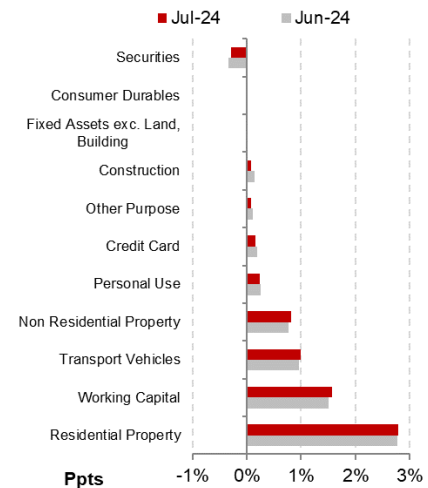


# Malaysia Money & Credit

M3 expanded in July, while loan growth remained steady

- Broad money (M3) growth edged up in July (5.3% YoY; Jun: 5.2%)**
  - Attributable to higher growth in demand deposits (7.8%; Jun: 7.0%), hitting a three-month high and expanding its contribution to overall growth to 1.5 ppts (Jun: 1.4 ppts). This was further supported by an increase in savings deposits (3.3%; Jun: 1.9%) with the contribution expanded slightly to 0.3 ppts (Jun: 0.2 ppts).
  - MoM: however, it fell for the second straight month (-0.1%; Jun: -0.2%), subtracting RM3.4b.
- Higher broad money supply growth due to increased government spending, but partially weighed by slower private spending**
  - Net claims on government (15.5%; Jun: 12.2%): surged to a 17-month high due to higher growth in government claims (9.8%; Jun: 7.2%), which partially offset the sustained contraction in government deposits (-11.2%; Jun: -11.2%).
  - Claims in the private sector (5.1%; Jun: 5.5%): moderated due to slower loans (6.0%; Jun: 6.1%) while securities fell (-0.8%; Jun: 1.0%) to a 22-month low.
  - Foreign assets (5.1%; Jun: 7.6%): moderated sharply to an eight-month low due to slower expansion in net foreign assets held by BNM (2.4%; Jun: 3.1%) and net foreign assets in the banking system (16.7%; Jun: 27.7%).

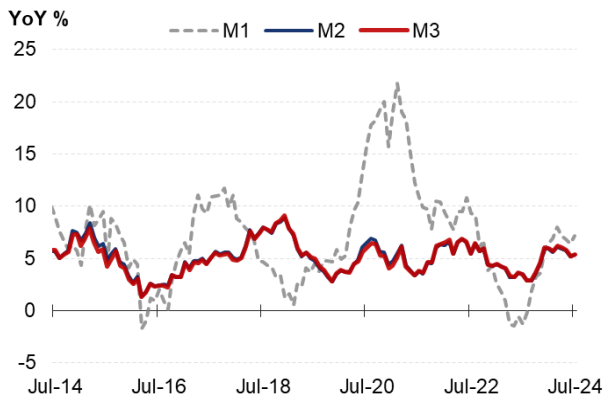
Graph 1: Loan Growth by Purpose (ppts)



Source: BNM, Macrobond, Kenanga Research

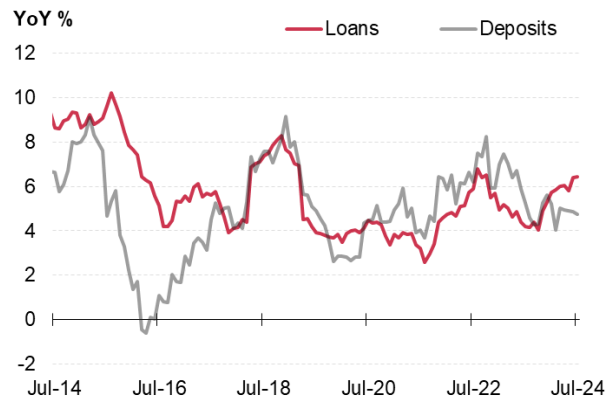
- Loan growth was unchanged (6.4% YoY; Jun: 6.4%) and surpassed our year-end target for the second straight month**
  - By purpose:** growth remained supported by sustained expansion in residential property (7.5%; Jun: 7.5%). Notably, higher growth expansion was recorded in working capital (7.1%; Jun: 6.8%) which rose to a 21-month high. Nevertheless, the momentum was partially capped by slower construction (2.5%; Jun: 4.9%).
  - By sector:** mainly due to strong expansion in the household sector (6.5%; Jun: 6.4%), contributing 3.9 ppts (Jun: 3.8 ppts) to overall loan growth. This was also supported by increased loans in real estate (5.6%; Jun: 4.2%). However, the momentum was partially capped by slower growth in the construction sector (1.6%; Jun: 3.5%).
  - MoM: slowed sharply (0.1%; Jun: 0.8%) on a MoM basis, and a three-month low.
- Deposit growth slowed (4.7% YoY; Jun: 4.9%), the lowest in nine months**
  - Due to slower growth in demand deposits (7.8%; Jun: 8.7%) and a sharp slowdown in other deposits (1.0%; Jun: 5.0%), subsequently brought contribution to overall deposit growth down sharply to 1.6 ppts (Jun: 2.3 ppts).
  - MoM: declined (-0.6%; Jun: -0.002%) and subtracted RM14.2b from a total deposit.
- 2024 loan growth forecast remained at 5.5% - 6.0% (2023: 5.3%) with a likelihood it would settle around our upper-end target**
  - We retain our forecast, as loan growth is anticipated to moderate in the final quarter amid the high base recorded last year. However, we still expect loan growth to outpace our GDP growth forecast of 5.0% (2023: 3.6%).
  - Likewise, we continue to expect BNM to maintain the overnight policy rate (OPR) at 3.00% at its upcoming MPC meeting this week, with a high probability extending well into 2025. This is largely because the inflation outlook remains under control, while the current monetary policy stance is deemed conducive to boosting economic growth while supporting the ongoing reforms undertaken by the Madani government.

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, Macrobond, Kenanga Research

**Table 1: Money Supply, Loan and Deposit Growth Trend**

		2021	2022	2023	Jul-23	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
<b>M1</b>	% MoM				-1.5	0.1	0.9	-1.1	-0.5	1.1	-0.8
	Chg (RM b)	54.6	24.7	35.5	-9.2	0.7	5.5	-6.9	-3.1	6.8	-5.4
	% YoY	10.4	4.3	5.9	-1.3	6.9	8.0	7.1	6.8	6.4	7.2
<b>M2</b>	% MoM				-0.3	0.4	0.5	-0.4	0.2	-0.1	-0.1
	Chg (RM b)	128.3	92.5	132.7	-6.3	10.7	12.5	-9.4	5.7	-3.4	-3.4
	% YoY	6.3	4.3	5.9	3.5	5.6	6.1	5.9	5.8	5.2	5.3
<b>M3</b>	% MoM				-0.3	0.5	0.5	-0.3	0.2	-0.2	-0.1
	Chg (RM b)	130.8	93.9	136.4	-6.2	10.9	11.1	-8.5	4.7	-4.0	-3.4
	% YoY	6.4	4.3	6.0	3.5	5.7	6.2	6.0	5.8	5.2	5.3
<b>Loans</b>	% MoM				0.1	0.5	0.6	0.1	0.3	0.8	0.1
	Chg (RM b)	84.3	108.9	107.2	2.7	9.8	13.3	1.8	5.9	17.4	3.2
	% YoY	4.6	5.7	5.3	4.2	5.8	6.0	6.1	5.8	6.4	6.4
<b>Deposit</b>	% MoM				-0.5	0.5	0.8	-0.5	0.5	0.0	-0.6
	Chg (RM b)	132.4	132.0	132.1	-11.2	13.1	20.6	-12.5	11.3	-0.1	-14.2
	% YoY	6.3	5.9	5.6	5.3	4.0	5.0	5.0	4.9	4.9	4.7
<b>LCR*</b>	(%)	153.3	151.5	160.9	155.7	153.7	150.4	152.3	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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