

Monetary and Financial Stability Review*

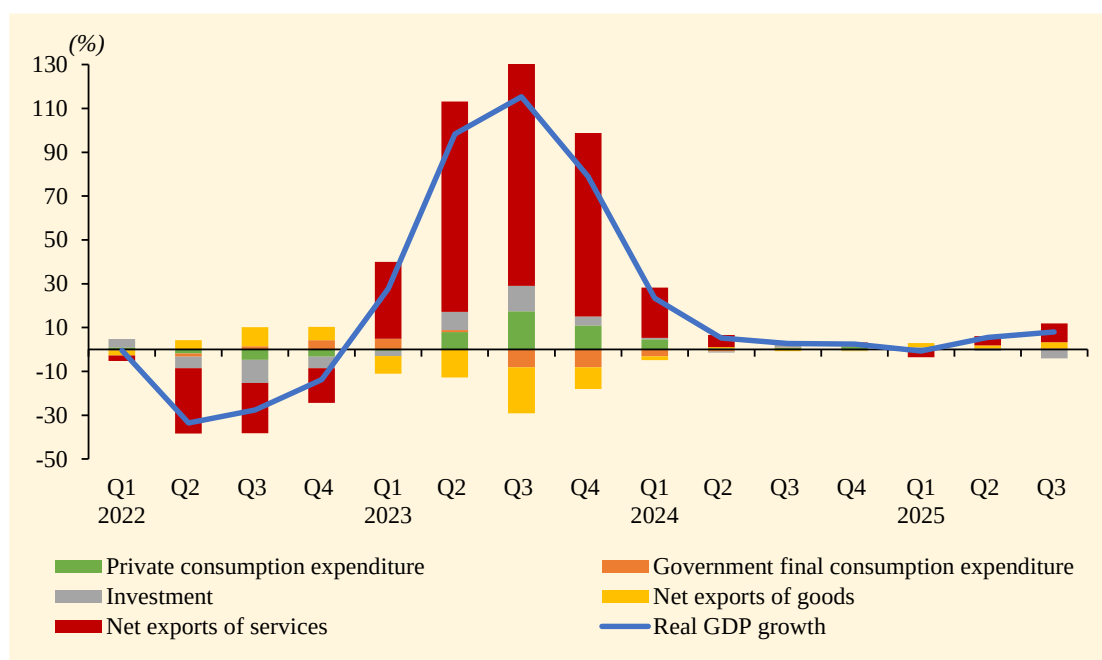
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1. Macroeconomic Background

Macao's economy prolonged its upward trend, mainly attributable to robust service exports. Propelled by sturdy growth of service exports, Macao's real gross domestic product (GDP) growth accelerated from 5.5% in the preceding quarter to 8.0% in the third quarter of 2025. Underpinned by advancements in the tourism sector and consumption expenditure, overall economic output for the first three quarters of 2025 expanded by 4.2%, bringing the economy back to 88.4% of the pre-pandemic level in the same period of 2019.

Net service exports recorded faster growth amid robust inbound tourism. Fuelled by strong momentum of tourist influx, the year-on-year growth rate of gross gaming receipts (GGR) ascended from 8.3% in the second quarter of 2025 to 12.5% in the third quarter. Among which, mass-market and VIP baccarat gaming receipts rose by 7.4% and 29.1% respectively. Service exports thus increased by 10.5% in the third quarter of 2025. After subtracting service imports, net service exports recorded a double-digit growth of 12.6%, contributing 8.6 percentage points to Macao's economic growth in the third quarter of 2025.

* This review mainly applies statistics and information available as at 5 January, 2026.

Chart 1: Real GDP Growth and Contributions by Component

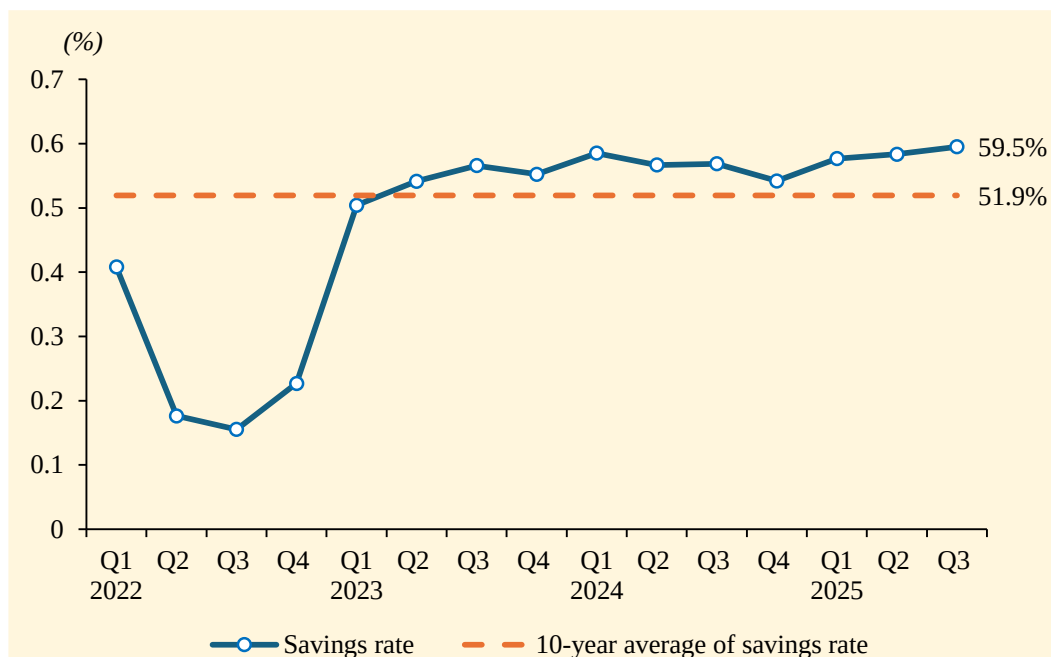
Source: Statistics and Census Service (DSEC).

Net exports of goods remained the second largest contributor to GDP growth. In the first half of 2025, merchandise exports and imports in GDP accounting fell by 6.7% and 6.1% respectively on an annual basis. Exports of goods rebounded by 4.5% in the third quarter of 2025 whereas imports of goods declined further by 6.5%. As a result, Macao's visible trade deficit narrowed by 10.0% to MOP23.6 billion. Correspondingly, net exports of goods contributed 2.7 percentage points to Macao's GDP growth in the third quarter of 2025.

Consumption expenditure sustained its growth on the back of robust local economic performance. In the second quarter of 2025, private and public consumption expenditure rose year-on-year by 1.7% and 0.9% respectively. In the third quarter of 2025, private and public consumption expenditure registered respective increments of 0.8% and 2.7%, with each contributing 0.3 percentage points to Macao's GDP growth.

Investment spending declined due to weaker construction investments. Primarily driven by reduction in private and public construction projects, overall investment spending, i.e. the sum of gross fixed capital formation and changes in inventories, fell by 4.6% in the second quarter and 25.6% in the third quarter of 2025. As a result, investment spending became the largest drag on economic growth in Macao, reducing GDP growth by 4.0 percentage points in the third quarter of 2025.

Chart 2: Macao's Savings Rate



Note: The savings rate is calculated by subtracting private consumption expenditure and government final consumption expenditure from real GDP, divided by real GDP.

Source: DSEC.

Macao's savings rate stayed in the top notch by international standards. Real GDP expanded by 4.2% in the first three quarters of 2025, resulting in an increase in Macao's savings rate to 59.5% from 56.9% during the same period of 2024. Macao's savings rate remained substantially above the global average of 26.2%¹ in 2024, underscoring Macao's strong resilience and liquidity buffer against potential shocks.

¹ According to the World Economic Outlook database (October 2025) of the International Monetary Fund (IMF).

Inbound tourism achieved a full recovery to the pre-pandemic level. The number of visitor arrivals attained a double-digit growth of 14.4% year-on-year and reached 36.5 million in the first 11 months of 2025, surpassing the pre-pandemic level by 0.5% in comparison with the same period of 2019. Arrivals from the Chinese mainland, the top visitor source of Macao, proliferated by 18.1% to 26.5 million; those travelling under the Individual Visit Scheme (IVS) exhibited a more pronounced expansion of 25.1%. Concurrently, arrivals from the Hong Kong Special Administrative Region (Hong Kong SAR) and the Taiwan region, the second and third largest sources, posted respective increments of 1.5% and 19.1%.

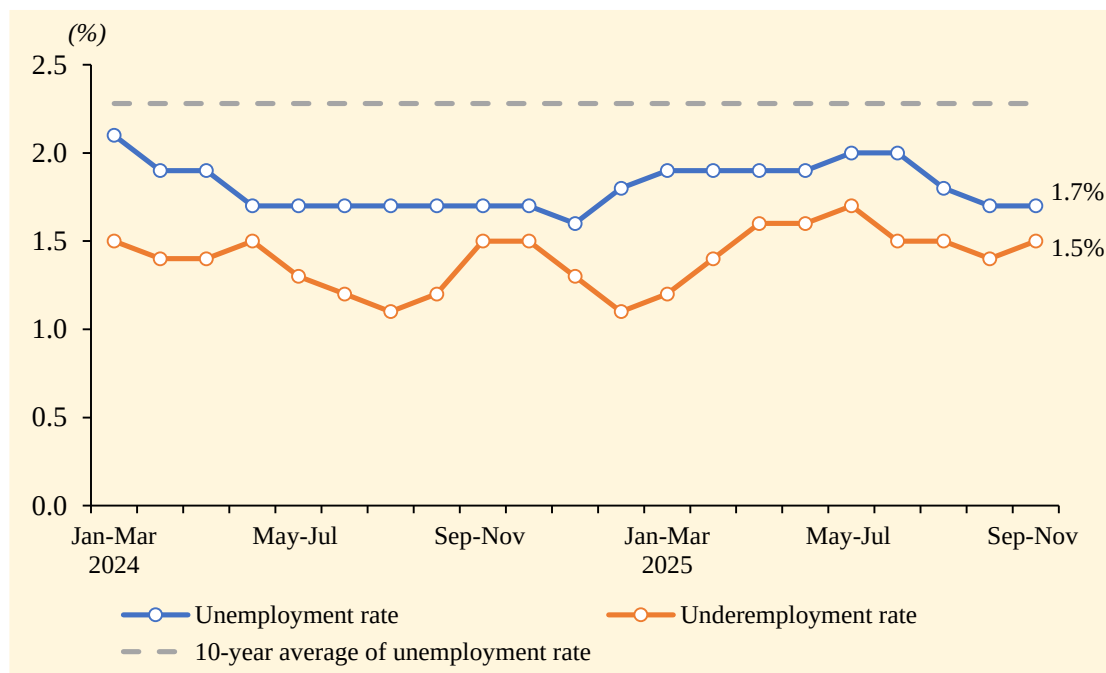
Total visitor spending prolonged its uptrend, albeit at a milder pace. In the first three quarters of 2025, visitor spending, as measured by exports of tourism services in GDP accounting, increased at an annual rate of 4.5%, moderating from the 15.0% upsurge in the same period of 2024. By component, visitor spending on gaming services mounted up by 7.7% whereas those on non-gaming services inched down by 1.0%. Nevertheless, in comparison with the same period of 2019, visitor spending on non-gaming services exceeded its pre-pandemic level by 17.2%.

Retail sales adjusted downwards amid evolving consumer preferences. In the first three quarters of 2025, retail sales posted an annual abatement of 5.4%, milder than the 16.9% contraction in the same period of 2024. By category, notable decrements were recorded in “household appliances” (-16.1%) and “automotive fuels” (-11.6%) whereas “pharmacies” (+7.9%) witnessed an upswing.

Hotel occupancy advanced in tandem with buoyant tourist inflow. At November 2025, the number of guest rooms increased year-on-year by 3.5% to 45,005. Driven by the continued expansion of overnight visitors, the number of hotel guests edged up 0.6% to 13.3 million in the first 11 months of 2025. Concurrently, the average occupancy of hotels ascended by 3.2 percentage points to 89.3%.

Labour-market conditions remained largely stable. The unemployment rate stayed below its 10-year average of 2.3% in the review period (Chart 3). For the three-month period through November 2025, the number of unemployed persons remained unchanged from a year ago at 6,700, while the number of employed persons edged down 0.1% to 378,900. Correspondingly, the unemployment rate held steady at 1.7% while the underemployment rate stayed at 1.5%. Meanwhile, the number of imported workers increased by 0.4% to 184,077 at end-November 2025.

Chart 3: Unemployment and Underemployment

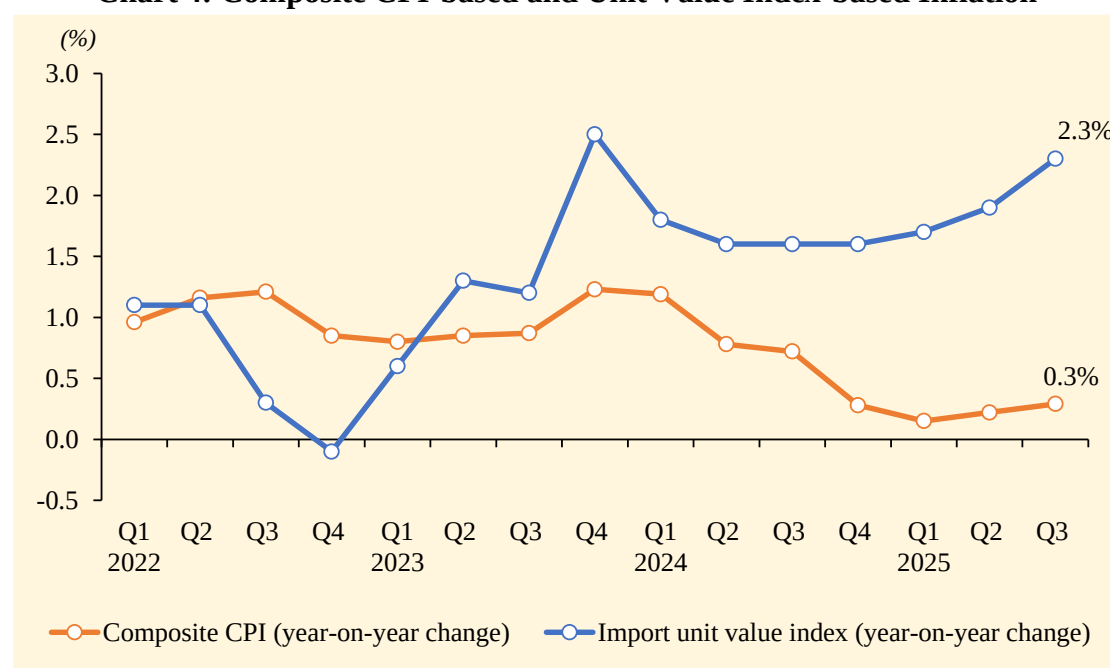


Source: DSEC.

Labour income witnessed a decline. In the third quarter of 2025, the median monthly employment earnings decreased by 5.6% to MOP17,000 while those of residents fell by 2.4% to MOP20,000. By industry, “recreational, cultural, gaming & other services”, the sector with the largest share of the employed population, remained at MOP20,500 whereas “financial activities” dropped by 9.1% to MOP20,000.

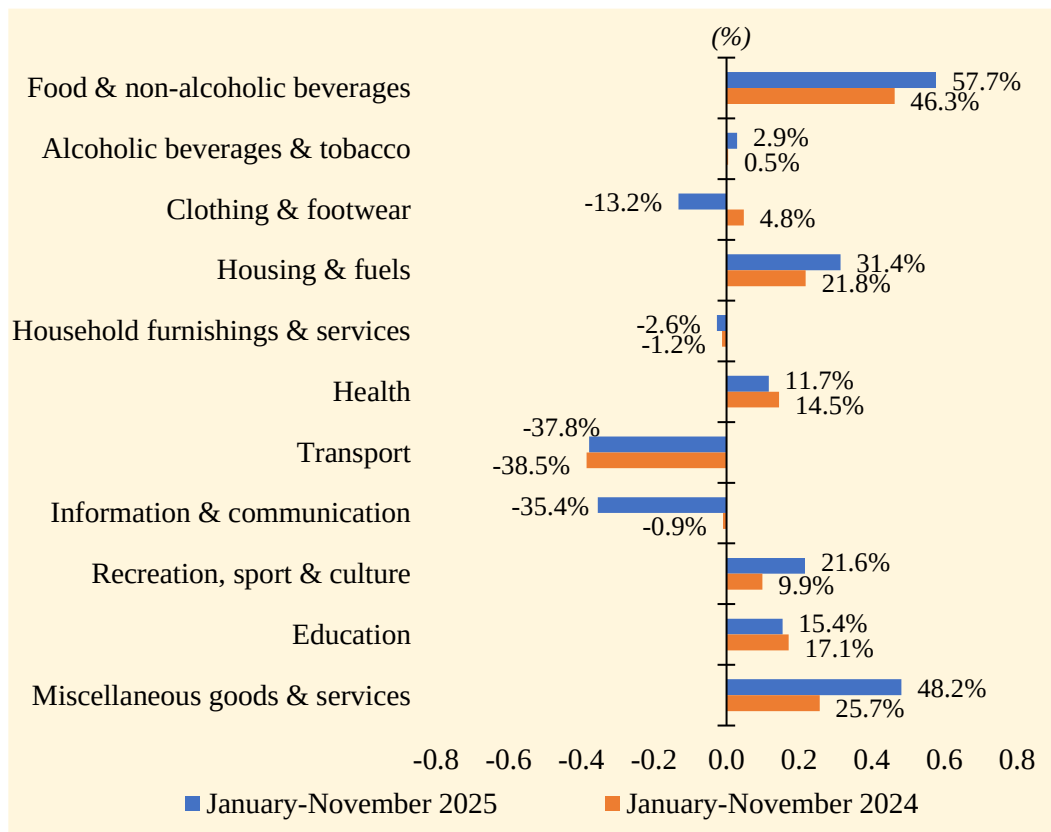
Consumer-price inflation stayed moderate due to lower transport and communication prices. The import unit value index (UVI) – a proxy for imported prices – rose 2.3% year-on-year in the third quarter of 2025, higher than the 1.6% growth recorded during the same period in 2024. By component, the increase in “consumer goods” (+3.6%) was partially offset by a decline in “raw materials and semi-manufactures” (-0.8%). Meanwhile, domestic inflationary pressures remained contained, with the average composite consumer price index (CPI) increasing by 0.3% year-on-year in the third quarter of 2025, down from 0.7% in the same period of 2024.

Chart 4: Composite CPI-based and Unit Value Index-based Inflation



Source: DSEC.

In the first 11 months of 2025, the average CPI increased by 0.3%, 0.5 percentage points lower than the same period of 2024. Among which, “housing & fuels”, the largest component of the CPI basket, posted an annual increase of 0.3%, a milder rate in comparison with the 0.5% growth in the same period of 2024. Meanwhile, the price gain of “food & non-alcoholic beverages”, the second largest category in the CPI basket, slowed from 1.2% to 0.6%. “Eating out & take away”, which accounted for over half of the weight in this category, rose 1.5% year-on-year. On the other hand, the decline in “transport” prices, the third largest component of the CPI basket, moderated from 3.3% to 1.3%.

Chart 5: Contributions to CPI-based Inflation by Component

Source: DSEC.

Property-market activities rebounded though average transaction prices continued to adjust downwards. In the first three quarters of 2025, the transaction volume of residential units edged up 0.6% to 2,510 units whereas the corresponding value fell by 21.4% to MOP12.0 billion. Despite the rebound in transaction volume, the average transaction price (ATP) per square metre of residential properties dropped year-on-year by 14.3% to MOP74,190 in the third quarter of 2025.

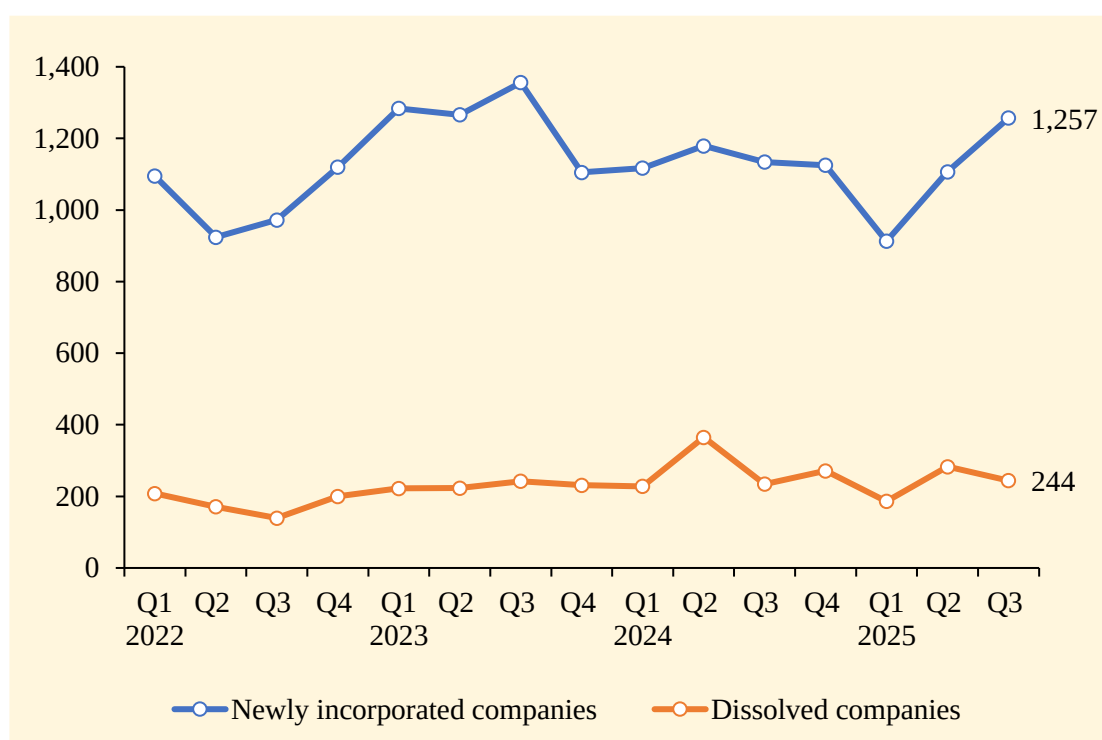
Activities of non-residents in overall property transactions rose notably. In the first three quarters of 2025, residential units purchased by non-residents surged by 59.4% year-on-year to 247 units, with the corresponding value rising by 13.8% to MOP1.2 billion. Consequently, the share of non-resident transactions in the aggregate value of residential units purchased rose to 9.7%, up from 6.6% in the same period of 2024.

Table 1: Residential Property Transactions and Prices

Year	Quarter	Number of residential units transacted	Value of residential units transacted (MOP million)	Transaction price* (MOP)
2022		2,809	17,972	93,795
2023		2,879	18,301	93,500
2024		3,380	20,333	85,114
2022	1	826	5,578	96,048
	2	793	4,852	94,800
	3	541	3,360	91,788
	4	649	4,181	91,001
2023	1	848	5,593	93,351
	2	878	5,781	97,922
	3	628	4,068	90,743
	4	525	2,858	89,259
2024	1	573	3,336	85,004
	2	1,026	6,653	91,697
	3	897	5,264	86,579
	4	884	5,080	76,071
2025	1	754	3,686	71,859
	2	801	3,693	68,856
	3	955	4,608	74,190

Note: * Figures indicate the average transaction price of residential units per square metre of usable area.
Source: DSEC.

Local business sentiment saw signs of improvement. The number of newly incorporated companies, after deducting dissolved companies, rebounded year-on-year by 1.2% to 824 in the second quarter of 2025; it rose further by 12.6% to 1,013 in the third quarter of 2025.

Chart 6: Numbers of Newly Incorporated and Dissolved Companies

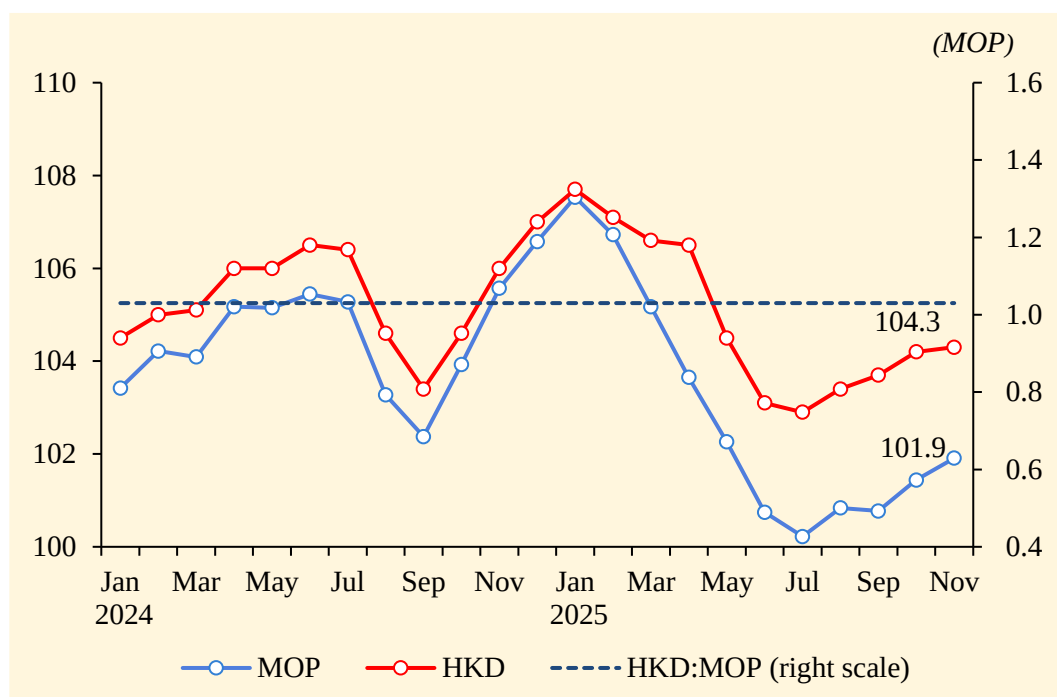
Source: DSEC.

2. Assessment of Monetary Stability

In the context of free convertibility of the MOP, the fixed exchange rate between the MOP and the Hong Kong dollar (HKD) maintained by the Monetary Authority of Macao (AMCM) is vital to Macao's monetary stability. The exchange rate is fixed at the middle rate of HKD1:MOP1.03, attributable to the credible currency board arrangement and prudent fiscal management. As the HKD is linked to the US dollar (USD) under a similar currency board arrangement, the value of the MOP against the USD has remained largely stable.

The MOP exchange rate softened in line with the depreciation of its anchor currency. During the six months through November 2025, the MOP generally depreciated against several non-USD currencies on an annual basis. Correspondingly, the nominal effective exchange rate index, a gauge of the MOP versus a basket of foreign currencies of Macao's major trading partners, decreased 3.5% year-on-year in November 2025.

Chart 7: Bilateral Exchange Rates between MOP and HKD, and Effective Exchange Rate Indices of MOP and HKD*



Note: *Base period for MOP and HKD = January 2020.

Sources: Hong Kong Monetary Authority (HKMA) and Monetary Authority of Macao (AMCM).

Sufficient reserves affirmed the MOP's full convertibility. The foreign exchange reserves of the Macao Special Administrative Region (Macao SAR) expanded year-on-year by 3.5% to MOP240.8 billion at end-November 2025. The reserves, fully covering MOP monetary liabilities, ensured the full convertibility of the local currency under the linked exchange rate system (LERS).

Solid fiscal position underpinned the credibility of the LERS. In the first 11 months of 2025, supported by the annual growth of 7.0% in revenue from gaming concessionaires, the public revenue (excluding public autonomous agencies) increased 4.3% year-on-year to MOP106.7 billion. Meanwhile, the public expenditure (excluding public autonomous agencies) rose by 2.7% to MOP86.1 billion. These translated into an annual increase of 11.4% in the central account's fiscal balance to MOP20.6 billion. In addition, the SAR Government upheld its debt-free status.

Growth of monetary aggregates remained robust alongside stronger trade balances. The development of Macao's monetary aggregates was largely determined by the performance of its external sector. Fuelled by the expansion in external demand, the trade surplus attained notable growth in the first three quarters of 2025. Correspondingly, Macao's monetary aggregates sustained the upward trajectory, with the broad money supply, M2, rising 6.8% year-on-year to MOP831.7 billion at end-November 2025.

Contraction in domestic credit persisted. Private-sector credit shrank 4.7% from a year ago to MOP507.4 billion at end-November 2025. In contrast, the public sector's creditor position witnessed further strengthening, with its deposits rising 16.4% to MOP323.6 billion. Consequently, domestic credit registered an annual decline of 27.7%, amounting to MOP183.8 billion.

Table 2: Monetary Survey

(MOP million, end of period)				
Year	Quarter	M2	Net foreign assets	Domestic credit
2022		717,710.7	617,451.4	277,767.7
2023		725,579.6	627,129.6	287,865.4
2024		782,436.6	749,211.7	239,018.6
2025*		831,714.1	870,901.6	183,784.4
2022	1	686,330.1	619,257.7	247,157.5
	2	680,090.7	602,137.4	250,920.5
	3	679,741.4	598,257.0	254,745.1
	4	717,710.7	617,451.4	277,767.7
2023	1	726,196.9	616,438.6	296,392.6
	2	717,239.0	614,126.8	289,072.3
	3	727,283.9	630,196.0	286,625.7
	4	725,579.6	627,129.6	287,865.4
2024	1	745,277.0	643,898.1	290,089.3
	2	751,452.3	682,965.0	274,206.9
	3	773,676.4	722,898.3	259,862.0
	4	782,436.6	749,211.7	239,018.6
2025	1	810,563.5	795,455.8	229,931.4
	2	824,784.4	815,817.0	222,787.8
	3	836,099.2	857,825.7	199,826.0

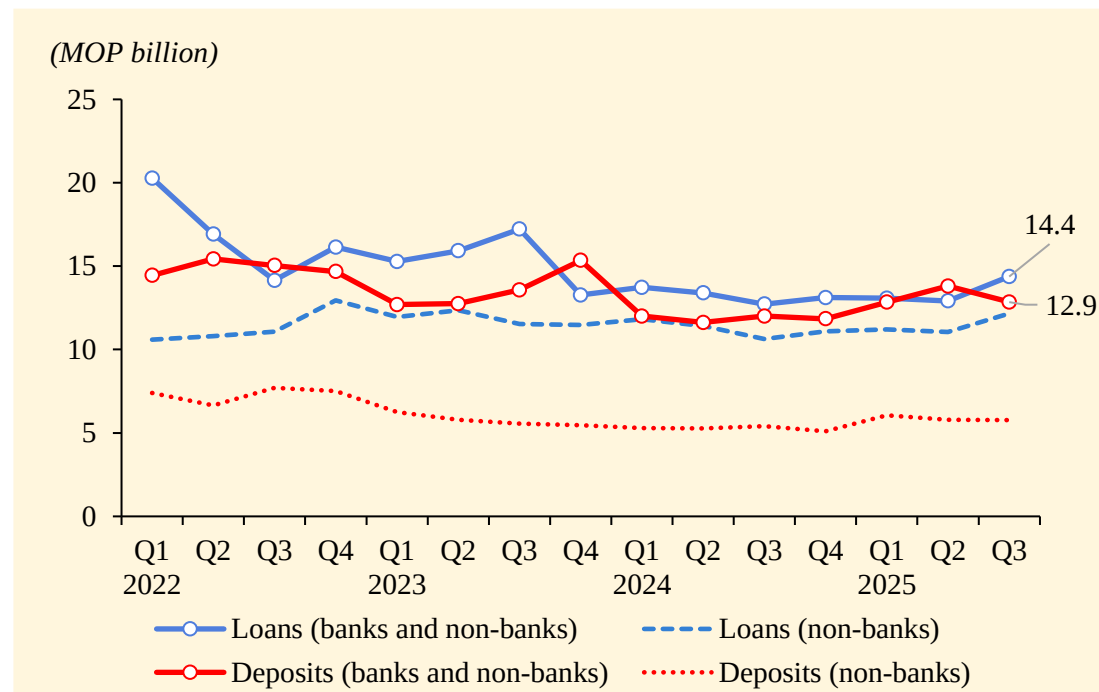
Note: * Figures at end-November 2025.

Source: AMCM.

RMB deposits continued to pick up, partially triggered by the RMB rally. Attributed to the growth in RMB deposits held by both the resident and non-resident sectors, RMB deposits with local banks climbed 4.5% from a year ago, reaching MOP108.8 billion or RMB96.1 billion at end-November 2025. Nevertheless, given the faster expansion of total deposits, the share of RMB deposits went down by 0.4 percentage points to 7.8%.

MOP deposits held by non-residents and MOP loans extended to them both witnessed increases. MOP deposits held by external non-banks registered an annual growth of 7.0% at end-September 2025. Together with the expansion of 7.1% in those held by external banks, the overall MOP deposits taken from non-residents grew by 7.0% to MOP12.9 billion (Chart 8). Meanwhile, MOP loans extended to non-residents rebounded during the review period, posting an annual increase of 13.0% to MOP14.4 billion at end-September 2025.

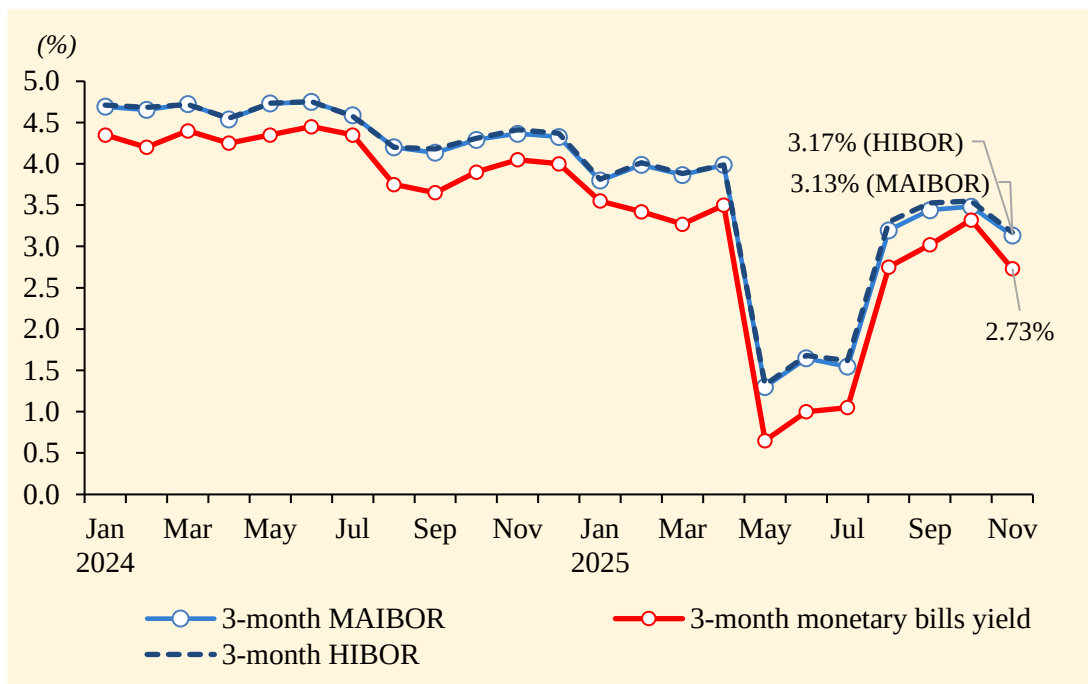
Chart 8: MOP Deposits Held by Non-residents and MOP Loans Extended to Non-residents



Source: AMCM.

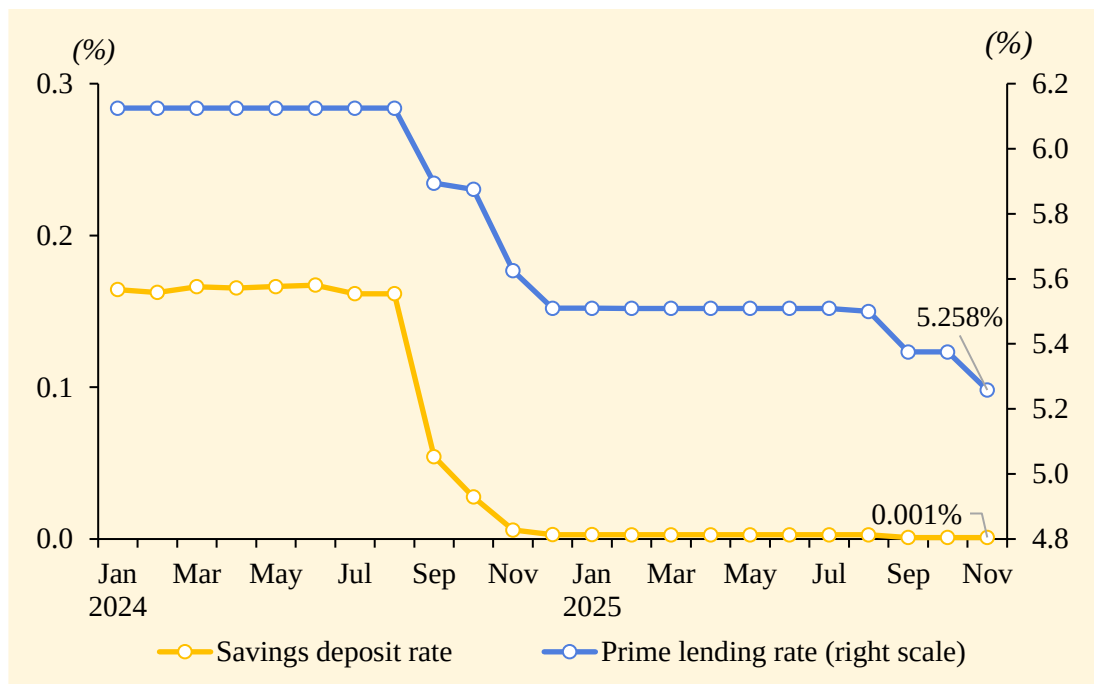
Macao SAR's policy interest rate broadly tracked the movements of the Hong Kong SAR's under the LERS. The US Federal Open Market Committee (FOMC) cut the target range for the Fed funds rate three times from September to December 2025, by 75 basis points in total to 3.50%-3.75%. The policy interest rate of Hong Kong SAR was lowered correspondingly amidst the LERS between the HKD and the USD. Against the backdrop of the MOP's link to the HKD, Macao's Base Rate was cut in line with that of Hong Kong SAR, standing at 4.00% at end-2025.

Market interest rates in the Macao SAR fell in line with the rate-cutting cycle. Alongside the rate cuts in the US, the 3-month Macao Interbank Offered Rate (MAIBOR) retreated to 3.13% at end-November 2025, from 4.36% a year earlier, after exhibiting some fluctuations in tandem with its counterparts in the Hong Kong SAR. Meanwhile, the 3-month yield of monetary bills decreased from 4.05% to 2.73% (Chart 9). On the retail front, the weighted average prime lending rate fell from 5.63% to 5.26% while the quoted savings deposit rate dropped from 0.006% to 0.001% at end-November 2025 (Chart 10). Reflecting lower funding costs for banks in Macao, the composite interest rate for the MOP and the HKD decreased by 81 basis points and 111 basis points from a year ago, marking 1.21% and 2.32% respectively at end-September 2025 (Chart 11).

Chart 9: Monetary Bills Yield, MAIBOR and HIBOR


Note: Period-end figures.

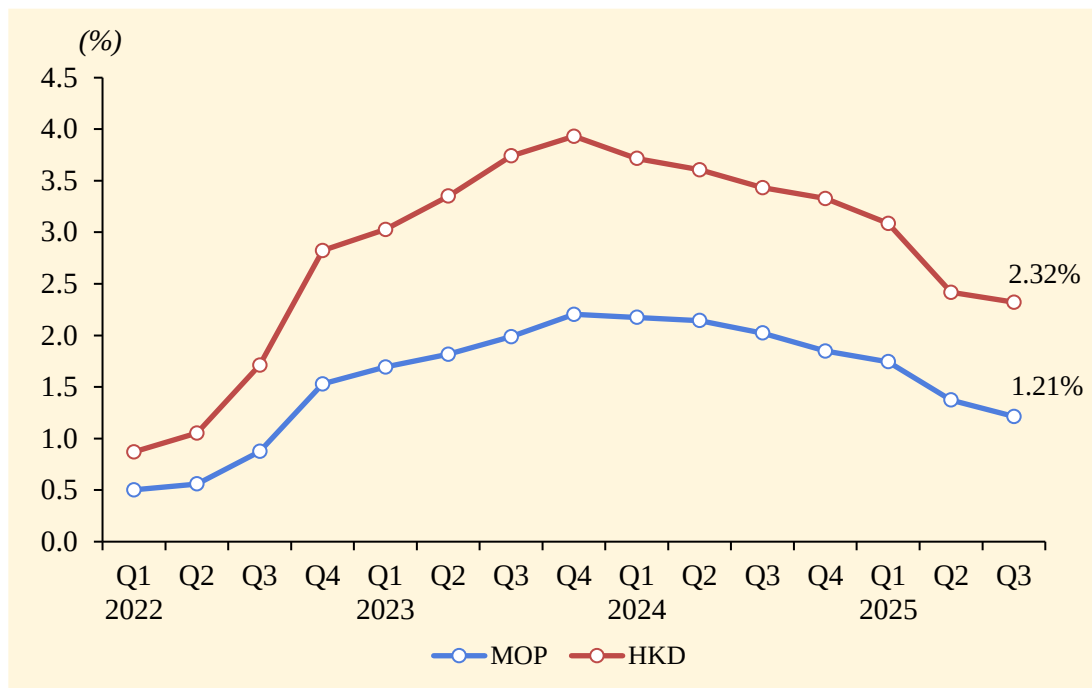
Sources: HKMA and AMCM.

Chart 10: Deposit and Lending Interest Rates


Notes: 1. Period-end figures.

2. Rates are the weighted averages of list rates quoted by sampled banks.

Source: AMCM.

Chart 11: Macao's Composite Interest Rate for the MOP and the HKD

Source: AMCM.

3. Assessment of Financial Stability

Gross income of Macao banks registered solid growth. In the first 11 months of 2025, interest margin went up year-on-year by 8.7% while non-interest income surged 19.1%, pushing gross income up by 12.6%. As interest margin increased at a slower pace than gross income, the ratio of interest margin to gross income moved down 2.2 percentage points to 60.3% (Table 3).

Interest margin improved owing to the decline in funding costs. In the first 11 months of 2025, the income from credit operations shrank 15.2% year-on-year to MOP74.4 billion while the cost of credit operations moved down relatively faster by 19.8% to MOP59.1 billion. As a result, interest margin registered an increment of 8.7% to MOP15.3 billion.

Non-interest income grew at a faster pace than non-interest expenses. Driven by the increment of income derived from fees and commissions, non-interest income rose 19.1% over a year ago to MOP10.1 billion in the first 11 months of 2025. Meanwhile, non-interest expenses moved up 3.1% to MOP10.6 billion. As the increase in non-interest expenses lagged behind that of gross income, the ratio of non-interest expenses to gross income slid 3.9 percentage points to 41.8%.

Table 3: Indicators of Banks' Earnings and Profitability

(%)

Year	Quarter	Return on assets	Return on equity	Interest margin to gross income	Non-interest expenses to gross income
2022		0.5	10.6	73.8	36.9
2023		0.2	3.2	70.0	40.3
2024		0.2	2.2	63.3	46.0
2025*		..	..	60.3	41.8
2022	1	0.5	12.2	69.8	37.3
	2	0.6	12.4	69.3	35.8
	3	0.5	10.4	71.3	35.4
	4	0.5	10.6	73.8	36.9
2023	1	0.6	11.8	65.5	36.7
	2	0.6	10.2	68.2	38.7
	3	0.5	9.3	70.2	40.0
	4	0.2	3.2	70.0	40.3
2024	1	0.4	7.3	64.2	45.3
	2	0.4	5.8	64.7	43.4
	3	0.3	4.5	62.1	44.0
	4	0.2	2.2	63.3	46.0
2025	1	0.6	10.2	52.8	39.7
	2	0.5	7.8	50.7	37.7
	3	0.4	6.4	58.7	41.6

Notes: * Figures for the first 11 months of 2025.

.. Not applicable.

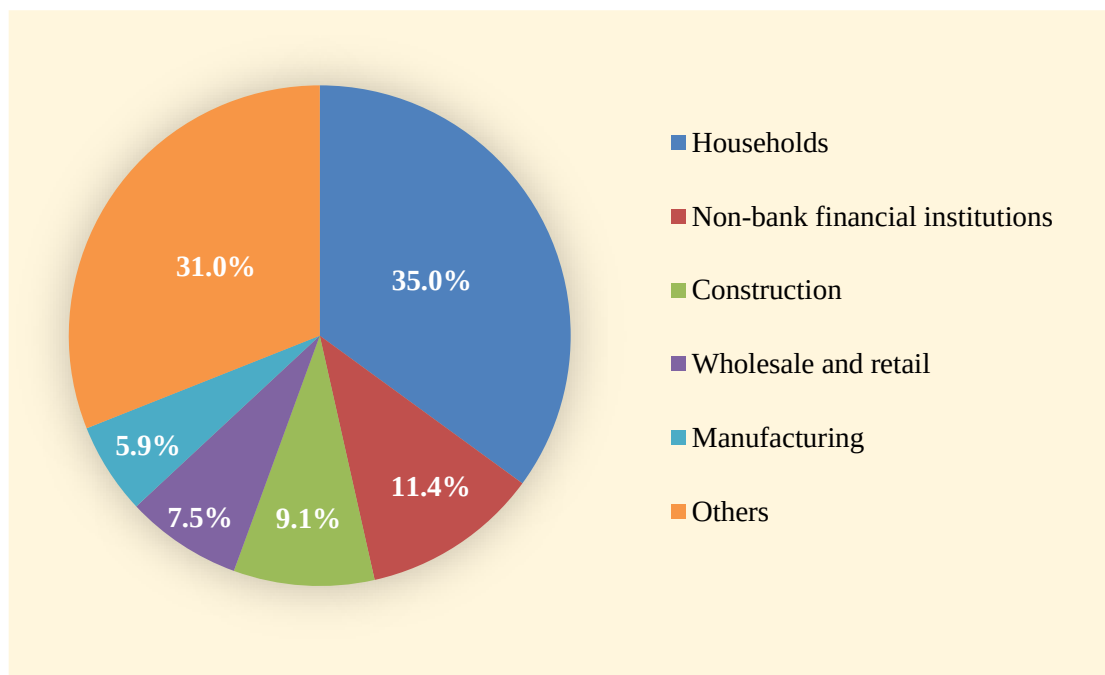
Source: AMCM.

Banks' operating profits showed a notable improvement. Fuelled by a combination of higher interest margin and strong growth in non-interest income, the banking sector's profitability experienced a substantial rebound in the first 11 months of 2025. Banks' operating profits reached MOP8.0 billion, representing an increase of 42.8% over the same period in 2024.

Profitability indicators of the local banking sector strengthened. In the first three quarters of 2025, the annualised return on assets (ROA), a measure of banks' efficiency in utilising their assets, edged up 0.1 percentage point to 0.4% when compared with a year ago. Meanwhile, the annualised return on equity (ROE) increased 1.9 percentage points to 6.4% as the growth of net income after tax outpaced that of capital.

Customer loans remained on the downward trajectory, yet the pace of reduction moderated. As borrowing costs reduced, total customer loans registered a narrower contraction of 0.9% year-on-year as at end-November 2025, down from 11.7% a year earlier, with an outstanding balance of MOP1,001.4 billion. Among this total, loans extended to the resident sector fell 4.5% whereas those to the non-resident sector rebounded 2.8%. Meanwhile, personal loans accounted for 35.0% of the total, reaching MOP350.9 billion at end-November 2025. Analysed by economic sector, the majority of customer loans were extended to non-bank financial institutions, the construction sector and the wholesale and retail sector, with respective shares of 11.4%, 9.1% and 7.5% (Chart 12).

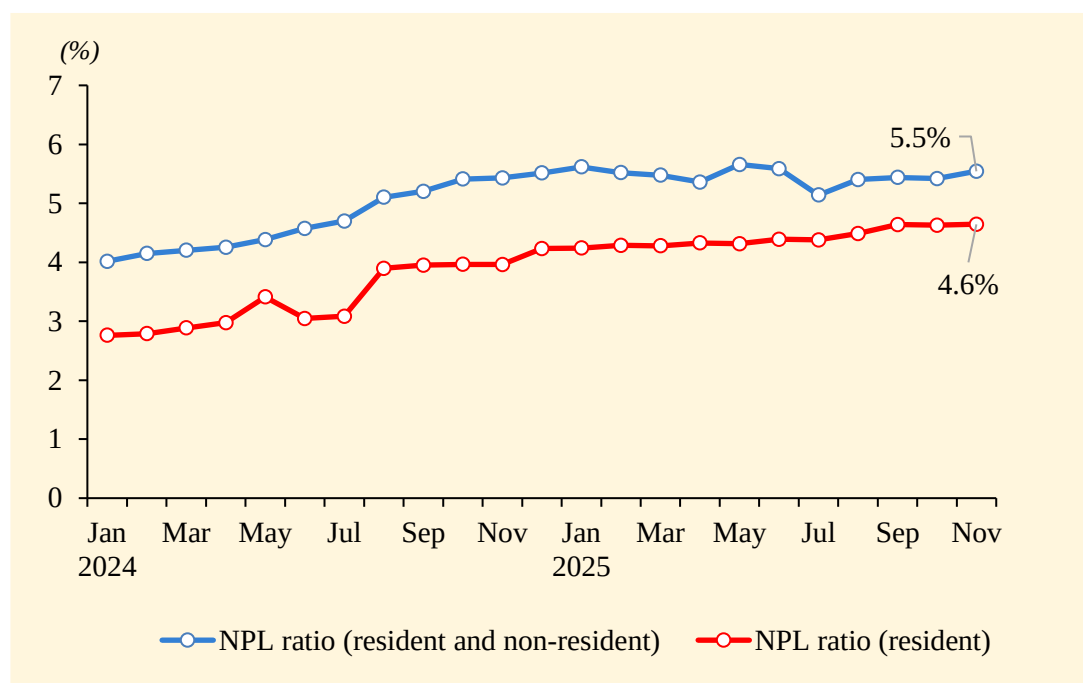
Chart 12: Distribution of Loans by Economic Sector



Source: AMCM.

Banks' asset quality held largely steady. At end-November 2025, the outstanding non-performing loans (NPL) amounted to MOP55.5 billion, representing a slower growth of 1.2% year-on-year. Nonetheless, given the 0.9% annual abatement in total customer loans, the NPL ratio edged up to 5.5% from 5.4% a year ago. In particular, the ratios for the resident and non-resident sectors were 4.6% and 6.4% respectively (Chart 13).

Chart 13: Non-performing Loan Ratios of Banks



Source: AMCM.

The proportion of property mortgage loans in private-sector loans retreated. At end-November 2025, total property mortgage loans² dropped 5.9% from a year earlier to MOP348.2 billion. Among this total, the outstanding balances of residential mortgage loans (RMLs)³ and commercial real estate loans (CRELs)⁴ fell 5.2% and

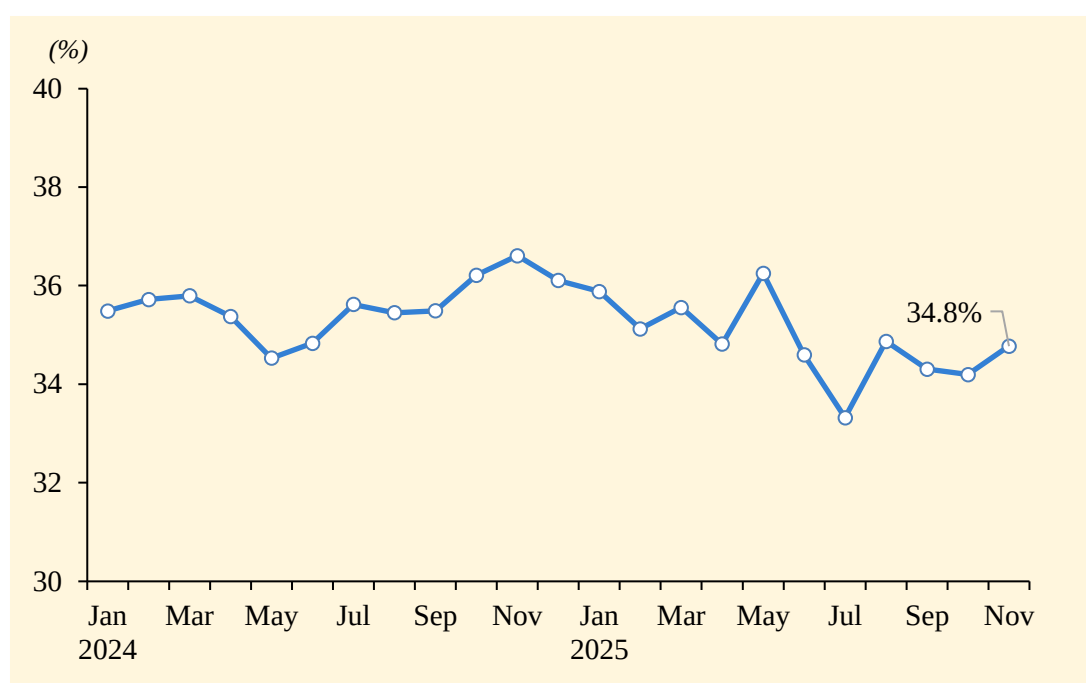
² The sum of RMLs and CRELs as a measurement of banks' property mortgage lending.

³ RMLs refer to credit facilities provided by banks to individuals and enterprises that are collateralised by residential real estate in Macao, including loans to finance purchase of residential properties and other purposes (such as refinancing loans, working capital and trade financing).

⁴ CRELs refer to credit facilities provided by banks to individuals and enterprises that are collateralised by commercial real estate, such as buildings, structures and associated land used for offices, shops, industries, hotels and tourism facilities in Macao. They include loans to construction companies and loans to finance property development and investment (such as land development and construction of industrial, commercial and residential buildings for sale or for lease).

6.9% respectively. As a result, the share of property mortgage loans in total private-sector loans shrank 1.8 percentage points from the previous year to 34.8% (Chart 14). On the other hand, the asset quality of relevant loans deteriorated during the review period, with the delinquency ratio⁵ of total property mortgage loans rising to 4.6% at end-November 2025.

Chart 14: Ratio of Property Mortgage Loans to Total Private-sector Loans



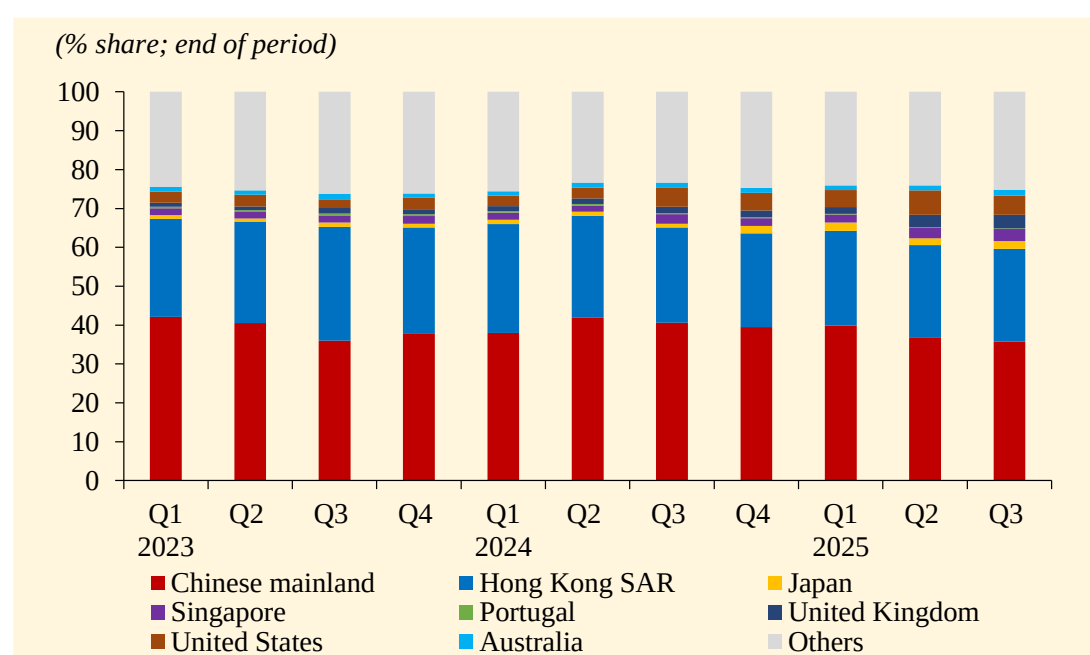
Source: AMCM.

Personal loans witnessed a setback. At end-November 2025, personal loans recorded an annual decline of 3.5% to MOP350.9 billion. Within this total, loans extended to individuals for purchasing residential properties fell 3.9% to MOP190.1 billion, while the remaining personal loans for other purposes dropped 3.0% to MOP160.8 billion. In particular, credit card balances and car loans decreased by 4.7% to MOP934.1 million and 2.9% to MOP1.0 billion respectively. Concurrently, the quality of personal loans remained sound, despite a marginal uptick in the related NPL ratio to 1.5%, from 1.4% a year ago.

⁵ Delinquency ratio is a ratio of total amount of overdue mortgage loans (payments of interest and/or principal overdue for more than three months) to total outstanding mortgage loans.

Macao banks sustained their position as a net creditor to the rest of the world. At end-November 2025, banks' external assets increased 19.0% year-on-year to MOP1,689.8 billion while external liabilities grew 15.5% to MOP1,096.3 billion. Net external assets of the local banking sector hence increased 26.1% to MOP593.5 billion. In relative terms, the ratio of external assets to total assets moved up by 5.2 percentage points to 66.1%. Meanwhile, the ratio of external liabilities to total liabilities rose 2.1 percentage points to 42.9%.

Chart 15: Geographical Distribution of Banks' External Assets

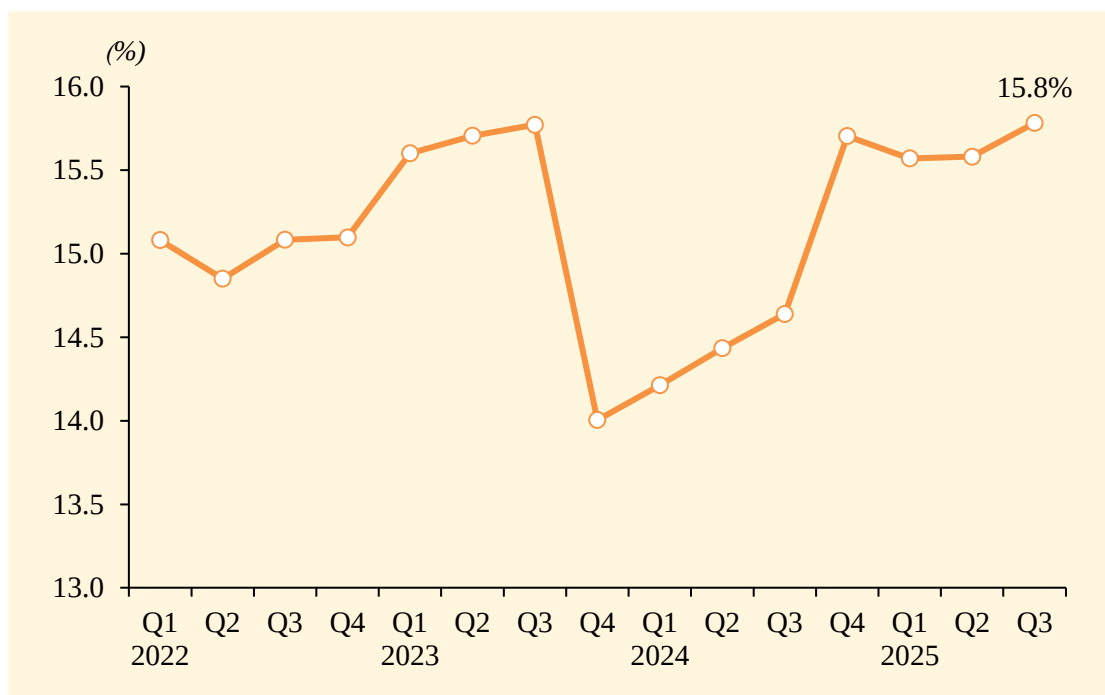


Note: External assets include international loans, holdings of external debt securities and other international assets.
Source: AMCM.

Asia remained as the major fund-placing destination of Macao banks. Although external assets placed in the Chinese mainland slid year-on-year by 0.8% to MOP583.3 billion at end-September 2025, with its share in the total moving down 4.8 percentage points to 35.7%, the Chinese mainland continued to be the largest fund-placing destination of local banks (Chart 15). External assets placed in the Hong Kong SAR, the second largest fund-placing destination, marked a rise of 9.6% to MOP389.5 billion, equivalent to 23.9% of total external assets. All in all, external assets of the local banking sector remained predominantly allocated to jurisdictions with robust economic fundamentals and high investment-grade ratings.

Macao banks' foreign-currency assets and liabilities were basically balanced at the aggregate level. At end-November 2025, the ratio of foreign-currency assets to foreign-currency liabilities edged up 0.01 point from the level a year ago to 1.04. The HKD, the USD and the RMB were the major non-MOP currency denominations of Macao banks' assets and liabilities. The asset-to-liability ratio of the HKD declined by 0.09 points to 0.77 whereas the ratios of the RMB and the USD rose by 0.09 points to 1.15 and 0.05 points to 1.24 respectively.

Chart 16: Consolidated Capital Adequacy Ratio



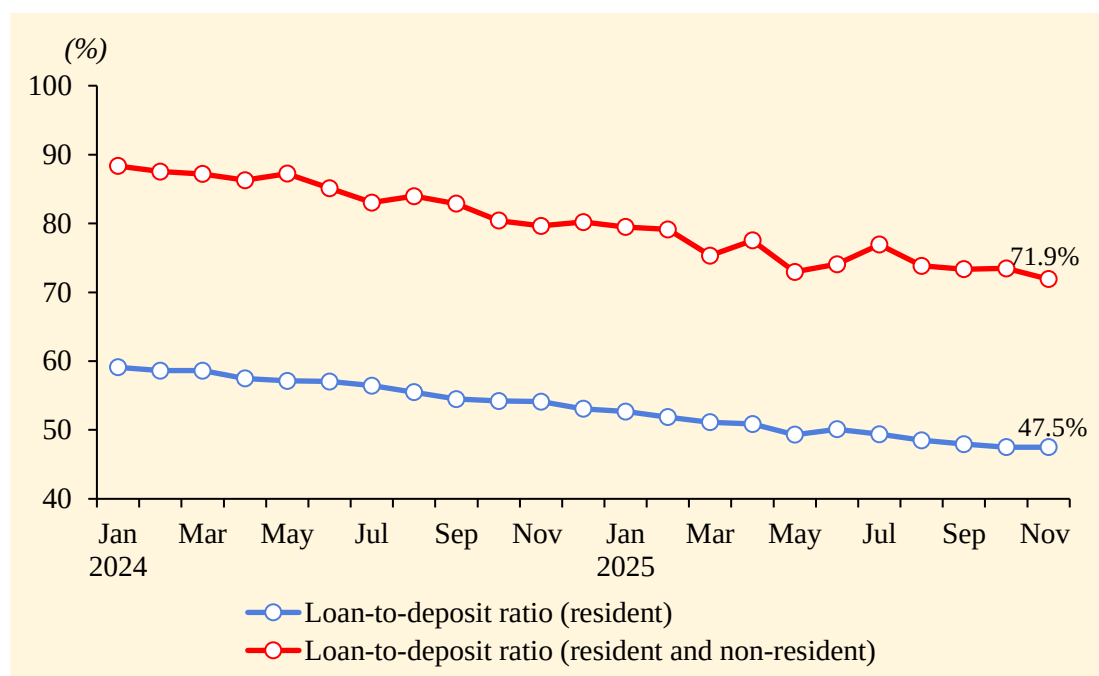
Note: Since November 2023, the consolidated capital adequacy ratio has been formulated under the definition of Basel III, which excludes non-perpetual subordinated debt as regulatory capital.

Source: AMCM.

Macao banks demonstrated stronger solvency metrics. At end-September 2025, the consolidated capital adequacy ratio (CAR) for locally incorporated banks and a government-owned postal savings bank rose 1.1 percentage points over a year ago to 15.8% (Chart 16). Such a level was well above the minimum legal requirement of 8.0%. Meanwhile, the ratio of NPLs net of provisions to capital edged down 0.1 percentage point to 28.8%.

Liquidity indicators of the banking sector presented mixed results. At end-September 2025, the ratio of liquid assets to total assets decreased 1.5 percentage points over half-a-year ago or 2.4 percentage points from a year earlier to 35.5%. On the other hand, the ratio of liquid assets to short-term liabilities rose 2.6 percentage points from six months ago but fell 0.6 percentage points from a year ago to 64.9%.

Chart 17: Loan-to-deposit Ratios



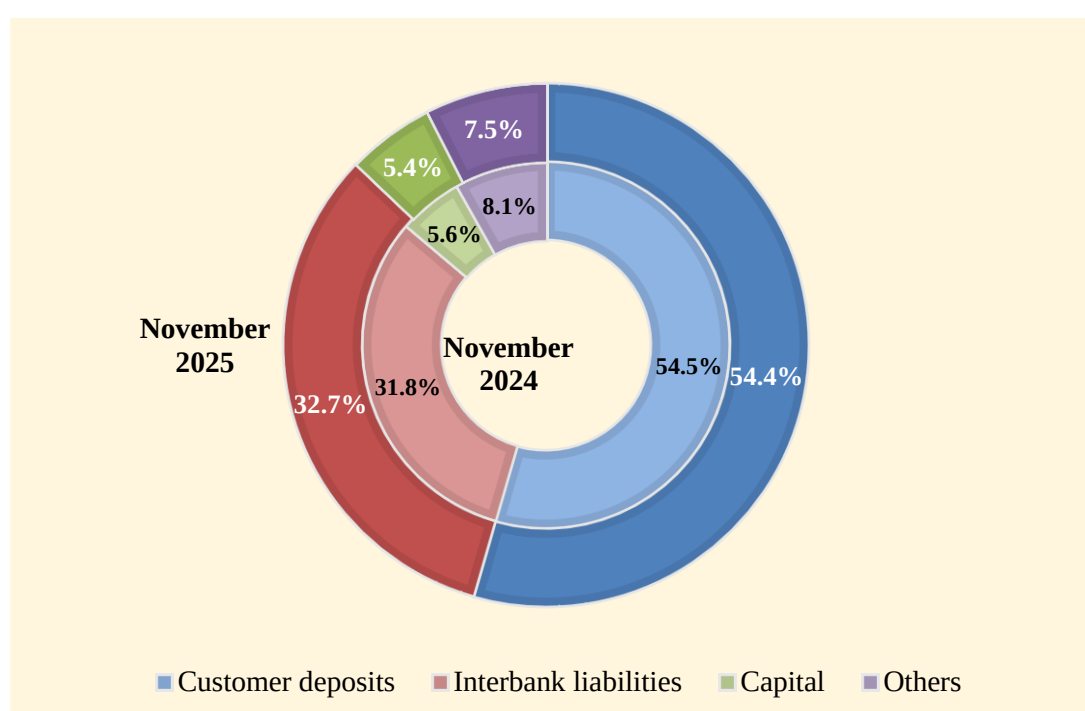
Note: Including both private-sector and public-sector deposits.

Source: AMCM.

The aggregate loan-to-deposit ratio dropped further amid the contraction in credit and growth in deposits. At end-November 2025, customer loans contracted year-on-year by 0.9% whereas customer deposits expanded by 9.7%. Consequently, the aggregate loan-to-deposit ratio fell by 7.7 percentage points from the previous year to 71.9% (Chart 17).

Customer deposits remained as the primary funding source for Macao banks. At the end of November 2025, although the share of customer deposits in total liabilities dipped marginally to 54.4% from 54.5% a year ago (Chart 18), their status as the key funding source remained unchanged. In comparison to alternative funding sources like interbank liabilities and short-term market funds, customer deposits exhibited lower degree of volatility, thereby underpinning a stable funding structure in the banking system.

Chart 18: Liability Structure of Macao Banks



Source: AMCM.

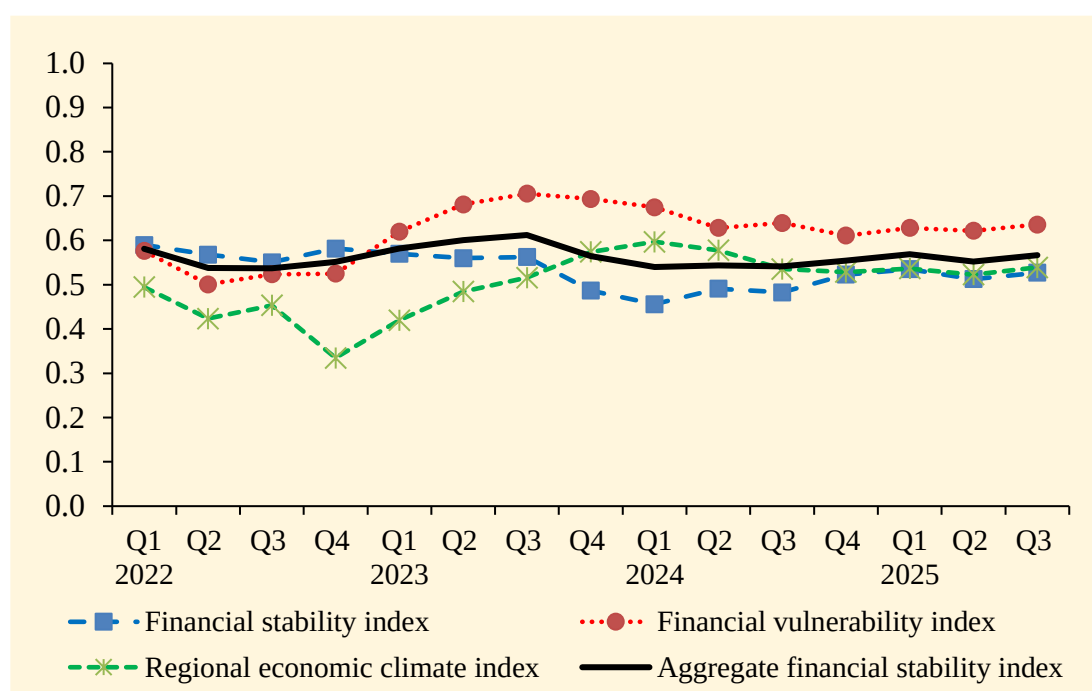
The insurance sector kept up its strong solvency position. Authorised insurance companies are required to set up a solvency margin to cover liabilities arising from business operations in Macao, which include provisions for liabilities related to pension funds. The solvency ratio of insurance companies stayed well above the 100% minimum statutory requirement during the review period. At end-November 2025, the solvency ratio reached 509.5% for life insurance companies and 563.6% for general insurance companies.

4. Conclusion

The SAR's monetary stability has been upheld by a credible currency board arrangement and a strong fiscal position. The effective currency board arrangement, adequate reserve coverage and the SAR Government's commitment to prudent fiscal management have underpinned the stability of the LERS between the MOP and the HKD. At the same time, Macao's foreign exchange reserves have been consistently maintained at a level sufficient to fully cover MOP monetary liabilities and provide a robust buffer to cushion against external shocks on the monetary system. Moreover, the fiscal position has been strengthened alongside continued expansion of the Fiscal Reserve, providing the SAR Government with ample policy space to anchor macroeconomic stability while maintaining its debt-free status.

Financial stability has been well maintained in Macao. The FOMC delivered three consecutive rate cuts during the last four months in 2025, driving parallel reductions in Macao's policy interest rates and downward adjustments in lending rates of Macao banks. Against this backdrop, Macao's banking sector recorded continued improvements in capital adequacy during the review period while its liquidity position has remained ample. Despite a more favourable interest-rate environment, credit demand has remained sluggish, putting enduring pressure on the profitability of the banking sector. Nonetheless, asset quality has remained steady, as supported by prudent and effective risk management. For the insurance sector, the solvency ratios of both life and general insurance companies have stayed well above the minimum statutory requirement.

In the third quarter of 2025, the aggregate financial stability index (AFSI), an in-house indicator compiled by the AMCM, ascended to 0.57 from 0.54 a year ago (Chart 19). The rise of the AFSI was mainly supported by a higher financial stability index, owing to continued improvements in banks' capital adequacy.

Chart 19: Aggregate Financial Stability Index and Its Sub-indices

Source: AMCM.

The global economy has demonstrated resilience in the face of tariff shocks, yet the risks to the medium-term outlook remained tilted to the downside. According to the [World Economic Outlook Update](#) published in January 2026, the International Monetary Fund (IMF) forecast the global economic growth for both 2025 and 2026 to stand at 3.3%, representing an upward revision of 0.1 percentage point and 0.2 percentage points respectively when compared with its projection in October 2025. Nonetheless, the IMF evaluated that this apparent resilience primarily reflected temporary factors such as trade front-loading and inventory management strategies. On the medium-term growth prospects, despite the progress in trade negotiations between the United States (US) and a several of its trading partners during the review period, the prolonged policy uncertainty and geopolitical tensions could continue to suppress consumption and investment. Against this backdrop, the IMF underscored that the preservation of rule-based trade policy, stronger multilateral cooperation and advancement in digitalisation could lift productivity and sustain global prosperity.

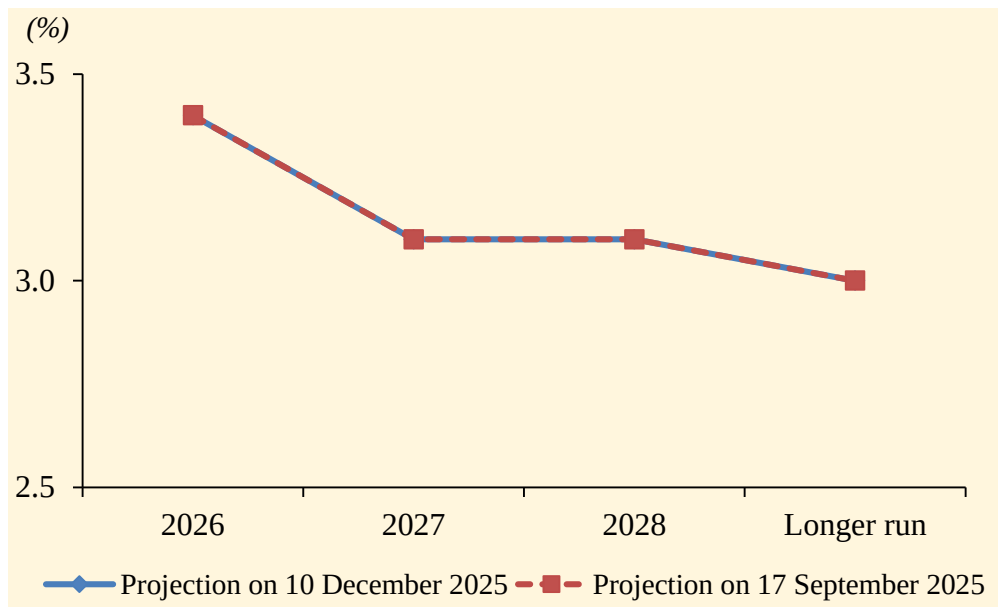
Growth momentum of the US economy is envisaged to pick up, underpinned by expansionary fiscal policies and less restrictive financial conditions. Based on the FOMC's assessment, economic activity in the US has been expanding at a moderate pace. That said, the temporary shutdown of the US Federal Government would likely shift real GDP growth from late-2025 to early-2026. Over the medium-term, the growth momentum of the US economy is anticipated to align with its potential output as the impact of tariff policies started to wane. According to the Summary of Economic Projections in December 2025, the FOMC raised its real GDP forecast for 2026 to 2.3%, marking a significant advancement from its previous projection of 1.8% in September. On the other hand, the inflation forecast for 2026 was revised down to 2.4% whilst the unemployment rate remained unaltered at 4.4% (Table 4).

The FOMC would gradually direct towards a more neutral monetary policy stance amid divergence in the risks to its dual-mandate of price stability and maximum employment. Given the upside risks to inflation remained elevated whereas the downside risks to employment had risen since mid-2025, the FOMC judged that moving towards a more neutral monetary policy stance would help forestall the deterioration in labour market conditions and preserve flexibility for policy interest rate adjustments in the future. According to the FOMC's latest projected policy path, the mid-point of the Fed funds rate would stand at 3.4% at end-2026, unaltered from its previous projection in September 2025 (Chart 20). On the other hand, the US Federal Reserve initiated reserve management purchases (RMPs) on 12 December 2025 to ensure ample liquidity in the financial system, after concluding its balance sheet runoff on 1 December 2025.

Table 4: Median Projections of Major US Economic Variables

	(%)			
	2026	2027	2028	Longer run
Change in real GDP	2.3	2.0	1.9	1.8
Unemployment rate	4.4	4.2	4.2	4.2
Personal consumption expenditure inflation	2.4	2.1	2.0	2.0

Source: The US Federal Reserve.

Chart 20: Fed Funds Rate Projections

Notes: 1. The chart is based on policymakers' assessments of appropriate monetary policy.

2. The chart reflects the median projections.

Source: The US Federal Reserve.

Macao's growth prospects are envisioned to remain broadly optimistic, bolstered by the normalisation of tourism demand and increased non-gaming investment.

On the back of the continued implementation of proactive fiscal measures and moderately accommodative monetary policies, the economy of the Chinese mainland is anticipated to maintain a robust growth trajectory, which is set to lift consumer sentiment and would in turn be conducive to Macao's tourism sector. Concurrently, the interplay of favourable travel policies, enriched tourism infrastructure and the SAR Government's ongoing endeavour in urban revitalisation, is poised to fortify Macao's growth momentum. Despite prevailing external headwinds, Macao's economic outlook is expected to remain broadly positive in 2026, albeit possibly at a milder growth rate ascribed to the normalisation of base effects.

Inflationary pressures are expected to stay mild while the labour-market conditions would remain stable. Attributable to sturdy aggregate demand, CPI-inflation in 2026 is projected to rise slightly while remaining mild. Meanwhile, the job market is expected to exhibit continued resilience amid favourable economic conditions. Imported workers, which are meant to supplement the local labour supply, would provide sufficient cushion for policy adjustments.

Looking ahead, modern financial services and regional integration would play an increasingly vital role in advancing Macao's appropriate economic diversification agenda. In the Policy Address for the Fiscal Year 2026, the Macao SAR Government accentuated to foster the establishment of a government industrial fund and a guidance fund, designated to channel both public- and private-sector resources towards strategic projects that aligned with Macao's long-term development objectives. Complementing this is the entry into force of the reformulated *Investment Funds Law* on 1 January 2026, which is set not only to optimise the business environment for the investment fund management sector, but also strengthen the financial sector's role in mobilising capital to support appropriate economic diversification. Furthermore, the enhancement of institutional and infrastructural linkages between Macao and the Guangdong-Macao In-depth Cooperation Zone in Hengqin is envisaged to generate synergistic benefits, reinforcing growth momentum and fostering long-term prosperity for both regions.