

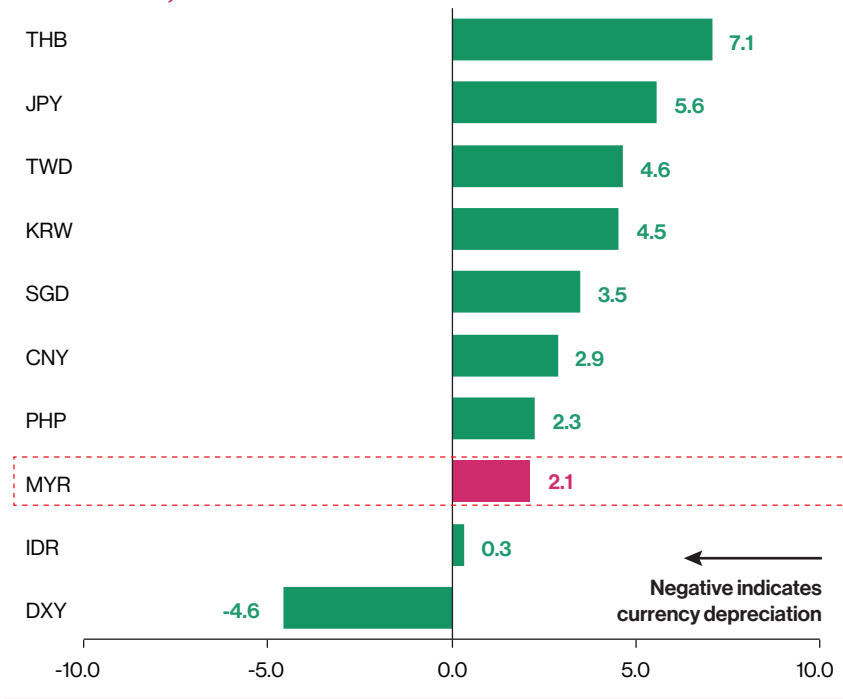
Monetary and Financial Developments

Financial Markets and Exchange Rate

The ringgit appreciated against the US dollar

Ringgit's appreciation was in line with major trade partners amid broad-based US dollar weakness

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



The ringgit depreciated against major trading partners

NEER -0.9%
(3Q 2023: +1.4%)

Note: NEER refers to the nominal effective exchange rate.
Source: Bank Negara Malaysia and Bloomberg

Domestic financial markets were driven mainly by changes in expectations over the global monetary policy path



Bond yields declined

in line with regional peers on expectations of rate cuts by the US Federal Reserve

MGS 10Y Yield
-23 bps
(3Q 2023: +12 bps)



Equity markets rose

supported by lower global interest rate expectations and positive reaction to various national master plans announced in the third quarter of 2023

KLCI
+2.1% QoQ
(3Q 2023: +3.4%)

Key factors



Consensus that the US policy rate has peaked and that the US Federal Reserve will start easing monetary policy along with other major central banks in 2024



Positive impact from the implementation of domestic structural reforms is expected to be supportive of domestic financial markets

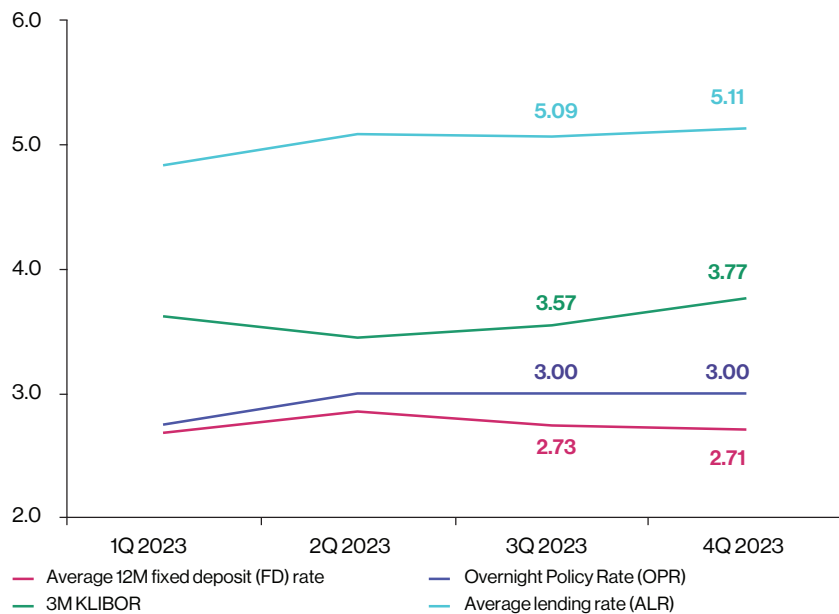
Source: Bank Negara Malaysia, ETP and Bursa Malaysia

Monetary and Financial Developments

Interest Rates and Liquidity

Interbank rates edged higher while fixed deposit rates declined

Interest rates (at end-period), %

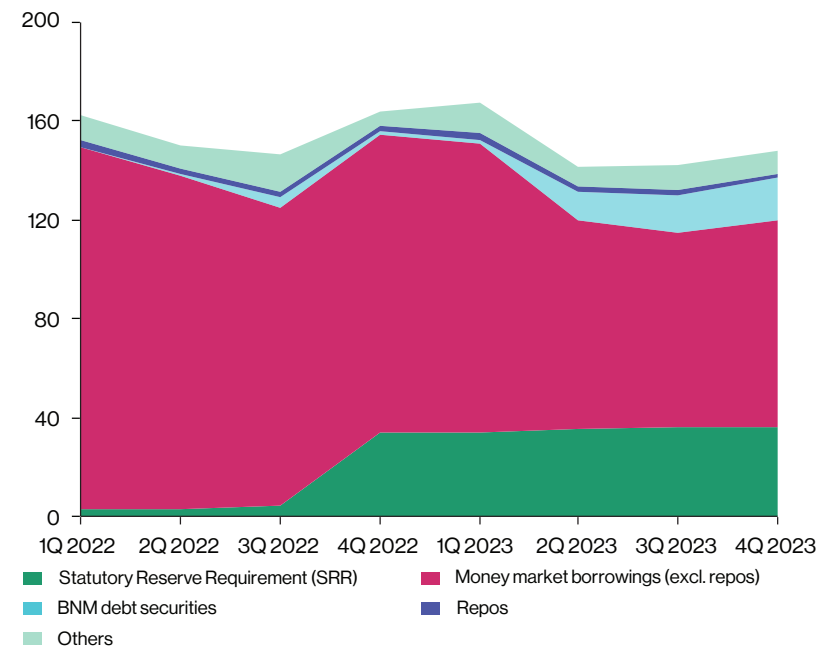


- **The 3M KLIBOR edged higher** amid pre-emptive funding demand by banks following the seasonal year-end deposit competition. Since then, interbank market conditions have eased with the 3M KLIBOR trending lower beginning January 2024.
- **Fixed deposit (FD) rates declined** by 1 and 3 basis points across tenures of 1 to 12 months, reflecting banks' funding strategy to manage their cost of funds.
- **Average lending rate (ALR) on outstanding loans increased marginally** during the quarter.

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



- **Total banking system liquidity remained sufficient**, increasing slightly amid higher liquidity injection by BNM.
- At the institutional level, **almost all banks maintained surplus overnight placement** with BNM as at end-December 2023.

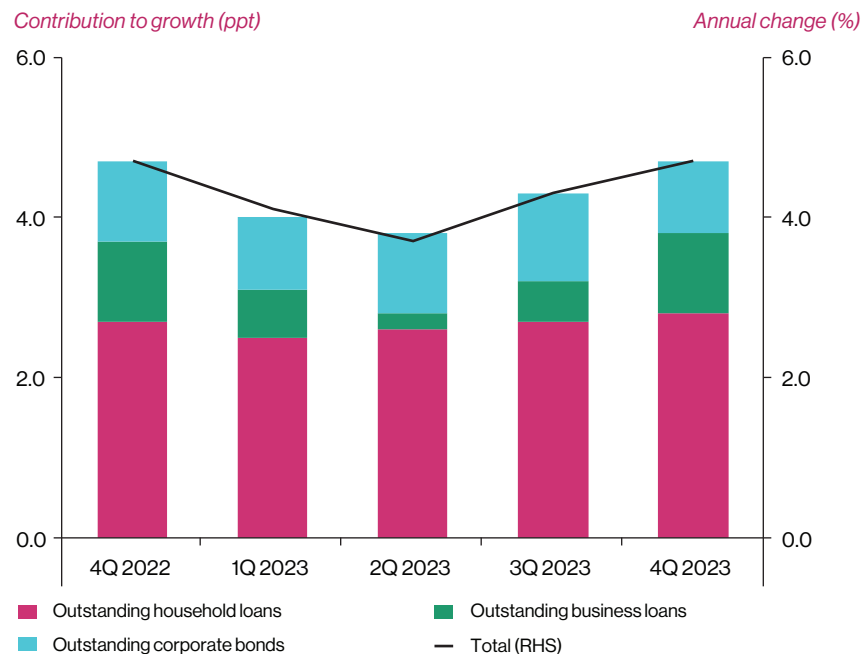
Source: Bank Negara Malaysia

Monetary and Financial Developments

Credit Conditions

Credit growth increased following improvement in business loan growth

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
4.7%²
(3Q 2023: 4.3%)

- Outstanding loans³ expanded by 4.9% (3Q 2023: 4.1%), driven by higher growth in business loans.
- Outstanding corporate bonds growth moderated slightly to 4.2% (3Q 2023: 5%).

Business Loans
3.6%
(3Q 2023: 1.9%)

- The higher business loan growth was driven mainly by higher growth in working capital loans.
- Of note, the growth in outstanding SME loans remained forthcoming (8.2%; 3Q 2023: 7%).

Household Loans
5.6%
(3Q 2023: 5.4%)

- Outstanding household loan growth continued to be sustained across key purposes.
- This reflected the continued demand for loans, especially loans for the purchase of housing, car and personal use.

² All numbers quoted are in terms of annual change.

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

Source: Bank Negara Malaysia