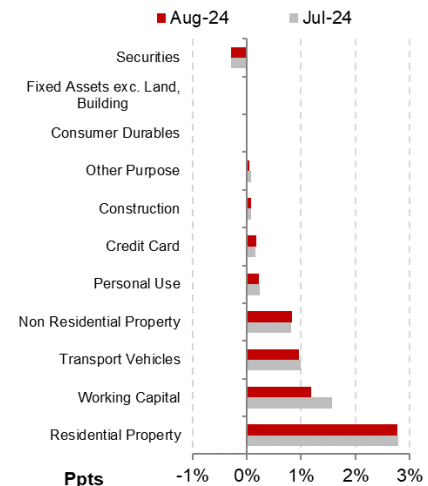


Malaysia Money & Credit

August M3 and loan growth slowed as domestic demand takes a breather

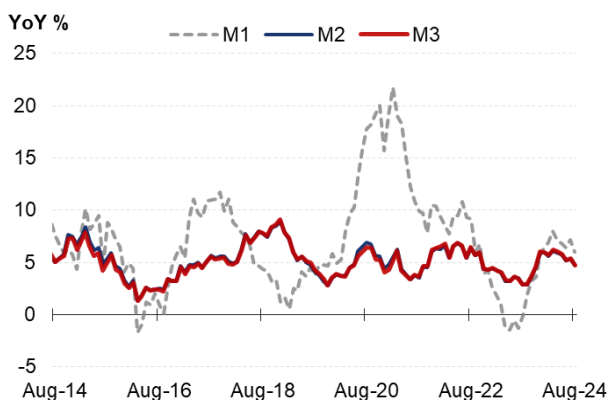
- Broad money (M3) growth moderated to a nine-month low in August (4.7% YoY; Jul: 5.3%)**
 - Weighed by a sharp moderation in foreign currency deposits (8.2%; Jul: 17.2%), hitting a six-month low, bringing its contribution to overall growth down to 0.9 ppts (Jul: 1.8 ppts). This was further dragged by slower growth in demand deposits (6.1%; Jul: 7.8%) with the contribution narrowed slightly to 1.2 ppts (Jul: 1.5 ppts).
 - MoM: However, it fell for the third straight month (-0.4%; Jul: -0.1%), subtracting RM9.0b.
- Slower broad money supply growth due to lower government and private spending**
 - Net claims on government (13.4%; Jul: 15.5%): moderated to a two-month low due to slower growth in government claims (7.4%; Jul: 9.8%), and a sustained decline in government deposits (-13.5%; Jul: -11.2%).
 - Claims in the private sector (4.9%; Jul: 5.1%): slowed to a 10-month low due to slower loans (5.8%; Jul: 6.0%) and securities fell (-0.9%; Jul: -0.8%) for the second straight month, and a 23-month low.
- Loan growth moderated (6.0% YoY; Jul: 6.4%) amid high base effect, but still within our year-end target range**
 - **By purpose:** attributable mainly to slower growth of working capital (5.4%; Jul: 7.1%) following a sharp expansion in the previous month. Its contribution to overall growth declined to 1.2 ppts (Jul: 1.6 ppts). Nevertheless, growth remained supported by residential property (7.5%; Jul: 7.5%), contributing 2.8 ppts to overall loan growth (Jul: 2.8 ppts).
 - **By sector:** mainly due to slower expansion in the finance & insurance sector (18.4%; Jul: 22.4%), with its contribution to overall growth decline to 0.9 ppts (Jul: 1.1 ppts). This was also due to moderate growth in the manufacturing (5.1%; Jul: 5.9%) and household (6.4%; Jul: 6.5%) sectors.
 - MoM: expanded (0.3%; Jul: 0.1%) on a MoM basis, and a two-month high.
- Deposit growth slowed sharply (3.8% YoY; Jul: 4.7%) to a three-year low**
 - Mainly due to a sharp slowdown in foreign deposits (8.0%; Jul: 16.9%) and demand deposits (5.2%; Jul: 7.8%), subsequently brought contribution to overall deposit growth down sharply to 1.8 ppts (Jul: 3.1 ppts).
 - MoM: declined (-0.3%; Jul: -0.6%) for the third straight month, and subtracted RM8.7b from a total deposit.
- 2024 loan growth forecast retained at 5.5% - 6.0% (2023: 5.3%)**
 - August’s loan growth slowdown, while still relatively high, aligns with our expectations due to the high base effect from 2H23. We expect MoM momentum to continue in the coming months, but growth will likely be limited by last year’s high base. However, we still expect loan growth to outpace our GDP growth forecast of 5.0% (2023: 3.6%) for this year.
 - On the monetary policy front, we continue to believe BNM will keep the overnight policy rate (OPR) at 3.00% at its final MPC meeting for this year in November. This is mainly due to the expected gradual rise in inflation, which is susceptible to any government policy changes on subsidy rationalisation. At the same time, we see a need for BNM to support growth, given concerns over a potential global economic slowdown led by advanced economies.

Graph 1: Loan Growth by Purpose (ppts)



Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, Macrobond, Kenanga Research

01 October 2024

Table 1: Money Supply, Loan and Deposit Growth Trend

| | | 2021 | 2022 | 2023 | Aug-23 | Mar-24 | Apr-24 | May-24 | Jun-24 | Jul-24 | Aug-24 |
|----------------|------------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| M1 | % MoM | | | | 1.3 | 0.9 | -1.1 | -0.5 | 1.1 | -0.8 | 0.1 |
| | Chg (RM b) | 54.6 | 24.7 | 35.5 | 7.5 | 5.5 | -6.9 | -3.1 | 6.8 | -5.4 | 0.8 |
| | % YoY | 10.4 | 4.3 | 5.9 | -0.1 | 8.0 | 7.1 | 6.8 | 6.4 | 7.2 | 6.0 |
| M2 | % MoM | | | | 0.2 | 0.5 | -0.4 | 0.2 | -0.1 | -0.1 | -0.3 |
| | Chg (RM b) | 128.3 | 92.5 | 132.7 | 5.2 | 12.5 | -9.4 | 5.7 | -3.4 | -3.4 | -7.9 |
| | % YoY | 6.3 | 4.3 | 5.9 | 2.9 | 6.1 | 5.9 | 5.8 | 5.2 | 5.3 | 4.7 |
| M3 | % MoM | | | | 0.2 | 0.5 | -0.3 | 0.2 | -0.2 | -0.1 | -0.4 |
| | Chg (RM b) | 130.8 | 93.9 | 136.4 | 5.6 | 11.1 | -8.5 | 4.7 | -4.0 | -3.4 | -9.0 |
| | % YoY | 6.4 | 4.3 | 6.0 | 2.9 | 6.2 | 6.0 | 5.8 | 5.2 | 5.3 | 4.7 |
| Loans | % MoM | | | | 0.7 | 0.6 | 0.1 | 0.3 | 0.8 | 0.1 | 0.3 |
| | Chg (RM b) | 84.3 | 108.9 | 107.2 | 14.1 | 13.3 | 1.8 | 5.9 | 17.4 | 3.2 | 6.2 |
| | % YoY | 4.6 | 5.7 | 5.3 | 4.2 | 6.0 | 6.1 | 5.8 | 6.4 | 6.4 | 6.0 |
| Deposit | % MoM | | | | 0.6 | 0.8 | -0.5 | 0.5 | 0.0 | -0.6 | -0.3 |
| | Chg (RM b) | 132.4 | 132.0 | 132.1 | 14.4 | 20.6 | -12.5 | 11.3 | -0.1 | -14.2 | -8.7 |
| | % YoY | 6.3 | 5.9 | 5.6 | 4.6 | 5.0 | 5.0 | 4.9 | 4.9 | 4.7 | 3.8 |
| LCR* | (%) | 153.3 | 151.5 | 160.9 | 150.3 | 150.4 | 152.3 | 149.6 | 155.1 | 150.8 | 145.4 |

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%.

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my