

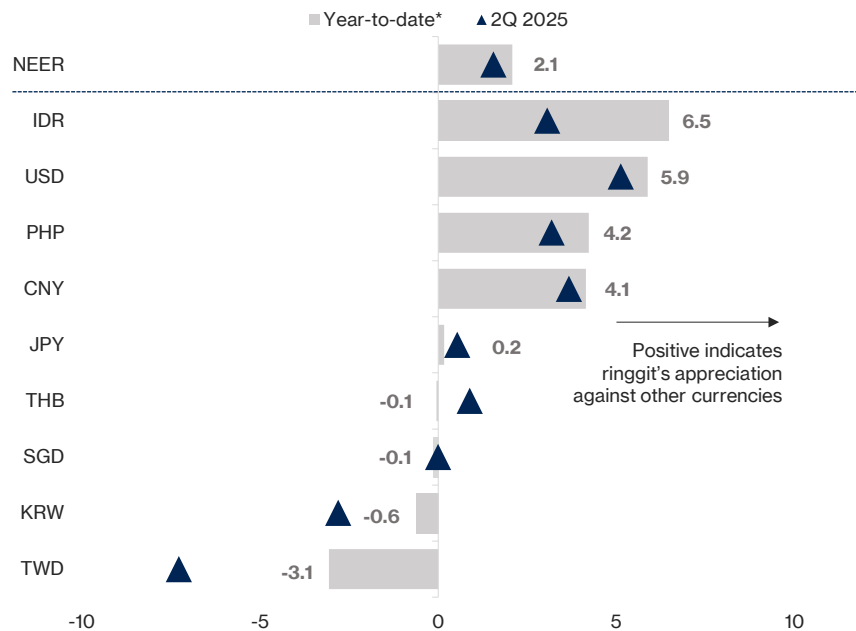
Monetary and Financial Developments

Financial Markets and Exchange Rate

The ringgit appreciated against currencies of major trading partners

Ringgit's appreciation was driven by broad US dollar weakness and sustained global investors' interest in domestic assets, underpinned by resilient domestic economic prospects.

Performance of the ringgit against selected major and regional currencies % year-to-date and quarter-on-quarter



Note: *YTD as of 13 Aug 2025.
NEER refers to the ringgit nominal effective exchange rate, measuring the ringgit's performance against a basket of currencies of Malaysia's major trading partners.
Source: Bank Negara Malaysia

Domestic financial markets supported by favourable domestic economic conditions in the face of global uncertainties



Bond yields decreased
supported by non-resident inflows into the domestic bond market

MGS 10Y Yield
-30 bps
(1Q 2025: -5 bps)



Equity market rose
in line with global equities, following improved sentiment from the temporary 90-day tariff pause

KLCI
1.3% QoQ
(1Q 2025: -7.8%)

Key factors driving global and domestic markets



Re-allocation of funds away from the US amid investors' concerns on US economic prospects in light of US trade and fiscal policy developments



Global investor risk aversion in response to uncertainties from trade negotiations and geopolitical tensions in the Middle East

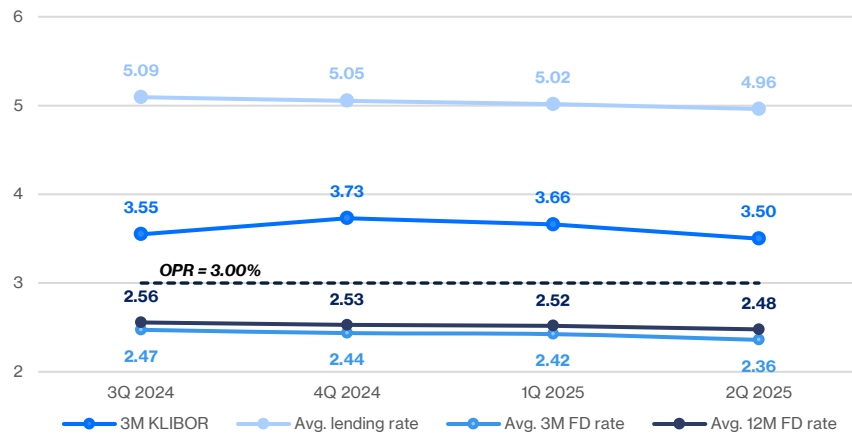
Source: Bank Negara Malaysia, ETP and Bursa Malaysia

Monetary and Financial Developments

Interest Rates and Liquidity

Interbank rates declined following market expectations of a reduction in the Overnight Policy Rate (OPR)

Interest rates,
End-period, %

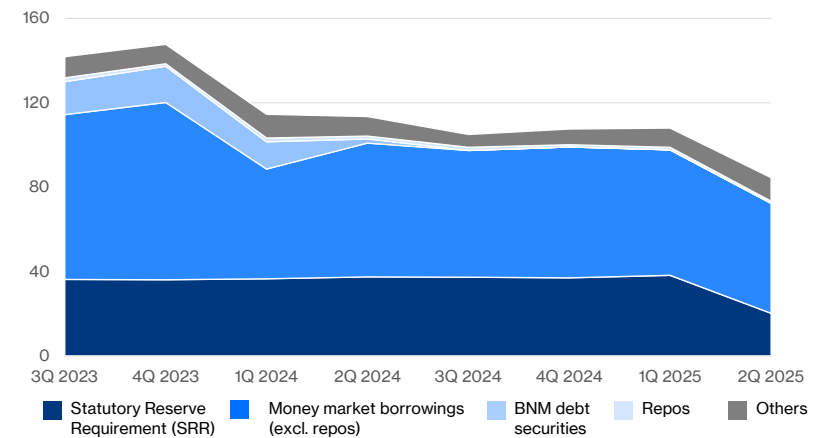


- **The 3M KLIBOR declined** to 3.50% during the quarter as banks priced in expectations of a lower OPR. Following the reduction in the OPR on 9 July 2025, interbank rates trended lower in line with the OPR.
- **Retail board fixed deposit (FD) rates declined slightly** across tenures during the quarter, reflecting shifts in banks' funding strategies amid expectations of a reduction in the OPR.
- **Average lending rate (ALR) on outstanding loans continued to decrease** during the quarter, mainly for business loans.

Source: Bank Negara Malaysia and Bloomberg

Banking system liquidity continued to facilitate financial intermediation

Outstanding ringgit liquidity placed with BNM,
End-period, RM billion



- The reduction in SRR ratio from 2% to 1% has facilitated more effective liquidity management by banks across various sources of liquidity, which led to banks reducing borrowings from BNM.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continued to maintain surplus overnight placement with BNM as at end-June 2025.

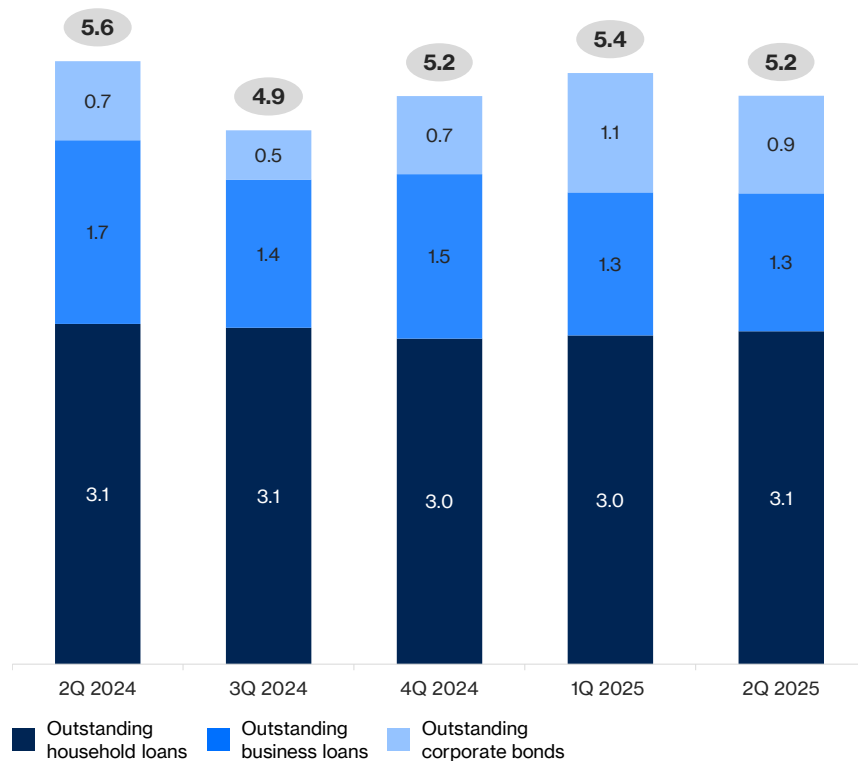
Source: Bank Negara Malaysia

Monetary and Financial Developments

Credit Conditions

Broadly sustained credit growth following steady growth in outstanding loans

Credit to the Private Non-Financial Sector,
Contribution to growth, ppt



Source: Bank Negara Malaysia

Key developments

**Credit to the Private,
Non-Financial Sector¹**

5.2%
1Q 2025: 5.4%

- Growth in outstanding loans² was sustained at 5.5% (1Q 2025: 5.5%) amid steady growth in business and household loans.
- Outstanding corporate bonds grew at a more moderate pace of 4.3% (1Q 2025: 5.3%), following lower bond issuances in the quarter.

**Business
Loans**

4.5%
1Q 2025: 4.6%

- Steady expansion in outstanding business loans at 4.5% reflecting broadly stable growth in loans for both working capital and investment-related³ purposes.
- Sustained demand for financing, especially for investment-related loans, with higher loan applications across SMEs and non-SMEs.

**Household
Loans**

6%
1Q 2025: 6%

- Household loan growth was steady at 6% with sustained loan growth across most purposes.
- Household loan applications also recorded an increase, driven mainly by applications for housing loans.

¹ All numbers quoted are in terms of annual change.

² Refers to loans from banking system and development financial institutions (DFIs).

³ Comprises loans for the purchase of non-residential properties, residential properties for business use, fixed assets as well as for construction activities.

Source: Bank Negara Malaysia