestic long-term institutional investors) can choose to lend a pre-defined set of government bonds (uncollateralised lending) to the Bank in exchange for a lending fee. The Bank will then borrow these securities and use it as part of the repo operations to enhance market liquidity in the government bond market.



CONCLUSION

The Bank has established clear internal frameworks and conducts ongoing surveillance to ensure effective liquidity management

The Bank continues to expand and sharpen its surveillance and research capabilities to ensure that liquidity remains sufficient for effective intermediation. As an open economy with high real sector and financial market linkages with the rest of the world, Malaysia is exposed to global developments, including economic cycles and funding stresses from abroad. Capital flows can thus be large and volatile, and the ability of financial markets to effectively intermediate these flows acts as a shock absorber to shield the real economy.

The various liquidity tools available to the Bank allows effective responses to liquidity needs and stresses in the financial system, whether arising from developments in a particular financial institution or the wider financial system. The deployment of liquidity management tools is governed by well-defined operational procedures, decision-making frameworks and authorities to preserve market discipline and manage financial risks to the Bank.

Box Article**The Bank's Liquidity Operations to Achieve its Mandates****References**

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The Bank's Policy Considerations

Highlights

- After keeping the OPR unchanged at the January and March 2023 meeting, the Monetary Policy Committee (MPC) judged that it was timely to further normalise the degree of monetary accommodation.
- At the current OPR level of 3.00%, the monetary policy stance is slightly accommodative and remains supportive of the economy.



Amid resilient domestic growth prospects, the MPC further normalised the degree of accommodation

At the January and March 2023 MPC meetings, the MPC decided to keep the OPR unchanged to assess the impact of the cumulative past OPR adjustments. At the May 2023 meeting, with the domestic growth prospects remaining resilient, the MPC judged that it was timely to further normalise the degree of monetary accommodation.

The MPC assessed that the global economy continues to be driven by resilient domestic demand, supported by strong labour market conditions and a stronger-than-expected rebound of China's economy. Nevertheless, the global economy continues to be weighed down by elevated cost pressures and higher interest rates. Headline inflation continued to moderate, but core inflation has persisted above historical averages. For most central banks, the monetary policy stance is likely to remain tight. The outlook

for global growth remains subject to downside risks, mainly from an escalation of geopolitical tensions, higher-than-anticipated inflation outturns, and a sharp tightening in financial market conditions, including from further stress in the banking sector.

For the Malaysian economy, latest developments point towards further expansion in economic activity in the first quarter of 2023 after the strong performance in 2022. While exports are expected to moderate, growth in 2023 will be driven by domestic demand. Household spending remains resilient, underpinned by better labour market conditions as unemployment continues to decline to pre-pandemic levels. The pickup in tourist arrivals is expected to lift tourism-related activities. Further progress of multi-year infrastructure projects will support investment activity. Domestic financial conditions also remain conducive to financial intermediation, with no signs of excessive tightening affecting consumption and investment activities. Risks to the domestic growth outlook are relatively balanced. Upside risks mainly emanate from domestic factors such as stronger-than-expected tourism activity and implementation of projects including those from the re-tabled Budget 2023, while downside risks stem from weaker-than-expected global growth and more volatile global financial market conditions.

As expected, headline inflation trended lower in recent months on account of moderating cost factors. Both headline and core inflation are expected to moderate over the course of 2023, averaging between 2.8% – 3.8%. However, core inflation will remain at elevated levels amid firm demand conditions. Existing price controls and fuel subsidies will continue to partly contain the extent of upward pressures to inflation. The balance of risk to the inflation outlook is tilted to the upside and remains highly subject

The Bank's Policy Considerations

to any changes to domestic policy including on subsidies and price controls, financial market developments, as well as global commodity prices.

With the decision of further normalising the degree of monetary accommodation, the MPC has withdrawn the monetary stimulus intended to address the COVID-19 crisis in promoting economic recovery. In light of the continued strength of the Malaysian economy, the MPC also recognises the need to ensure that the stance of monetary policy is appropriate to prevent the risk of future financial imbalances. At the current level, the monetary policy stance is slightly accommodative and remains supportive of the economy. The MPC will continue to ensure that the monetary policy stance remains consistent with the outlook of domestic inflation and growth.

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Macroeconomic Outlook



Global growth to be slower in 2023

Challenging and uncertain global outlook

The global economy is expected to grow at a slower pace in 2023. Several positive factors such as China's reopening, resilient labour market, easing of supply chain conditions and recovery in services activity, particularly tourism will support growth. However, there are headwinds from elevated inflation and tighter monetary policy, amid waning support from reopening in most economies. The recent episodes of banking stress in some advanced economies are also expected to negatively affect growth to some degree. This is driven by more cautious lending behaviour among banks.

The balance of risks to global growth remains tilted to the downside. Downside risks stem from escalation of geopolitical tensions, higher-than-expected inflation and a sharp tightening in financial conditions including from further stress in the banking sector. In contrast, upside risk to global growth can arise from stronger-than-expected domestic demand in major economies.



Malaysian economy to remain resilient

Growth will be driven by domestic demand amid external headwinds

For 2023, the Malaysian economy is expected to continue to expand amid slower external demand. Growth will be driven by domestic demand, supported by improving labour market conditions, higher tourism activity and further progress of multi-year investment projects. Domestic financial conditions also remain conducive to financial intermediation.

The risks to Malaysia's growth outlook are fairly balanced. Upside risks are mainly from domestic factors such as stronger-than-expected tourism activity and implementation of projects including those from the re-tabled Budget 2023. Meanwhile, downside risks stem from weaker-than-expected global growth and more volatile global financial market conditions.

Macroeconomic Outlook



Headline and core inflation to moderate in 2023

Headline and core inflation to moderate over the course of 2023 although core inflation would remain elevated

For 2023, headline and core inflation are projected to moderate over the course of the year but remain elevated at an average of between 2.8% and 3.8%. The moderation is mainly attributed to lower global cost factors, amid the easing of supply chain disruptions and lower commodity prices. However, core inflation will remain at elevated levels due to firm demand conditions. Upward pressures to inflation are expected to continue to be partly contained by existing domestic policy on price controls and fuel subsidies. The balance of risk to the inflation outlook is tilted to the upside, as it remains subjected to changes to domestic policy measures on administered prices, financial market developments and commodity price developments.

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Annex

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

	Share 2022 (%)	2022					2023
		1Q	2Q	3Q	4Q	Year	1Q
		Annual growth (%)					
Aggregate Domestic Demand (excluding stocks)	93.1	4.4	13.0	13.2	6.8	9.2	4.6
Private sector	75.5	4.3	15.4	14.4	7.8	10.3	5.6
Consumption	60.2	5.3	18.3	14.8	7.3	11.2	5.9
Investment	15.3	0.4	6.3	13.2	10.3	7.2	4.7
Public sector	17.6	4.9	2.5	7.9	3.9	4.7	-0.3
Consumption	13.2	6.9	2.3	6.5	3.0	4.5	-2.2
Investment	4.4	-1.1	3.2	13.1	6.0	5.3	5.7
Net Exports	5.5	-28.9	-29.0	26.2	23.0	-1.0	54.4
Exports of Goods and Services	74.6	12.3	15.9	21.5	8.6	14.5	-3.3
Imports of Goods and Services	69.1	16.1	20.1	21.1	7.2	15.9	-6.5
Real GDP	100.0	4.8	8.8	14.1	7.1	8.7	5.6
GDP (q-o-q growth, seasonally adjusted)	-	2.4	4.1	2.2	-1.7	-	0.9

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 2022 (%)	2022					2023
		1Q	2Q	3Q	4Q	Year	1Q
		Annual growth (%)					
Services	58.3	6.4	11.9	16.7	9.1	10.9	7.3
Manufacturing	24.1	6.7	9.2	13.1	3.9	8.1	3.2
Agriculture	6.6	0.1	-2.3	1.2	1.1	0.1	0.9
Mining	6.4	-2.2	-1.7	9.1	6.3	2.6	2.4
Construction	3.5	-6.1	2.5	15.3	10.1	5.0	7.4
Real GDP	100.0	4.8	8.8	14.1	7.1	8.7	5.6

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

Source: Department of Statistics, Malaysia

Table 3: Balance of Payments

	2022			2023
	1Q	4Q	Year	1Q
	RM billion			
Current Account	5.7	27.5	55.1	4.3
(% of GDP)	1.4	5.9	3.1	1.0
Goods	44.2	57.7	186.0	39.9
Services	-18.3	-12.1	-56.4	-12.8
Primary income	-17.3	-11.6	-59.4	-16.9
Secondary income	-2.9	-6.5	-15.1	-5.9
Financial Account	31.8	-1.1	12.4	-2.4
Direct investment	22.5	-9.3	15.9	10.9
Assets	10.2	-24.1	-48.9	-2.5
Liabilities	12.3	14.8	64.9	13.4
Portfolio investment	-8.9	-26.7	-50.6	-33.3
Assets	-13.7	-15.0	-30.5	-16.3
Liabilities	4.8	-11.7	-20.1	-17.0
Financial derivatives	0.2	-1.7	-2.2	-0.9
Other investment	18.0	36.6	49.2	20.9
Net errors & omissions	-24.6	-3.8	-13.6	-7.6
Overall Balance	12.8	22.5	53.4	-5.7

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-Mar	end-Dec	end-Mar
	RM billion		
Total External Debt	1,110.8	1,144.7	1,168.7
USD billion equivalent	264.3	260.7	264.7
By instrument			
Bonds and notes	194.1	176.0	158.7
Interbank borrowings	192.9	218.6	231.9
Intragroup loans	146.4	155.2	162.6
Loans	73.6	76.0	76.9
Non-resident holdings of domestic debt securities	258.1	246.6	258.2
Non-resident deposits	105.2	111.6	127.9
IMF allocation of Special Drawings Rights (SDRs)	28.1	28.2	28.7
Others	112.4	132.6	123.9
Maturity profile			
Medium- and long-term	681.7	663.0	667.2
Short-term	429.0	481.6	501.5
Currency denomination			
Ringgit	381.6	378.7	396.9
Foreign	729.1	766.0	771.8
Total debt / GDP (%)	69.4	63.9	64.5
Short-term debt / Total debt (%)	38.6	42.1	42.9
Reserves / Short-term external debt (times)	1.1	1.0	1.0

Note: Figures may not add up due to rounding

Source: Ministry of Finance Malaysia and Bank Negara Malaysia

Annex

Table 5: Credit to the Private Non-Financial Sector

	2022		2023	2022		2023
	1Q	4Q	1Q	1Q	4Q	1Q
	End-period (RM billion)			Annual change (%)		
Total Credit to the Private Non-Financial Sector¹	2,521.2	2,609.6	2,627.3	4.3	4.7	4.2
Outstanding corporate bonds ²	531.6	550.6	554.8	3.8	4.6	4.4
Outstanding loans ^{3,4}	1,989.6	2,059.0	2,072.5	4.4	4.7	4.2
Businesses	731.6	747.2	749.3	4.1	3.4	2.4
SMEs	353.5	363.2	361.4	5.5	4.2	2.2
Non-SMEs	373.8	380.4	384.5	2.9	2.8	2.9
Households	1,258.0	1,311.8	1,323.1	4.6	5.5	5.2
Credit to Businesses ⁵	1,263.2	1,297.8	1,304.1	4.0	3.9	3.2

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

Annex

Table 6: Loan Indicators¹

	2022			2023	2022			2023
	1Q	4Q	Year	1Q	1Q	4Q	Year	1Q
	During the period (RM billion)				Annual change (%)			
Total Private Non-Financial Sector²								
Loan applications	312.1	322.8	1,398.5	355.9	7.3	-4.8	16.6	14.0
Loan approvals	142.8	173.7	713.8	172.5	9.7	8.9	26.5	20.7
Loan disbursements	493.1	559.3	2,106.4	530.3	4.7	11.7	16.3	7.5
Loan repayments	494.2	561.7	2,122.6	545.5	5.0	17.1	17.9	10.8
Of which:								
Businesses³								
Loan applications	105.9	124.8	540.1	134.7	-5.6	11.1	18.9	27.2
Loan approvals	56.4	86.5	336.5	74.3	-3.2	31.9	29.2	31.9
Loan disbursements	384.4	437.2	1,647.9	405.0	3.0	12.1	14.8	5.3
Loan repayments	385.4	445.8	1,677.8	415.5	5.0	16.0	17.6	7.8
SMEs								
Loan applications	62.2	67.0	290.8	75.3	-9.4	-0.1	13.1	21.2
Loan approvals	30.4	35.9	155.1	34.3	-5.5	13.0	18.8	12.9
Loan disbursements	120.1	128.7	504.3	125.1	27.3	11.5	26.5	4.2
Loan repayments	116.6	125.0	494.9	122.5	28.7	13.9	26.6	5.1
Non-SMEs								
Loan applications	43.3	57.6	247.6	59.3	-0.5	27.5	26.1	36.9
Loan approvals	25.8	50.5	180.8	40.0	-0.8	49.6	39.4	54.6
Loan disbursements	263.2	306.5	1,137.9	278.8	-5.5	12.0	10.1	6.0
Loan repayments	267.9	318.4	1,177.0	291.8	-2.5	16.3	14.1	8.9
Households								
Loan applications	206.2	198.0	858.4	221.1	15.5	-12.6	15.2	7.3
Loan approvals	86.5	87.2	377.4	98.1	20.2	-7.1	24.1	13.5
Loan disbursements	108.7	122.1	458.4	125.3	11.3	10.3	22.0	15.2
Loan repayments	106.9	115.9	444.7	130.0	5.2	21.5	19.0	21.6

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

Annex

Table 7: Banking System Profitability Indicators

	2022		2023	2022		2023
	1Q	4Q	1Q ^P	1Q	4Q	1Q ^P
	%			Annual change (percentage points)		
Return on equity ¹	10.9	12.4	11.4	2.6	2.9	0.5
Return on assets ¹	1.2	1.4	1.3	0.27	0.3	0.03
	RM million			Annual change (%)		
Net interest income	14,794	16,173	14,863	4.4	10.2	0.5
Add: Fee-based income	2,922	2,891	2,974	-8.4	-7.3	1.8
Less: Operating cost ²	8,907	10,916	10,315	-22.2	16.2	15.8
Gross operating profit	8,809	8,149	7,522	48.8	-3.1	-14.6
Less: Impairment ³ and other provisions	1,191	468	474	-22.8	-77.3	-60.2
Gross operating profit after provision	7,618	7,680	7,049	74.0	21.1	-7.5
Add: Other income ¹	2,008	4,184	3,501	-26.2	74.8	74.3
Pre-tax profit¹	9,626	11,864	10,550	35.6	35.8	9.6

^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
	1Q	4Q	1Q ^P	1Q	4Q	1Q ^P
	RM million			Annual change (%) ²		
Life Insurance & Family Takaful						
Excess income over outgo ¹	1,866	6,331	5,622	184.3	504.3	201.3
General Insurance & General Takaful						
Operating profit	258	1,097	428	-63.6	209.4	65.7
Claims ratio (%)	63	52	64	8.6	-9.0	1.3

^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

Annex

Table 9: Federal Government Finance¹

	2022			2023
	1Q	4Q	Year	1Q
	RM billion			
Revenue	62.7	86.8	294.4	76.2
<i>Annual growth (%)</i>	26.6	14.3	25.9	21.5
Operating expenditure	64.6	93.7	292.7	66.6
<i>Annual growth (%)</i>	3.8	47.8	26.4	3.1
Current account	-1.9	-7.0	1.7	9.6
Net development expenditure	16.6	24.7	70.2	26.2
<i>Annual growth (%)</i>	8.6	86.0	10.9	57.7
COVID-19 Fund ²	5.4	15.9	31.0	-
Overall balance	-23.9	-47.5	-99.5	-16.6
Memo:				
Total net expenditure	86.6	134.3	393.8	92.8
<i>Annual growth (%)</i>	-0.05	47.7	18.4	7.2
Total Federal Government debt (as at end-period)	1,005.8	1,079.6	1,079.6	1,120.4
Domestic Debt	736.6	821.5	821.5	849.2
External Debt	269.2	258.1	258.1	271.2
<i>Non-resident holdings of RM-denominated debt</i>	244.4	233.1	233.1	246.2
<i>Offshore borrowing</i>	24.9	25.0	25.0	24.9

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