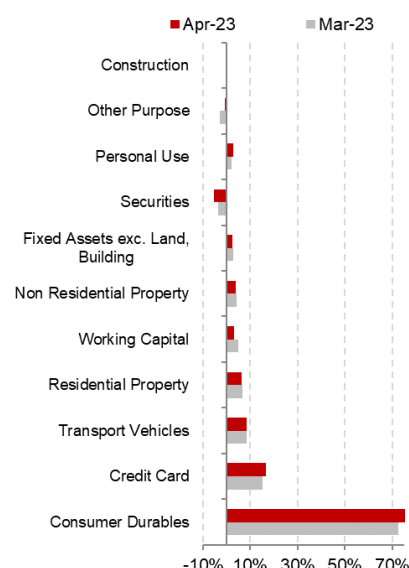


Malaysia Money & Credit

Loan and M3 growth moderated further in April, reflecting a slower economy

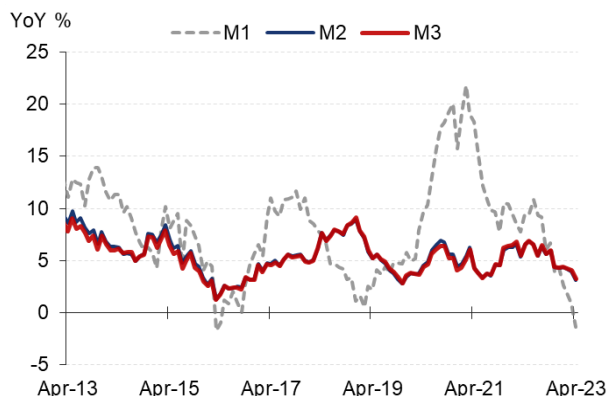
- M3 growth eased to 3.3% YoY in April (Mar: 4.0%), the lowest since November 2019**
 - MoM: fell slightly (-0.2%; Mar: 0.0%) and the lowest since Oct 2021.
 - Slower growth due to a further contraction in demand deposits (-1.7%; Mar: -0.4%), and savings deposits (-15.3%; Mar: -5.7%) but was partially mitigated by higher fixed deposits (8.3%; Mar: 7.4%), which hit a 49-month high.
- The slower M3 growth was also attributed to slower expansion in net claims on government and private sectors but partially mitigated by higher claims on the net external reserves**
 - Net claims on government (10.8%; Mar: 12.9%): growth moderated to a seven-month low as expansion in government deposits (28.1%; Mar: 18.0%) outpaced growth in government claims (14.1%; Mar: 14.0%).
 - Net external reserves (6.4%; Mar: 4.8%): expanded to a 14-month high due to a higher expansion in foreign currency reserves held by BNM (7.1%; Mar: 5.1%) but partially capped by slower foreign currency reserves held by the banking system (2.9%; Mar: 3.3%).
- Loan growth moderated sharply in April (4.5% YoY; Mar: 5.0%), the lowest since November 2021**
 - By purpose: slower growth due to a larger contraction in the purchase of securities (-5.3%; Mar: -3.6%) and a sharp moderation in the working capital (3.2%; Mar: 4.9%). Nevertheless, growth was supported by higher durable goods (79.7%; Mar: 72.5%).
 - By sector: Overall credit growth was dragged by a further contraction on loans to the manufacturing sector (-3.8%; Mar: -0.8%), but supported by credit expansion in financial and insurance sector (16.0%; Mar: 14.0%).
 - MoM: relatively stagnant (0.0%; Mar: 0.4%).
- Deposit in the banking system moderated (6.4% YoY; Mar: 7.0%) to a four-month low, with MoM growth contracted further (-0.4%; Mar: -0.1%)**
 - Growth moderation was mainly due to a sharp contraction in saving (-15.3%; Mar: -5.7%) and demand (-1.3%; Mar: 0.3%) deposits, but partially mitigated by a 49-month high fixed deposits growth (10.0%; Mar: 8.9%) amid relatively higher deposits rate by commercial banks.
- 2023 loan growth forecast revised to 3.5% - 4.0% from 4.5% - 5.0% (2022: 5.7%)**
 - We revised our loan growth forecast as we expect the economy to slow further in the 2H23 along with the impact of higher interest rates brought by the cumulative rate hikes by Bank Negara Malaysia's (BNM) since a year ago.
 - Likewise, we expect BNM to maintain its overnight policy rate at 3.00% at its next Monetary Policy Committee (MPC) meeting in July and the rest of the year as we believe the central bank has reached the end point of its policy normalisation cycle. This is mainly due to signs of cooling inflation and ongoing global economic slowdown.

Graph 1: Loan Growth by Purpose



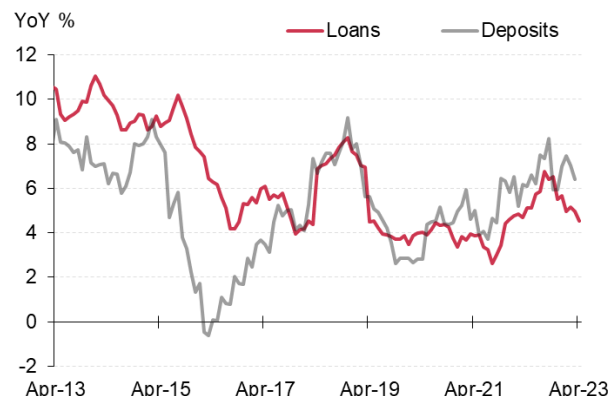
Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, Macrobond, Kenanga Research

01 June 2023

Table 1: Money Supply, Loan and Deposit Growth Trend

		2020	2021	2022	Apr-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
M1	% MoM				2.0	1.0	0.0	-0.4	-0.4	-0.2	-0.3
	Chg (RM b)	71.1	54.6	24.7	11.7	5.7	-0.2	-2.1	-2.2	-1.0	-1.7
	% YoY	15.7	10.4	4.3	9.5	3.8	4.3	2.6	1.9	0.9	-1.3
M2	% MoM				0.6	0.0	0.4	0.4	0.7	0.0	-0.2
	Chg (RM b)	86.9	128.3	92.5	13.1	0.7	9.1	8.3	16.2	1.0	-5.0
	% YoY	4.5	6.3	4.3	6.5	4.4	4.3	4.4	4.2	4.0	3.1
M3	% MoM				0.5	0.0	0.3	0.4	0.7	0.0	-0.2
	Chg (RM b)	79.4	130.8	93.9	12.0	0.8	7.7	10.0	15.8	0.6	-4.6
	% YoY	4.0	6.4	4.3	6.5	4.4	4.3	4.4	4.3	4.0	3.3
Loans	% MoM				0.4	-0.1	0.7	-0.1	0.4	0.4	0.0
	Chg (RM b)	59.6	84.5	108.5	7.9	-1.6	13.6	-2.9	7.3	8.6	-0.2
	% YoY	3.4	4.6	5.7	5.1	5.5	5.7	4.9	5.2	5.0	4.5
Deposit	% MoM				0.1	-0.5	1.0	0.3	1.7	-0.1	-0.4
	Chg (RM b)	88.9	132.4	132.0	3.4	-11.0	22.5	7.3	39.0	-2.5	-10.7
	% YoY	4.4	6.3	5.9	6.2	5.9	5.9	7.0	7.5	7.0	6.4
LCR*	(%)	148.2	153.4	154.0	156.8	146.7	154.1	147.1	152.7	157.4	N/A

Source: Bank Negara Malaysia, Macrobond, 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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