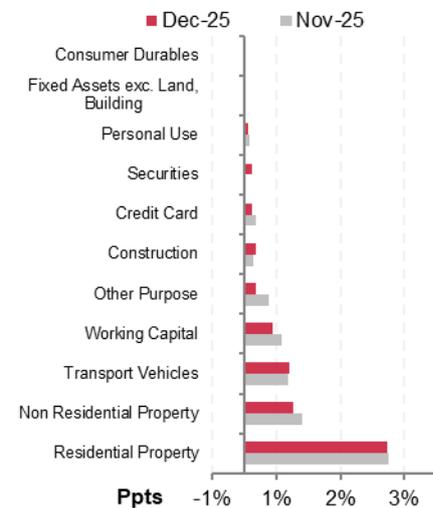


Malaysia Money & Credit

M3 surged in December, but loan growth slips to 26-month low

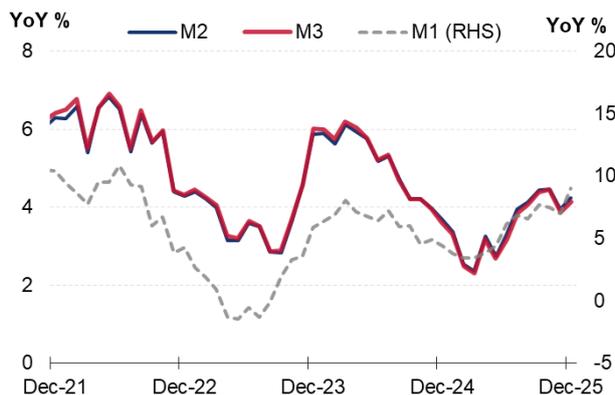
- Broad money (M3) growth expanded to 4.1% YoY (Nov: 3.9%) in December, after it dipped to a four-month low in the previous month**
 - Key drivers:** Growth was driven mainly by a surge in demand deposits (10.3%; Nov: 7.5%), contributing 2.1 ppts (Nov: 1.5%) to overall M3 growth. However, the momentum was partially capped by slower foreign currency deposits (2.2%; Nov: 6.7%).
 - MoM (1.6%; Nov: 0.1%): It's highest since March 2018, adding RM41.3b, the largest monthly increase on record.
- Firmer private sector activity partially offset lower net foreign assets**
 - Net claims on government** (1.3%; Nov: 1.3%): Unchanged for a second month as weaker government deposits (-3.9%; Nov: -5.2%) were partly offset by higher government claims (0.5%; Nov: 0.1%).
 - Claims on private sector** (6.0%; Nov: 5.9%): Edged higher, lifted by stronger securities (12.5%; Nov: 10.9%), while loans (5.1%; Nov: 5.2%) eased slightly.
 - Net foreign assets** (1.5%; Nov: 7.0%): Slowed sharply to a four-month low, reflecting weaker BNM net foreign assets (-1.8%; Nov: 7.8%), partly cushioned by higher banking system foreign assets (13.2%; Nov: 4.2%), largely a reflection of large repatriation of export receipts.
- Loan growth slowed to 4.8% YoY (Nov: 5.2%), the lowest since October 2023 (4.0%) and below house projection (5.5% - 6.0%)**
 - By purpose:** Weighed down by slower working capital (2.0%; Nov: 2.6%), non-residential property (6.4%; Nov: 7.4%) and other purposes (5.2%; Nov: 10.7%), cutting their combined contributions to 1.4 ppts (Nov: 1.9 ppts).
 - By sector:** Slower lending to finance & insurance (7.0%; Nov: 19.8%), manufacturing (0.9%; Nov: 2.3%), wholesale & retail trade, motor (0.7%; Nov: 2.6%) and real estate (5.4%; Nov: 7.4%) lowered their combined contribution to 0.9 ppts (Nov: 1.9 ppts). Household loan growth eased slightly to 5.3% (Nov: 5.4%), with its contribution unchanged at 3.2 ppts (Nov: 3.2 ppts) for a second straight month.
 - MoM (0.4%; Nov: 0.5%): Moderated to a four-month low, below the long-term average of 0.8%, adding RM9.0b (Nov: RM11.4b), the smallest increase in four months.
- Deposit growth rose to 3.4% YoY (Nov: 2.7%), after easing in the previous month**
 - Reason:** Supported by strong demand deposits (10.0%; Nov: 6.7%), and higher other deposit accepted (8.5%; Nov: 1.8%), lifting their combined contributions to 2.9 ppts (Nov: 1.6 ppts).
 - MoM (1.4%; Nov: -0.1%): Rebounded sharply after two straight months of decline, adding RM37.5b (Nov: -RM1.6b), the highest since February 2023 (RM39.0b).
- After 2025 loan growth missed our estimate, we now expect it to expand within 5.0% - 5.5% in 2026, supported by a favourable base effect and steady domestic demand**
 - Drivers:** Loan growth is expected to hold near current levels in the near term given the high base in early 2025. Seasonal demand ahead of Chinese New Year in February and Eid al-Fitr in March should provide support. The overall outlook remains cautiously optimistic as resilient domestic demand underpins credit growth.
 - OPR Outlook:** No change to our policy rate view. We expect BNM to keep the OPR unchanged at 2.75% through 2026, barring unexpected global shocks. With GDP growth steady and inflation manageable, BNM has room to prioritise financial stability amid global uncertainty.

Graph 1: Loan Growth by Purpose (ppts)



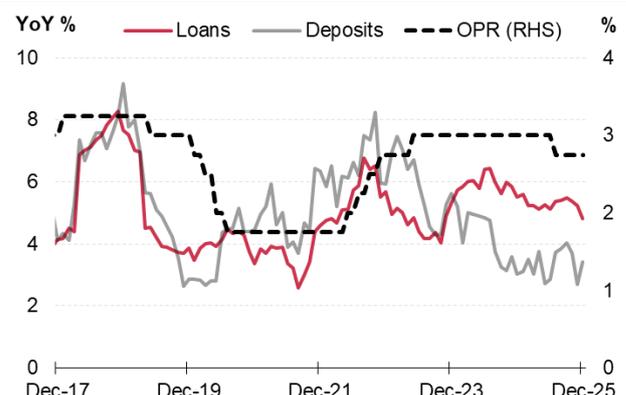
Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth vs BNM OPR



Source: BNM, Macrobond, Kenanga Research

03 February 2026

Table 1: Money Supply, Loan and Deposit Growth Trend

		2024	2025	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
M1	% MoM			1.7	-0.5	-0.2	0.8	-0.7	0.0	2.8	-0.2	-0.1	2.2	-0.1	1.0	3.7
	Chg (RM b)	28.0	59.9	11.4	-3.1	-1.4	5.5	-4.6	0.3	18.5	-1.4	-0.7	14.8	-0.9	7.0	25.8
	% YoY	4.4	9.0	4.4	3.8	3.4	3.4	3.8	4.4	6.1	6.8	6.6	7.7	7.5	6.9	9.0
M2	% MoM			1.4	0.1	-0.4	0.3	0.5	-0.3	0.4	0.5	-0.1	0.4	0.9	0.2	1.7
	Chg (RM b)	87.8	105.0	34.0	2.3	-9.0	8.6	11.7	-6.6	10.3	12.0	-3.7	10.5	21.5	4.5	42.8
	% YoY	3.7	4.2	3.7	3.4	2.5	2.4	3.2	2.7	3.3	3.9	4.1	4.4	4.5	3.9	4.2
M3	% MoM			1.4	0.2	-0.4	0.3	0.5	-0.3	0.3	0.5	-0.2	0.4	1.0	0.1	1.6
	Chg (RM b)	86.4	102.9	33.4	3.8	-9.2	7.1	12.6	-7.2	7.9	12.8	-4.1	10.7	24.1	3.1	41.3
	% YoY	3.6	4.1	3.6	3.3	2.5	2.3	3.2	2.7	3.2	3.8	4.1	4.4	4.5	3.9	4.1
Loans	% MoM			0.8	0.3	0.1	0.6	0.0	0.4	0.7	0.4	0.3	0.5	0.5	0.5	0.4
	Chg (RM b)	117.3	108.5	17.2	7.7	2.5	14.1	-1.1	9.7	15.0	8.9	7.5	11.2	12.6	11.4	9.0
	% YoY	5.5	4.8	5.5	5.6	5.2	5.2	5.1	5.3	5.1	5.4	5.4	5.5	5.4	5.2	4.8
Deposit	% MoM			0.7	0.0	0.9	0.4	0.2	-0.6	0.1	0.3	-0.3	0.9	0.0	-0.1	1.4
	Chg (RM b)	75.3	87.3	19.0	0.1	23.0	9.5	5.8	-14.5	3.5	6.9	-6.6	24.2	-0.5	-1.6	37.5
	% YoY	3.0	3.4	3.0	3.1	3.5	3.0	3.8	2.7	2.9	3.7	3.8	4.0	3.7	2.7	3.4
LCR*	(%)	160.2	153.8	160.7	157.8	154.4	151.6	156.1	150.3	160.5	158.4	146.8	151.5	147.5	145.6	154.8

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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