BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

BNM Quarterly Bulletin

3Q

Third Quarter 2026

The BNM Quarterly Bulletin presents a quarterly review of Malaysia's economic, monetary and financial developments. It includes BNM's latest assessments on the direction of the economy going forward. The Bulletin also provides insights on current economic and financial issues, including highlights of policy initiatives undertaken by BNM in pursuit of its mandates.

Contents

03 Key Highlights

04 International Economic Environment

05 Developments in the Malaysian Economy

10 Monetary and Financial Developments

13 Policy Considerations

15 Macroeconomic Outlook

20 Box Article: Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) Programme

25 Annex

Key Highlights for 3Q 2026

GDP advanced by 5.5% (2Q 2026: 6%)

What are the factors supporting growth?

Strong exports performance
Exports of Goods and Services: 25.2% (2Q 2026: 17%)

Continued household spending
Private Consumption: 4.3% (2Q 2026: 4.8%)

Robust investment activities
Gross Fixed Capital Formation: 8.1% (2Q 2026: 4.6%)

Labour market conditions remained favourable

Low unemployment rate
3%
(2Q 2026: 3%)

Continued growth in wages
4.2%
(2Q 2026: 4.2%)

Headline inflation remained stable at 1.9% (2Q: 1.9%)

What are the key factors affecting inflation?

Higher electricity charges in July and August
Electricity inflation: 2%
(2Q 2026: -3.7%)

Lower fuel prices, particularly diesel prices
Fuel inflation: 1.8%
(2Q 2026: 4.7%)

Lower core inflation accounted mainly by jewellery and watches
Core inflation: 1.7%
(2Q 2026: 1.9%)

The ringgit remained stable against currencies of major trading partners

Ringgit NEER*
-1.4%
(2Q 2026: -0.8%;
YTD: -0.5%)

MYR/USD
-0.2%
(2Q 2026: -0.8%;
YTD: -0.8%)

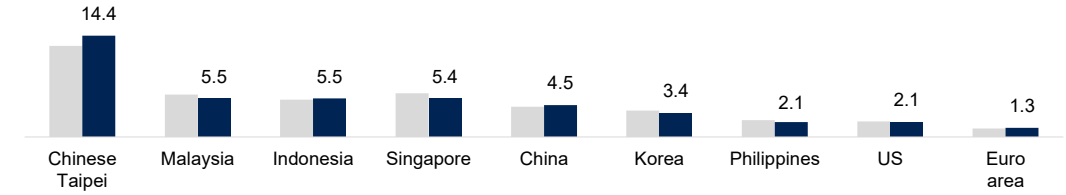
US Dollar Index
+0.3%
(2Q 2026: +1.2%;
YTD: +5.3%)

*NEER: Nominal Effective Exchange Rate
Note: YTD as of 16 November 2026.

Global Economic Performance

Resilient global growth in 3Q26

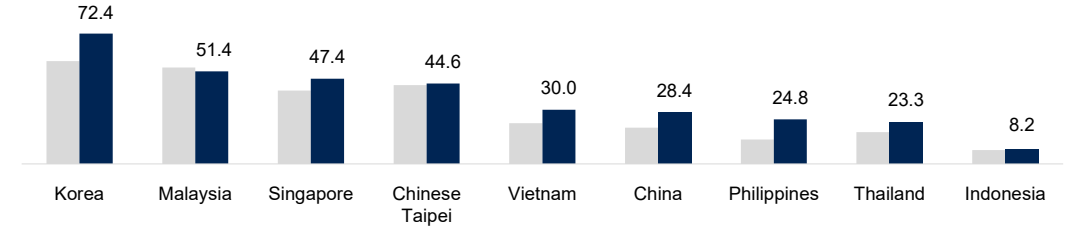
GDP of selected economies,
Annual change, %



Source: National authorities

Robust trade growth among regional economies

Exports of selected economies,
Annual change, % (in USD terms)



Source: National authorities

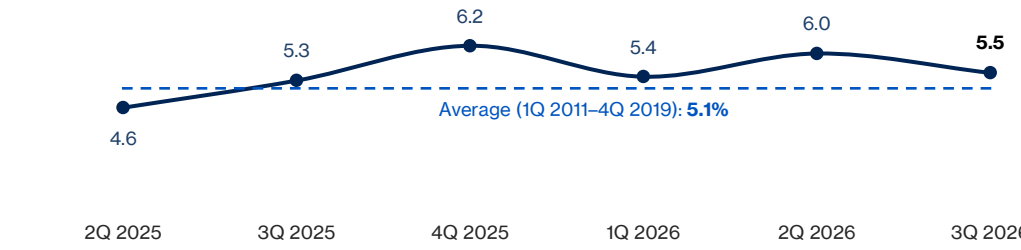
Highlights

- **Growth remained resilient, albeit uneven, in 3Q 2026.** In the US, resilient consumption and AI-related investments supported activity. In China, stronger exports helped offset softer domestic demand.
- **Strong demand for technology products**, particularly AI-related components, boosted exports across several regional economies.
- **Headline inflation remained high.** Renewed energy price pressures amid re-escalation of the Middle East conflict contributed to a pickup in inflation later in the quarter.
- **Of note, Dated Brent crude oil prices remained elevated**, averaging USD97 per barrel in 3Q 2026 (2Q 2026: USD104 per barrel). Supply concerns intensified amid attacks on Red Sea shipping and the Saudi East-West pipeline, compounded by declining inventories. Nevertheless, alternative export arrangements and logistical adaptations in the Gulf region helped sustain crude flows, partially limiting further upward pressure on oil prices.

Gross Domestic Product

GDP advanced by 5.5% in 3Q 2026

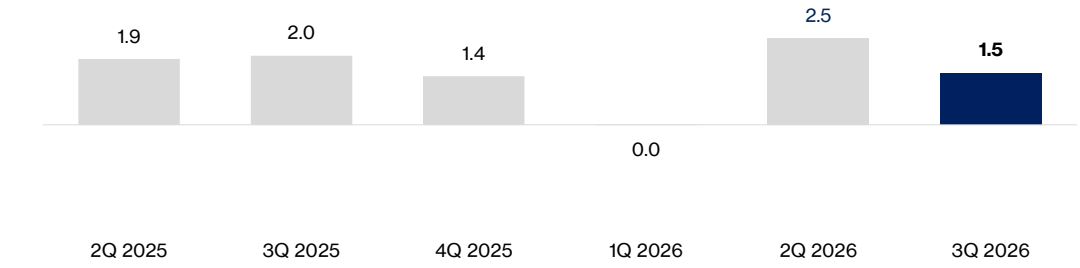
Gross domestic product,
Annual change, %



Source: Department of Statistics, Malaysia

On a QoQ seasonally adjusted basis, the economy expanded by 1.5%

Gross domestic product,
Quarterly change, % (seasonally adjusted)



Source: Department of Statistics, Malaysia

Factors supporting growth in 3Q 2026

Continued growth in household spending, driven by favourable labour market and steady income growth, but growth affected by base effects

Higher private investment underpinned by spending on machinery and equipment, as well as structures

Strong export growth with continued support from tech-related goods and tourism

Factors weighing on growth in 3Q 2026

Lower oil and gas production due to planned maintenance activities

Malaysia's Economic Performance

Continued expansion in domestic demand

Annual change, %

Private Consumption

4.3%
(2Q 2026: 4.8%)

Supported by favourable labour market conditions, but affected by base effect from larger cash transfers in 3Q25

Private Investment

9.4%
(2Q 2026: 4.3%)

Higher investment in both machinery & equipment and structures

Public Consumption

1.2%
(2Q 2026: 7.6%)

Lower spending especially for supplies and services

Public Investment

3%
(2Q 2026: 6.3%)

Weaker capital expenditures by public corporations amid completions of major projects

Net Exports

5.7%
(2Q 2026: 168.5%)

Strong tech-related exports, partially offset by intermediate and capital imports

Source: Department of Statistics, Malaysia

Growth underpinned by strength in manufacturing and services activity

Annual change, %

Services

5.8%
(2Q 2026: 5.9%)

Stronger business-related services growth

Manufacturing

7.7%
(2Q 2026: 7.3%)

Higher growth in E&E production amid strong AI-related demand

Agriculture

1.4%
(2Q 2026: -3.6%)

Stronger palm oil production as yields improved across regions

Mining

-6.1%
(2Q 2026: 9.2%)

Lower oil and natural gas output due to scheduled maintenance activities

Construction

5.9%
(2Q 2026: 6.5%)

Robust non-residential activities offset by slower residential segment

Source: Department of Statistics, Malaysia

Labour Market Conditions

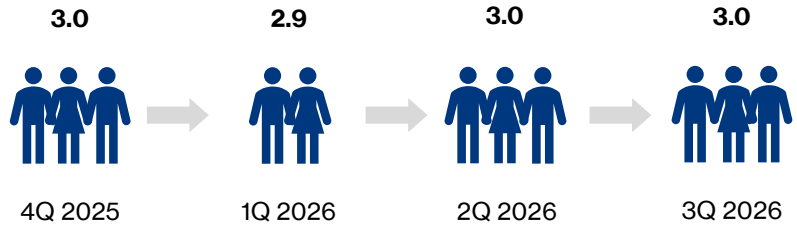
Labour market remained favourable

- The unemployment rate was unchanged at 3% in 3Q 2026 (2Q 2026: 3%, 2015-19: 3.3%).
- Employment edged up to 16.82 million persons in 3Q 2026 (2Q 2026: 16.77 million persons) amid continued demand for labour.
- Labour supply remained forthcoming, with the labour force participation rate increasing marginally to 71% in 3Q 2026 (2Q 2026: 70.9%).

Source: Department of Statistics, Malaysia

Low unemployment rate

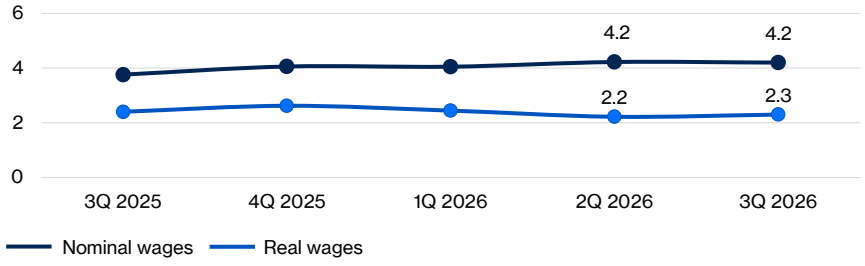
Unemployment rate, % of labour force



Source: Department of Statistics, Malaysia

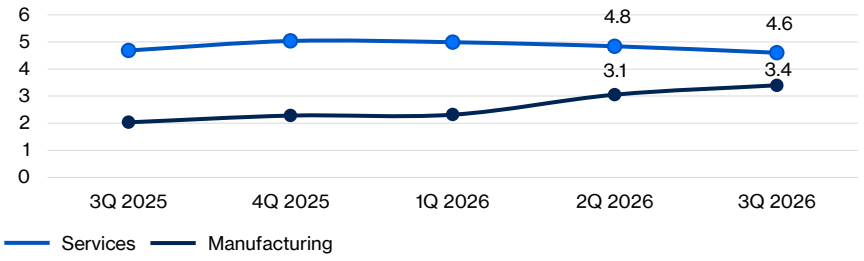
Continued growth in private sector wages

Private sector nominal and real wages,
Annual change, %



Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Sectoral nominal wages,
Annual change, %



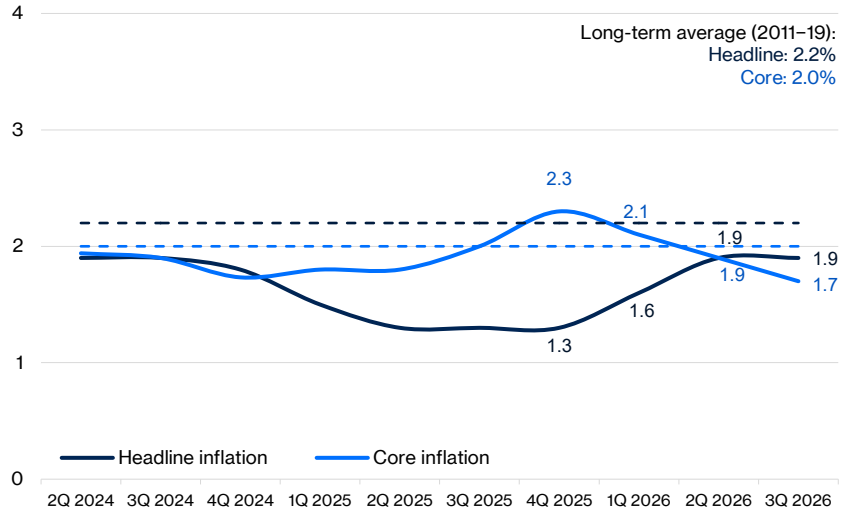
Source: Department of Statistics, Malaysia

Inflation Trend

Headline inflation remained stable, while core inflation moderated further

- Headline inflation remained stable at 1.9%, while core inflation continued to moderate to 1.7%.
- Higher electricity charges, reflecting higher Automatic Fuel Adjustment (AFA) surcharges, were offset by lower fuel prices[1] and lower core inflation. Core inflation eased, driven among others by softer inflation in jewellery and watches.

Headline and core inflation,
Annual change, %

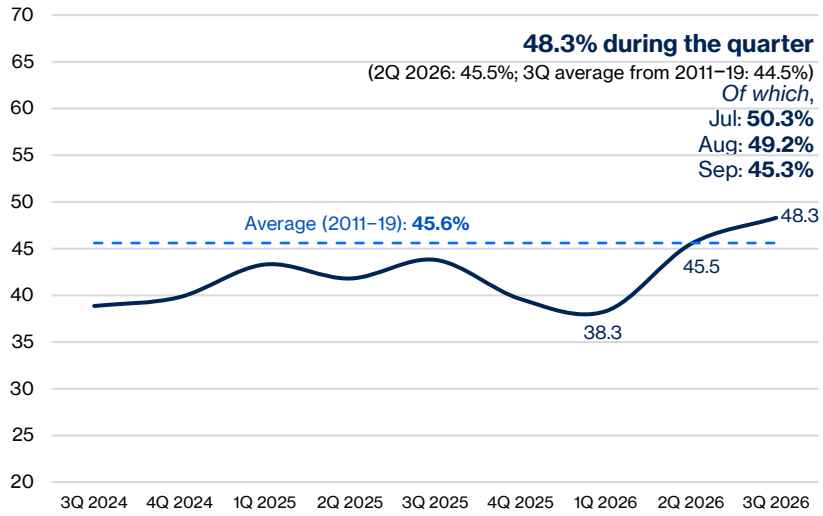


[1] Starting in July, Malaysian users were eligible for a subsidised diesel price of RM2.10/litre up to 200 litres per month under the BUDI Diesel programme, while most Malaysian users of RON95 continued to pay the subsidised price of RM1.99/litre (up to 200 litres) under BUDI95. From September, the combined monthly quota for both BUDI95 and BUDI Diesel was increased to 300 litres. Meanwhile, the average market price of RON97 in 3Q 2026 was lower at RM4.33/litre (2Q 2026: RM4.73/litre).
Note: Core inflation is computed by excluding price-volatile and price-administered items from headline inflation.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Inflation pervasiveness increased in 3Q 2026

- A larger share of CPI items registered month-on-month price increases in 3Q, bringing inflation pervasiveness above its historical average. Within the quarter, however, pervasiveness moderated from July to September.
- Higher pervasiveness in July partly reflected seasonal and idiosyncratic factors. Underlying price pressures remained moderate, with price increases for most items remaining below their historical norms.

CPI items recording month-on-month price increase,
Share, %



Note: The data for 2024 onwards reflect the additional new items in the CPI basket, based on the HIES 2022.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

External Sector Development

Continued exports and imports growth

Gross Exports **46%** 2Q 2026: 42.4%

Strong tech-related exports across E&E and non-E&E goods.

Gross Imports **43.3%** 2Q 2026: 25.2%

Broad-based growth in intermediate, capital and consumption goods.

Source: Department of Statistics, Malaysia

Continued current account surplus and a turnaround in the financial account into inflows

Current Account
RM5.7 billion; 1% of GDP
(2Q 2026: RM10.8 billion; 2%)

Continued surplus given
- Higher goods surplus, driven mainly by tech-related manufacturing exports.
- Narrower secondary income deficit due to stronger receipts.

Which was partially offset by
- Wider primary income deficit due to higher profits recorded by foreign direct investment (FDI) firms.
- Larger services deficit due to higher imports of other business services despite stronger travel and ICT-related receipts.

Financial Account
Net inflows RM19.8 billion
(2Q 2026: Net outflows RM27 billion)

Net inflows in
- Portfolio investments, driven mainly by acquisition of domestic debt securities by non-residents.
- Direct investments, supported by higher net FDI inflows, amounting to RM14.3 billion.
- Other investments, driven mainly by repayment of interbank loans by non-resident banks to resident banks.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Higher external debt

RM1.61 trillion or 74.4% of GDP
(2Q 2026: RM1.51 trillion or 71.6% of GDP)
- Higher trade credits and intercompany loans by corporates.
- Increased deposit placements by non-residents.

External debt remained manageable
% of total external debt

Currency

Ringgit-denominated: 30.1%
Unaffected by ringgit exchange rate fluctuations.

FCY-denominated: 69.9%
Of which 48.4% is subject to BNM's prudential and regulatory requirements and 20.9% are due to intercompany loans, including by multinational corporations.

Maturity

Medium- and long-term: 54.3%
Limited rollover risks.

Net International Investment Position	**-RM36 billion** (2Q 2026: +RM68.3 billion)
International Reserves[2]	**USD132.6 billion** (2Q 2026: USD132.6 billion)

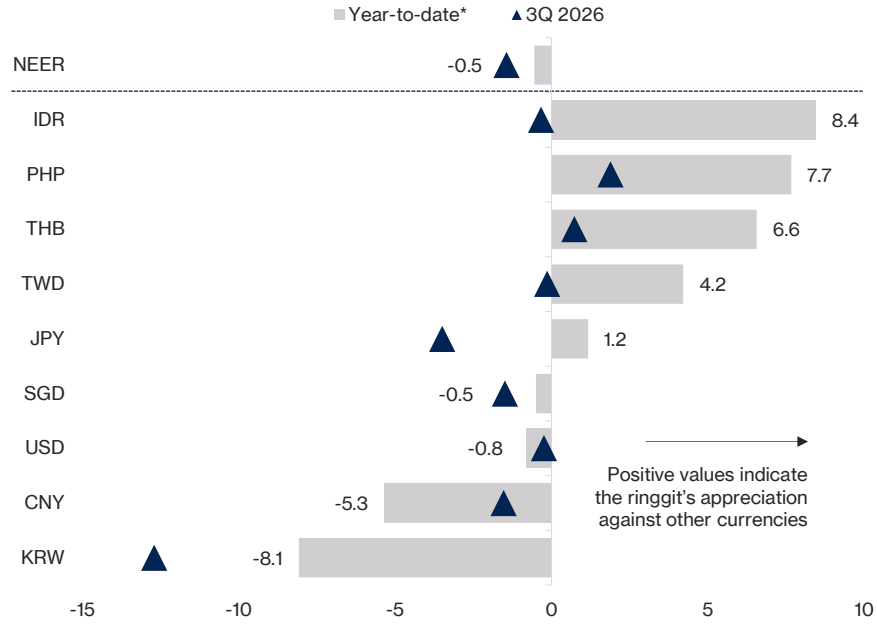
[2] As of 30 October 2026.
Source: Ministry of Finance, Malaysia, Department of Statistics, Malaysia and Bank Negara Malaysia

Financial Markets and Exchange Rate

The ringgit remained stable against currencies of major trading partners

The ringgit's overall performance remained broadly in line with the currencies of Malaysia's major trading partners.

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



Note: *YTD as of 16 November 2026. The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market.
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

Higher bond yields
amid a broader repricing of interest rate expectations globally and an increase in global bond yields

MGS 10Y Yield +42 bps
(2Q 2026: -3 bps)

Equity market declined
driven by net foreign outflows from the domestic market

KLCI -0.8% QoQ
(2Q 2026: -1.6%)

Key factors influencing global and domestic markets in 3Q 2026

Higher global interest rates following central bank rate increases and expectations of further monetary policy tightening amid sustained inflationary pressures

Heightened global risk aversion in line with renewed escalation of the Middle East conflict

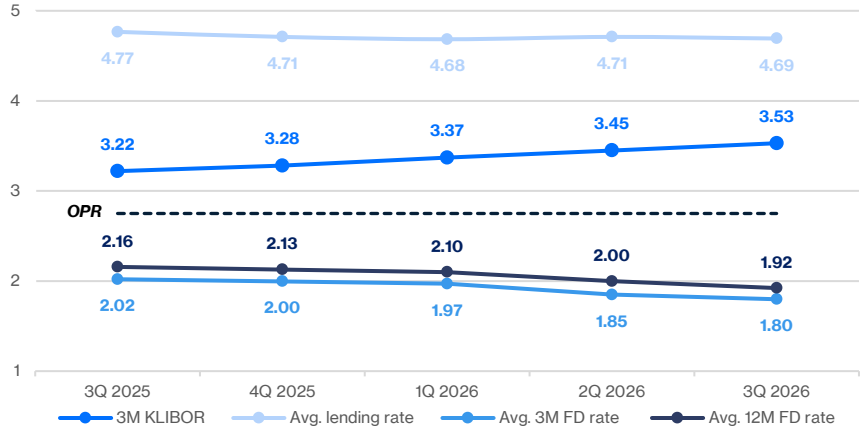
Positive domestic economic prospects, underpinned by resilient economic growth alongside the Government's commitment to ongoing structural reforms

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

Interest Rates and Liquidity

Interbank rates increased while fixed deposit rates declined during the quarter

Interest rates,
End-period, %

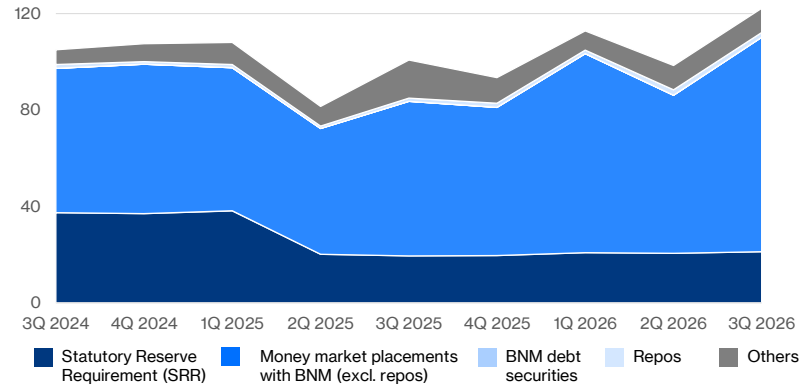


- **The 3M KLIBOR increased** by 8 basis points during the quarter, mainly reflecting higher funding demand by banks towards the end of the quarter.
- **Retail board fixed deposit (FD) rates declined** by 4 to 11 basis points across tenures during the quarter, reflecting banks' funding strategies to manage their cost of funds.
- **Average lending rate (ALR) on outstanding loans remained broadly stable** during the quarter.

Source: Bank Negara Malaysia and Bloomberg

Banking system liquidity remains adequate to support financial intermediation

Ringgit liquidity placed with BNM,
End-period, RM billion



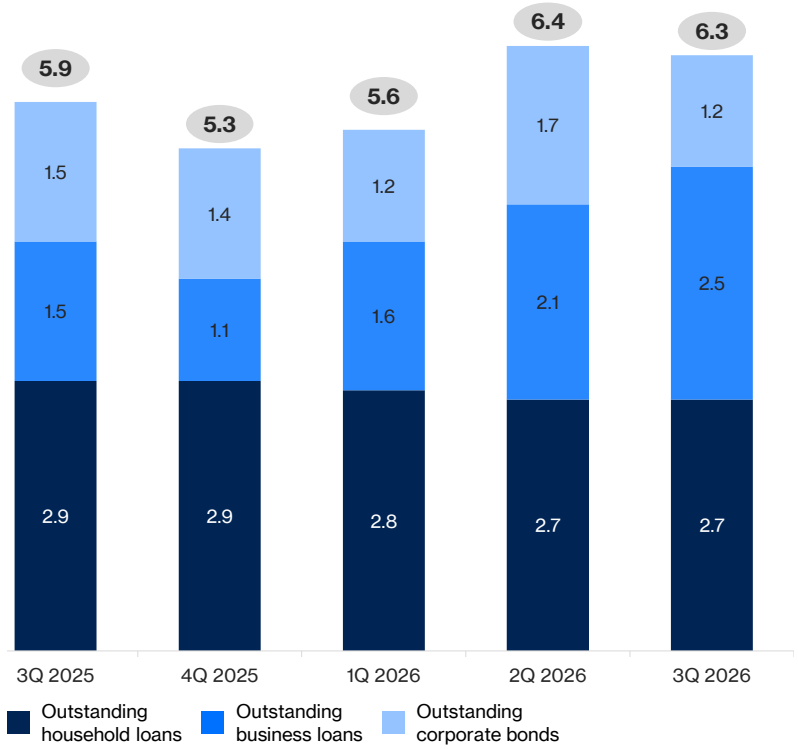
- **Total banking system liquidity increased** during the quarter, resulting in higher money market placements with BNM.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continued to maintain surplus overnight placements with BNM as at end-September 2026.

Source: Bank Negara Malaysia

Credit Conditions

Credit growth remained sustained amid strong business financing demand

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[4]

6.3%
2Q 2026: 6.4%

- Outstanding loans[5] grew by 6.5% (2Q 2026: 6%), attributed to higher business loan growth while household loan growth was sustained.
- Growth of outstanding corporate bonds moderated to 5.7% (2Q 2026: 8.1%), due to lower issuances in the quarter.

Business Loans

8.8%
2Q 2026: 7.3%

- Outstanding business loans expanded by 8.8% (2Q 2026: 7.3%), as stronger growth in working capital loans offset the moderation in investment-related loan growth.[6]
- Meanwhile, new financing demand among businesses increased, reflecting stronger working capital needs alongside sustained demand for investment-related loans.

Household Loans

5.3%
2Q 2026: 5.3%

- Household loan growth sustained at 5.3% (2Q 2026: 5.3%) amid broadly stable growth across most loan purposes.
- This was supported by continued loan disbursements and stable approval rates.

[4] All numbers quoted are in terms of annual change.
[5] Refers to loans from the banking system and development financial institutions (DFIs).
[6] 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

Policy Considerations

Highlights of the November 2026 MPC meeting

- The Monetary Policy Committee (MPC) maintained the OPR at 2.75% at the September 2026 and November 2026 meetings.
- The MPC will remain vigilant to the evolving conditions and assess their implications on the balance of risks surrounding the outlook for domestic inflation and growth.

Monetary policy stance is consistent with the outlook of continued price stability and sustainable economic growth

At the September 2026 and November 2026 MPC meetings, the MPC maintained the OPR at 2.75%.

The latest indicators point to continued resilience in global growth, supported by strong global technology investment and stable labour markets. Inflation has edged up following higher energy costs and is expected to remain elevated given the ongoing pass-through of higher costs to consumer prices. Going forward, while uncertainties surrounding geopolitical developments will continue to weigh on global growth amid continued inflationary pressures, the impact is expected to be cushioned by sustained technology-related spending and the ongoing adaptation to supply constraints. Downside risks to global growth remain, stemming from prolonged geopolitical tensions as well as tighter global financial conditions from monetary policy adjustments, concerns over valuations in financial markets and fiscal vulnerabilities. Upside potential could come from stronger technology spending and a faster-than-expected recovery in supply chain conditions.

For the Malaysian economy, recent indicators point to continued strength in growth in the third quarter of 2026. Growth was underpinned by strong export performance amid sustained domestic demand. The solid growth momentum is expected to bring 2026 growth to above 5%. Looking ahead, the economy's sound fundamentals are expected to keep growth resilient in 2027. The external sector is expected to remain as a major driver of growth, supported by the ongoing global technology upcycle and firm tourist spending. Stable labour market conditions and ongoing investment activity will remain supportive of domestic demand, with measures under Budget 2027 providing further support to private consumption. This growth outlook remains subject to downside risks from a prolonged conflict in the Middle East and lower commodity production. Upside potential to growth could arise from better-than-expected global growth, stronger technology-related export demand and higher tourism activity.

Year-to-date, headline and core inflation averaged 1.8% and 1.9%, respectively. Going into 2027, geopolitical developments, elevated global commodity prices and adverse weather conditions are expected to exert upward pressure on inflation. Consequently, both headline and core inflation are expected to edge higher, albeit remaining contained amid continued domestic policy measures and stable demand conditions. The MPC will remain vigilant to cost pressures and domestic demand conditions given their impact on the inflation outlook.

Policy Considerations

At the current OPR level, the MPC considers the monetary policy stance to be consistent with the outlook of continued price stability and sustainable economic growth. The MPC will remain vigilant to the evolving conditions and assess their implications on the balance of risks surrounding the outlook for domestic inflation and growth.

Global Economic Outlook

Global growth outlook expected to remain resilient for the rest of 2026 before recovering in 2027

Global economy:

- Global growth is projected to remain resilient for the remainder of the year despite uncertainties surrounding the Middle East conflict and higher inflationary pressures that would weigh on growth.
- Going forward, the drag will be cushioned by strong global tech expansion, continued adaptation to supply disruptions and supportive policy measures.
- Global growth is expected to improve in 2027, supported by continued AI-related investment and recovery in global energy markets.

Global trade:

- Global trade growth is projected to remain robust for the remainder of the year, supported by strong technology-related demand, particularly AI-related components.
- Ongoing adaptation to supply disruptions are expected to support trade flows, despite continued uncertainties surrounding the Middle East conflict.
- For 2027, global trade growth will remain supported by continued technology-related demand and ongoing trade reconfiguration.

Balance of risks to global growth remains tilted to the downside

- **Balance of risks remains tilted to the downside**, reflecting mainly continued uncertainties surrounding the Middle East conflict.
- **Downside risks** to growth could also arise from tighter global financial conditions due to tighter monetary policy, concerns over valuations in financial markets and fiscal vulnerabilities.
- **Upside potential** would stem from faster-than-expected recovery in supply chain conditions and stronger tech spending.

Domestic Economic Outlook

Growth to be driven by robust exports and resilient domestic demand

- The solid growth momentum in the first three quarter of the year is expected to bring 2026 growth to above 5%. Looking ahead into 2027, growth is expected to range 4.2% to 5.2%.
- Export growth will continue to be supported by robust demand for tech-related products amid AI-driven global tech upcycle as well as favourable outlook for travel receipts.
- Household spending is expected to remain resilient, supported by favourable labour market condition, steady income growth and continued policy support
- The expansion in investment activity will be driven by the progress of multi-year projects in both the private and public sectors and the continued high realisation of approved investments.
- Budget 2027 measures will provide further impetus to economic activity in 2027 through measures to support household incomes, including cash transfers, reduction in income tax rates, revision to minimum wage, alongside higher funding allocations to strategic sectors.

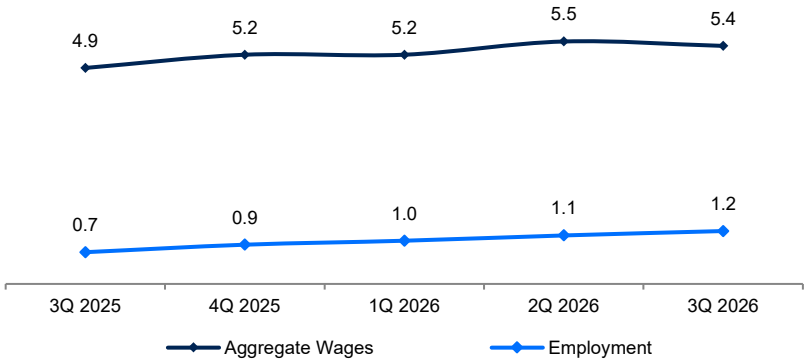
Domestic fundamentals continue to underpin economic resilience against external uncertainties

- **The domestic economy continues to be supported by resilient fundamentals.** The outlook, however, is subject to uncertainties stemming mainly from heightened global developments.
- **Downside risks to growth outlook** include a prolonged conflict in the Middle East and lower commodity production.
- **Upside potential to growth outlook** could arise from better-than-expected global growth, stronger technology-related export demand and higher tourism activity

Domestic Demand Conditions

Household spending will be driven by steady income growth and continued policy measures

Nominal aggregate wages[7] and employment
Annual change, %

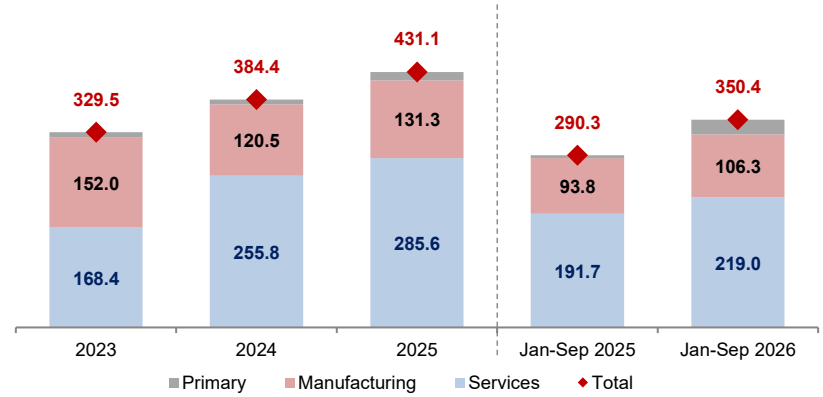


- **Private consumption is expected to expand,** supported by continued income growth and policy measures.
- Income growth will be supported by favourable labour market conditions and wage-enhancing measures, including the higher minimum wage and the introduction of wage floor for semi-skilled workers and graduates.
- Additionally, higher cash transfers through Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) initiatives would provide a lift to household spending.
- The BUDI95 subsidy will also help limit the pressure from higher oil prices to household spending.

[7] Refers to private and public sector wages. Private sector wages are derived from the salaries and wages data published in the Monthly Manufacturing Statistics and Quarterly Services Statistics. Public sector wages refers to the salaries paid to civil servants.
Source: Department of Statistics, Malaysia

Investment activities remain forthcoming, supported by a steady pipeline of new projects across sectors

MIDA Investment Approvals by Sectors
RM billion



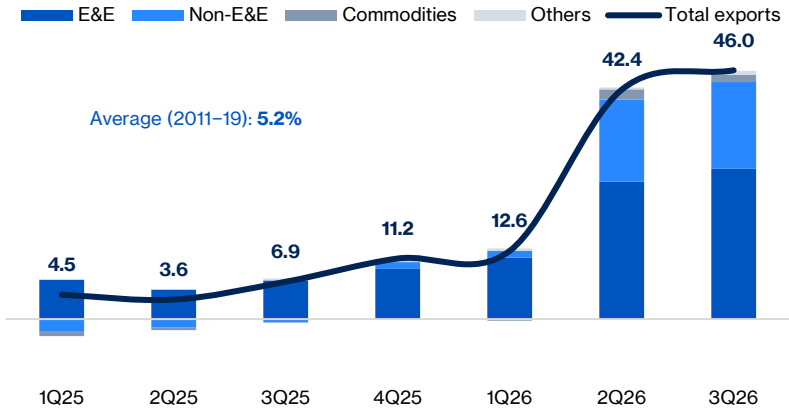
- **Investment activities remain forthcoming,** with higher investment approvals recorded from Jan-Sep 2026 at RM350.4 billion, compared to RM290.3 billion during the same period in 2025. 87.4% of manufacturing projects approved between 2021 and September 2026 are now in various phases of implementation.
- Services and manufacturing remain the key sources of new projects with concentration mainly in high-technology subsectors such as ICT, E&E and petroleum products. Within ICT, data centre and cloud computing investments remain a key contributor, accounting for 35.2% of the total approved investments from Jan-Sep 2026.
- Meanwhile, the manufacturing sector continued to be led by investments in E&E and petroleum products, alongside strong growth in M&E and food manufacturing investments.

Source: MIDA

External Demand Conditions

Goods exports outlook to remain robust owing to global tech demand and AI investments

Gross exports growth
Annual change and contribution to growth, % and ppt

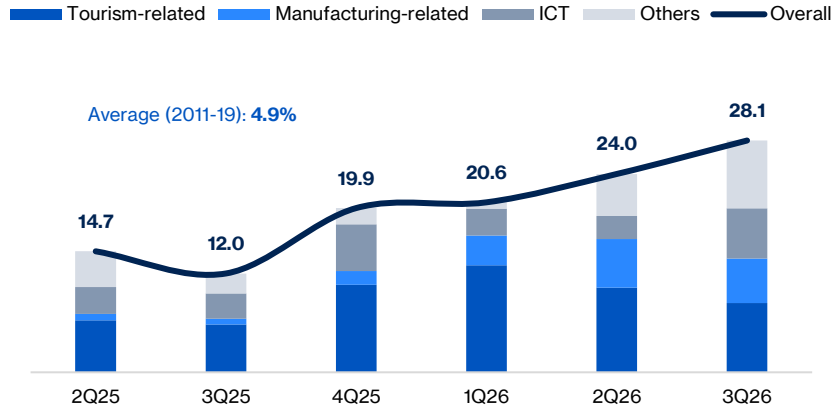


- **E&E exports are expected to remain supported by the global technology upcycle** and continued investment in AI-related activities.
- Non-E&E manufacturing exports are projected to benefit from sustained tech-related demand, while commodity-related exports are likely to be supported by favourable commodity prices.
- However, tech-related exports remain subject to downside risk from financial volatility affecting AI-related investments, should the anticipated returns fall short of expectations.

Source: Department of Statistics, Malaysia

Services exports expected to remain resilient, supported by diverse export base

Services receipts growth[8]
Annual change and contribution to growth, % and ppt



- **The outlook for travel receipts remains favourable,** underpinned by higher spending per tourist and continued growth in arrivals from key source markets. Nevertheless, renewed geopolitical tensions could pose risks to global travel activity and tourism demand.
- **Growth in other services, including exports of ICT services is expected to be supported by spillovers** from data centre-related activities, although expansion is likely to remain moderate.

[8] Tourism-related includes travel & transportation services. Manufacturing services include services on physical inputs owned by others and maintenance and repair services. Other services include other business services, personal, cultural, recreational, insurance and financial services.
Source: Department of Statistics, Malaysia

Inflation Outlook

Inflation is expected to trend higher but remain contained in 2026 and 2027

- Headline and core inflation are expected to remain moderate for the remainder of 2026. Based on the Ministry of Finance's Economic Outlook 2027, headline inflation is projected to average between 1.5%–2.5% in 2026, in line with earlier expectations.
- Headline inflation is expected to rise gradually towards year-end, partly reflecting the delayed pass-through of higher input costs. Nevertheless, the impact on domestic inflation is expected to be mitigated by policy measures, including targeted fuel subsidies, alongside stable demand conditions and continued adjustments by firms to manage cost pressures.
- Heading into 2027, inflation is expected to be firmer in the early part of the year, reflecting carry-over effects, delayed cost pass-through and underlying services price pressures.[1] While upcoming policy measures supporting domestic demand[2] and adverse weather conditions could contribute to price pressures, the impact on inflation is expected to remain contained, amid moderate underlying inflation pressures.

[1] Based on the Ministry of Finance's Economic Outlook 2027, headline inflation is projected to average between 1.8% - 2.8% for 2027.
[2] For example, the minimum wage adjustment in June 2027.

Risks to the inflation outlook remain largely contingent on evolving external developments

- The balance of risks to the inflation outlook remains tilted to the upside, primarily depending on developments surrounding the Middle East conflict.
    - **Upside risks** to commodity prices may arise from renewed geopolitical tensions and broader global supply pressures, including from weather-related disruptions. A potentially stronger El Niño episode could pose greater risks to domestic and regional food production and raise prices, particularly of fresh food. Nevertheless, improved preparedness and mitigation measures could help cushion the overall impact on consumer prices. Meanwhile, potential adjustments to administered prices, utility charges and subsidies could also affect inflation.
    - **Downside risks** could stem from weaker-than-expected global growth and trade activity, which could weigh on domestic demand. A faster moderation in global oil and food prices, alongside further improvements in supply conditions, could also ease external cost pressures.

Box Article

Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

Summary

- **Malaysia's stock of overseas investments has expanded significantly, with direct investment abroad (DIA) increasing more than eight-fold from RM94 billion in 2005 to RM778 billion in 2025.** However, only about half of overseas earnings have been repatriated on average since 2015, limiting the transmission of benefits to the domestic economy.
- **Qualified Resident Investor (QRI) programme encourages more systematic repatriation and conversion of overseas earnings, while preserving the flexibility to reinvest abroad.** Repatriated investment income rose 36% between 2023 and 2025, with QRI inflows exceeding USD2.5 billion (or RM10.2 billion equivalent) as at 1H 2026.
- **By supporting more balanced two-way flows, QRI strengthens domestic liquidity, foreign exchange (FX) market depth and external sector resilience.** This article outlines its rationale, implementation and early outcomes.

Harnessing Malaysia's External Asset Growth for Greater Domestic Benefits

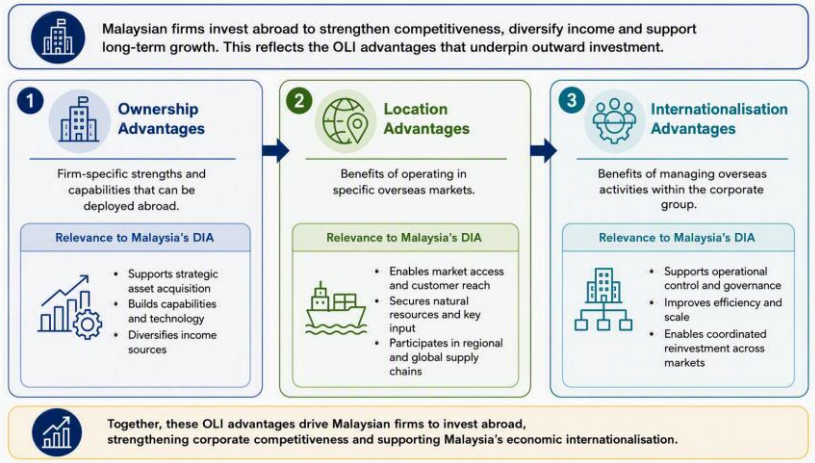
Over the past two decades, Malaysian corporates have expanded their international footprint significantly. As businesses mature and regional integration deepens, domestic firms increasingly invest abroad to access new markets, secure strategic resources, diversify income streams and strengthen their position within regional and global value chains. This development was also supported by an enabling and progressively liberalised foreign exchange policy (FEP) framework.[1]

[1] Since 2007, the foreign exchange policy has been progressively liberalised, including allowing domestic corporates to invest abroad or obtain foreign currency borrowing from licensed onshore banks in Malaysia for direct investment abroad purposes.

[2] The 5.2% represents the compound annual growth rate (CAGR) of the DIA income yield from 2005 to 2025, reflecting the annualised rate of return over the 20-year period.

Malaysian corporates have built a large stock of external assets. DIA stock grew rapidly from RM94.4 billion in 2005 to RM778.4 billion in 2025, equivalent to an annual average growth rate of 11%. This growing external asset base has also generated positive returns, with this outward investment recording an average return of 5.2%[2] during 2005–25. DIA is concentrated in sectors where Malaysian firms have developed competitive advantages, including financial services, mining, agriculture, and information and communication services. This trend enables internationalisation of Malaysian businesses and supports long-term corporate competitiveness. Figure 1 summarises the key motivations for Malaysian outward investment and how they relate to Malaysia's DIA experience.

Figure 1: Why Malaysian Firms Invest Abroad – An OLI Perspective



Note: OLI refers to ownership, location and internationalisation advantages under Dunning's eclectic paradigm, adapted here to summarise key outward investment motivations relevant to Malaysia's DIA experience.

Box Article

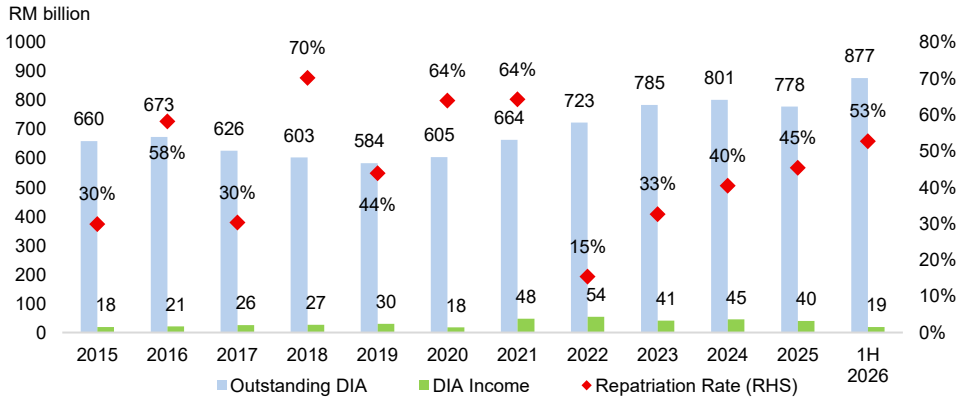
Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

However, the economic benefits of outward investment are not determined solely by the scale of investments abroad. Equally important is how the returns generated from these investments are channelled back to the domestic economy. Between 2015 and 1H 2026, RM387 billion income has been generated by these investment, with an average repatriation rate of only around 46%, implying that more than half was retained abroad.

Corporates' retention of earnings abroad is often driven by commercial and operational needs. Overseas subsidiaries often require funding for business expansion, project development, debt servicing and working capital needs. Earnings may also be retained to support future acquisitions or reinvestment opportunities in foreign markets.

Notwithstanding the above, more regular repatriation can increase the domestic benefits from Malaysia's growing external assets. Repatriation offers an immediate channel for overseas earnings to support domestic liquidity, investment and external sector resilience. At the same time, corporates can utilise repatriated earnings to fund domestic capital expenditure, dividends, debt servicing and working capital. Together, these channels support the case for more regular and sustainable repatriation of overseas earnings.

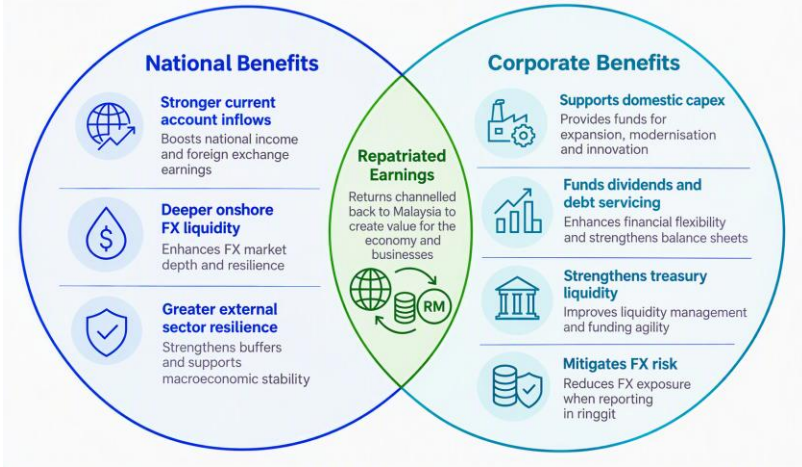
Figure 2: Malaysia's DIA Stock, Income and Repatriation Ratio, 2015–1H 2026



Key takeaway: Malaysia's growing stock of external assets continues to generate positive returns. However, earnings repatriation has remained moderate, suggesting room to strengthen the domestic transmission of these returns.

Source: Department of Statistics, Malaysia, Bank Negara Malaysia estimates

Figure 3: Benefits of Regular Corporate Earnings Repatriation



Box Article

Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

QRI: Encouraging Repatriation and Conversion While Preserving Investment Flexibility

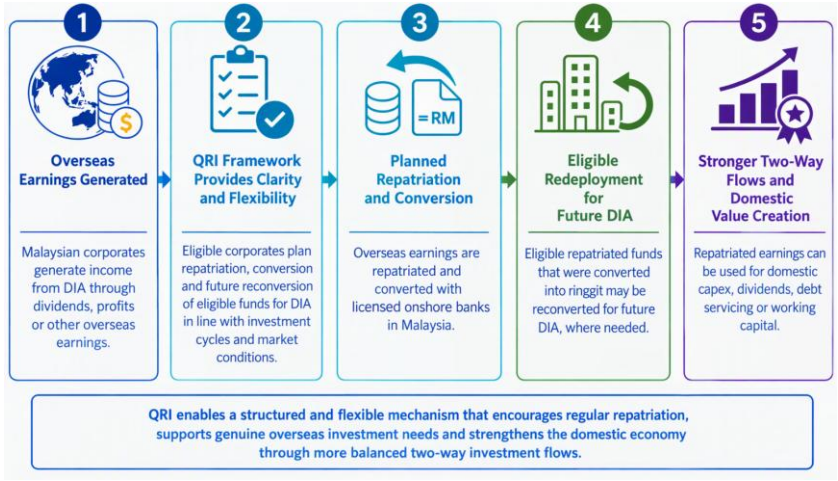
Recognising the importance of balanced two-way capital flows in supporting orderly FX market conditions, Bank Negara Malaysia (BNM) introduced the QRI programme. The QRI programme translates the policy objective of more regular income repatriation into a practical framework for domestic corporates. The programme is designed to encourage domestic corporates with significant overseas operations to incorporate repatriation into their treasury and liquidity management practices. Importantly, QRI does not restrict outward investment. Instead, it provides a structured pathway for corporates to repatriate and convert overseas earnings onshore, while allowing eligible funds to be freely redeployed abroad later for genuine investment needs.

The programme was initially introduced as a pilot in 2024. Feedback from participating corporates provided valuable insights into operational requirements and implementation challenges, enabling refinements to the framework before its broader rollout in June 2025. The programme currently lasts until 30 June 2028.

A key feature of the programme is that it combines structured repatriation planning with operational flexibility. As summarised in Figure 4, the QRI mechanism links overseas earnings generation with planned repatriation, conversion and eligible reconversion.

This design reflects the reality that modern multinational corporations manage funding needs across multiple jurisdictions and business cycles. It also supports more predictable investment income inflows and improves onshore FX market liquidity, while preserving flexibility for genuine overseas investment needs.

Figure 4: QRI Mechanism at a Glance



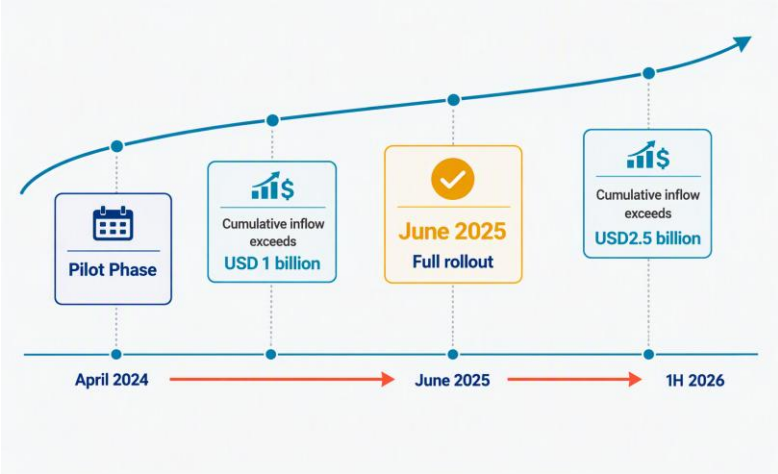
A key strength of the framework is that it aligns policy objectives with commercial realities. By providing a clear and predictable mechanism for repatriation and eligible reinvestment abroad, QRI encourages behavioural change without imposing undue restrictions on corporate investment decisions.[3]

[3] Previously, repatriated income converted into ringgit would be subject to the prevailing prudential threshold under the foreign exchange policy if subsequently used for reinvestment abroad. Under the QRI programme, this approval requirement has been removed, thereby reducing administrative friction for QRI status corporates.

Box Article

Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

Figure 5: Key Milestones of the QRI Programme



Early Outcomes Point to Stronger Repatriation Momentum

The initial results of QRI are encouraging. Income repatriation by Malaysian corporates increased by 36% or RM4.8 billion from 2023 to 2025, while cumulative inflows under QRI exceeded USD2.5 billion (or RM10.2 billion equivalent) as at 1H 2026. This improvement occurred even as outstanding DIA moderated in 2025, suggesting that higher inflows may reflect more active repatriation behaviour, rather than merely a larger stock of external assets.

Corporates are also beginning to integrate repatriation, conversion and potential reconversion into medium-term treasury and investment planning. This is an important early signal that repatriation may be shifting from an ad hoc decision to a more regular part of corporate funds management.

The improvement in inflows should nevertheless be viewed alongside broader corporate and market factors. Repatriation decisions remain influenced by funding needs, investment plans, exchange rate expectations and external conditions. The improving ringgit environment and stronger domestic FX market liquidity in recent years have likely complemented the programme by reducing uncertainties associated with converting foreign currency earnings into ringgit. This is also part of BNM's broader coordinated efforts to encourage repatriation and conversion of foreign income proceeds to further improve onshore FX liquidity.

Overall, the early outcomes suggest that QRI has helped create a more structured and credible channel for bringing overseas earnings back into the domestic economy. Sustaining this momentum will depend on continued corporate participation, supportive market conditions and deeper integration of repatriation into corporate funds management.

Promoting Two-Way Investment Flows through the Qualified Resident Investor (QRI) programme

Conclusion

The QRI programme represents more than a repatriation initiative. It is part of a broader effort to strengthen the link between Malaysia's growing external asset base and the domestic economy.

As Malaysian firms continue to expand internationally, outward investment will remain an important source of long-term growth, diversification and competitiveness. QRI helps ensure that part of these overseas returns is continuously channelled back into Malaysia, strengthening domestic liquidity, FX market depth and external sector resilience.

Moving forward, QRI can serve as a practical and effective programme to sustain repatriation momentum and support more balanced two-way capital flows. In recognition of the programme's positive outcomes since its rollout, BNM will explore further enhancements to the QRI programme, expanding foreign exchange policy flexibilities for eligible domestic corporates while maintaining incentives for the repatriation of foreign currency funds.

Further refinements could strengthen incentives for regular repatriation, deepen corporate participation and support more predictable investment income inflows. Over time, this would position QRI not only as a repatriation tool, but also as a durable framework that supports corporate internationalisation and Malaysia's broader macro-financial resilience.

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Table 1: **GDP by Expenditure Components (at constant 2015 prices)**

	Share in 2025 (%)	2025					2026		
		1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
		Annual change, %							
Aggregate Domestic Demand (excluding stocks)	96.0	5.6	6.8	6.2	6.6	6.3	5.2	5.1	4.8
Private sector	77.5	5.8	6.7	6.2	6.3	6.2	5.4	4.6	5.5
Consumption	60.3	4.8	5.1	5.8	5.6	5.3	4.7	4.8	4.3
Investment	17.2	9.1	11.7	7.4	9.2	9.4	7.8	4.3	9.4
Public sector	18.3	4.9	7.5	6.2	7.5	6.6	4.4	7.3	1.6
Consumption	13.3	2.7	5.7	5.8	6.6	5.3	4.1	7.6	1.2
Investment	5.1	11.6	13.5	7.5	9.5	10.3	5.3	6.3	3.0
Net Exports	3.3	-7.9	-58.3	32.2	-32.9	-15.6	13.5	168.5	5.7
Exports of Goods and Services	68.1	4.3	4.5	4.6	6.3	4.9	5.2	17.0	25.2
Imports of Goods and Services	64.8	5.2	7.9	3.0	9.0	6.3	4.6	13.9	26.7
Real GDP, annual change %	**100.0**	**4.4**	**4.6**	**5.3**	**6.2**	**5.2**	**5.4**	**6.0**	**5.5**
GDP, seasonally adjusted, QoQ change %	**-**	0.9	1.9	2.0	1.4	-	-0.03	2.5	1.5

Note: Figures may not add up due to rounding and exclusion of stocks.
Source: Department of Statistics, Malaysia

Table 2: **GDP by Economic Activity (at constant 2015 prices)**

	Share in 2025 (%)	2025					2026		
		1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
		Annual change, %							
Services	59.5	5.1	5.1	5.3	6.2	5.4	5.6	5.9	5.8
Manufacturing	23.0	4.2	3.7	4.1	6.0	4.5	5.9	7.3	7.7
Agriculture	6.1	0.7	2.5	0.2	5.7	2.2	2.6	-3.6	1.4
Mining and Quarrying	5.7	-2.6	-5.2	9.4	1.4	0.6	-2.1	9.2	-6.1
Construction	4.3	14.2	12.1	11.7	10.9	12.2	7.7	6.5	5.9
Real GDP, annual change %	**100.0**	**4.4**	**4.6**	**5.3**	**6.2**	**5.2**	**5.4**	**6.0**	**5.5**

Note: Figures may not add up due to rounding and exclusion of import duties component.
Source: Department of Statistics, Malaysia

Table 3: **Balance of Payments**[1]

	2025[r]					2026[p]		
	1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q
	RM billion							
Current account	**13.8**	**2.7**	**13.5**	**2.7**	**32.8**	**15.2**	**10.8**	**5.7**
% of GDP	*2.9*	*0.6*	*2.6*	*0.5*	*1.6*	*3.0*	*2.0*	*1.0*
Goods	32.9	16.0	32.3	24.3	105.4	33.6	40.7	56.2
Services	-2.2	-0.5	2.7	5.3	5.3	6.4	-0.7	-6.9
Primary income	-15.4	-9.5	-19.3	-23.1	-67.3	-20.9	-27.2	-41.8
Secondary income	-1.5	-3.2	-2.2	-3.7	-10.6	-4.0	-2.1	-1.9
Financial account	**-14.1**	**-1.7**	**-9.5**	**9.4**	**-16.0**	**27.4**	**-27.0**	**19.8**
Direct investment	16.5	5.9	8.6	22.5	53.5	14.7	0.4	6.7
Asset	-16.3	-7.9	-4.0	-11.0	-39.2	-17.7	-51.5	-7.1
Liabilities	32.8	13.9	12.5	33.5	92.7	32.5	51.9	13.7
Portfolio investment	-45.1	15.6	-28.1	-1.9	-59.4	9.1	-35.2	2.7
Asset	-34.4	-22.6	-13.6	-15.9	-86.5	1.3	-33.3	-12.1
Liabilities	-10.7	38.2	-14.6	14.0	27.0	7.8	-1.8	14.8
Financial derivatives	-1.7	1.3	-0.8	1.5	0.2	0.8	-1.3	-1.6
Other investment	16.2	-24.6	10.8	-12.8	-10.3	2.7	9.0	11.9
Net errors & omissions	**3.3**	**0.01**	**-0.6**	**-11.0**	**-8.3**	**-26.2**	**33.2**	**-20.3**
Overall balance	**3.1**	**1.0**	**3.1**	**1.2**	**8.4**	**16.4**	**17.0**	**4.7**

[r] Revised
[p] Preliminary
Assets: (-) denotes outflows due to the acquisition of assets abroad by residents.
Liabilities: (+) denotes inflows due to the incurrence of foreign liabilities.
[1] In accordance with the Sixth Edition of the Balance of Payments and International Investment Position Manual (BPM6) by the International Monetary Fund (IMF).
Note: Figures may not add up due to rounding.
Source: Department of Statistics, Malaysia

Table 4: **Outstanding External Debt**

	2025[r]	2026[p]	
	end-Sep	end-Jun	end-Sep
	RM billion		
Total External Debt	**1,383.5**	**1,509.7**	**1,613.8**
USD billion equivalent	*328.3*	*372.7*	*395.6*
By Instrument			
Bonds and notes	156.8	149.0	155.3
Interbank borrowings	237.7	264.7	269.6
Intercompany loans	231.4	267.3	296.7
Loans	97.8	103.5	102.9
Non-resident holdings of domestic debt securities	285.9	309.6	318.0
Non-resident deposits	147.1	166.7	176.2
IMF allocation of Special Drawing Rights (SDRs)	27.9	26.5	26.8
Others[1]	198.9	222.4	268.3
Maturity Profile			
Medium- and long-term	788.1	840.8	875.7
Short-term	595.3	668.9	738.1
Currency Denomination			
Ringgit	445.8	474.8	486.3
Foreign	937.6	1,034.9	1,127.5
Total External Debt/GDP, %	**69.4**	**71.6**	**74.4**
Short-term External Debt/Total External Debt, %	**43.0**	**44.3**	**45.7**

[r] Revised
[p] Preliminary
[1] Comprises trade credits and miscellaneous.
Note: Figures may not add up due to rounding.
Source: Ministry of Finance, Malaysia and Bank Negara Malaysia

Table 5: **Credit to the Private Non-Financial Sector**

	2025	2026		2025	2026	
	3Q	2Q	3Q	3Q	2Q	3Q
	End-period, RM billion			Annual change, %		
Total Credit to the Private Non-Financial Sector[1]	2,989.0	3,127.8	3,178.5	5.9	6.4	6.3
Outstanding corporate bonds[2]	625.0	654.8	660.6	7.3	8.1	5.7
Outstanding loans[3,4]	2,364.1	2,473.1	2,517.9	5.6	6.0	6.5
Businesses	837.0	886.9	910.4	5.3	7.3	8.8
SMEs	428.7	444.4	449.8	6.1	5.0	4.9
Non-SMEs	405.4	439.1	457.4	4.6	9.7	12.8
Households	1,527.1	1,586.2	1,607.5	5.7	5.3	5.3
Credit to Businesses[5]	1,462.0	1,541.7	1,570.9	6.2	7.6	7.5

[1] Starting with the 4Q 2022 Quarterly Bulletin, credit to the private non-financial sector was introduced to enhance the quality of data on financing channelled towards the generation of domestic economic activity. This replaces the previous series on net financing to the private sector.
[2] Includes conventional and Islamic short-term papers in addition to longer-term bonds and sukuk; excludes issuances by Cagamas, government, financial institutions and non-bank financial institutions.
[3] Loans by the banking system and development financial institutions (DFIs). Refer to the sum of outstanding business and household loans, and excludes loans to government, financial institutions, non-bank financial institutions and other entities.
[4] Excludes loans sold to Cagamas without recourse.
[5] Comprises outstanding loans to businesses and outstanding corporate bonds.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia

Table 6: **Loan Indicators**[1]

	2025	2026		2025	2026	
	3Q	2Q	3Q	3Q	2Q	3Q
	During the period, RM billion			Annual change, %		
Total Private Non-Financial Sector[2]						
Loan applications	433.1	467.9	487.2	0.8	12.8	12.5
Loan approvals	221.7	240.5	272.7	-1.1	13.7	23.0
Loan disbursements	518.6	541.4	576.7	0.7	6.3	11.2
Loan repayments	499.1	518.5	542.2	0.0	6.2	8.6
Of which:						
Businesses[3]						
Loan applications	175.5	211.9	217.7	-3.4	23.0	24.0
Loan approvals	105.4	126.3	156.3	-5.3	24.1	48.2
Loan disbursements	375.7	399.1	425.2	1.2	7.0	13.2
Loan repayments	360.3	379.1	395.8	-0.8	6.9	9.8
SMEs						
Loan applications	94.1	95.5	96.2	-4.7	3.5	2.2
Loan approvals	51.9	52.0	53.1	0.9	13.2	2.5
Loan disbursements	141.7	140.2	144.1	2.0	2.2	1.7
Loan repayments	135.4	129.1	134.2	0.2	-0.1	-0.8
Non-SMEs						
Loan applications	81.4	116.3	121.5	-1.9	45.5	49.1
Loan approvals	53.6	74.3	103.1	-10.6	33.2	92.5
Loan disbursements	232.0	257.1	278.7	0.3	9.6	20.2
Loan repayments	223.2	249.3	260.0	-1.5	11.2	16.5
Households						
Loan applications	257.6	256.0	269.5	4.0	5.5	4.6
Loan approvals	116.2	114.2	116.4	3.2	4.0	0.1
Loan disbursements	143.0	142.3	151.5	-0.3	4.3	5.9
Loan repayments	138.7	139.3	146.4	2.3	4.2	5.5

[1] Loans for all segments include data from banking system and development financial institutions (DFIs).
[2] Refer to the sum of outstanding business and household loans, and excludes loans to government, financial institutions, non-bank financial institutions and other entities.
[3] Numbers for SMEs and Non-SMEs may not add up to total businesses given the inclusion of those with no classification by firm size.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia

Table 7: **Key Financial Soundness Indicators**

	2025	2026	
	3Q	2Q	3Q[p]
	% (or otherwise stated)		
Banking System			
Capital Adequacy			
Total capital ratio	18.0	18.0	17.1
Tier 1 capital ratio	14.7	15.0	14.1
Common Equity Tier 1 capital ratio	14.2	14.5	13.5
Profitability[1]			
Return on assets (based on profit before tax)	1.4	1.3	1.4
Return on equity (based on profit before tax)	12.8	11.6	12.7
Return on equity (based on profit after tax)	9.8	8.9	10.0
Profit before tax (year-to-date, RM billion)	39.6	24.9	40.6
Of which:			
Net interest income	48.4	33.0	49.8
Fee income	10.3	7.3	11.0
Trading and investment income	12.3	6.9	10.6
Operating cost	35.2	23.7	35.8
Credit cost	2.3	2.3	3.3
Liquidity and Funding			
Liquidity Coverage Ratio (LCR)	150.7	149.6	144.8
Of which:			
MYR LCR	167.5	166.4	157.1
Net Stable Funding Ratio	115.9	114.7	113.4
Weighted average cost of deposits	2.4	2.4	2.4
Weighted average cost of funds	2.6	2.6	2.7

[p] Preliminary
[1] Banking system profits are aggregated at the entity level and adjusted for dividend income received from domestic banking subsidiaries. Return on assets and equity are calculated based on annualised year-to-date profits.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia

Table 7: **Key Financial Soundness Indicators (cont'd)**

	2025	2026	
	3Q	2Q	3Q[p]
	% (or otherwise stated)		
Banking System			
Liquidity and Funding			
External debt (RM billion)	440.5	500.2	520.6
Of which:			
Interbank borrowings	237.7	264.7	269.6
Financial institution placement & vostro	33.1	43.1	52.2
Deposits accepted from non-financial institution	113.9	123.3	123.8
Debt securities	4.1	11.8	15.3
FCY external debt-at-risk (RM billion)[2]	91.7	97.3	106.2
FCY liquid assets (RM billion)[3]	239.5	264.2	239.6
Asset Quality			
Gross impaired loans ratio[4]	1.4	1.4	1.4
Stage 2 loans ratio	6.6	5.9	6.0
Loan loss coverage ratio (incl. regulatory reserve)	129.1	124.6	126.0
Annualised credit cost (bps)	13.1	19.0	17.6
Sensitivity to Market Risk			
FX net open position (NOP) (share of total capital)	3.8	3.6	4.3
Of which:			
USD NOP (share of total capital)	2.2	2.0	2.4

[p] Preliminary
[2] Banks' external debt-at-risk comprises financial institutions' deposits, interbank borrowings and short-term loans from unrelated non-resident counterparties.
[3] Liquid assets comprise cash and cash equivalents, unencumbered debt securities held and interbank placements.
[4] Based on Stage 3 loans under the Malaysian Financial Reporting Standard 9 (MFRS 9).
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia

Table 7: **Key Financial Soundness Indicators (cont'd)**

	2025	2026	
	3Q	2Q	3Q[p]
	% (or otherwise stated)		
Insurance and Takaful Sector			
Capital adequacy ratio	225.8	224.5	223.9
Life Insurance and Family Takaful			
Net profit after tax (year-to-date, RM billion)[5,6]	n.a.	3.7	4.6
New business premium / contribution (year-to-date, RM billion)	19.7	15.3	22.1
Capital adequacy ratio[6]	216.5	214.2	216.2
General Insurance and General Takaful			
Net profit after tax (year-to-date, RM billion)[5,6]	n.a.	2.0	2.7
Gross direct premium / contribution (year-to-date, RM billion)	22.8	15.7	23.5
Claims ratio[7]	58.2	58.4	57.7
Capital adequacy ratio[6]	250.2	244.3	243.3
Development Financial Institutions[8]			
Lending to targeted sectors (annual growth)	8.2	6.4	5.8
Deposits mobilised (annual growth)	6.0	10.0	9.7
Gross impaired loans ratio[4]	5.8	4.5	4.4
Return on assets (based on profit before tax)[9]	1.3	1.1	1.0

[p] Preliminary
[4] Based on Stage 3 loans under the Malaysian Financial Reporting Standard 9 (MFRS 9).
[5] Data is measured at total company level, based on MFRS 17 accounting standard. As such, the figures may not be directly comparable to the data reported in previous publications.
[6] Data include composite reinsurers / retakaful operators holding multiple licences, which are classified under either the life / family or general sector based on their predominant business segment.
[7] Based on year-to-date net claims incurred and earned premium / contribution income. As such, the figures may not be directly comparable to the data reported in previous publications.
[8] Refers to development financial institutions under the Development Financial Institutions Act 2002.
[9] Return on assets are calculated based on annualised year-to-date profits.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia

Table 7: **Key Financial Soundness Indicators (cont'd)**

	2025	2026	
	3Q	2Q	3Q[p]
	% (or otherwise stated)		
Household (HH) Sector			
HH financial assets (RM billion)	3,549.1	3,776.2	3,792.3
Growth of HH financial assets (annual)	6.8	8.6	6.9
HH debt (RM billion)	1,689.2	1,754.3	1,778.1
HH debt-to-GDP ratio	84.7	83.2	82.0
Growth of HH debt (annual)	5.6	5.3	5.3
Of which (annual growth):			
Residential property	6.0	5.6	5.5
Non-residential property	4.1	5.1	5.2
Cars	7.3	6.5	6.5
Credit cards	8.9	3.9	2.9
Personal financing	3.7	3.2	3.7
Securities	(0.2)	3.5	4.0
Median debt service ratio for outstanding loans	32.1	32.1	32.0
Median debt-to-income (times)	1.3	1.3	1.3
Gross impaired loans ratio (bank + DFI loans)[4]	1.1	1.1	1.1
Business Sector			
Non-financial corporate debt (RM billion)	2,080.7	2,216.6	2,321.5
Non-financial corporate debt-to-GDP Ratio	104.4	105.2	107.0
Gross impaired loans ratio (bank + DFI loans)[4]	3.2	2.8	2.7
Stage 2 loans ratio (bank + DFI loans)	11.8	9.8	9.9
Small medium enterprise (SME)			
Gross impaired loans ratio (bank + DFI loans)[4]	3.6	3.6	3.6
Stage 2 loans ratio (bank + DFI loans)	11.9	10.5	10.8
Delinquency ratio (bank + DFI loans)[10]	1.3	1.2	1.0
Loans under repayment assistance (share of total SME loans)[11]	3.9	3.9	3.4

[p] Preliminary
[4] Based on Stage 3 loans under the Malaysian Financial Reporting Standard 9 (MFRS 9).
[10] Based on loans with one or two months in arrears.
[11] Repayment assistance loans refer to restructured and rescheduled loans by banks and loans under AKPK programmes.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia, Bursa Malaysia, Department of Statistics, Malaysia, Employees Provident Fund, Securities Commission Malaysia and Bank Negara Malaysia estimates

Table 7: **Key Financial Soundness Indicators (cont'd)**

	2025	2026	
	3Q	2Q	3Q[p]
	% (or otherwise stated)		
Property Sector			
Residential property			
End-financing (RM billion)	882.4	916.9	929.2
End-financing (share of total banking system loans)	38.0	37.8	37.7
Growth of end-financing (annual)	6.1	5.4	5.3
Gross impaired loans ratio[4]	1.1	1.2	1.1
Median outstanding loan-to-value ratio	70.2	70.6	70.8
Non-residential property[12]			
End-financing (RM billion)	284.9	301.7	307.2
End-financing (share of total banking system loans)	12.3	12.5	12.5
Of which:			
Office spaces and shopping complexes (share of total banking system loans)	2.6	2.5	2.4
Growth of end-financing (annual)	7.1	7.9	7.8
Gross impaired loans ratio[4]	1.5	1.5	1.5
Median outstanding loan-to-value ratio	54.6	54.8	55.0

[p] Preliminary
[4] Based on Stage 3 loans under the Malaysian Financial Reporting Standard 9 (MFRS 9).
[12] Covers office space and shopping complex segments and shophouses, in addition to other non-residential segments such as industrial building, hotel and land purchases.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia

Table 8: **Key Financial Soundness Indicators: Islamic Finance**

	2025	2026	
	3Q	2Q	3Q[p]
	% (or otherwise stated)		
Islamic Banking System			
Capital Adequacy			
Total capital ratio	17.9	17.7	17.3
Tier 1 capital ratio	14.7	14.8	14.3
Common Equity Tier 1 capital ratio	14.0	14.0	13.5
Profitability[1]			
Return on assets (based on profit before tax)	1.1	1.0	1.0
Return on equity (based on profit before tax)	14.6	13.2	13.7
Return on equity (based on profit after tax)	11.2	10.2	10.5
Profit before tax (year-to-date, RM billion)	9.6	6.1	9.5
Of which:			
Net financing income	17.4	12.2	18.4
Fee income	1.9	1.4	2.2
Trading and investment income	1.7	0.9	1.2
Operating cost	8.7	5.9	9.0
Credit cost	1.7	1.7	2.3
Liquidity and Funding			
Liquidity Coverage Ratio (LCR)	149.6	142.0	129.8
Of which:			
MYR LCR	152.6	146.4	131.9
Net Stable Funding Ratio[2]	111.7	109.9	109.4
Weighted average cost of deposits	2.66	2.64	2.68
Weighted average cost of funds	2.78	2.77	2.81
Investment accounts (share of total deposits and investment accounts)	16.8	16.9	18.2

[p] Preliminary
[1] Islamic banking system profits are aggregated at the entity level. Return on assets and equity are calculated based on annualised year-to-date profits.
[2] Stable Funding Ratio of Islamic subsidiaries is reported at group level.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia

Table 8: **Key Financial Soundness Indicators: Islamic Finance (cont'd)**

	2025	2026	
	3Q	2Q	3Q[p]
	% (or otherwise stated)		
Islamic Banking System			
Asset Quality			
Gross impaired financing ratio[3]	1.4	1.5	1.4
Stage 2 financing ratio	6.6	6.0	6.0
Financing loss coverage ratio (incl. regulatory reserve)	97.1	93.4	94.2
Annualised credit cost (bps)	23.4	33.2	28.5
Takaful Sector			
Capital adequacy ratio	230.4	222.1	226.1
Family Takaful			
Net profit after tax (year-to-date, RM billion)[4]	1.0	0.6	0.8
New business contribution (year-to-date, RM billion)	7.5	5.4	7.9
Capital adequacy ratio[5]	228.3	223.7	229.9
General Takaful			
Net profit after tax (year-to-date, RM billion)[4]	0.7	0.6	0.8
Gross direct contribution (year-to-date, RM billion)	4.8	3.5	5.2
Claims ratio[6]	63.4	62.1	61.9
Capital adequacy ratio[5]	234.1	219.6	220.3

[p] Preliminary
[3] Based on Stage 3 financing under the Malaysian Financial Reporting Standard 9 (MFRS 9).
[4] Data is measured at total company level, based on MFRS 17 accounting standard. As such, the figures may not be directly comparable to the data reported in previous publications.
[5] Data include composite retakaful operators holding multiple licences, which are classified under either the family or general sector based on their predominant business segment.
[6] Based on year-to-date net claims incurred and earned contribution income. As such, the figures may not be directly comparable to the data reported in previous publications.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia