

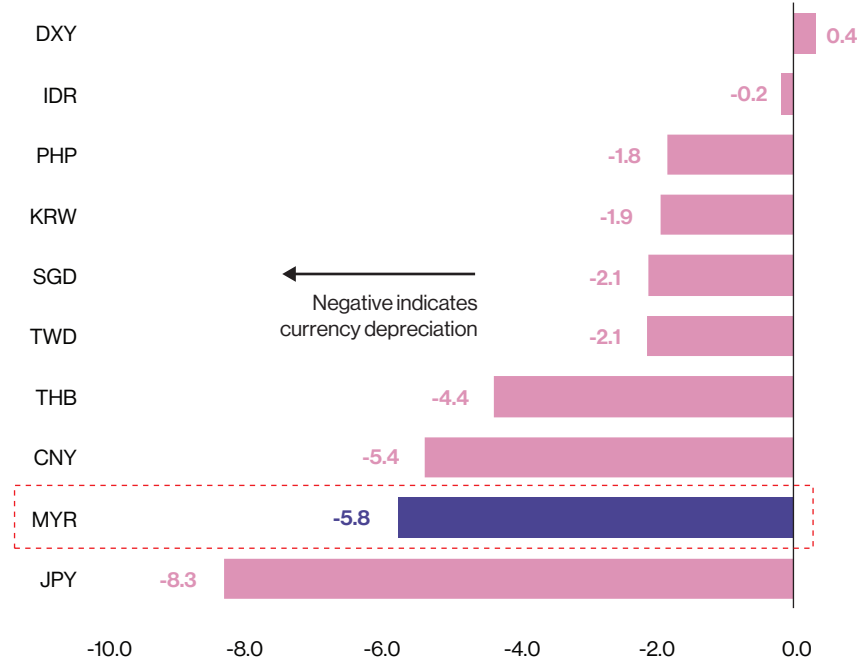
Monetary and Financial Developments

Financial Markets and Exchange Rate

Ringgit depreciated against the US dollar

Affected by financial market 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
-3.2%
(1Q 2023: -1.0%)

Source: Bank Negara Malaysia and Bloomberg

Domestic financial market developments mostly driven by external factors



Bond yields declined

supported by non-resident inflows into the domestic bond market

MGS 10Y Yield

-6 bps
(1Q 2023: -16 bps)



Equity market declined

amid lower global demand for semiconductors and lower commodity prices

KLCI

-3.2% QoQ
(1Q 2023: -4.9%)

Key factors



Slower-than-expected economic rebound from China

affected investors' risk appetite towards emerging market economies, including Malaysia



The US debt ceiling crisis and continued expectations for monetary policy tightening

weighted on investors' sentiments, leading to dampened expectations for global economic growth

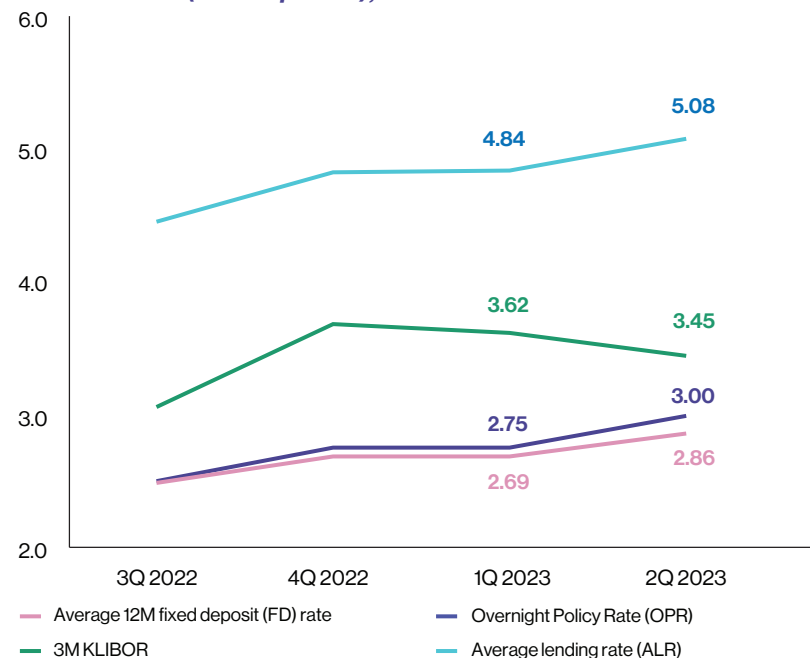
Source: Bank Negara Malaysia, ETP and Bursa Malaysia

Monetary and Financial Developments

Interest Rates and Liquidity

Interest rates rose during the quarter following the increase in the OPR

Interest Rates (at end-period), %

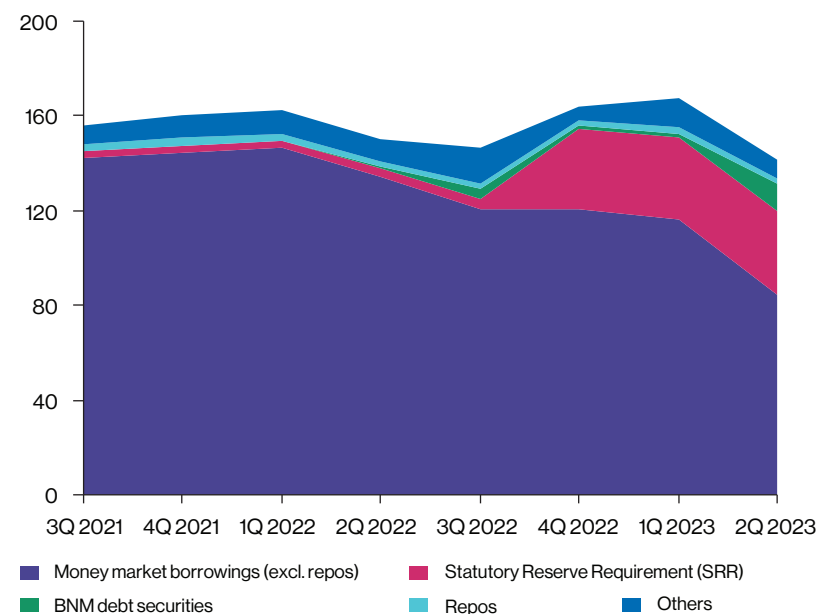


- **The average lending rate (ALR) on outstanding loans trended higher** by 24 basis points, reflecting the increase in the Overnight Policy Rate (OPR) on 3 May 2023.
- **Fixed deposit (FD) rates also increased** by between 14 to 18 basis points across tenures of 1 to 12 months.
- Notwithstanding the increase in the OPR, which had been partially priced in prior to the hike, **interbank rates declined** following easing of interbank market conditions and moderation in market expectations of further OPR adjustments.

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.
- The level of outstanding liquidity placed with BNM declined amid lower liquidity injection.
- At the institutional level, almost all banks maintained surplus liquidity positions with the Bank as at end-June 2023.

Source: Bank Negara Malaysia

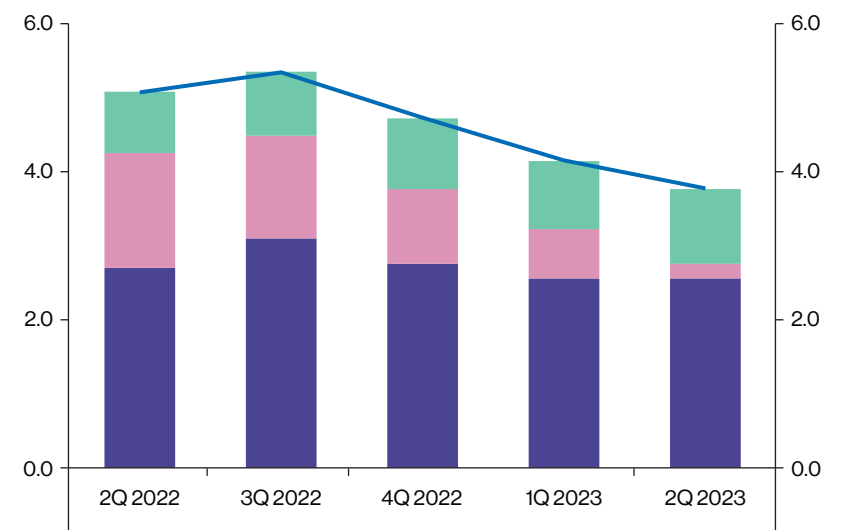
Monetary and Financial Developments

Credit Conditions

Credit growth moderated following slower growth in business loans

Credit to the Private Non-Financial Sector¹

Contribution to growth (ppt) Annual change (%)



■ Outstanding household loans ■ Outstanding business loans
■ Outstanding corporate bonds — Total (RHS)

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 **3.8%²** (1Q 2023: 4.1%)

- Slower growth in outstanding loans³ (3.5%; 1Q 2023: 4.1%) due mainly to a moderation in business loan growth.
- Notwithstanding this, the growth in outstanding corporate bonds improved to 4.9% (1Q 2023: 4.4%).

Business Loans **0.7%** (1Q 2023 2.3%)

- The lower growth was due mainly to a more moderate growth in working capital loans among non-SMEs.
- Investment-related loan⁴ growth, however, remained sustained.
- Growth in loan disbursements moderated, reflecting the lower growth in loan applications across all purposes, and the high base effect⁵ in 2Q 2022.

Household Loans **5.1%** (1Q 2023: 5.1%)

- Outstanding loans recorded sustained growth across key purposes.
- This was mainly driven by loans for the purchase of residential properties and cars.

² All numbers quoted are in terms of annual change.

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

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

⁵ Firms drew down existing credit lines for working capital needs amid the reopening of international borders to foreign tourists in April 2022.

Source: Bank Negara Malaysia