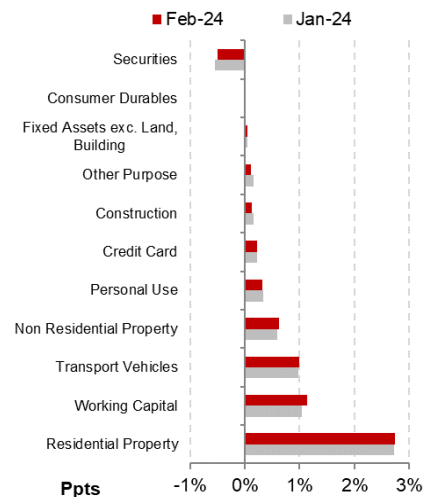


# Malaysia Money & Credit

Loan growth hits 16-month high in February amid slowing broad money expansion

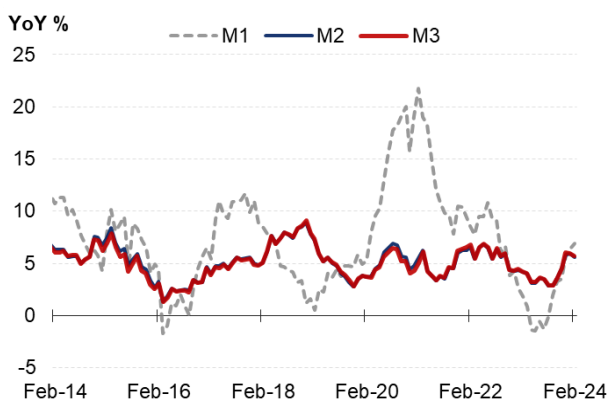
- Broad money (M3) growth moderated slightly (5.7% YoY; Jan: 6.0%)**
  - Growth was supported by higher fixed deposits (5.7%; Jan: 4.9%), followed by currency in circulation (5.3%; Jan: 1.1%) and savings deposits (2.5%; Jan: 0.3%). Combined, the three components contributed 3.0 ppts (Jan: 2.2 ppts) to overall M3 growth. However, a sharp slowdown in foreign currency deposits (3.4%; Jan: 12.4%) capped the overall growth, with its contribution falling to 0.4 ppts (Jan: 1.3 ppts), the lowest in 33 months.
  - MoM: however, it expanded (0.5%; Jan: 0.4%) to a two-month high.
- M3 growth was attributable to a sustained expansion in net claims on private and government as well as net foreign assets**
  - Claims on the private sector (5.7%; Jan: 5.5%): edged up due to higher loans (5.6%; Jan: 5.4%) but it was partially capped by slower growth in securities (6.6%; Jan: 6.7%). Its contribution to overall M3 inched up to 5.5 ppts (Jan: 5.4 ppts), the highest since March 2019.
  - Net claims on government (13.9%; Jan: 10.9%): surged to a one-year high, due to a sharp contraction in government deposits (-22.2%; Jan: -6.0%), despite slower growth in government claims (5.8%; Jan: 7.7%). Its contribution to overall M3 growth edged up to 2.0 ppts (Jan: 1.6 ppts).
  - Foreign assets (8.0%; Jan: 8.0%): growth unchanged, due to double-digit growth in net foreign assets in the banking system (24.3%; Jan: 27.3%), and further expansion in BNM foreign assets (4.5%; Jan: 4.1%). Its contribution to overall M3 growth was unchanged at 2.0 ppts (Jan: 2.0 ppt).
- Loan growth expanded to a 16-month high (5.8% YoY; Jan: 5.7%)**
  - By purpose: Due to a sustained expansion in two major components, led by residential property (7.5%; Jan: 7.4%), and working capital (5.1%; Jan: 4.7%), contributing a combined 3.9 ppts (Jan: 3.8 ppts) to overall loan growth.
  - By sector: sustained expansion recorded in the household sector (6.2%; Jan: 6.1%), contributing 3.7 ppts (Jan: 3.6 ppts) to overall loan growth and a 16-month high. Notably, credit growth of the construction sector (0.3%; Jan: -1.1%), rebounded, following four consecutive months of contraction.
  - MoM: expanded (0.4%; Jan: 0.3%).
- Deposit growth moderated (4.0% YoY; Jan: 5.2%) to a 30-month low**
  - Mainly weighed by a sharp moderation in foreign currency deposits (1.2%; Jan: 8.5%), which hit a five-month low. This was further dragged by slower demand deposits (5.6%; Jan: 7.4%) and a persistent weakness in negotiable instruments of deposits issued (-48.6%; Jan: -44.1%). Nevertheless, expansion in saving deposits (2.5%; Jan: 0.3%) partially mitigated the growth slowdown.
  - MoM: growth rebounded (0.5%; Jan: -0.1%) to a two-month high.
- 2024 loan growth forecast retained at 5.0% - 5.5% (2023: 5.3%) on a steadier domestic economic growth**
  - Loan growth is expected to be sustainable in the near term, in line with our projected GDP growth expansion of 4.5% - 5.0% for 2024 (2023: 3.7%), driven by a resilient domestic demand and a gradual recovery in the manufacturing sector, expected to benefit from a technology upcycle.
  - Likewise, we continue to expect BNM to hold its overnight policy rate (OPR) unchanged at 3.00% for the rest of the year given the lingering downside risk to economic growth amid uncertainty in the external sector, while keeping the inflation outlook in check amid the potential impact of targeted subsidy measures in the 2H24.

Graph 1: Loan Growth by Purpose (ppts)



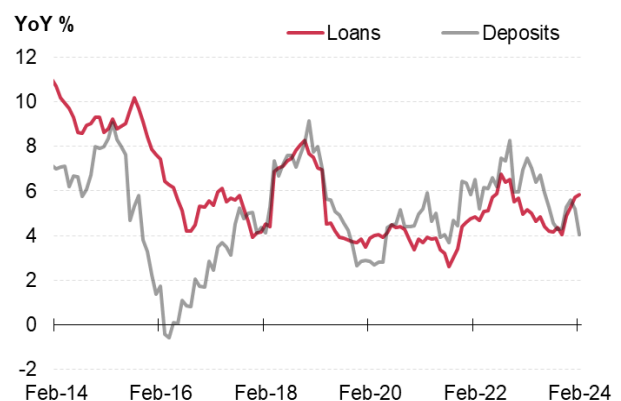
Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, Macrobond, Kenanga Research

01 April 2024

**Table 1: Money Supply, Loan and Deposit Growth Trend**

		2021	2022	2023	Feb-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
<b>M1</b>	% MoM				-0.4	1.1	1.5	1.2	2.2	0.1	0.1
	Chg (RM b)	54.6	24.7	35.5	-2.2	6.6	8.8	7.5	13.8	0.8	0.7
	% YoY	10.4	4.3	5.9	1.9	1.9	3.3	3.6	5.9	6.4	6.9
<b>M2</b>	% MoM				0.7	0.6	0.8	0.9	1.7	0.4	0.4
	Chg (RM b)	128.3	92.5	132.7	16.2	14.3	19.3	21.5	39.4	9.3	10.7
	% YoY	6.3	4.3	5.9	4.2	2.8	3.6	4.6	5.9	5.9	5.6
<b>M3</b>	% MoM				0.7	0.6	0.9	0.9	1.7	0.4	0.5
	Chg (RM b)	130.8	93.9	136.4	15.8	14.0	20.0	21.8	40.5	10.1	10.9
	% YoY	6.4	4.3	6.0	4.3	2.9	3.7	4.6	6.0	6.0	5.7
<b>Loans</b>	% MoM				0.4	0.8	0.3	0.8	1.1	0.3	0.4
	Chg (RM b)	84.3	108.9	107.2	7.3	16.1	6.3	15.7	22.9	5.4	9.6
	% YoY	4.6	5.7	5.3	5.2	4.4	4.0	4.9	5.3	5.7	5.8
<b>Deposit</b>	% MoM				1.7	1.2	0.4	0.4	1.3	-0.1	0.5
	Chg (RM b)	132.4	132.0	132.1	39.0	29.6	10.3	10.9	31.8	-1.8	13.1
	% YoY	6.3	5.9	5.6	7.5	4.3	4.3	5.3	5.6	5.2	4.0
<b>LCR*</b>	(%)	153.3	151.5	160.9	151.4	151.5	150.8	149.7	160.9	N/A	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%.

**For further information, please contact:**

**Wan Suhaimie Wan Mohd Saidie**  
Head of Economic Research  
[wansuhaimi@kenanga.com.my](mailto:wansuhaimi@kenanga.com.my)

**Muhammad Saifuddin Sapuan**  
Economist  
[saifuddin.sapuan@kenanga.com.my](mailto:saifuddin.sapuan@kenanga.com.my)

**Afiq Asyraf Syazwan Abd. Rahim**  
Economist  
[afiqasyraf@kenanga.com.my](mailto:afiqasyraf@kenanga.com.my)

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**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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)