

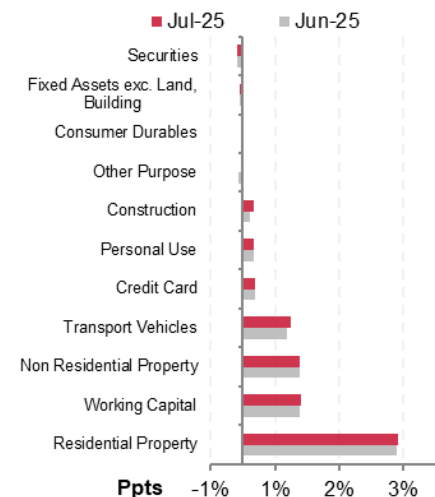
02 September 2025

Malaysia Money & Credit

M3 and loan growth accelerates in July; steady liquidity backs cautious BNM

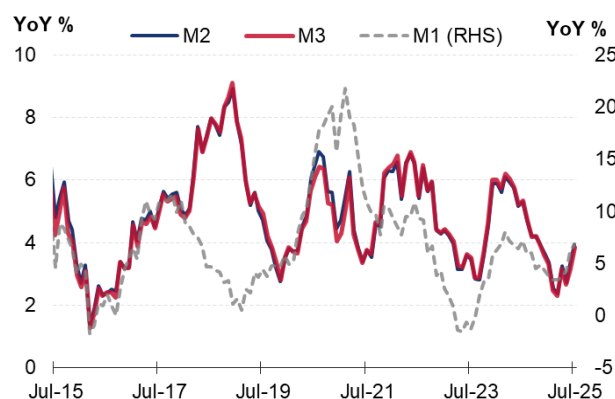
- Broad money (M3) growth expanded to 3.8% YoY (Jun: 3.2%), an eight-month high**
 - Key drivers:** Higher savings deposits (2.9%; Jun: 2.1%), and a rebound in other deposits (1.5%; Jun: -5.1%) contributed an extra 0.4 ppts (Jun: -0.3 ppts) to overall M3 growth.
 - MoM (0.5%; Jun: 0.3%): Accelerated to a three-month high, adding RM12.8b, the largest in seven months.
- Liquidity source shift: Higher private sector activity and a rebound in government spending boost M3 growth, offsetting lower net foreign assets**
 - Net claims on government** (0.1%; Jun: -2.4%): Rebounded marginally, due to a turnaround in government claims (2.1%; Jun: -0.1%) and higher government deposits (11.7%; Jun: 10.8%).
 - Claims on private sector** (5.4%; Jun: 5.0%): Expanded on stronger loans (5.4%; Jun: 5.2%) and holdings of securities (5.0%; Jun: 3.4%).
 - Net foreign assets** (-1.4%; Jun: -0.6%): Fell further, dragged by a sharp drop in BNM net foreign assets (-5.1%; Jun: -4.9%) and slower net foreign assets in the banking system (12.8%; Jun: 15.3%).
- Loan growth expanded to 5.4% YoY (Jun: 5.1%), a six-month high**
 - By purpose:** higher growth in construction (6.2%; Jun: 3.7%), credit card (9.2%; Jun: 8.8%), and non-residential property (7.5%; Jun: 7.3%). Residential property, the largest component remained stable at 6.4% (Jun: 6.4%).
 - By sector:** Surging growth in information & communication (21.1%; Jun: 19.6%) and finance & insurance (26.0%; Jun: 23.8%). Manufacturing sector improved (2.5%; Jun: 1.8%).
 - MoM (0.4%; Jun: 0.7%): slowed, after a strong momentum in the previous month, adding RM8.9b (Jun: RM15.0b).
- Deposit growth accelerates to 3.7% YoY (Jun: 2.9%), a three-month high**
 - Reason:** Driven by higher demand deposits (8.4%; Jun: 6.6%), and foreign currency deposits (13.7%; Jun: 11.9%). Other deposits also rebounded (1.0%; Jun: -4.7%), ending seven straight months of decline.
 - MoM (0.3%; Jun: 0.1%): Expanded for the second straight month, contributing RM6.9b.
- 2025 loan growth forecast maintained at 5.5% - 6.0% (2024: 5.5%), banking on policy support in 2H25**
 - Drivers:** Loan growth is expected to remain steady and gradually rise, supported by lower SRR and OPR as well as continued consumer spending amid stable labour market conditions, and rising household incomes. Government targeted measures such as enhanced cash aid and targeted fuel subsidies in 4Q25 should buffer SST drag.
 - OPR Outlook:** We maintain our view that BNM will hold the overnight policy rate (OPR) at 2.75% in September and November MPC meeting. Domestic growth is still expected to remain steady albeit moderating. Domestic demand remains stable as reflected in positive retail sales in June, stable core inflation in July and will be further supported by various policy support and current favourable interest rate environment. Nevertheless, further easing remains possible if domestic demand weakness emerges due to external shocks. With consensus GDP growth projections ranging from 3.7% - 4.5% for 2025 (Median: 4.2%; KIBB: 4.3%) and 3.5% - 5.0% for 2026 (Median: 4.2%; KIBB: 4.0% - 4.3%), BNM is expected to remain cautious, saving its bullet for future needs favouring targeted measures over broad policy shifts.

Graph 1: Loan Growth by Purpose (ppts)



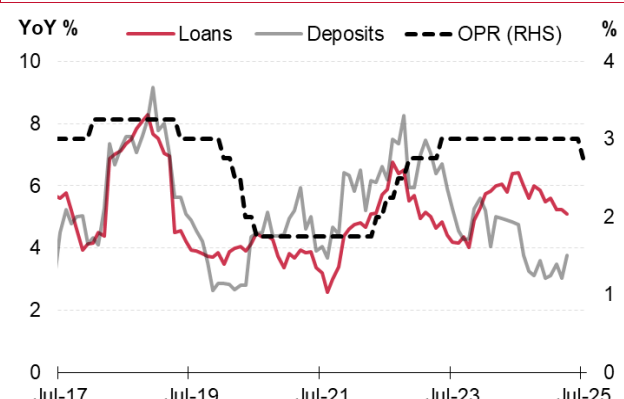
Source: BNM, Macrobond, Kenanga Research

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

		2022	2023	2024	Jul-24	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25
M1	% MoM				-0.8	-0.2	0.8	-0.7	0.0	2.8	-0.2
	Chg (RM b)	24.7	35.5	28.0	-5.4	-1.4	5.5	-4.6	0.3	18.5	-1.4
	% YoY	4.3	5.9	4.4	7.2	3.4	3.4	3.8	4.4	6.1	6.8
M2	% MoM				-0.1	-0.4	0.3	0.5	-0.3	0.4	0.5
	Chg (RM b)	92.5	132.7	87.8	-3.4	-9.0	8.6	11.7	-6.6	10.3	12.0
	% YoY	4.3	5.9	3.7	5.3	2.5	2.4	3.2	2.7	3.3	3.9
M3	% MoM				-0.1	-0.4	0.3	0.5	-0.3	0.3	0.5
	Chg (RM b)	93.9	136.4	86.4	-3.4	-9.2	7.1	12.6	-7.2	8.0	12.8
	% YoY	4.3	6.0	3.6	5.3	2.5	2.3	3.2	2.7	3.2	3.8
Loans	% MoM				0.1	0.1	0.6	0.0	0.4	0.7	0.4
	Chg (RM b)	108.9	107.4	117.3	3.2	2.5	14.1	-1.1	9.7	15.0	8.9
	% YoY	5.7	5.3	5.5	6.4	5.2	5.2	5.1	5.3	5.1	5.4
Deposit	% MoM				-0.6	0.9	0.4	0.2	-0.6	0.1	0.3
	Chg (RM b)	132.0	132.1	75.3	-14.2	23.0	9.5	5.8	-14.5	3.5	6.9
	% YoY	5.9	5.6	3.0	4.7	3.5	3.0	3.8	2.7	2.9	3.7
LCR*	(%)	152.1	161.0	160.7	151.1	154.4	151.6	156.1	150.4	160.6	158.4

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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