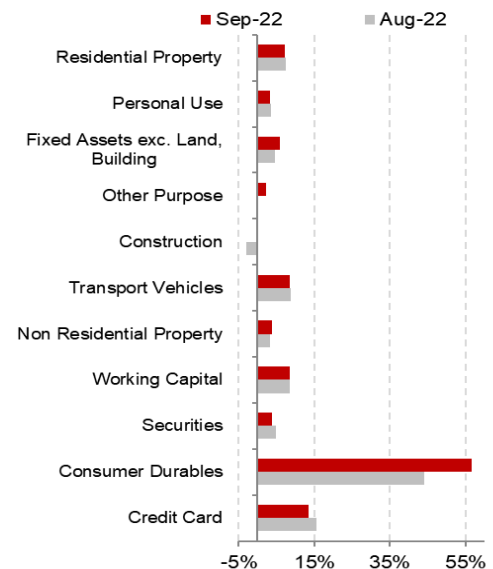


Malaysia Money & Credit

M3, loan, and deposit growth expanded in October

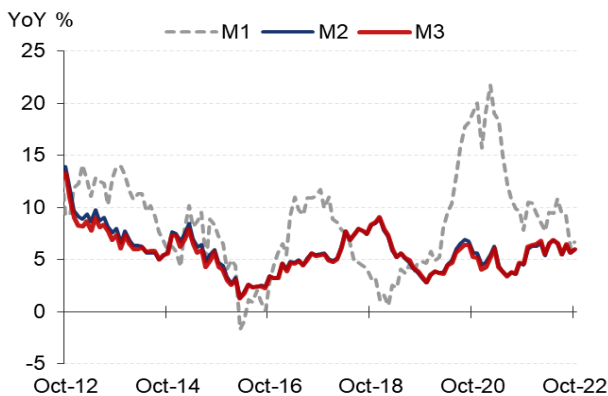
- M3 growth expanded to 6.0% YoY in October (Sep: 5.7%), even as MoM growth eased further to 0.1% (Sep: 0.6%)**
 - The expansion was driven by greater growth in demand deposits (6.5%; Sep: 5.3%) and foreign currency deposits (34.9%; Sep: 28.0%).
- Led by an expansion in government and private spending, as well as a return to growth in net external reserves**
 - Net claims on government (14.9%; Sep: 9.1%): growth accelerated due to a decrease in government deposits (11.8%; Sep: 29.5%).
 - Claims on the private sector (6.5%; Sep: 6.3%): edged higher amid a smaller contraction in loans for the purchase of securities (-0.1%; Sep: -1.9%).
 - Net external reserves (0.7%; Sep: -0.4%): returned to growth as foreign currency reserves in the banking system rebounded (2.6%; Sep: -9.7%).
- Loan growth edged higher to 6.5% in October (Sep: 6.4%)**
 - By purpose: the slight expansion was driven by greater growth in loans for other purposes (2.3%; Sep: 0.0%) and a smaller contraction in construction (-0.5%; Sep: -3.0%), whilst remaining underpinned by credit growth for the purchase of residential property (7.3%; Sep: 7.4%) despite a marginal slowdown.
 - By sector: the expansion was driven by greater credit growth in finance & insurance (16.1%; Sep: 13.3%) and for electricity, gas, steam & air con supply (49.6%; Sep: 37.3%) and remained underpinned by the household sector (6.3%; Sep: 6.6%).
 - MoM: remained at 0.6% in October, on a higher weighted average lending rate of commercial banks (4.68%; Sep: 4.43%).
- Deposit growth expanded to a nearly 4-year high in October (8.3% YoY; Sep: 7.4%), partly due to a low-base effect**
 - The YoY expansion was driven by greater foreign currency deposits (26.4%; Sep: 20.1%) and demand deposits (8.0%; Sep: 6.6%). However, deposit growth moderated on a MoM basis (0.4%; Sep: 1.5%).
- 2022 loan growth forecast range raised to 5.5% - 6.0% from 5.0% - 5.5% previously (2021: 4.5%)**
 - Loan growth has been resilient going into 4Q22 and we expect the momentum to mostly sustain in the final months of the year. Nonetheless, downside risks remain from a looming global economic slowdown and further monetary policy tightening by BNM and other major central banks, although the impact will likely be felt in 2023 rather than the immediate term.
 - BNM is expected to raise the overnight policy rate by another 25 bps at its next meeting in January 2023 in order to tame persistently elevated inflation. However, we now assign only a 50.0% chance of a final 25 bps hike in March 2023, given the downside risk of a domestic economic slowdown and global recession next year.

Graph 1: Loan Growth by Purpose



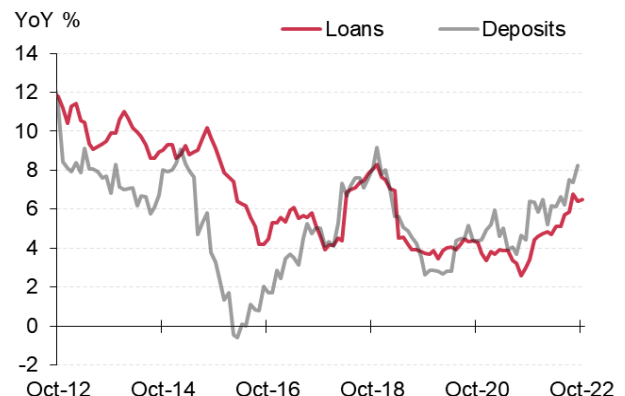
Source: BNM, CEIC, Kenanga Research

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

		2019	2020	2021	Oct-21	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
M1	% MoM				-0.5	0.0	0.5	-0.8	0.1	-1.0	0.1
	Chg (RM b)	24.8	71.1	54.6	-3.0	0.0	3.0	-4.7	0.3	-5.8	0.8
	% YoY	5.8	15.7	10.4	7.8	9.5	10.8	9.3	9.2	6.0	6.7
M2	% MoM				-0.2	0.4	0.0	-0.2	0.8	0.6	0.1
	Chg (RM b)	65.5	86.9	128.3	-4.9	9.0	-0.5	-3.8	18.6	14.5	1.4
	% YoY	3.5	4.5	6.3	4.5	6.8	6.5	5.4	6.4	5.6	5.9
M3	% MoM				-0.2	0.5	-0.1	-0.1	0.9	0.6	0.1
	Chg (RM b)	67.0	79.4	130.8	-3.6	11.6	-1.3	-3.1	19.2	13.5	2.3
	% YoY	3.5	4.0	6.4	4.6	6.9	6.6	5.5	6.5	5.7	6.0
Loans	% MoM				0.5	0.3	0.7	0.3	0.7	0.6	0.6
	Chg (RM b)	65.8	59.6	54.6	10.0	5.8	12.9	6.8	14.0	11.5	12.8
	% YoY	3.9	3.4	10.4	3.4	5.1	5.7	5.9	6.8	6.4	6.5
Deposit	% MoM				-0.5	0.2	0.8	0.1	1.3	1.5	0.4
	Chg (RM b)	55.5	89.1	132.4	-9.8	4.8	18.1	3.1	28.7	35.1	8.9
	% YoY	2.9	4.5	6.3	4.4	6.1	6.6	6.2	7.5	7.4	8.3
LCR*	(%)	149.1	148.2	153.7	153.3	149.3	148.3	149.8	141.1	152.0	141.2

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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