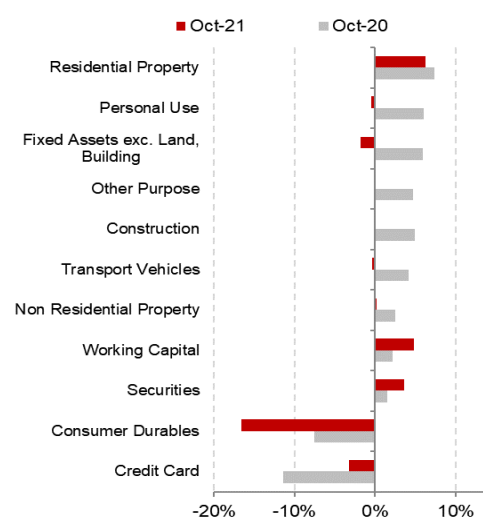


Malaysia Money & Credit

M3 and deposit growth edged lower in October; loans continued to expand

- M3 growth edged lower in October (4.6%; Sep: 4.7%)**
 - MoM: registered a slight contraction (-0.2%; Sep: 1.4%)
 - Growth moderation was primarily due to slower M1 growth (7.8%; Sep: 9.7%), amid softer growth of demand deposits (5.6%; Sep: 7.8%).
- Slowdown in government spending outweighed a greater expansion in private sector spending and net external reserves**
 - Net claims on government (7.8%; Sep: 10.6%): driven by a considerable rise in government deposits (14.7%; Sep: 0.3%), despite an increase in credits extended to the government (9.4%; Sep: 8.1%).
 - Claims on the private sector (3.1%; Sep: 2.9%): driven by a further expansion in private sector loans (3.4%; Sep: 2.8%).
 - Net external reserves (7.1%; Sep: 6.6%): led by an increase of foreign reserves in Bank Negara (7.2%; Sep: 5.9%).
- Loan growth expanded to a 4-month high in October (3.3%; Sep: 2.9%), indicating a sustained economic recovery**
 - By purpose: largely attributable to a continued expansion in loans for working capital (4.8%; Sep: 3.8%), reaching a 16-month high, and loans for the purchase of residential property (6.3%; Sep: 6.1%), as well as a softer decline in credit card loans (-3.3%; Sep: -8.9%).
 - By sector: primarily driven by higher credit growth for the household sector (3.7%; Sep: 3.2%), reaching a 3-month high, along with an increase in loans for the wholesale, retail trade, hotels & restaurants sector (8.8%; Sep: 7.1%) and manufacturing sector (9.5%; Sep: 7.8%).
 - MoM: moderated to 0.5% (Sep: 1.0%) amid a lower weighted average lending rate of commercial banks (3.42%; Sep: 3.45%)
- Deposit growth moderated to 4.4% YoY (Sep: 4.7%), as it registered -0.5% MoM (Sep: 1.7%)**
 - Mainly attributable to a slowdown in saving deposits (13.6%; Sep: 16.8%) and demand deposits (7.2%; Sep: 8.5%), which outweighed a slower decline in fixed deposits (-0.2%; Sep: -1.7%).
- 2021 loan growth forecast range retained at 3.0% - 4.0% (2020: 3.4%)**
 - Loan growth appears on track to maintain a modest recovery towards the end of the year, on the back of Malaysia's improving growth outlook as the local COVID-19 condition improves. However, the emergence of the concerning new COVID-19 variant, Omicron, has renewed downside risks pertaining to the pandemic and the potential return of lockdown measures.
 - Bank Negara Malaysia is expected to keep the policy rate unchanged at 1.75% until at least 2H22, despite an improving domestic economic outlook, as downside risks relating to COVID-19 have resurfaced with the emergence of the Omicron variant.

Graph 1: Loan Growth by Purpose



Source: BNM, CEIC, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, CEIC, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, CEIC, Kenanga Research

Table 1: Money Supply, Loan and Deposit Growth Trend

		2018	2019	2020	Oct-20	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
M1	% MoM				1.2	0.0	-0.7	0.6	0.2	2.0	-0.5
	Chg (RM b)	4.9	24.8	71.1	6.2	0.1	-3.9	3.1	1.0	11.1	-3.0
	% YoY	1.2	5.8	15.7	19.2	15.1	12.2	10.8	9.9	9.7	7.8
M2	% MoM				-0.1	0.1	0.3	0.9	-0.1	1.4	-0.2
	Chg (RM b)	154.6	65.5	86.9	-2.5	2.9	5.7	17.9	-1.3	28.4	-4.9
	% YoY	8.9	3.5	4.5	5.6	3.8	3.4	3.8	3.5	4.6	4.5
M3	% MoM				-0.1	0.2	0.2	0.9	-0.1	1.4	-0.2
	Chg (RM b)	158.1	67.0	79.4	-2.2	3.8	5.1	18.5	-1.5	28.7	-3.6
	% YoY	9.1	3.5	4.0	5.3	3.8	3.4	3.8	3.6	4.7	4.6
Loans	% MoM				0.1	0.3	0.1	0.1	-0.2	1.0	0.5
	Chg (RM b)	121.4	65.8	59.6	2.4	4.9	1.7	2.2	-2.9	17.9	9.8
	% YoY	7.7	3.9	3.4	4.3	3.9	3.4	3.1	2.5	2.9	3.3
Deposit	% MoM				-0.2	0.3	0.3	0.5	0.1	1.7	-0.5
	Chg (RM b)	163.2	55.5	89.1	-5.2	5.8	7.0	11.2	1.2	35.3	-9.8
	% YoY	9.2	2.9	4.5	4.4	5.0	3.9	4.0	3.7	4.7	4.4
LCR*	(%)	143.2	149.1	148.2	153.0	137.3	149.1	152.2	150.0	154.4	153.3

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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