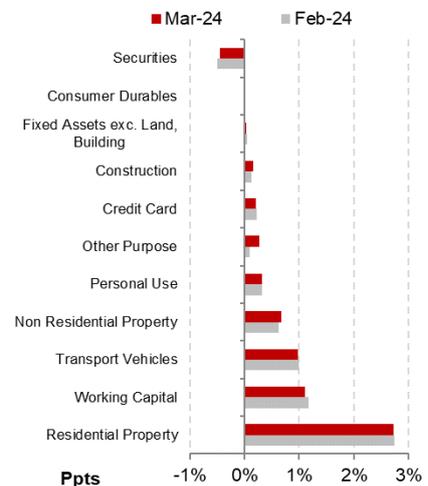


Malaysia Money & Credit

Loan and M3 growth expanded in March, reflecting a stronger economy in 1Q24

- Broad money (M3) growth expanded to a 19-month high (6.2% YoY; Feb: 5.7%) in March**
 - Growth was bolstered by higher demand deposits (8.6%; Feb: 7.1%), and foreign currency deposits (13.0%; Feb: 3.4%), contributing 3.1 ppts (Feb: 1.8 ppts) to overall M3 growth.
 - MoM: growth sustained (0.5%; Feb: 0.5%), adding RM11.3b.
- M3 growth was boosted by higher net foreign assets**
 - Claims on the private sector (5.5%; Feb: 5.7%): slowed due to lower securities (3.8%; Feb: 6.6%) but it was partially supported by higher loans (5.8%; Feb: 5.6%). Its contribution to overall M3 inched up to 5.5 ppts (Jan: 5.4 ppts), the highest since March 2019.
 - Net claims on government (14.3%; Feb: 14.0%): expanded to a 13-month high amid higher government claims (8.8%; Feb: 5.8%), while government deposits continued to fall (-11.3%; Feb: -22.2%), for an eight-straight month. Nevertheless, its contribution to overall M3 growth remained unchanged at 2.1 ppts (Feb: 2.1 ppts).
 - Foreign assets (12.9%; Feb: 8.0%): accelerated due to a surge in net foreign assets in the banking system (46.6%; Feb: 24.3%), and further expansion in BNM foreign assets (5.7%; Feb: 4.5%) which hit a seven-month high. Overall, its contribution to overall M3 growth edged up to 3.3 ppts (Feb: 2.0 ppt).

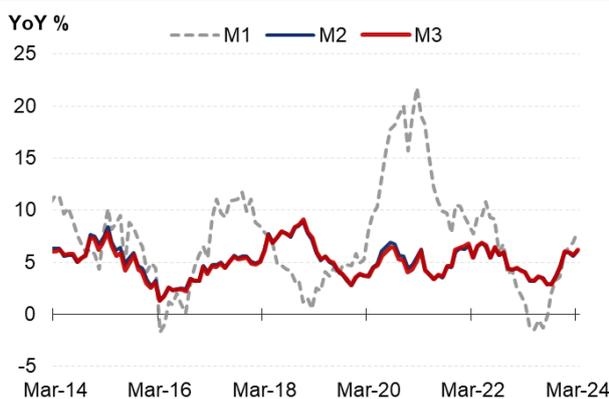
Graph 1: Loan Growth by Purpose (ppts)



Source: BNM, Macrobond, Kenanga Research

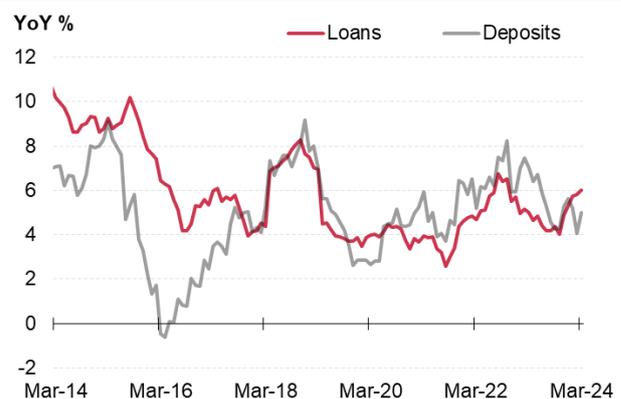
- Loan growth expanded to a 17-month high (6.0% YoY; Feb: 5.8%)**
 - By purpose: Loan growth expansion was led by residential property (7.4%; Feb: 7.5%), followed by non-residential property (5.6%; Feb: 5.2%) and other purposes (7.0%; Feb: 2.5%), with a combined contribution of 3.7 ppts (Feb: 3.5 ppts). This was partly offset by a sharp slowdown in purchase of securities (-10.7%; Feb: 11.5%).
 - By sector: sustained expansion recorded in the household sector (6.3%; Feb: 6.2%), with contribution to overall loan growth remained unchanged for the third straight month (3.7 ppts; Feb: 3.7 ppts). Growth was also supported by higher growth in finance & insurance (20.7%; Feb: 19.4%) and other sector (15.1%; Feb: 7.1%).
 - MoM: expanded (0.6%; Feb: 0.5%) to a three-month high
- Deposit growth expanded (5.0% YoY; Feb: 4.0%) to a two-month high**
 - Bolstered by higher foreign currency deposits (12.0%; Feb: 1.2%), which surged to a 12-month high. This was further supported by higher demand deposits (9.4%; Feb: 5.6%). Nevertheless, growth momentum was partially capped by a moderate growth in saving deposits (1.0%; Feb: 2.5%) as well as fixed deposits (3.6%; Feb: 4.3%).
 - MoM: growth expanded (0.8%; Feb: 0.5%) to a three-month high, adding RM20.5b, the highest in three months.
- Loan growth forecast revised higher to 5.5% - 6.0% from 5.0% - 5.5% (2023: 5.3%) previously**
 - Loan growth is expected to remain elevated in the near term, partly due to a lower base effect, and in line with our projected GDP growth expansion of 4.5% - 5.0% for 2024 (2023: 3.7%). This is reflected by several key macro indicators which point to a steady growth expansion such as a lower unemployment rate amid sustained job growth, and stable retail sales backed by further increases in tourist arrivals and spending.
 - Likewise, we continue to expect BNM to keep its overnight policy rate (OPR) unchanged at 3.00% in its upcoming MPC meeting on May 9th, as well as for the rest of the year. We believe BNM would prioritise economic growth given the lingering downside risk to the growth outlook amid heightened uncertainty in the external sector, while also ensuring the inflation outlook remains broadly stable.

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, Macrobond, Kenanga Research

02 May 2024

Table 1: Money Supply, Loan and Deposit Growth Trend

		2021	2022	2023	Mar-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
M1	% MoM				-0.2	1.5	1.2	2.2	0.1	0.1	0.9
	Chg (RM b)	54.6	24.7	35.5	-1.0	8.8	7.5	13.8	0.8	0.7	5.5
	% YoY	10.4	4.3	5.9	0.9	3.3	3.6	5.9	6.4	6.9	8.0
M2	% MoM				0.0	0.8	0.9	1.7	0.4	0.4	0.5
	Chg (RM b)	128.3	92.5	132.7	1.0	19.3	21.5	39.4	9.3	10.7	12.5
	% YoY	6.3	4.3	5.9	4.0	3.6	4.6	5.9	5.9	5.6	6.1
M3	% MoM				0.0	0.9	0.9	1.7	0.4	0.5	0.5
	Chg (RM b)	130.8	93.9	136.4	0.6	20.0	21.8	40.5	10.1	10.9	11.3
	% YoY	6.4	4.3	6.0	4.0	3.7	4.6	6.0	6.0	5.7	6.2
Loans	% MoM				0.5	0.3	0.8	1.1	0.2	0.5	0.6
	Chg (RM b)	84.3	108.9	107.2	9.2	6.3	15.8	23.0	5.3	9.8	13.4
	% YoY	4.6	5.7	5.3	5.0	4.0	4.9	5.3	5.7	5.8	6.0
Deposit	% MoM				-0.1	0.4	0.4	1.3	-0.1	0.5	0.8
	Chg (RM b)	132.4	132.0	132.1	-2.5	10.3	10.9	31.8	-1.8	13.1	20.5
	% YoY	6.3	5.9	5.6	7.0	4.3	5.3	5.6	5.2	4.0	5.0
LCR*	(%)	153.3	151.5	160.9	155.7	150.8	149.7	161.0	N/A	N/A	N/A

Source: Bank Negara Malaysia, Macrobond, Kenanga Research

*Liquidity Coverage Ratio (LCR) is based on Basel III requirement and was adopted since June 2015. As of 1 January 2018, the minimum requirement is set at 90%.

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Published by:

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