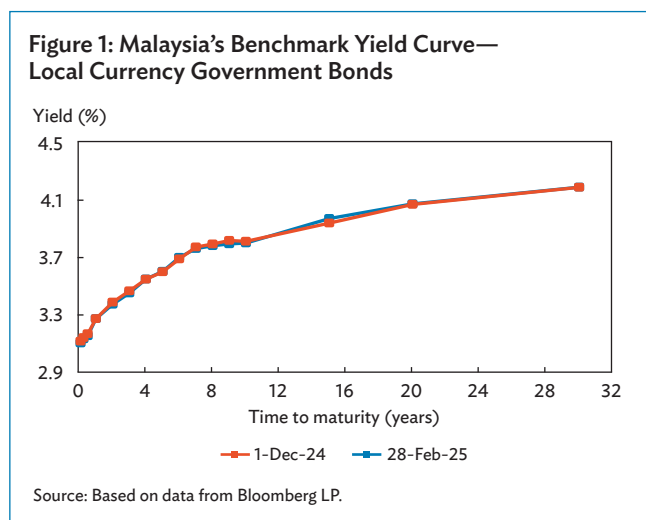


Malaysia

Yield Movements

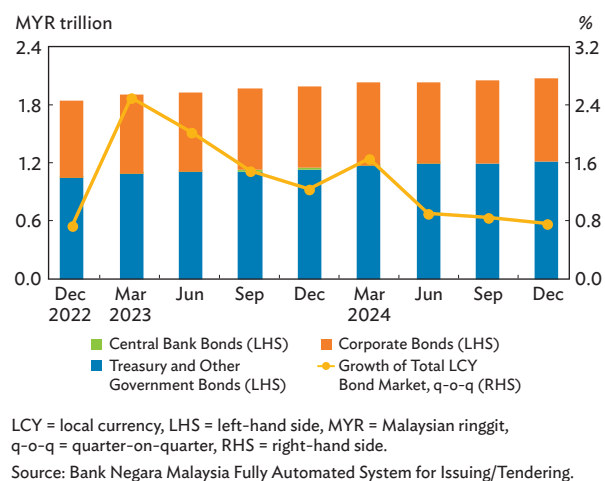
Between 1 December 2024 and 28 February 2025, local currency (LCY) government bond yields in Malaysia were broadly unchanged. Yields moved an average of less than 1 basis point across the curve on expectations that Bank Negara Malaysia would keep its monetary policy stance unchanged (Figure 1). On 6 March, Bank Negara Malaysia maintained the overnight policy rate at 3.00%, where it has remained since May 2023, amid a favorable economic performance and a moderating inflation outlook for 2025. Gross domestic product growth climbed to 5.1% year-on-year (y-o-y) in 2024 from 3.6% y-o-y in 2023, supported by strong investments and increased private consumption. Consumer price inflation moderated to 1.7% y-o-y in both January and December from 1.8% y-o-y in November.



Local Currency Bond Market Size and Issuance

The LCY bond market of Malaysia reached a size of MYR2.1 trillion at the end of December, with growth easing to 0.8% quarter-on-quarter (q-o-q) in the fourth quarter (Q4) of 2024 from 0.9% in the

Figure 2: Composition of Local Currency Bonds Outstanding in Malaysia

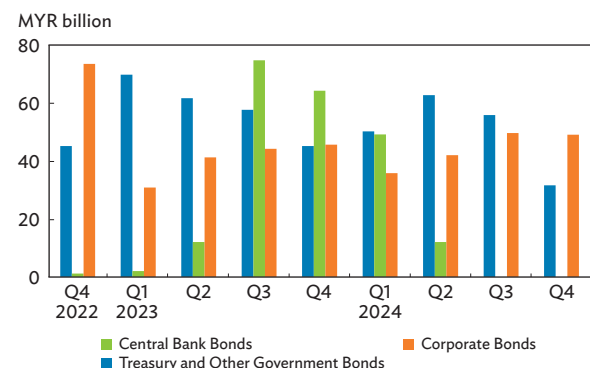


third quarter (Q3). Government bond market growth moderated to 0.6% q-o-q in Q4 2024, from the previous quarter's 1.2% q-o-q, on reduced issuance and maturities during the quarter. Malaysia's corporate bond segment expanded 1.0% q-o-q in Q4 2024 despite a contraction in issuance due to reduced maturities during the quarter. At the end of December, there were no outstanding central bank bills as the central bank has not issued new securities since Q3 2024 (Figure 2). *Sukuk* (Islamic bonds) comprised a majority (63.2%) of the LCY bond market at the end of December.

LCY bond issuance fell 23.5% q-o-q to MYR80.4 billion in Q4 2024 as government issuance contracted.

Government bond issuance declined 43.4% q-o-q in Q4 2024 as the Government of Malaysia front-loaded annual issuance in the prior quarters (Figure 3). Meanwhile, corporate bond issuance decreased 1.2% q-o-q in Q4 2024, reversing the growth of 18.2% q-o-q in Q3 2024. Cagamas was the largest issuer of LCY bonds in Q4 2024 as it issued conventional and *sukuk* commercial paper and medium-term notes totaling MYR5.3 billion, which accounted for 6.6% of total LCY bond issuance in Q4 2024.

Figure 3: Composition of Local Currency Bond Issuance in Malaysia

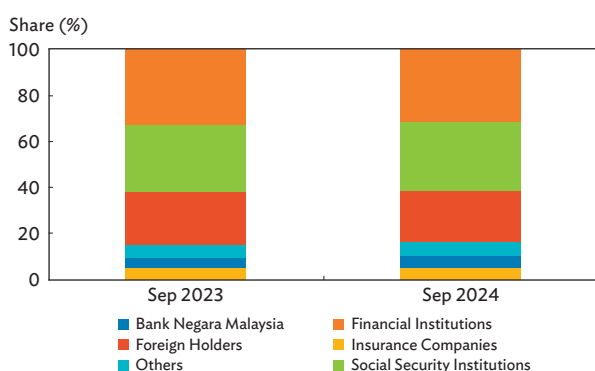


MYR = Malaysian ringgit, Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter.
 Source: Bank Negara Malaysia Fully Automated System for Issuing/Tendering.

Investor Profile

At the end of September, domestic investors held 77.6% of all Malaysian LCY government bonds outstanding. Financial institutions and social security institutions accounted for the largest holdings shares at 31.6% and 29.7%, respectively (Figure 4). The share of foreign holdings in the Malaysian government bond market was 22.4% at the end of September, the largest among its emerging East Asian peers.¹⁹

Figure 4: Local Currency Government Bonds Investor Profile

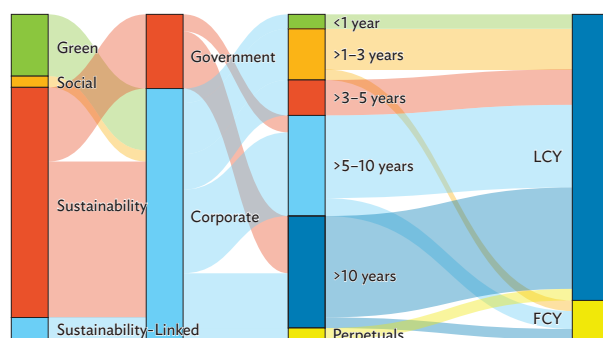


Note: "Others" include statutory bodies, nominees and trustee companies, and cooperatives and unclassified items.
 Source: Bank Negara Malaysia.

Sustainable Bond Market

At the end of December, long-term corporate bonds comprised most of Malaysia's sustainable bond market. The total sustainable debt stock decreased to a size of USD15.4 billion at the end of December on a 0.1% q-o-q contraction in Q4 2024, with most bonds denominated in Malaysian ringgit (88.0%). The majority of sustainable bonds outstanding comprised sustainability bonds (70.8%), while green bonds accounted for a 19.0% share (Figure 5). Corporate bonds dominate the sustainable bond market, making up 77.2% of the total stock at the end of December, with 59.7% of outstanding corporate bonds carrying tenors of more than 5 years. Outstanding sustainable bonds from the public sector, which comprised 22.8% of the total, carried maturities of over 5 years. At the end of December, the size-weighted average tenor of outstanding sustainable bonds in Malaysia was 8.8 years.

Figure 5: Market Profile of Outstanding Sustainable Bonds in Malaysia at the End of December 2024



FCY = foreign currency, LCY = local currency.
 Source: AsianBondsOnline calculations based on Bloomberg LP data.

¹⁹ Emerging East Asia is defined to include member states of the Association of Southeast Asian Nations plus the People's Republic of China; Hong Kong, China; and the Republic of Korea.