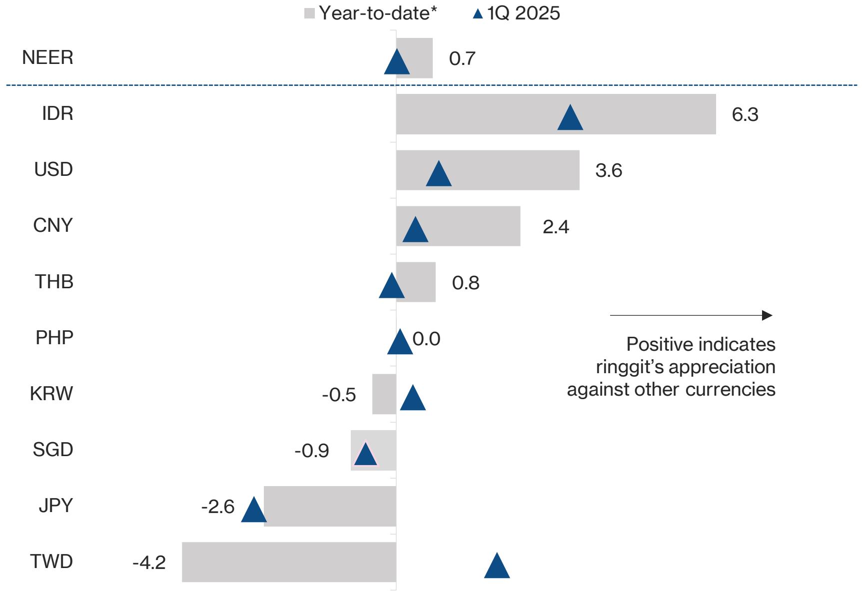
Financial Markets and Exchange Rate

The ringgit remained broadly stable against currencies of major trade partners in the first quarter

Ringgit appreciated against the US dollar, as growing US trade policy uncertainties led to expectations of more subdued US economic growth.

Performance of the ringgit against selected major and regional currencies
% year-to-date and quarter-on-quarter



Note: *YTD as of 14 May 2025.
NEER refers to the ringgit nominal effective exchange rate, measuring the ringgit's performance against a basket of currencies of Malaysia's major trading partners.
Source: Bank Negara Malaysia

Domestic financial market developments were driven mainly by external factors

Lower bond yields
in line with global bond yields, amid non-resident inflows into the domestic bond market

MGS 10Y Yield
-5 bps
(4Q 2024: +11 bps)

Equity markets declined
amid net foreign outflows driven by investor risk aversion following US trade and policy uncertainties

KLCI
-7.8% QoQ
(4Q 2024: -0.4%)

Key factors driving investor risk aversion

Re-allocation of funds to safe-haven assets amid uncertainties surrounding trade policies by the US administration

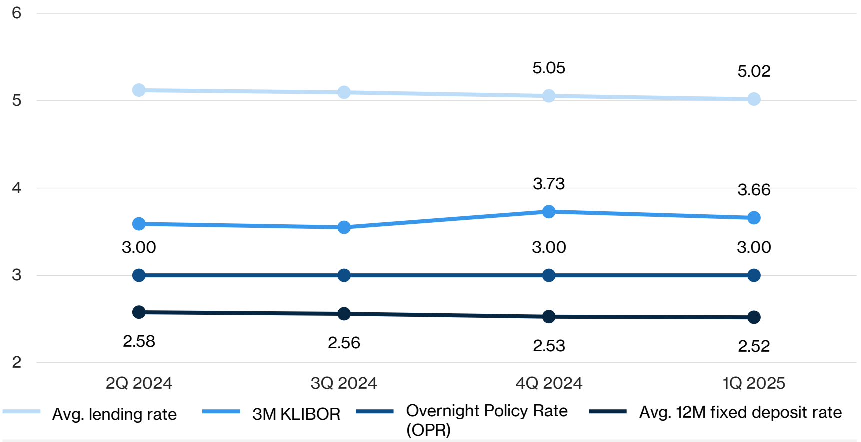
Rising concerns over potential global economic slowdown amid expectations of US trade tariffs imposition

Source: Bank Negara Malaysia, ETP and Bursa Malaysia

Interest Rates and Liquidity

Interbank rates and average lending rates declined during the quarter

Interest rates,
End-period, %

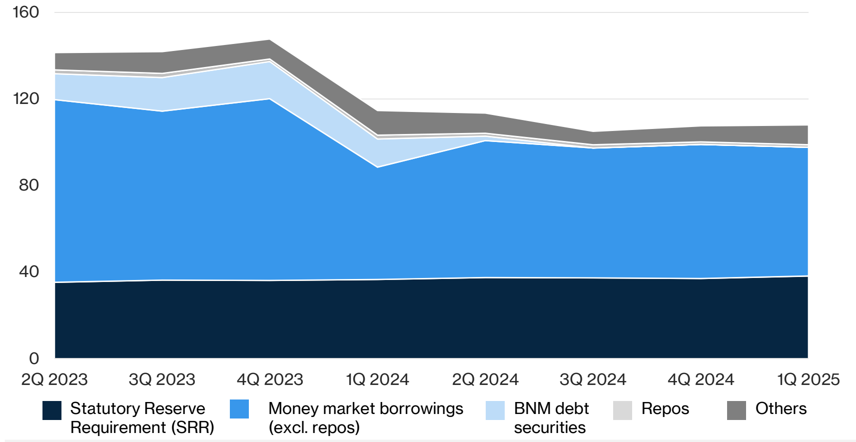


- **The 3M KLIBOR declined** during the quarter amid gradual easing in interbank funding conditions as seasonal year-end deposit competition in 2024 subsided.
- **Retail board fixed deposit (FD) rates remained broadly stable** across tenures of 1 to 12 months during the quarter.
- **Average lending rate (ALR) on outstanding loans decreased slightly** during the quarter, mainly for business loans following the maturity of fixed-rate loans with higher rates.

Source: Bank Negara Malaysia and Bloomberg

Banking system liquidity continued to facilitate financial intermediation

Outstanding ringgit liquidity placed with BNM,
End-period, RM billion



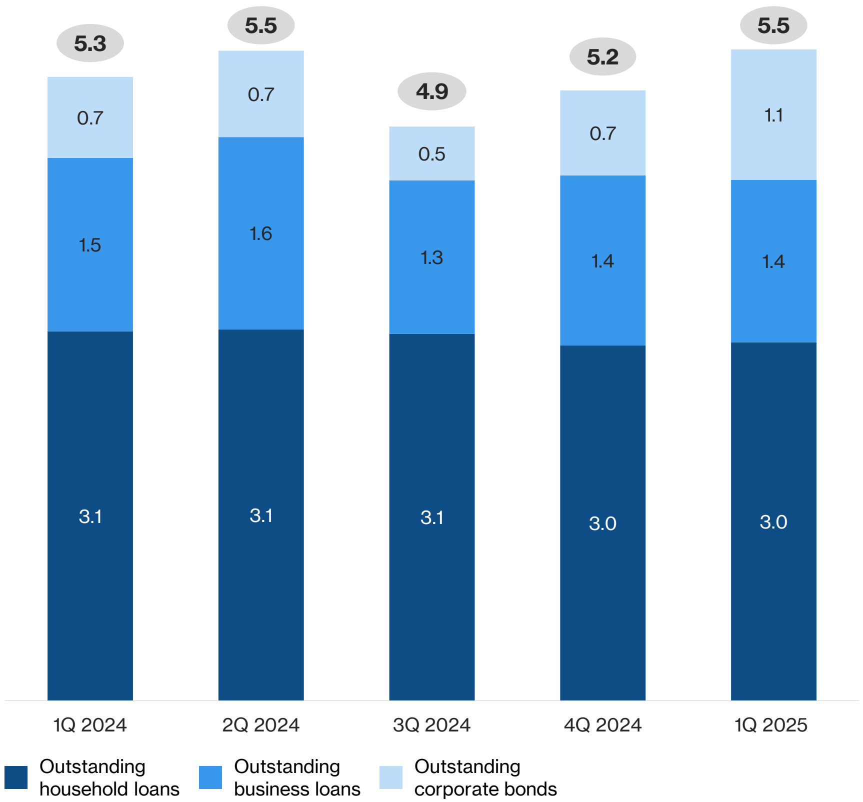
- **Total banking system liquidity increased slightly** at the end of the quarter amid higher liquidity injection by BNM.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continued to maintain surplus overnight placement with BNM as at end-March 2025.
- The reduction in SRR ratio from 2% to 1%, effective 16 May 2025, will result in a broad-based release of approximately RM19 billion worth of liquidity into the banking system. This will facilitate effective liquidity management by banks and provide continued support for financial intermediation activity.

Source: Bank Negara Malaysia

Credit Conditions

Credit growth increased, amid higher growth in outstanding corporate bonds

Credit to the Private Non-Financial Sector,
Contribution to growth, ppt



Source: Bank Negara Malaysia

Key developments

Credit to the Private, Non-Financial Sector[1]

5.5%
4Q 2024: 5.2%

- Growth in outstanding loans[2] was steady at 5.6% (4Q 2024: 5.6%) amid sustained growth in business and household loans.
- Outstanding corporate bonds grew at a faster pace of 5.3% (4Q 2024: 3.4%), following sustained growth in bond issuances.

Business Loans

4.8%
4Q 2024: 5.1%

- Outstanding business loans expanded by 4.8% amid, higher growth in working capital loans.
- Demand for financing remained forthcoming, especially among SMEs, with sustained level of applications across loan purposes.

Household Loans

6%
4Q 2024: 5.9%

- Household loans grew by 6% amid broadly steady growth across most loan purposes.
- Demand for household loans also continued to be forthcoming, with sustained level of loan applications.

[1] All numbers quoted are in terms of annual change.
[2] Refers to loans from banking system and development financial institutions (DFIs).
Source: Bank Negara Malaysia