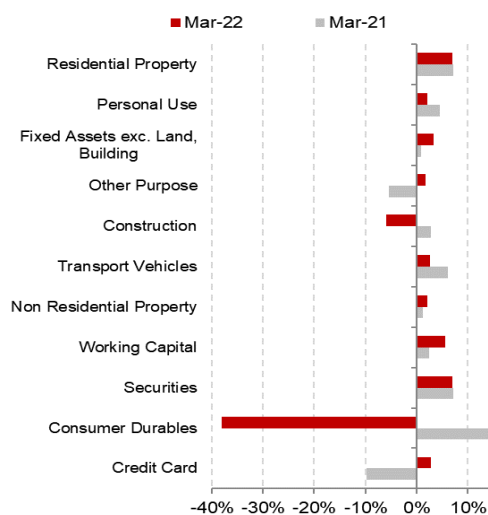


Malaysia Money & Credit

M3 growth moderated to a 5-month low in March; loan growth edged lower

- M3 growth eased to a 5-month low in March (5.5%; Feb: 6.8%)**
 - MoM: slowed to a 5-month low (0.2%; Feb: 0.9%)
 - Moderation was primarily attributable to a slowdown in growth of foreign currency deposits (12.9%; Feb: 28.7%) and demand deposits (7.2%; Feb: 8.3%).
- Led by softer growth in net external reserves and private sector spending, which outweighed an expansion in government spending**
 - Net external reserves (2.3%; Feb: 9.5%): due to a contraction of foreign reserves in the banking system (-2.0%; Feb: 27.1%).
 - Claims on the private sector (4.0%; Feb: 4.1%): eased due to softer growth in private sector loans (4.6%; Feb: 4.9%).
 - Net claims on government (16.6%; Feb: 13.7%): expanded due to government deposits reaching a 6-month low (1.7%; Feb: 11.0%), suggesting drawdown for spending.

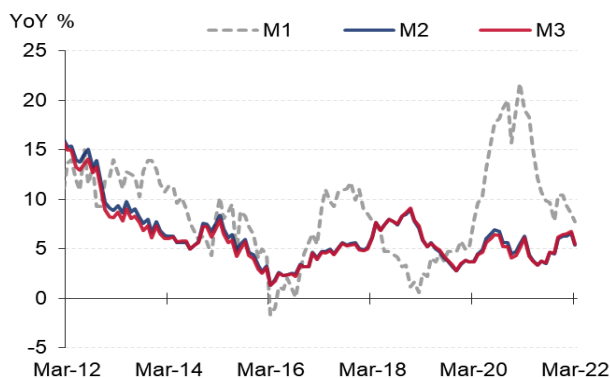
Graph 1: Loan Growth by Purpose



Source: BNM, CEIC, Kenanga Research

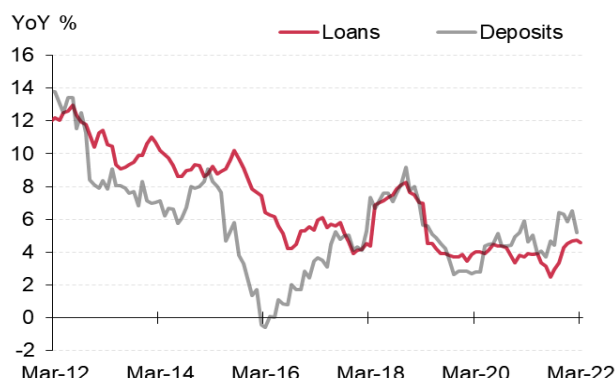
- Loan growth edged lower to 4.6% (Feb: 4.7%)**
 - By purpose: mainly due to a moderation in loan growth for working capital (5.6%; Feb: 7.1%), which outweighed an expansion in loans for the purchase of non-residential property (2.1%; Feb: 1.5%) and for the purchase of transport vehicles (2.5%; Feb: 2.0%).
 - By sector: attributable to softer credit growth in the transport, storage & communication sector (12.0%; Feb: 16.4%), and the electricity, gas & water supply sector (17.6%; Feb: 29.3%), which outweighed a further expansion in credit growth for the household sector (4.9%; Feb: 4.7%) and a smaller contraction in other sectors (-5.3%; Feb: -15.7%).
 - MoM: rose to a 4-month high (0.6%; Feb: 0.2%), even as the weighted average lending rate of commercial banks remained unchanged (3.48%; Feb: 3.48%).
- Deposit growth eased to 5.2% YoY (Feb: 6.5%) and 0.3% MoM (Feb: 1.2%)**
 - Moderation was primarily due to slower growth of foreign currency deposits (9.2%; Feb: 22.9%), a 14-month low, and demand deposits (5.9%; Feb: 8.2%), which eased to its lowest level since February 2020.
- 2022 loan growth forecast maintained at 4.0% - 5.0% (2021: 4.5%)**
 - Loan growth should find sustained support from Malaysia's ongoing economic recovery, an expected improvement in domestic demand amid the transition towards the endemic phase, and from a prolonged period of low interest rates. Nonetheless, downside risks remain from the impact of the Russia-Ukraine war and China's COVID-19 condition, which may weigh on a nascent global economic recovery.
 - We continue to expect BNM to retain the policy rate at 1.75% at its upcoming meeting (May 10 – 11), amid a worsening global economic outlook riddled with heightened uncertainty due to the Russia-Ukraine war and China's zero-COVID-19 policy, and despite the aggressive monetary policy tightening by other major central banks. Following that, we reckon BNM will begin raising rates from 3Q22 and we expect a possible 50 basis points worth of hikes this year.

Graph 2: Money Supply Growth



Source: BNM, CEIC, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, CEIC, Kenanga Research

05 May 2022

Table 1: Money Supply, Loan and Deposit Growth Trend

		2019	2020	2021	Mar-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
M1	% MoM				1.6	-0.5	3.7	-0.4	1.2	0.4	0.8
	Chg (RM b)	24.8	71.1	54.6	8.4	-3.0	20.9	-2.5	7.2	2.1	4.6
	% YoY	5.8	15.7	10.4	19.0	7.8	10.5	10.4	9.4	8.6	7.8
M2	% MoM				1.4	-0.2	1.5	0.5	0.3	0.9	0.3
	Chg (RM b)	65.5	86.9	128.3	28.6	-4.9	32.2	11.2	5.4	19.0	5.9
	% YoY	3.5	4.5	6.3	6.3	4.5	6.0	6.3	6.3	6.6	5.4
M3	% MoM				1.5	-0.2	1.5	0.4	0.3	0.9	0.2
	Chg (RM b)	67.0	79.4	130.8	30.0	-3.6	32.3	9.5	7.1	19.0	5.1
	% YoY	3.5	4.0	6.4	6.1	4.6	6.2	6.4	6.5	6.8	5.5
Loans	% MoM				0.7	0.5	0.9	0.5	0.5	0.2	0.6
	Chg (RM b)	65.8	59.6	54.6	13.6	9.8	16.1	10.1	10.2	3.0	11.2
	% YoY	3.9	3.4	10.4	3.9	3.3	4.3	4.5	4.7	4.7	4.6
Deposit	% MoM				1.5	-0.5	1.7	1.0	-0.7	1.2	0.3
	Chg (RM b)	55.5	89.1	132.4	32.4	-9.8	36.9	21.3	-14.7	26.4	6.5
	% YoY	2.9	4.5	6.3	5.9	4.4	6.4	6.3	5.8	6.5	5.2
LCR*	(%)	149.1	148.2	153.7	145.1	153.3	144.7	153.8	151.9	151.3	150.5

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%.

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

Zalman Basree
Economist
zalman@kenanga.com.my

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

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