

Malaysia Money & Credit

Loan growth edged up to 5.7% in December; M3 slowed to 4.3%

- **M3 growth eased to 4.3% YoY in December (Nov: 4.4%), its lowest level since August 2021**

- MoM: expanded to a 3-month high of 0.3% (Nov: 0.04%).
- The growth moderation was due to slower growth in other deposits (-2.9%; Nov: 1.7%) and weak saving deposits (-5.7%; Nov: -3.6%).

- **The slowdown was also attributed to subdued net external reserves but partially mitigated by higher private and public spending**

- Net external reserves (-2.2%; Nov: 1.0%): fell to a four-month low due to moderate growth in foreign currency reserves held by BNM (3.6%; Nov: 4.3%) and a sharp contraction in foreign currency reserves held by banking system (-24.9%; Nov: -12.9%).
- Net claims on government (14.8%; Nov: 11.6%): growth expanded as government deposits (7.2%; Nov: 23.6%) slowed sharply.
- Claims on the private sector (5.2%; Nov: 4.9%): expanded due to an expansion in private sector loans (5.7%; Nov: 5.6%) and securities (1.2%; Nov: 0.7%).

- **Loan growth edged up slightly in December (5.7% YoY; Nov: 5.5%)**

- By purpose: the expansion was driven by higher growth of loans for working capital (6.1%; Nov: 5.5%) and the purchase of securities (3.2%; Nov: 0.9%). Nonetheless, loan growth remained underpinned by loans for the purchase of residential property (6.9%; Nov: 7.3%) which constitute of 36.4% share of the overall loan.
- By sector: higher credit growth in the electricity, gas, steam and air cond supply (41.3%; Nov: 36.6%) and manufacturing sector (2.6%; Nov: 0.2%). Nonetheless, growth remained anchored by the household sector (5.9%; Nov: 6.0%), contributing 59.1% share to overall loan.
- MoM: rebounded (0.7%; Nov: -0.1%) to a four-month high, following a contraction in the previous month.

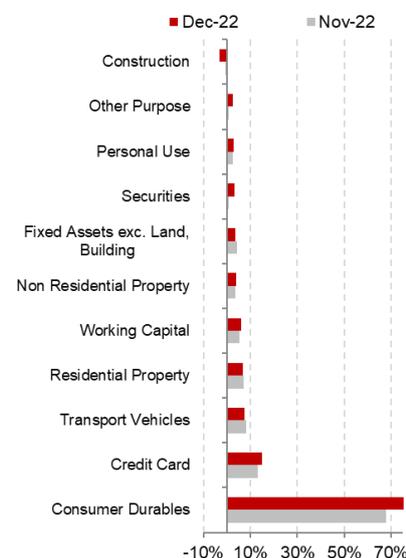
- **Deposit growth was unchanged in December (5.9% YoY; Nov: 5.9%), but it rebounded by 1.0% MoM (Nov: -0.5%)**

- Growth was primarily attributable to an increase in fixed deposits (6.5%; Nov: 5.2%) but was partially capped by a weak saving deposit (-5.7%; Nov: -3.6%).

- **2023 loan growth to moderate between 4.5% - 5.0% (2022: 5.7%)**

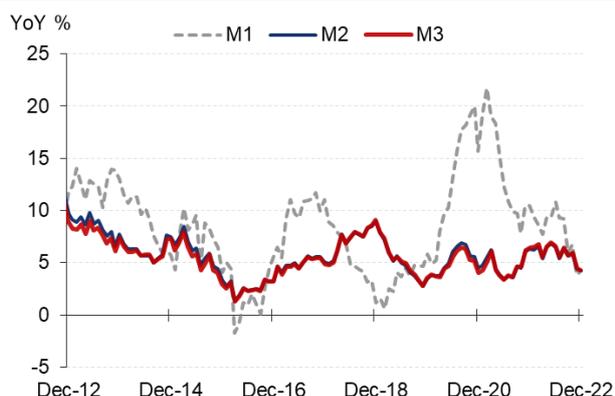
- In line with the moderation in the domestic growth outlook and the impact of the previous BNM's cumulative rate hikes, we expect loan growth to be further moderate in 2023. This is also partly due to the normalisation of economic activities post-pandemic and as the lower base effect dissipated.
- Following a surprised pause by BNM in January's Monetary Policy Committee (MPC) meeting, we believe that the BNM has reached the end of the rate hike cycle for now. This is likely due to the heightened uncertainty of global growth outlook with the prospect of recession in some developed economies, which could weigh on domestic growth recovery. Meanwhile, domestic inflation is expected to trend lower over the coming months due to expected government policy measures under the revised Budget 2023 and as domestic demand is expected to slow.

Graph 1: Loan Growth by Purpose



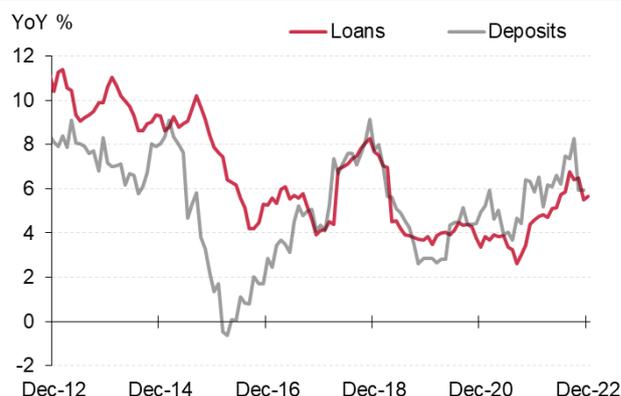
Source: BNM, CEIC, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, CEIC, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, CEIC, Kenanga Research

02 February 2023

Table 1: Money Supply, Loan and Deposit Growth Trend

		2020	2021	2022	Dec-21	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
M1	% MoM				-0.4	-0.8	0.1	-1.0	0.1	1.0	0.0
	Chg (RM b)	71.1	54.6	24.7	-2.5	-4.7	0.3	-5.8	0.8	5.7	-0.2
	% YoY	15.7	10.4	4.3	10.4	9.3	9.2	6.0	6.7	3.8	4.3
M2	% MoM				0.5	-0.2	0.8	0.6	0.1	0.0	0.4
	Chg (RM b)	86.9	128.3	92.5	11.2	-3.8	18.6	14.5	1.4	0.7	9.1
	% YoY	4.5	6.3	4.3	6.3	5.4	6.4	5.6	5.9	4.4	4.3
M3	% MoM				0.4	-0.1	0.9	0.6	0.1	0.0	0.3
	Chg (RM b)	79.4	130.8	93.9	9.5	-3.1	19.2	13.5	2.3	0.8	7.7
	% YoY	4.0	6.4	4.3	6.4	5.5	6.5	5.7	6.0	4.4	4.3
Loans	% MoM				0.5	0.3	0.7	0.6	0.6	-0.1	0.7
	Chg (RM b)	59.6	84.5	108.5	10.0	6.8	14.0	11.5	12.8	-1.6	13.6
	% YoY	3.4	4.6	5.7	4.6	5.9	6.8	6.4	6.5	5.5	5.7
Deposit	% MoM				1.0	0.1	1.3	1.5	0.4	-0.5	1.0
	Chg (RM b)	88.9	132.4	132.0	21.3	3.1	28.7	35.1	8.9	-11.0	22.5
	% YoY	4.4	6.3	5.9	6.3	6.2	7.5	7.4	8.3	5.9	5.9
LCR*	(%)	148.2	153.4	154.0	153.4	149.8	141.1	152.0	141.2	146.7	154.0

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 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