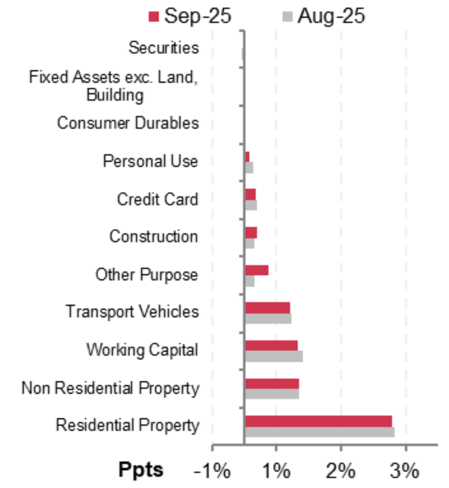
Malaysia Money & Credit

September M3 and deposits hit 14-month highs; loan growth edged higher

- **Broad money (M3) growth expanded for the fourth straight month in September to 4.4% YoY (Aug: 4.1%), a 14-month high**
  - **Key drivers:** Stronger foreign currency deposits (17.2%; Aug: 10.5%), demand deposits (8.7%; Aug: 7.3%) and savings deposits (3.7%; Aug: 2.2%) contributed a combined of 4.0 ppts (Aug: 2.9 ppts) to overall M3 growth.
  - MoM (0.4%; Aug: -0.2%): Rebounded, after a brief contraction in August, adding RM10.7b to the system.
- **Higher private sector activity and net foreign assets lifted M3 growth, offsetting weaker government spending**
  - **Net claims on government** (-0.5%; Aug: -0.04%): Contracted for the second straight month, as higher government deposits (16.5%; Aug: 15.5%) outweighed government claims (2.6%; Aug: 2.8%).
  - **Claims on private sector** (5.7%; Aug: 5.5%): Rose to the highest since March 2019 (7.9%) on stronger holdings of securities (9.1%; Aug: 5.3%) and positive loans (5.3%; Aug: 5.5%) growth.
  - **Net foreign assets** (5.3%; Aug: -0.5%): Rebounded to a 13-month high, driven by higher BNM's net foreign assets (6.2%; Aug: -5.7%) despite slower foreign assets in the banking system (2.4%; Aug: 19.7%).

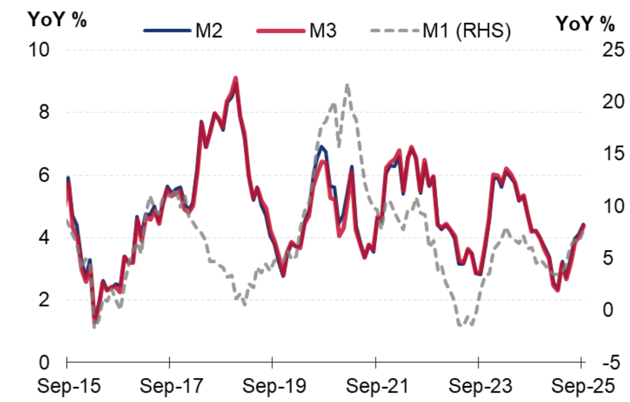
Graph 1: Loan Growth by Purpose (ppts)



Source: BNM, Macrobond, Kenanga Research

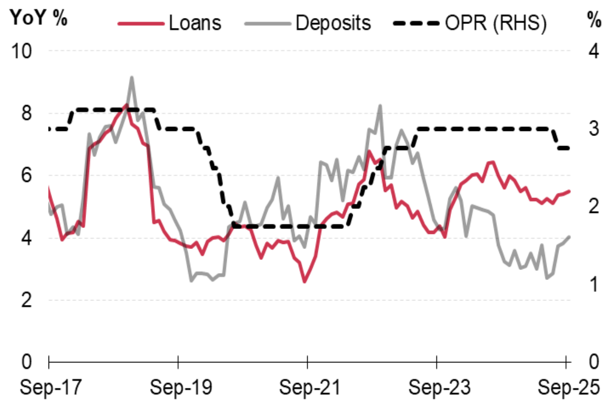
- **Loan growth edged up to 5.5% YoY (Aug: 5.4%), an eight-month high**
  - **By purpose**: Higher growth in other purposes (10.4%; Aug: 4.1%) and construction (6.9%; Aug: 6.0%) led the expansion. Residential property loans (6.2%; Aug: 6.4%) slowed slightly, but its contribution to overall growth stayed at 2.3 ppts (Aug: 2.3 ppts).
  - **By sector:** Faster growth in manufacturing (5.9%; Aug: 3.2%) sector, partly offset weaker growth in agriculture (-4.7%; Aug: -8.6%). Nevertheless, growth remain supported by household (5.5%; Aug: 5.7%) albeit slightly slower, contributing 3.3 ppts (Aug: 3.4 ppts) to overall loan growth.
  - MoM (0.5%; Aug: 0.3%): Strongest in three months, adding RM11.2b (Aug: RM7.5b).
- **Deposit growth rose to 4.0% YoY (Aug: 3.8%), a 14-month high**
  - **Reason:** Driven by higher foreign currency deposits (25.9%; Aug: 17.0%), followed by demand (10.0%; Aug: 7.9%), and saving (3.7%; Aug: 2.2%) deposits, contributing a combined 4.9 ppts (Aug: 3.5 ppts) to overall growth.
  - MoM (0.9%; Aug: -0.3%): Rebounded sharply to 21-month high, adding RM24.2b (Aug: -RM6.6b).
- **2025 loan growth forecast maintained at 5.5% - 6.0% (2024: 5.5%) and projected to slow to 5.0% - 5.5% in 2026**
  - **Drivers**: Loan growth is expected to expand steadily into year end, then ease slightly in 2026. Support comes from a favourable policy-rate setting and resilient domestic demand, underpinned by ongoing fiscal spending and a stable labour market.
  - **OPR Outlook**: BNM is expected to keep its OPR unchanged in its final MPC meeting of the year, slated on 6 November. Growth momentum remains stable as shown by DOSM's 3Q25 Advance GDP estimate of 5.2% (KIBB: 5.0%). The impact of higher US tariffs may be delayed to 1H26, though domestic resilience should provide support.

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth vs BNM OPR



Source: BNM, Macrobond, Kenanga Research

Table 1: Money Supply, Loan and Deposit Growth Trend

		2022	2023	2024	Sep-24	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
	% MoM				1.2	-0.7	0.0	2.8	-0.2	-0.1	2.2
M1	Chg (RM b)	24.7	35.5	28.0	7.4	-4.6	0.3	18.5	-1.4	-0.7	14.8
	% YoY	4.3	5.9	4.4	6.0	3.8	4.4	6.1	6.8	6.6	7.7
	% MoM				0.1	0.5	-0.3	0.4	0.5	-0.1	0.4
M2	Chg (RM b)	92.5	132.7	87.8	3.1	11.7	-6.6	10.3	12.0	-3.7	10.5
	% YoY	4.3	5.9	3.7	4.2	3.2	2.7	3.3	3.9	4.1	4.4
	% MoM				0.1	0.5	-0.3	0.3	0.5	-0.2	0.4
M3	Chg (RM b)	93.9	136.4	86.4	3.1	12.6	-7.2	7.9	12.8	-4.1	10.7
	% YoY	4.3	6.0	3.6	4.2	3.2	2.7	3.2	3.8	4.1	4.4
	% MoM				0.4	0.0	0.4	0.7	0.4	0.3	0.5
Loans	Chg (RM b)	108.9	107.4	117.3	9.0	-1.1	9.7	15.0	8.9	7.5	11.2
	% YoY	5.7	5.3	5.5	5.6	5.1	5.3	5.1	5.4	5.4	5.5
	% MoM				0.7	0.2	-0.6	0.1	0.3	-0.3	0.9
Deposit	Chg (RM b)	132.0	132.1	75.3	18.5	5.8	-14.5	3.5	6.9	-6.6	24.2
	% YoY	5.9	5.6	3.0	3.3	3.8	2.7	2.9	3.7	3.8	4.0
LCR*	(%)	152.1	161.0	160.7	146.6	156.1	150.4	160.6	158.4	146.8	151.5

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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