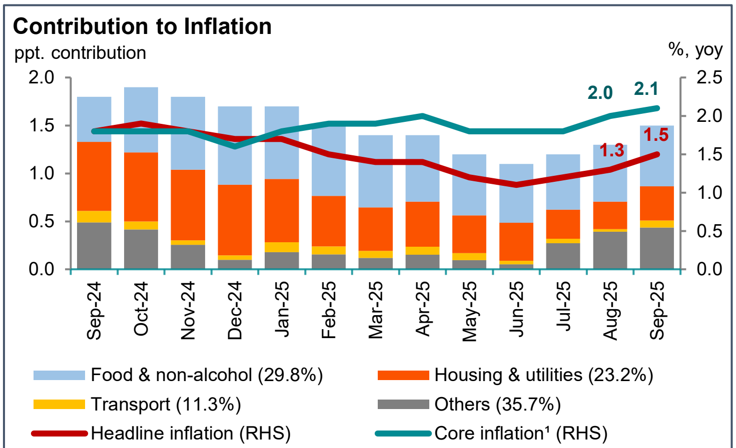
Monthly Highlights
September 2025

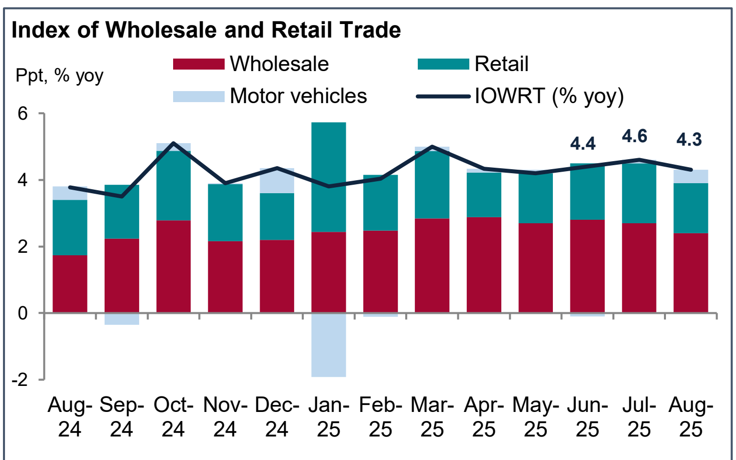
Both headline and core inflation increased in September



[1] Core inflation is computed by excluding price-volatile and price-administered items.
[2] These are reflected under the 'Others' category.
Source: Department of Statistics, Malaysia (DOSM) and BNM estimates

- In September, headline inflation increased to 1.5% (August: 1.3%), mainly driven by higher core inflation[1] (2.1%; August: 2%).
- In part, this reflected higher inflation for transport and housing and utilities, specifically fuel and water supply. Notably, the latter reflected recent water tariff revisions in peninsular states effective from August to September 2025.
- Other components driving higher inflation in September included mobile communication services and jewellery and watches.[2]

Moderation in wholesale and retail trade growth in August



[3] Other specialised wholesale components include petrol, lubricants, metals, paints, construction materials, as well as fittings and fixtures.
[4] Refers to supermarkets and department stores.
Source: Department of Statistics, Malaysia

- The Index of Wholesale and Retail Trade (IOWRT) grew by 4.3% in August 2025 (July-25: 4.6%).
- Wholesale and retail segment expanded more moderately. Growth in the wholesale and retail segment was supported by other specialised wholesale component[3] and retail trade in non-specialised stores.[4]
- Meanwhile, growth in the motor vehicle segment was higher, driven by a strong rebound in motor vehicles sales amid introduction of new models and Merdeka promotion.

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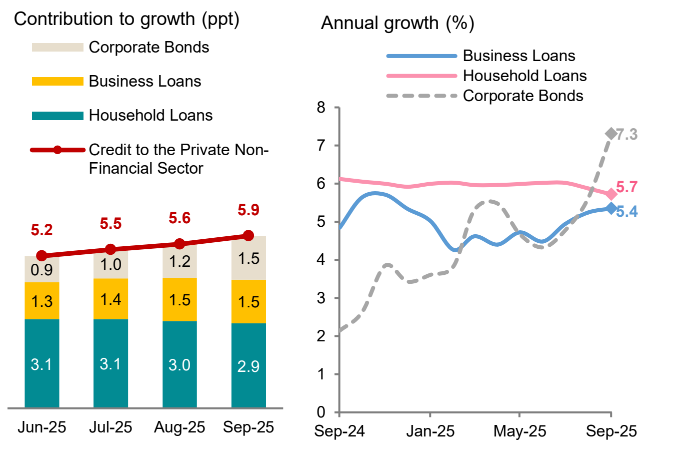
Higher growth in credit to the private non-financial sector

Credit to the Private Non-Financial Sector

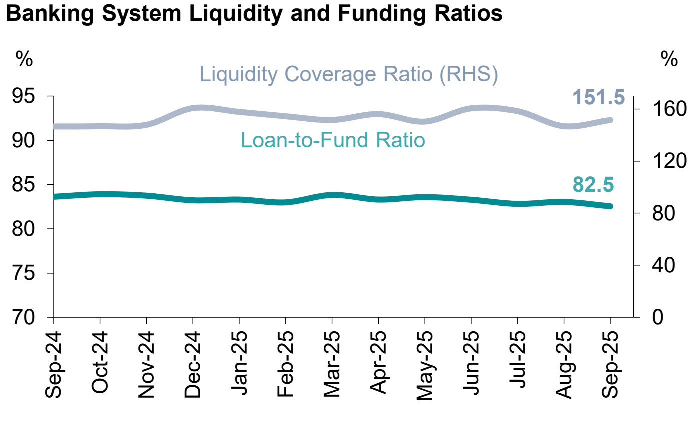


[5] Comprises loans for the purchase of non-residential properties, residential properties for business use, fixed assets as well as for construction activities.
Source: Bank Negara Malaysia

- Credit to the private non-financial sector grew by 5.9% in September (August 2025: 5.6%) following higher growth in outstanding corporate bonds (7.3%; August 2025: 5.6%) amid higher bond issuances in the month. Meanwhile, growth in outstanding loans was steady at 5.6% (August 2025: 5.6%).
- Outstanding business loans grew by 5.4% (August 2025: 5.2%), supported by higher growth for investment-related loans,[5] particularly among non-SMEs. Meanwhile, SME loan growth was broadly sustained.
- Household loan growth moderated slightly to 5.7% (August 2025: 5.9%) following slower growth in personal use loans. Notwithstanding, loan growth across other purposes was steady.

Banking system liquidity position remained supportive of financial intermediation

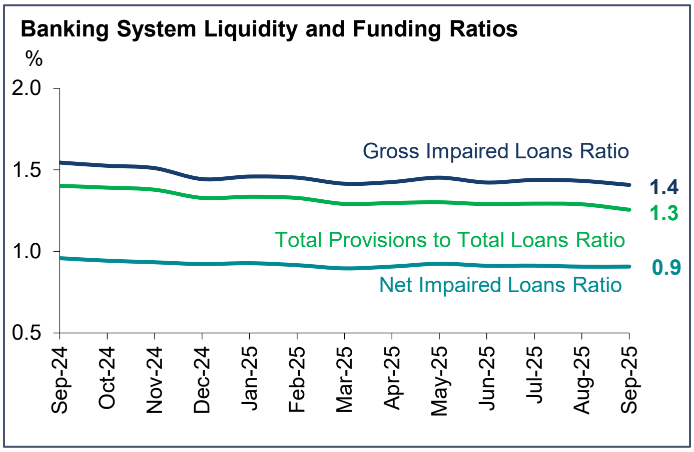
Banking System Liquidity and Funding Ratios



Source: Bank Negara Malaysia

- The banking system continued to record healthy liquidity buffers with an aggregate Liquidity Coverage Ratio of 151.1% (August 2025: 146.8%).
- The aggregate loan-to-fund ratio remained broadly stable at 82.5% (August 2025: 83%).

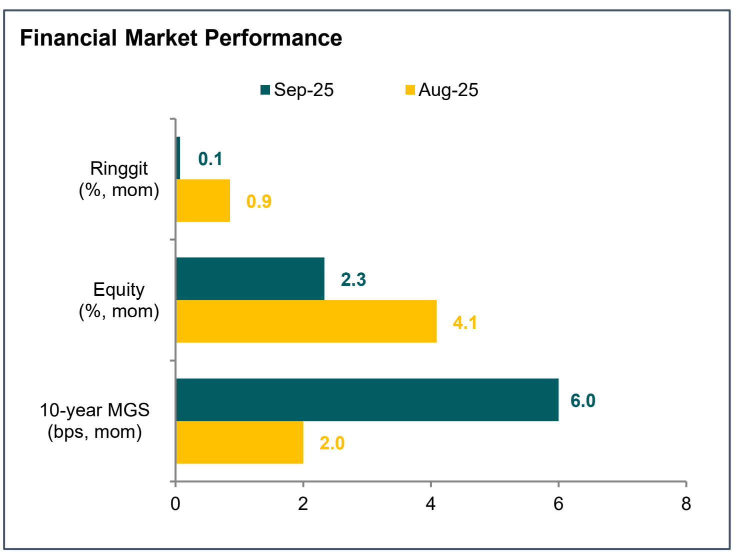
Banks' asset quality remained intact



Source: Bank Negara Malaysia

- Both gross and net impaired loans ratios remained stable at 1.4% and 0.9% respectively.
- Loan loss coverage ratio (including regulatory reserves) remained prudent at 130.1% of gross impaired loans (August 2025: 128%).

Domestic financial markets were influenced by expectations of further US monetary policy easing



Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market.
[6] Regional countries comprise Singapore, Thailand, the Philippines, Indonesia, and South Korea.
Source: Bank Negara Malaysia, Bursa Malaysia

- Global financial conditions continued to ease following the US Federal Reserve's policy rate cut in September.
- Against this backdrop, the ringgit remained broadly stable against the US dollar, appreciating slightly by 0.1% (NEER: 0.3%; regional average:[6] -1.1%).
- The 10-year MGS yield increased by 6.0 bps (regional average:[6] 7.1 bps) amid non-resident outflows and as expectations of further OPR cuts receded. The FBM KLCI traded higher by 2.3% (regional average:[6] 2.2%), supported by strong corporate earnings, and in line with movements of regional equity markets.