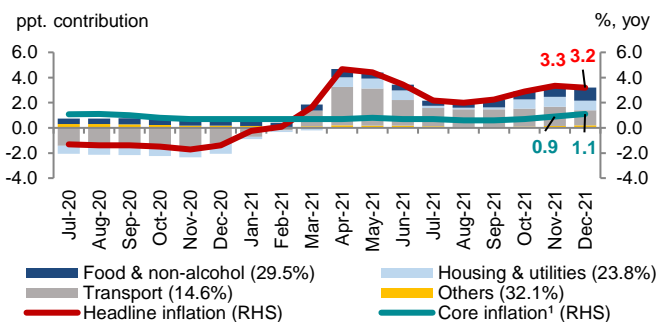


Headline inflation moderated to 3.2% in December

Contribution to Inflation



¹ Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of tax policy changes.

² For example, food away from home and bread & bakeries products.

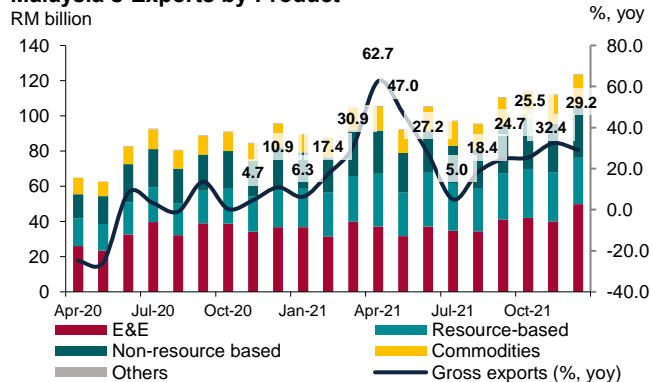
³ For example, repair & maintenance of personal transport.

Source: Department of Statistics Malaysia (DOSM), Bank Negara Malaysia estimates

- Headline inflation moderated to 3.2% in December (November: 3.3%) due mainly to lower transport inflation (December: 9.5%; November: 12.7%), which was partly offset by higher food and non-alcoholic beverages inflation (December: 3.2%; November: 2.7%).
- Underlying inflation, as measured by core inflation, increased to 1.1% (November: 0.9%), driven mainly by some food² and maintenance³ goods and services.
- For 2021 as a whole, average headline inflation was 2.5% (2020: -1.2%), while core inflation averaged at 0.7% (2020: 1.1%).

Strong export growth in December

Malaysia's Exports by Product

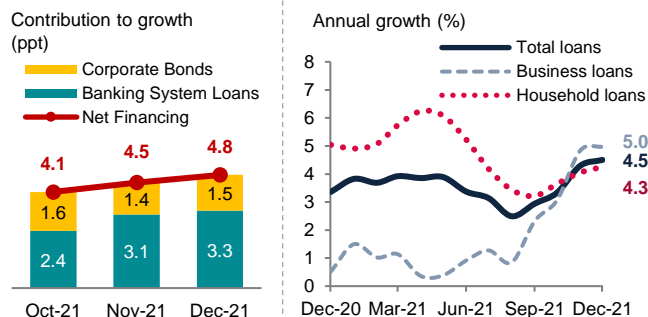


Source: Department of Statistics, Malaysia (DOSM), MATRADE

- Exports grew by 29.2% (November: 32.4%), reflecting continued strength across Malaysia's export products.
- Moving forward, Malaysia's export performance will continue to benefit from external demand and the global technology upcycle. In addition, high commodity prices will provide further impetus to export growth.
- Nonetheless, the trade outlook remains contingent on the path of the pandemic and global supply chain disruptions.

Higher net financing growth as economic activity picked up

Contribution to Net Financing¹ Growth and Outstanding Loan Growth



- Net financing growth increased to 4.8% (November: 4.5%), reflecting higher growth in both outstanding loans (December: 4.5%; November: 4.3%) and outstanding corporate bonds (December: 5.5%; November: 4.9%).
- Household loan growth continued to increase to 4.3% (November: 4.1%), amid higher loan disbursements across most loan purposes.
- For businesses, outstanding loan growth (December: 5.0%; November: 4.8%) continued to be supported by high growth in working capital loans (December: 7.4%; November: 8.0%; 2017-19 average: 4.3%).

¹ Refers to outstanding loans of the banking system (excluding development financial institutions (DFIs) and outstanding corporate bonds.

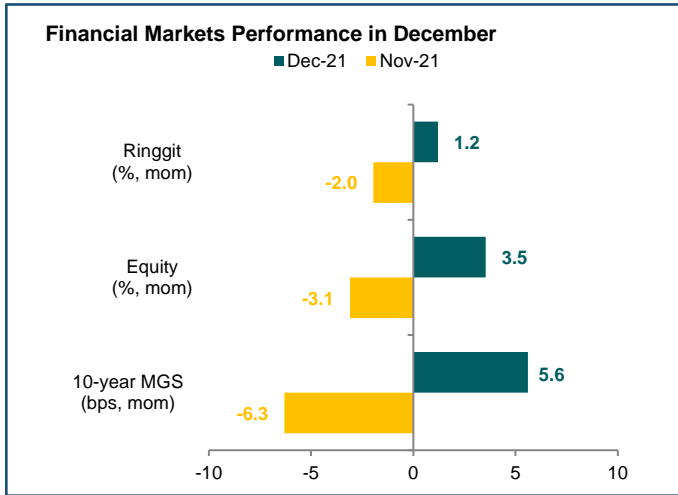
² Numbers may not add up due to rounding.

Source: Bank Negara Malaysia

Monthly Highlights

December 2021

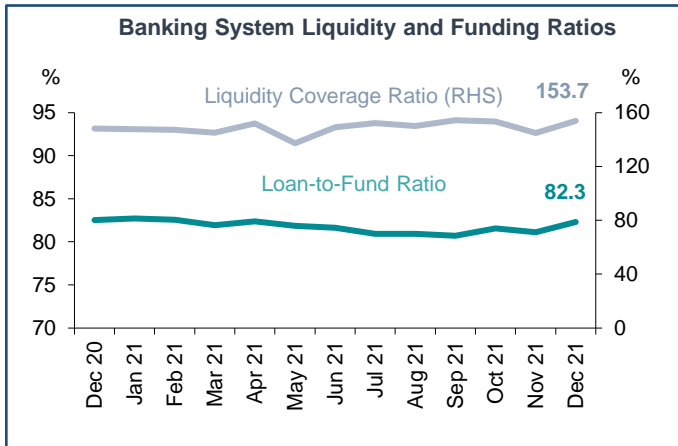
Domestic financial markets were supported by the positive growth outlook



Source: Bank Negara Malaysia, Bursa Malaysia

- Domestic financial market conditions were stable in December, with non-resident (NR) inflows into the bond market offsetting outflows from the equity market.
- Despite NR inflows, MGS yields increased, alongside sovereign yields in other countries. This reflected higher US Treasury yields due to the faster pace of US monetary policy normalisation. Notwithstanding the spillovers, domestic financial intermediation remained uninterrupted.
- The ringgit appreciated and the KLCI rose amid favourable domestic factors, including improvements in economic activity, continued progress in COVID-19 booster vaccinations and higher global energy prices.

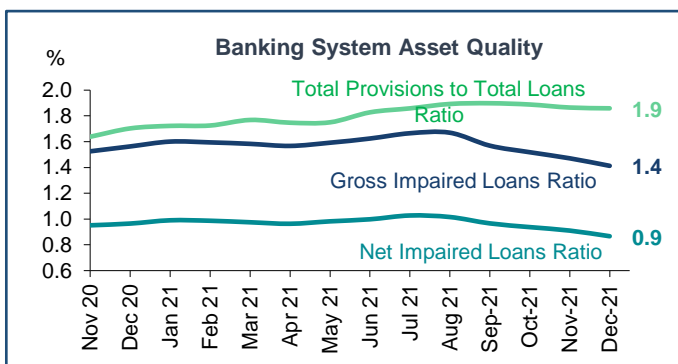
Sufficient liquidity in the banking system to support intermediation



Source: Bank Negara Malaysia

- Banking system funding and liquidity positions remain supportive of intermediation activity amid steady deposit growth.
- The banking system liquidity coverage ratio (LCR) improved (December-21: 153.3%; November-21: 144.7%) following the dissipation of temporary effects from the expiry of income tax exemption on corporate investments in Money Market Funds in November.
- The loan-to-fund ratio remained broadly stable at 82.3.

Banks' asset quality remained sound and continued to improve



Source: Bank Negara Malaysia

- The extension of repayment assistance measures has provided much-needed temporary relief to affected borrowers.
- Overall gross and net impaired loans ratios stood lower at 1.4% and 0.9%, respectively, driven by resumption of loan repayments amid the gradual reopening of the economy.
- Banks continue to set aside provisioning buffers with total provisions accounting for 1.9% of total banking system loans.