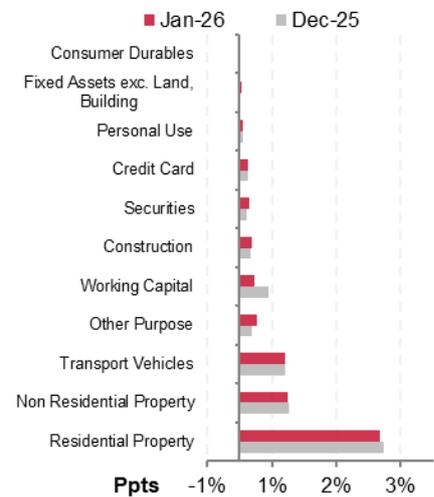


Malaysia Money & Credit (Jan 2026)

Liquidity softens but seasonal loan rebound still expected

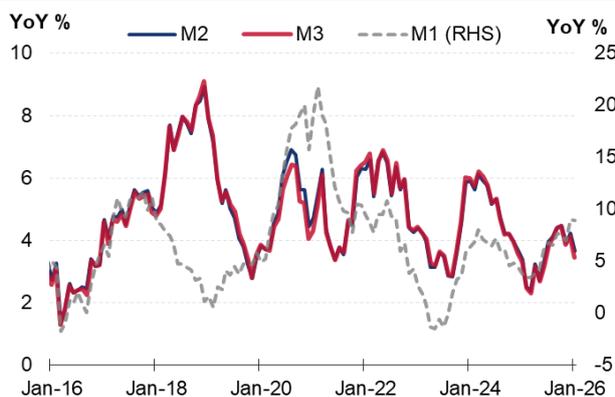
- Broad money (M3) growth slowed sharply to 3.4% YoY (Dec: 4.1%), the lowest in seven months**
 - Key drivers:** The slowdown was mainly due to weaker foreign currency deposits (-2.6%; Dec: 2.2%), subtracting 0.3 ppts (Dec: 0.3%) from overall M3 growth. However, strong demand deposits (11.0%; Dec: 10.3%) helped partly offset the slowdown.
 - MoM (-0.5%; Dec: 1.6%): The sharpest monthly fall since July 2016 (-0.8%), contracting by RM13.1b, after December's record jump.
- Weak government activity and lower net foreign assets dragged M3**
 - Net claims on government** (-1.6%; Dec: 1.3%): Fell to a seven-month low due to weaker government deposits (-2.3%; Dec: -3.9%) and lower claims (-1.7%; Dec: 0.5%).
 - Claims on private sector** (5.9%; Dec: 6.0%): Edged lower due to slower loan growth (5.0%; Dec: 5.1%) but was partly supported by strong securities (13.0%; Dec: 12.5%), nearly hitting a seven-year high.
 - Net foreign assets** (0.7%; Dec: 1.5%): Slowed to a five-month low amid weaker BNM net foreign assets (-1.0%; Dec: -1.8%), and sharply slower banking system foreign assets (6.0%; Dec: 13.2%) due to ongoing repatriation and conversion of foreign proceeds.
- Loan growth eased slightly to 4.7% YoY (Dec: 4.8%), the slowest since October 2023 (4.0%)**
 - By purpose:** Slower working capital (1.1%; Dec: 2.0%), residential property (5.8%; Dec: 5.9%) and non-residential property (6.2%; Dec: 6.4%). Their combined contributions declined to 3.2 ppts (Dec: 3.4 ppts).
 - By sector:** Lending slowed to real estate (4.6%; Dec: 5.6%), manufacturing (0.5%; Dec: 0.9%), and other sector (18.6%; Dec: 26.0%), pulling their combined contribution down to 0.4 ppts (Dec: 0.5 ppts). Household loan growth (5.3%; Dec: 5.3%) remained steady for the second month.
 - MoM (0.2%; Dec: 0.4%): Slowed to a nine-month low, adding RM5.0b (Dec: RM9b), the smallest increase in nine months.
- Deposit growth slowed sharply to 2.8% YoY (Dec: 3.4%), a two-month low**
 - Reason:** The deceleration was due to slower foreign currency deposits (1.8%; Dec: 6.8%) and fixed deposits (1.1%; Dec: 1.6%). Repurchase agreements (-22.9%; Dec: -20.3%) continued to decline for the ninth straight month. Combined, these components reduced overall deposit growth by 0.3 ppts (Dec: 0.5 ppts).
 - MoM (-0.6%; Dec: 1.4%): Contracted after a sharp rebound previously, falling by RM15.8b (Dec: RM37.5b), the largest decline since April 2021 (-RM16.3b).
- We maintain our forecast for loan growth to expand within 5.0% - 5.5% in 2026 (2025: 4.8%), supported by a favourable base effect at end-2025 and steady domestic demand**
 - Drivers:** Despite the soft start in January, we expect loan momentum to gradually pick up toward year-end. Current performance aligns with seasonal trend, as January and February typically record weaker MoM growth. Nonetheless, seasonal demand (Chinese New Year and Eid al-Fitr) should provide near term support.
 - OPR Outlook:** We expect BNM to keep the OPR unchanged at 2.75% at the upcoming Monetary Policy Committee meeting on 5 March. With GDP growth steady and inflation manageable, supported by stable demand and ample supply, we expect the OPR to remain unchanged through 2026, barring unexpected global shocks.

Graph 1: Loan Growth by Purpose (ppts)



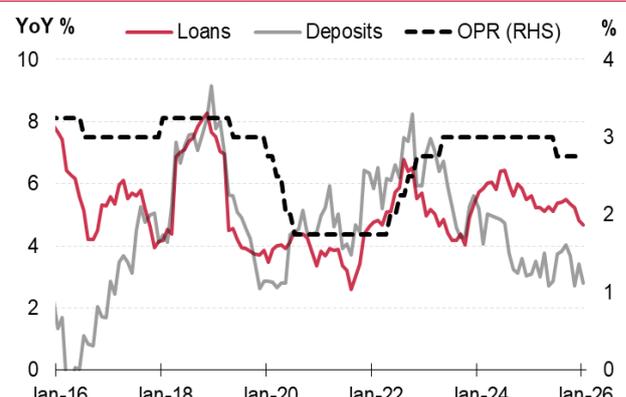
Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth vs BNM OPR



Source: BNM, Macrobond, Kenanga Research

02 March 2026

Table 1: Money Supply, Loan and Deposit Growth Trend

	2024	2025	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	
M1																
% MoM			-0.5	-0.2	0.8	-0.7	0.0	2.8	-0.2	-0.1	2.2	-0.1	1.0	3.7	-0.6	
Chg (RM b)	28.0	59.9	-3.1	-1.4	5.5	-4.6	0.3	18.5	-1.4	-0.7	14.8	-0.9	7.0	25.8	-4.1	
% YoY	4.4	9.0	3.8	3.4	3.4	3.8	4.4	6.1	6.8	6.6	7.7	7.5	6.9	9.0	8.9	
M2																
% MoM			0.1	-0.4	0.3	0.5	-0.3	0.4	0.5	-0.1	0.4	0.9	0.2	1.7	-0.5	
Chg (RM b)	87.8	105.0	2.3	-9.0	8.6	11.7	-6.6	10.3	12.0	-3.7	10.5	21.5	4.5	42.8	-11.9	
% YoY	3.7	4.2	3.4	2.5	2.4	3.2	2.7	3.3	3.9	4.1	4.4	4.5	3.9	4.2	3.7	
M3																
% MoM			0.2	-0.4	0.3	0.5	-0.3	0.3	0.5	-0.2	0.4	1.0	0.1	1.6	-0.5	
Chg (RM b)	86.4	102.9	3.8	-9.2	7.1	12.6	-7.2	7.9	12.8	-4.1	10.7	24.1	3.1	41.3	-13.1	
% YoY	3.6	4.1	3.3	2.5	2.3	3.2	2.7	3.2	3.8	4.1	4.4	4.5	3.9	4.1	3.4	
Loans																
% MoM			0.3	0.1	0.6	0.0	0.4	0.7	0.4	0.3	0.5	0.5	0.5	0.4	0.2	
Chg (RM b)	117.3	108.5	7.7	2.5	14.1	-1.1	9.7	15.0	8.9	7.5	11.2	12.6	11.4	9.0	5.0	
% YoY	5.5	4.8	5.6	5.2	5.2	5.1	5.3	5.1	5.4	5.4	5.5	5.4	5.2	4.8	4.7	
Deposit																
% MoM			0.0	0.9	0.4	0.2	-0.6	0.1	0.3	-0.3	0.9	0.0	-0.1	1.4	-0.6	
Chg (RM b)	75.3	87.3	0.1	23.0	9.5	5.8	-14.5	3.5	6.9	-6.6	24.2	-0.5	-1.6	37.5	-15.8	
% YoY	3.0	3.4	3.1	3.5	3.0	3.8	2.7	2.9	3.7	3.8	4.0	3.7	2.7	3.4	2.8	
LCR*	(%)	160.2	153.8	157.8	154.4	151.6	156.1	150.3	160.5	158.4	146.8	151.5	147.5	145.6	154.8	152.2

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%.

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my