

BNM: Domestic financial markets mainly affected by Omicron scare in end-November

KUALA LUMPUR (Dec 31): The Omicron variant of Covid-19, which largely drove global investor sentiments, led to a decline in global bond yields — including that of the benchmark 10-year Malaysian Government Securities (MGS) — concurrently with the decrease in long-term US Treasury yields, said Bank Negara Malaysia (BNM).

In its November highlights released on Friday (Dec 31), the central bank said the FBM KLCI in November declined by 3.1% while the ringgit depreciated by 2% against the US dollar, in line with most regional currencies.

“Weaker commodity prices amid worries surrounding the new variant had also affected the ringgit exchange rate,” it added.

BNM noted that the Omicron variant — which was first reported to the World Health Organisation from South Africa on Nov 24 — predominantly outweighed concerns surrounding persistent inflationary pressure in advancing economies.

The central bank, citing **Department of Statistics Malaysia**, said headline inflation in Malaysia increased to 3.3% in November (October: 2.9%).

It added that this mainly reflected higher inflation in the food and non-alcoholic beverages (November: 2.7%; October: 1.9%) and transport (November: 12.7%; October: 11.3%) segments.

“Underlying inflation, as measured by core inflation, was also higher at 0.9% during the month (October: 0.7%) driven mainly by discretionary items (for example, food away from home), in line with the gradual reopening of the economy,” it added.

Meanwhile, BNM reported a net financing growth increase of 4.4% (October: 4%), driven by higher outstanding loans (November: 4.3%; October: 3.3%), while outstanding corporate bond growth moderated (November: 4.8%; October: 5.9%).

“Growth in outstanding household loans increased to 4.1% [in November] (October: 3.7%), and higher loan disbursements for credit card spending and the purchase of residential properties and passenger cars.

“For businesses, outstanding loan growth increased to 4.8% [in November] (October: 3.1%) amid continued growth in outstanding working capital loans (November: 8%; October: 5.9%),” it said.

BNM noted that banks in November remain well-capitalised to endure potential stress and to support credit growth in the economy.

<https://www.theedgemarkets.com/article/bnm-domestic-financial-markets-mainly-affected-omicron-scare-endnovember>