

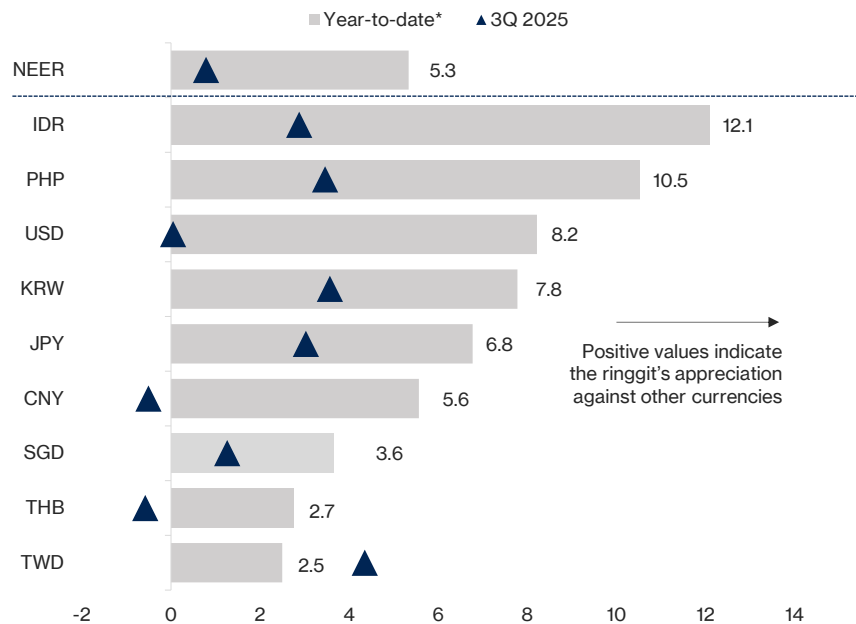
# Monetary and Financial Developments

## Financial Markets and Exchange Rate

### The ringgit appreciated against currencies of most trading partners

The ringgit's appreciation was supported by favourable domestic economic prospects and a weaker outlook for the US dollar, following the US Federal Reserve's policy rate cut in September.

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



Note: \*YTD as of 12 November 2025.  
NEER refers to the ringgit nominal effective exchange rate, which measures the ringgit's performance against a basket of currencies of Malaysia's major trading partners.  
Source: Bank Negara Malaysia

### Domestic financial market developments were driven by both global and domestic factors



#### Stable bond yields

as non-resident outflows were offset by domestic investor demand during the quarter

#### MGS 10Y Yield

**-2 bps**  
(2Q 2025: -30 bps)



#### Equity market rose

in line with global equities, supported by strong domestic corporate earnings

#### KLCI

**+5.1% QoQ**  
(2Q 2025: +1.3%)

### Key factors influencing global and domestic markets



**Expectations of further policy rate cuts by the US Federal Reserve** amid weak labour market conditions and concerns over the US economic growth outlook



**Trade tensions have eased** following trade deal announcements, although they remain elevated



**Positive domestic economic prospects**, supported by resilient economic growth alongside the Government's commitment to structural reforms and fiscal sustainability

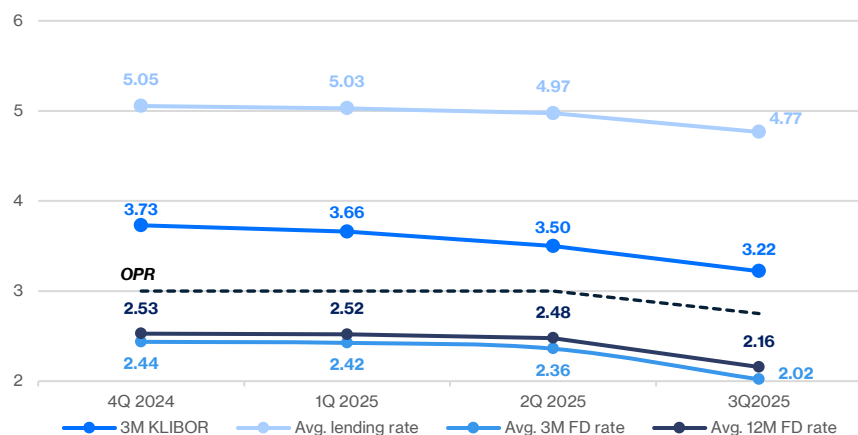
Source: Bank Negara Malaysia, Electronic Trading Platform (ETP) and Bursa Malaysia

## Monetary and Financial Developments

# Interest Rates and Liquidity

### Interest rates declined during the quarter following the Overnight Policy Rate (OPR) reduction

Interest rates,  
End-period, %

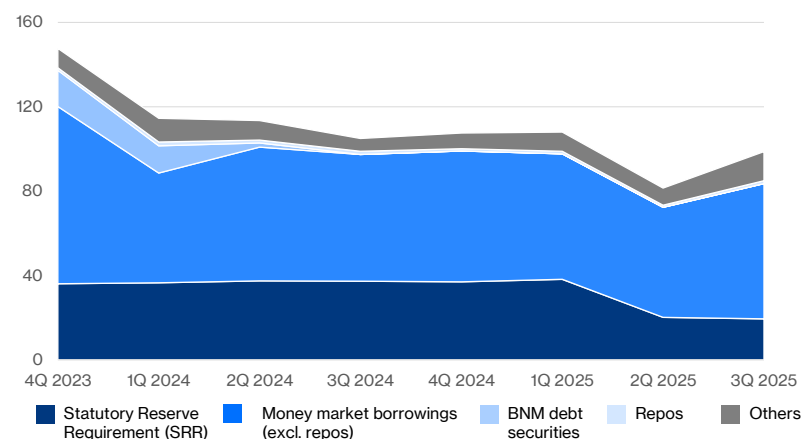


- **Interbank rates declined** during the quarter, reflecting strong and immediate pass-through from the 25 basis points reduction in the OPR on 9 July 2025, with the KLIBOR decreasing by 20 to 24 basis points across tenures within one day of the OPR adjustment.
- Similarly, **retail board fixed deposit (FD) rates declined** between 30 to 33 basis points across tenures of 1 to 12 months during the quarter.
- Reference rates such as the Standardised Base Rate (SBR), Base Rate (BR) and Base Lending Rate (BLR) adjusted fully, reflecting a strong transmission from the OPR reduction. Correspondingly, the **average lending rate (ALR) on outstanding loans declined** by 21 basis points.

Source: Bank Negara Malaysia and Bloomberg

### Banking system liquidity continued to facilitate financial intermediation

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



- **Total banking system liquidity increased** during the quarter amid higher liquidity injection by BNM.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continued to maintain surplus overnight placements with BNM as at end-September 2025.

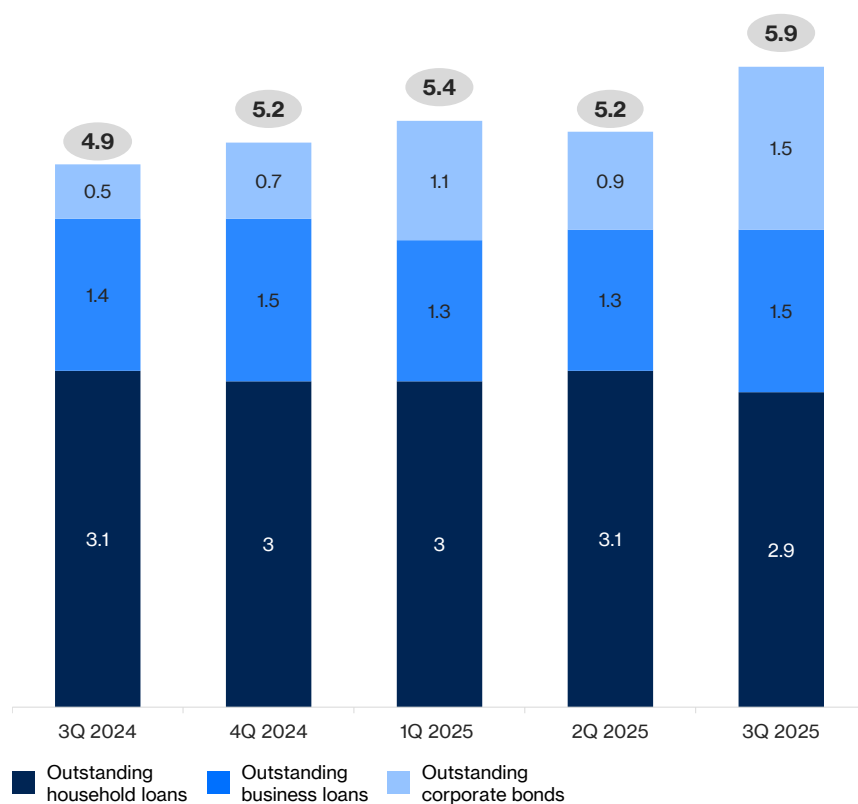
Source: Bank Negara Malaysia

# Monetary and Financial Developments

## Credit Conditions

### Credit growth increased amid higher growth in outstanding corporate bonds and business loans

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



Note: Figures may not add up due to rounding.  
Source: Bank Negara Malaysia

### Key developments

#### Credit to the Private Non-Financial Sector<sup>1</sup>

**5.9%**

2Q 2025: 5.2%

- Growth in outstanding loans<sup>2</sup> was sustained at 5.6% (2Q 2025: 5.5%) following an increase in business loan growth, while household loan growth moderated slightly.
- Outstanding corporate bonds grew at a faster pace of 7.3% (2Q 2025: 4.3%), supported by several large bond issuances.

#### Business Loans

**5.4%**

2Q 2025: 4.5%

- Growth in business loans increased to 5.4%, following higher growth in investment-related<sup>3</sup> loans, particularly among non-SMEs.
- SME loan growth also increased slightly, supported by growth in working capital loans amid sustained level of applications for this purpose.

#### Household Loans

**5.7%**

2Q 2025: 6%

- Household loans grew by 5.7% due to some moderation in loan growth for personal use.
- Notwithstanding, financing demand remained broadly steady across most purposes and continued to be met with sustained approvals.

<sup>1</sup> All numbers quoted are in terms of annual change.

<sup>2</sup> Refers to loans from the banking system and development financial institutions (DFIs).

<sup>3</sup> 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