

Malaysia Money & Credit

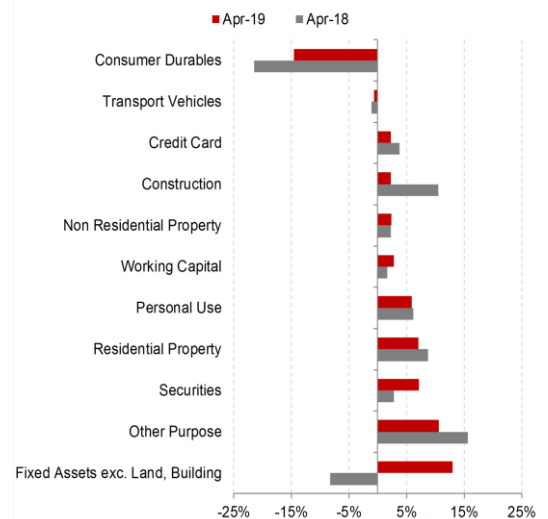
M3 expanded in April on expanding government claims

Economics
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OVERVIEW

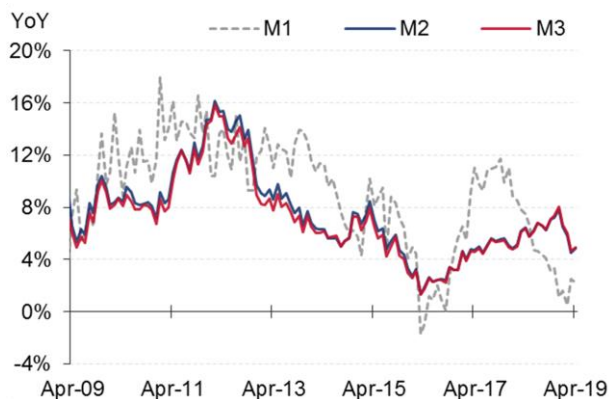
- Broad money (M3) growth edged up to 4.9% YoY (Mar: 4.6%)** primarily driven by higher net claims on government (44.6%; Mar: 44.2%). This expansion has far outpaced a moderation in other components in particular to net foreign assets (-5.1%; Mar: -2.2%), reflecting enlarged capital outflows triggered by uncertainties in the external front, as well as slower growth of claims on private sector (4.8%; Mar: 5.7%) and other influences (4.3%, Mar: 9.5%). In terms of percentage point (ppt) contribution, claims on the private sector remained the key contributor but reduced to 4.8 ppt (Mar: 5.7 ppt), followed by net claims on government (3.3 ppt; Mar: 3.0 ppt). While both net other influences and net foreign assets continued to drag overall broad money growth by -1.6 ppt. On a MoM basis, M3 growth moderated to 0.4% (Mar: 0.5%).
- Narrow money (M1) growth moderated to 2.2% YoY** after a sharp rebound in the preceding month (2.5%) due to a contraction in the currency in circulation (-0.5%; Mar: 1.3%). On a MoM basis, M1 growth fell by 0.6% (Mar: 1.3%).
- The outstanding loans growth retained a downtrend in April, registering a 13-month growth moderation of 4.5% YoY (Mar: 4.9%).** The growth moderation was due to loan repayment (13.4%) far outpaced loan disbursement (8.5%). The moderation in loans growth continued to extend for working capital (2.8%; Mar: 4.3%), which edged down to 0.7 ppt of overall growth (Mar: 1.0 ppt). Meanwhile, loans for the purchase of transport vehicles continued its decline, falling by 0.7% YoY (Mar: -0.6%) and dragging down the overall growth by -0.1 ppt for three straight months. On a sectoral basis, mining & quarrying (-16.7%; Mar: -22.6%), as well as real estate (-1.0%; Mar: -2.3%) led the slowdown observed during the month. In addition, growth moderation was recorded in manufacturing (8.4%; Mar: 9.8%), wholesale, retail trade, hotels & restaurant (7.3%; Mar: 8.2%), construction (5.2%; Mar: 8.0%) and finance, insurance, business activities (3.0%; Mar: 5.7%) which collectively contributed 1.5 ppt to overall growth (Mar: 2.0 ppt). On a MoM basis, loan growth was unchanged, though a weighted average lending rate of commercial banks edged off to 5.02% (Mar: 5.03%). However, the base lending rate of average commercial banks increased to 6.92% (Mar: 6.91%) ahead of Bank Negara Malaysia (BNM) monetary policy meeting in May. Meanwhile, deposit growth expanded to 5.5% (Mar: 5.3%), predominantly triggered by higher growth of fixed deposits (8.0%; Mar: 7.7%), saving deposits (5.4%; Mar: 4.1%) and foreign currency deposits (6.4%; Mar: 2.0%).
- Overall, we project loan growth to ease further to 4.2% in 2019 (2018: 5.6%) on the expectation of growth slowdown spillover from both externally and domestically.** Meanwhile, following BNM's decision to cut the overnight policy rate by 25 basis points on May 7, we believe that the central bank will stay put for the rest of the year barring unforeseen external shock.

Graph 1: Loans Growth Trend by Purpose



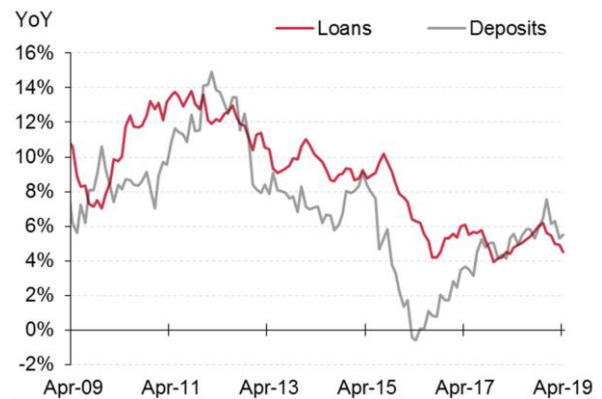
Source: BNM, CEIC, Kenanga Research

Graph 2: Money Supply Growth Trend



Source: BNM, CEIC, Kenanga Research

Graph 3: Loan and Deposit Growth Trend



Source: BNM, CEIC, Kenanga Research

Table 1: Money Supply, Loan and Deposit Growth Trend

		2016	2017	2018	Apr-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
M1	% MoM				-0.7	0.6	2.2	0.1	-1.4	1.3	-0.6
	Chg (RM b)	20.4	42.0	4.7	-2.8	2.6	9.2	0.6	-5.9	5.3	-2.4
	% YoY	5.6	11.0	1.1	7.9	3.3	1.1	1.6	0.5	2.5	2.2
M2	% MoM				1.8	0.5	0.8	-0.5	-0.1	0.6	0.4
	Chg (RM b)	51.4	83.2	135.7	31.3	9.8	15.7	-9.5	-1.6	10.2	7.4
	% YoY	3.2	5.1	7.8	6.2	7.2	7.8	6.5	5.8	4.5	4.9
M3	% MoM				1.8	0.6	0.8	-0.5	-0.1	0.5	0.4
	Chg (RM b)	51.3	81.2	139.2	32.2	10.8	15.1	-9.2	-1.4	9.5	7.1
	% YoY	3.2	4.9	8.0	6.1	7.4	8.0	6.6	6.0	4.6	4.9
Loans	% MoM				0.4	0.4	0.6	0.3	-0.2	0.4	0.0
	Chg (RM b)	76.3	62.9	89.1	6.4	7.4	9.8	5.0	-2.6	6.4	0.2
	% YoY	5.3	4.1	5.6	4.8	6.2	5.6	5.5	5.0	4.9	4.5
Deposit	% MoM				0.0	0.8	0.9	-0.7	0.2	1.0	0.2
	Chg (RM b)	28.6	70.6	134.3	0.3	14.5	16.3	-13.4	4.6	18.8	3.2
	% YoY	1.7	4.1	7.5	5.6	6.5	7.5	6.2	6.3	5.3	5.5
LCR*	(%)	124.3	134.9	143.2	144.5	141.4	143.2	144.3	148.9	143.0	n/a

Source: Bank Negara Malaysia, 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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