

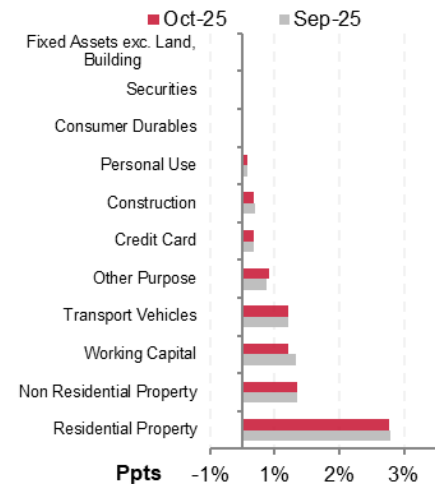
01 December 2025

Malaysia Money & Credit

October M3 growth hit 14-month highs; loan and deposit growth slows

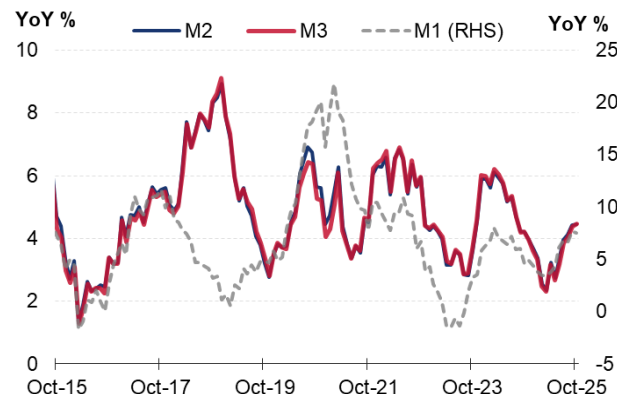
- Broad money (M3) growth expanded to 4.5% YoY in October (Sep: 4.4%), the fastest pace in 14 months**
 - Key drivers:** Stronger fixed deposits (2.5%; Sep: 1.4%) and a smaller contraction in other deposits (-0.5%; Sep: -6.0%), lifting their combined contribution to 1.1 ppts (Sep: 0.1 ppt).
 - MoM (1.0%; Sep: 0.4%): Rose to a 10-month high, adding RM24.1b to the system, the largest increase since Dec 2023 (RM33.4b).
- Strong private sector activity, higher net foreign assets, and a rebound in government spending supported M3 expansion**
 - Net claims on government** (0.8%; Sep: -0.5%): Rebounded after two months of contraction as high base dissipated. Both government deposits (1.8%; Sep: 16.5%) and government claims (1.0%; Sep: 2.6%) slowed sharply.
 - Claims on private sector** (6.0%; Sep: 5.8%): Rose to the highest since March 2019 (7.9%) driven by stronger growth in securities holdings (10.8%; Sep: 9.8%) and loans (5.4%; Sep: 5.3%).
 - Net foreign assets** (7.3%; Sep: 5.3%): Jumped to a 14-month high, supported by higher BNM's net foreign assets (8.4%; Sep: 6.2%) and higher foreign assets in the banking system (3.8%; Sep: 2.4%).
- Loan growth edged down to 5.4% YoY (Sep: 5.5%)**
 - By purpose:** Slower growth in non-residential property (7.0%; Sep: 7.1%) and working capital (3.2%; Sep: 3.8%) reduced their combined contribution to 1.6 ppts (Sep: 1.7 ppts).
 - By sector:** Loans growth of manufacturing (3.2%; Sep: 5.9%) and finance & insurance (22.2%; Sep: 27.5%) sectors moderated, lowering their combined contribution to 1.5 ppts (Sep: 1.9 ppts). Though household lending eased slightly (5.4%; Sep: 5.5%), its contribution to overall growth stayed firm, contributing 3.3 ppts (Sep: 3.3 ppts).
 - MoM (0.5%; Sep: 0.5%): Growth remained steady, adding RM12.6b (Sep: RM11.2b), the largest increase in four months.
- Deposit growth eased to 3.7% YoY (Sep: 4.0%), a three-month low**
 - Reason:** Slower growth in demand deposits (8.8%; Sep: 10.0%) and foreign currency (15.0%; Sep: 25.9%) deposits reduced their combined contribution to 3.3 ppts (Sep: 4.5 ppts). However, the slowdown was partially capped by stronger fixed deposits (2.5%; Sep: 1.3%), with contribution rising to 1.1 ppts (Sep: 0.6 ppts).
 - MoM (-0.02%; Sep: 0.9%): Fell slightly after a sharp rebound September, subtracting RM0.5b (Sep: RM24.2b) from the banking system.
- 2025 loan growth forecast retained at 5.5% - 6.0% (2024: 5.5%) with a likelihood it settles near our lower end target range. Growth is anticipated to slow to 5.0% - 5.5% in 2026**
 - Drivers:** Loan growth is expected to stay positive in the near term, supported by seasonal factors such as year-end holiday spending and pre-festive demand. However, the 2026 outlook remains cautiously optimistic, as elevated US tariffs may curb credit appetite and ongoing regulatory prudence may constrain lending. Still, favourable policy rates and firm domestic demand should offer support.
 - OPR Outlook:** We expect BNM to keep the OPR unchanged through 2026, barring unexpected shocks. GDP growth remains stable, as reflected in 3Q25 GDP of 5.2% (2Q25: 4.4%), while inflation is contained (Oct: 1.3%; Sep: 1.5%) leaving room for potential easing if conditions warrant.

Graph 1: Loan Growth by Purpose (ppts)



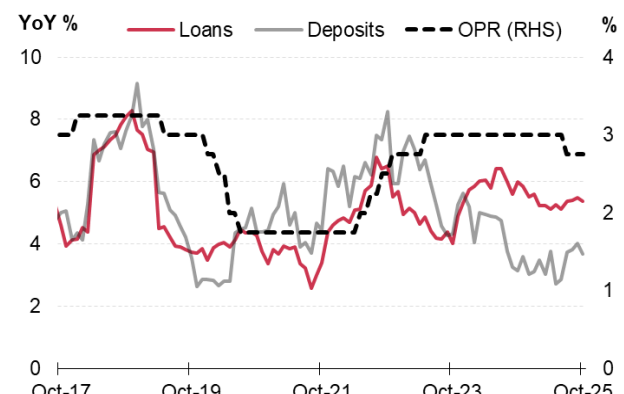
Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth vs BNM OPR



Source: BNM, Macrobond, Kenanga Research

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Table 1: Money Supply, Loan and Deposit Growth Trend

		2023	2024	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
M1	% MoM			0.0	1.5	1.7	-0.5	-0.2	0.8	-0.7	0.0	2.8	-0.2	-0.1	2.2	-0.1
	Chg (RM b)	35.5	28.0	0.2	9.8	11.4	-3.1	-1.4	5.5	-4.6	0.3	18.5	-1.4	-0.7	14.8	-0.9
	% YoY	5.9	4.4	4.5	4.9	4.4	3.8	3.4	3.4	3.8	4.4	6.1	6.8	6.6	7.7	7.5
M2	% MoM			0.8	0.7	1.4	0.1	-0.4	0.3	0.5	-0.3	0.4	0.5	-0.1	0.4	0.9
	Chg (RM b)	132.7	87.8	19.8	16.7	34.0	2.3	-9.0	8.6	11.7	-6.6	10.3	12.0	-3.7	10.5	21.5
	% YoY	5.9	3.7	4.2	4.0	3.7	3.4	2.5	2.4	3.2	2.7	3.3	3.9	4.1	4.4	4.5
M3	% MoM			0.9	0.7	1.4	0.2	-0.4	0.3	0.5	-0.3	0.3	0.5	-0.2	0.4	1.0
	Chg (RM b)	136.4	86.4	21.1	16.7	33.4	3.8	-9.2	7.1	12.6	-7.2	7.9	12.8	-4.1	10.7	24.1
	% YoY	6.0	3.6	4.2	4.0	3.6	3.3	2.5	2.3	3.2	2.7	3.2	3.8	4.1	4.4	4.5
Loans	% MoM			0.7	0.6	0.8	0.3	0.1	0.6	0.0	0.4	0.7	0.4	0.3	0.5	0.5
	Chg (RM b)	107.4	117.3	14.8	13.5	17.2	7.7	2.5	14.1	-1.1	9.7	15.0	8.9	7.5	11.2	12.6
	% YoY	5.3	5.5	6.0	5.8	5.5	5.6	5.2	5.2	5.1	5.3	5.1	5.4	5.4	5.5	5.4
Deposit	% MoM			0.3	0.9	0.7	0.0	0.9	0.4	0.2	-0.6	0.1	0.3	-0.3	0.9	0.0
	Chg (RM b)	132.1	75.3	7.6	22.5	19.0	0.1	23.0	9.5	5.8	-14.5	3.5	6.9	-6.6	24.2	-0.5
	% YoY	5.6	3.0	3.1	3.6	3.0	3.1	3.5	3.0	3.8	2.7	2.9	3.7	3.8	4.0	3.7
LCR*	(%)	161.0	160.7	146.8	147.9	160.7	157.8	154.4	151.6	156.1	150.4	160.6	158.4	146.8	151.5	147.5

Source: Bank Negara Malaysia, Macrobond, Kenanga Research

*Liquidity Coverage Ratio (LCR) is based on Basel III requirement and was adopted since June 2015. As of 1 January 2018, the minimum requirement is set at 90%.

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