

01 October 2025

Malaysia Money & Credit

August M3 growth hits 10-month high; loan expansion steady, BNM to stay on hold

Broad money (M3) growth expanded to 4.1% YoY (Jul: 3.8%), a 10-month high

- Key drivers: Higher fixed deposits (2.5%; Jul: 2.0%), and faster growth in foreign currency deposits (10.5%; Jul: 6.8%) contributed a combined 2.3 ppts (Jul: 1.7 ppts) to overall M3 growth.
- MoM (-0.2%; Jul: 0.5%): Contracted to a three-month low, subtracting RM4.1b.

Higher private sector activity boosted M3 growth, offsetting lower government spending and net foreign assets

- Net claims on government (-0.04%; Jul: 0.1%): Fell marginally, as higher government deposits (15.5%; Jul: 11.7%) outweighed government claims (2.8%; Jul: 2.1%).
- Claims on private sector (5.5%; Jul: 5.4%): Expanded on stronger loans (5.5%; Jul: 5.4%) and holdings of securities (5.3%; Jul: 5.0%).
- Net foreign assets (-0.5%; Jul: -1.4%): Contraction eased as a sharp increase in banking system assets (19.7%; Jul: 12.8%) offset the broader decline (-5.7%; Jul: -5.1%).

Loan growth held steady at 5.4% YoY (Jul: 5.4%) for the second straight month

- By purpose: Working capital grew faster (4.8%; Jul: 4.1%), while residential property loans moderated (6.2%; Jul: 6.4%).
- By sector: Surging growth in finance & insurance (28.6%; Jul: 26.1%), partly offset slower growth in households (5.7%; Jul: 5.8%).
- MoM (0.3%; Jul: 0.4%): Momentum slowed to a four-month low, adding RM7.5b (Jul: RM8.9b).

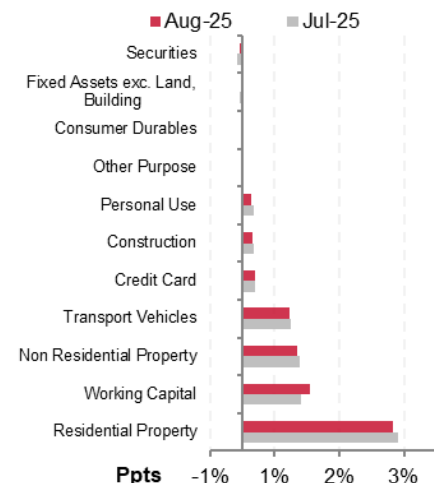
Deposit growth inched up slightly to 3.8% YoY (Jul: 3.7%) a four-month high

- Reason: Driven by higher currency deposits (17.0%; Jul: 13.7%), and fixed deposits (2.7%; Jul: 2.3%), contributing a combined 2.9 ppts (Jul: 2.4 ppts) to overall growth.
- MoM (-0.3%; Jul: 0.3%): Fell to a three-month low, subtracting RM6.6b (Jul: RM6.9b).

2025 loan growth forecast maintained at 5.5% - 6.0% (2024: 5.5%) on steady domestic expansion

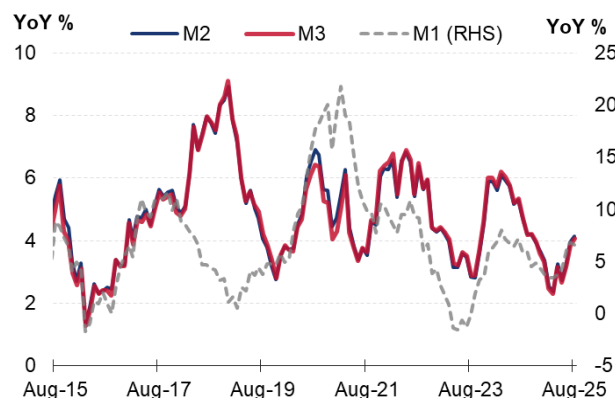
- Drivers: We continue to expect a steady loan growth towards the end of the year, supported by earlier SRR and OPR cuts, resilient consumer spending, steady labour market, and rising household incomes. Fiscal support will add momentum, with targeted cash aid and lower fuel prices sustaining demand.
- OPR Outlook: With loan growth and economic activity steady, we see limited scope for BNM to adjust rates in the near term. Risks from higher US tariffs on exports remain, but domestic factors provide some buffer. That said, our view is unchanged, BNM will hold the overnight policy rate (OPR) at 2.75% in its final MPC meeting for the year in November. Nevertheless, policy easing may resume if domestic demand weakens from external spillovers and shocks. For now, BNM is expected to stay cautious, assessing the impact of past cuts while favouring targeted measures over broad policy shifts.

Graph 1: Loan Growth by Purpose (ppts)



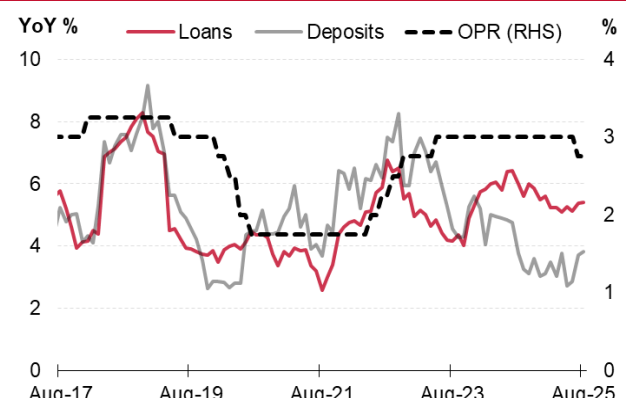
Source: BNM, Macrobond, Kenanga Research

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	Aug-24	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25
M1	% MoM				0.1	0.8	-0.7	0.0	2.8	-0.2	-0.1
	Chg (RM b)	24.7	35.5	28.0	0.8	5.5	-4.6	0.3	18.5	-1.4	-0.7
	% YoY	4.3	5.9	4.4	6.0	3.4	3.8	4.4	6.1	6.8	6.6
M2	% MoM				-0.3	0.3	0.5	-0.3	0.4	0.5	-0.1
	Chg (RM b)	92.5	132.7	87.8	-7.9	8.6	11.7	-6.6	10.3	12.0	-3.7
	% YoY	4.3	5.9	3.7	4.7	2.4	3.2	2.7	3.3	3.9	4.1
M3	% MoM				-0.4	0.3	0.5	-0.3	0.3	0.5	-0.2
	Chg (RM b)	93.9	136.4	86.4	-9.0	7.1	12.6	-7.2	7.9	12.8	-4.1
	% YoY	4.3	6.0	3.6	4.7	2.3	3.2	2.7	3.2	3.8	4.1
Loans	% MoM				0.3	0.6	0.0	0.4	0.7	0.4	0.3
	Chg (RM b)	108.9	107.4	117.3	6.2	14.1	-1.1	9.7	15.0	8.9	7.5
	% YoY	5.7	5.3	5.5	6.0	5.2	5.1	5.3	5.1	5.4	5.4
Deposit	% MoM				-0.3	0.4	0.2	-0.6	0.1	0.3	-0.3
	Chg (RM b)	132.0	132.1	75.3	-8.7	9.5	5.8	-14.5	3.5	6.9	-6.6
	% YoY	5.9	5.6	3.0	3.8	3.0	3.8	2.7	2.9	3.7	3.8
LCR*	(%)	152.1	161.0	160.7	145.5	151.6	156.1	150.4	160.6	158.4	146.8

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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