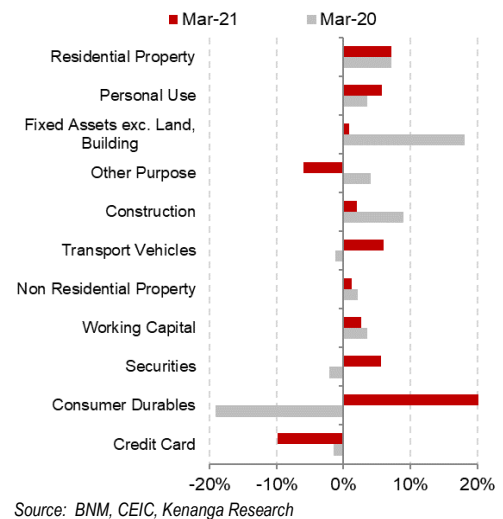


Malaysia Money & Credit

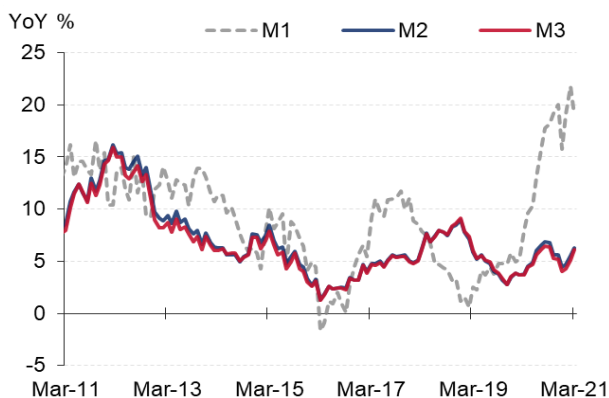
M3 growth hit a 6-month high, loan and deposit growth expanded in March

- M3 growth increased in March (6.1%; Feb: 5.1%), reaching its highest level in six months**
 - MoM: increased by 1.4% (Feb: 0.6%), a 15-month high.
 - Growth was attributed to a continued expansion in narrow quasi-money (2.3%; Feb: 0.7%), which outpaced a moderation in M1 growth (19.0%; Feb: 21.8%).
- Pick up in private sector spending and capital flow from abroad outweighed a moderation in public spending**
 - Net external reserves (6.0%; Feb: 3.2%): rose to a 7-month high, driven by a surge of foreign reserves in the banking system (24.7%; Feb: 1.9%).
 - Claims on the private sector (3.9%; Feb: 3.4%): edged higher on an increase in both private sector loans (3.7%; Feb: 3.4%) and holdings of securities (4.7%; Feb: 3.7%) by the banking system.
 - Net claims on government (17.8%; Feb: 24.7%): moderated to a 13-month low, due to a continued slowdown in credits extended to the government (15.7%; Feb: 18.6%).
- Loan growth edged higher to 3.9% (Feb: 3.7%), a five-month high.**
 - By purpose: largely due to an increase in loans for the purchase of securities (5.7%; Feb: 1.9%), which outweighed a further decline in loans for other purposes (-5.9%; Feb: -2.3%).
 - By sector: driven mainly by an increase in credit growth for the household sector (5.7%; Feb: 5.1%), outpacing slowing credit growth in the real estate sector (0.0%; Feb: 1.1%) and the education, health & others sector (22.9%; Feb: 25.7%).
 - MoM: accelerated to a 15-month high (0.7%; Feb: 0.1%) amid a slightly lower weighted average lending rate of commercial banks (3.47%; Feb: 3.49%).
- Deposit growth increased to 5.9% YoY (Jan: 5.2%), a 2-year high; and 1.5% MoM (RM32.0b), a 35-month high.**
 - A softer decline in fixed deposits (-3.0%; Feb: -5.0%), along with a rise in foreign currency deposits (15.7%; Feb: 12.3%) and other deposits accepted (7.4%; Feb: 2.4%), outweighed plummeting repurchase agreements (-6.1%; Feb: 22.7%) and a moderation in demand deposits (19.6%; Feb: 23.6%).
- 2021 loan growth forecast range maintained at 3.5% - 4.5% (2020: 3.4%; 2019: 3.9%)**
 - Loan growth to be supported by an expected improvement in consumer and business confidence, and the potential release of pent-up demand in 2H21. This comes amid a better recovery outlook, as we upgrade our 2021 GDP growth forecast to 6.5% (previously: 4.5%; 2020: -5.6%). Nevertheless, downside risks remain in the face of elevated local COVID-19 cases, with any return of lockdown restrictions likely to weigh on recovery outlook and loan growth.
 - We maintain that Bank Negara Malaysia will keep the overnight policy rate unchanged at 1.75% for the remainder of the year, amid the relaxation of COVID-19 restrictions, Malaysia's vaccination campaign, and additional fiscal stimulus packages.

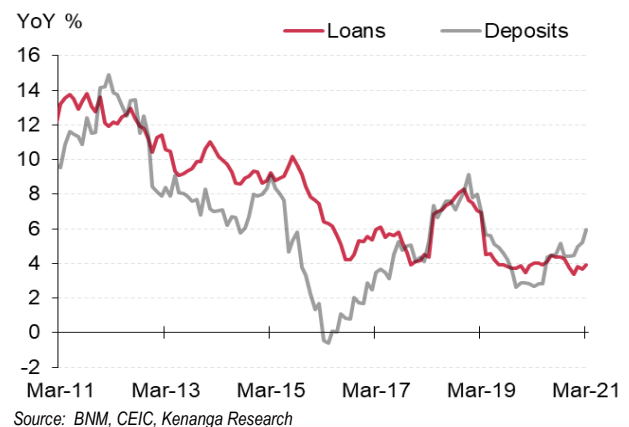
Graph 1: Loans Growth by Purpose



Graph 2: Money Supply Growth



Graph 3: Loan and Deposit Growth



03 May 2021

Table 1: Money Supply, Loan and Deposit Growth Trend

		2018	2019	2020	Mar-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
M1	% MoM				3.9	1.2	1.2	-0.4	2.2	1.1	1.6
	Chg (RM b)	4.9	24.8	71.1	17.3	6.2	6.4	-2.2	11.5	5.9	8.5
	% YoY	1.2	5.8	15.7	7.9	19.2	20.0	15.7	19.1	21.8	19.0
M2	% MoM				0.6	-0.1	0.1	0.3	0.3	0.6	1.4
	Chg (RM b)	154.6	65.5	86.9	12.3	-2.5	1.1	5.6	5.6	12.5	28.2
	% YoY	8.9	3.5	4.5	3.8	5.6	5.6	4.5	4.7	5.5	6.3
M3	% MoM				0.49	-0.1	0.0	0.3	0.2	0.6	1.4
	Chg (RM b)	158.1	67.0	79.4	9.7	-2.2	-0.9	5.5	4.7	13.1	29.7
	% YoY	9.1	3.5	4.0	3.7	5.3	5.2	4.0	4.3	5.1	6.1
Loans	% MoM				0.5	0.1	-0.1	0.3	0.4	0.1	0.7
	Chg (RM b)	121.4	65.8	59.6	8.9	2.4	-1.4	6.1	7.1	1.9	13.5
	% YoY	7.7	3.9	3.4	4.0	4.3	3.8	3.4	3.8	3.7	3.9
Deposit	% MoM				0.9	-0.2	-0.2	1.1	-0.2	0.6	1.5
	Chg (RM b)	163.2	55.5	89.1	17.0	-5.2	-3.9	21.9	-4.1	11.9	32.0
	% YoY	9.2	2.9	4.5	2.7	4.4	4.4	4.5	5.0	5.2	5.9
LCR*	(%)	143.2	149.1	148.2	141.4	153.0	149.9	148.2	147.6	147.1	NA

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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