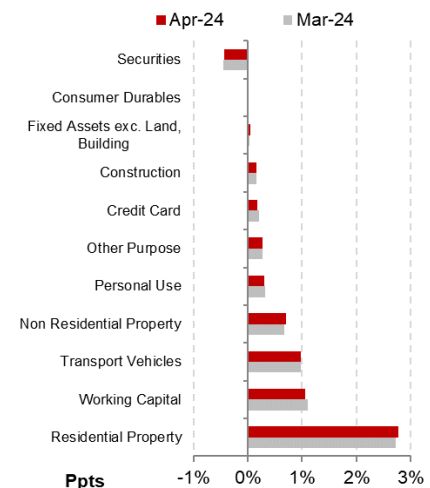


Malaysia Money & Credit

Loan growth remains strong in April, indicating positive momentum for 2Q24

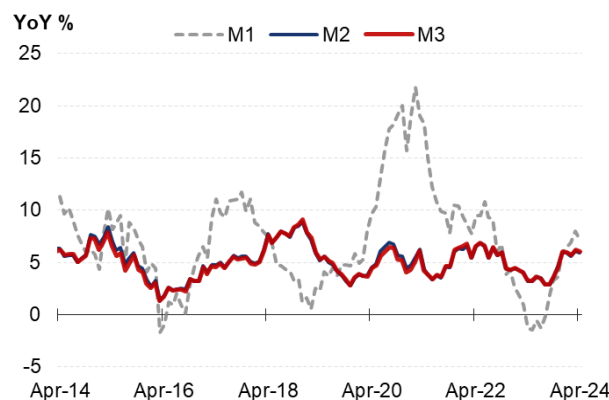
- Broad money (M3) growth moderated slightly in April (6.1% YoY; Mar: 6.2%) partly due to a seasonal factor**
 - Growth moderation was largely due to slower fixed deposits (4.6%; Mar: 4.9%) with its contribution edged down to 2.0 ppts (Mar: 2.2 ppts). Nonetheless, the momentum was partially supported by higher growth in foreign currency deposits (16.0%; Mar: 13.0%), contributing 1.7 ppts (Mar: 1.4 ppts) to overall M3 growth.
 - MoM: growth contracted (-0.3%; Mar: 0.5%) on a seasonal basis, it fell by RM8.3b.
- Relatively slower growth in foreign assets, government and private spending**
 - Claims on the private sector (5.3%; Mar: 5.5%): slowed due to lower securities (2.6%; Mar: 3.8%) which hit a 16-month low, but it was partially supported by sustained loans (5.7%; Mar: 5.7%).
 - Net claims on government (13.5%; Mar: 14.3%): moderated to a 3-month low on slower government claims (8.0%; Mar: 8.8%), while deposits fell (-11.8%; Mar: -11.3%), for a nine-straight month.
 - Foreign assets (11.6%; Mar: 13.1%): moderated but remained relatively high due to slower net foreign assets in the banking system (38.0%; Mar: 47.9%), while BNM foreign assets expanded (5.8%; Mar: 5.7%) which hit an eight-month high.
- Loan growth remained unchanged (6.0% YoY; Mar: 6.0%)**
 - By purpose: supported by loans for residential properties (7.5%; Mar: 7.4%), and for non-residential (5.9%; Mar: 5.6%), with a combined contribution of 3.5 ppts (Mar: 3.4 ppts) which offset weak securities (-10.3%; Mar: -10.7%).
 - By sector: sustained expansion recorded in the household sector (6.4%; Mar: 6.3%), amid strong domestic demand, with contribution to overall loan growth edged up (3.8 ppts; Mar: 3.7 ppts) to a 19-month high.
 - MoM: slowed (0.1%; Mar: 0.6%) to a nine-month low, on seasonal factor.
- Deposit growth remained unchanged (5.0% YoY; Mar: 5.0%)**
 - Due to higher foreign currency deposits (15.5%; Mar: 12.0%), which surged to a 13-month high. However, slower demand deposits (8.7%; Mar: 9.4%) and other deposits accepted (4.4%; Mar: 6.3%) weighed overall growth.
 - MoM: growth contracted (-0.5%; Mar: 0.8%) amid seasonal factors, it declined by RM12.1b.
- 2024 loan growth forecast retained at 5.5% - 6.0% (2023: 5.3%) given the positive economic outlook**
 - We continue to expect loan growth to remain relatively higher compared to last year due to a lower base effect, and in line with our higher GDP growth projection of 4.5% - 5.0% for 2024 (2023: 3.7%) amid strong domestic demand, backed by manufacturing export related recovery and expansion in the services sector. This is already reflected by several key domestic economic indicators pointing to steady growth. These include better-than-expected 1Q24 GDP growth of 4.2% (4Q23: 2.9%) against market expectations of 3.9%, a steady unemployment rate at 3.3% in March (Feb: 3.3%), and higher retail sales boosted by increases in tourist arrivals and spending.
 - With that said, we still expect BNM to keep its overnight policy rate (OPR) unchanged at 3.00% for the rest of the year, supported by steady economic growth expansion and controlled inflation. While there is an upside risk to the domestic inflation outlook due to the targeted fuel subsidy outcome, we believe the impact will be relatively stable. This is because the effect will likely be mitigated by increased productivity and a potential slowdown in domestic demand amid higher prices.

Graph 1: Loan Growth by Purpose (ppts)



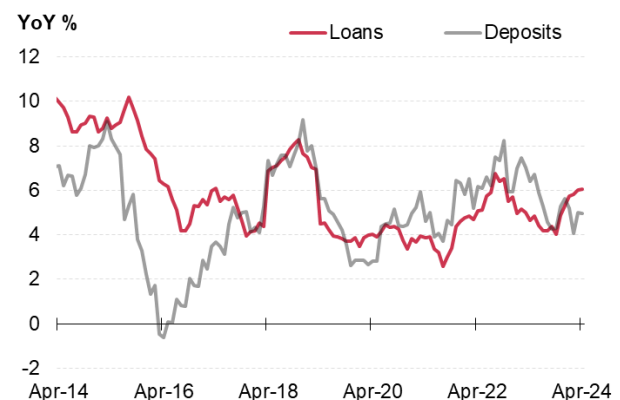
Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, Macrobond, Kenanga Research

06 June 2024

Table 1: Money Supply, Loan and Deposit Growth Trend

| | | 2021 | 2022 | 2023 | Apr-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 |
|----------------|------------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|
| M1 | % MoM | | | | -0.3 | 1.2 | 2.2 | 0.1 | 0.1 | 0.9 | -1.1 |
| | Chg (RM b) | 54.6 | 24.7 | 35.5 | -1.7 | 7.5 | 13.8 | 0.8 | 0.7 | 5.5 | -6.9 |
| | % YoY | 10.4 | 4.3 | 5.9 | -1.3 | 3.6 | 5.9 | 6.4 | 6.9 | 8.0 | 7.1 |
| M2 | % MoM | | | | -0.2 | 0.9 | 1.7 | 0.4 | 0.4 | 0.5 | -0.4 |
| | Chg (RM b) | 128.3 | 92.5 | 132.7 | -5.0 | 21.5 | 39.4 | 9.3 | 10.7 | 12.5 | -9.4 |
| | % YoY | 6.3 | 4.3 | 5.9 | 3.1 | 4.6 | 5.9 | 5.9 | 5.6 | 6.1 | 5.9 |
| M3 | % MoM | | | | -0.2 | 0.9 | 1.7 | 0.4 | 0.5 | 0.5 | -0.3 |
| | Chg (RM b) | 130.8 | 93.9 | 136.4 | -4.6 | 21.8 | 40.5 | 10.1 | 10.9 | 11.3 | -8.3 |
| | % YoY | 6.4 | 4.3 | 6.0 | 3.3 | 4.6 | 6.0 | 6.0 | 5.7 | 6.2 | 6.1 |
| Loans | % MoM | | | | 0.0 | 0.8 | 1.1 | 0.2 | 0.5 | 0.6 | 0.1 |
| | Chg (RM b) | 84.3 | 108.9 | 107.2 | 0.9 | 15.8 | 23.0 | 5.3 | 9.8 | 13.4 | 1.6 |
| | % YoY | 4.6 | 5.7 | 5.3 | 4.6 | 4.9 | 5.3 | 5.7 | 5.8 | 6.0 | 6.0 |
| Deposit | % MoM | | | | -0.4 | 0.4 | 1.3 | -0.1 | 0.5 | 0.8 | -0.5 |
| | Chg (RM b) | 132.4 | 132.0 | 132.1 | -10.7 | 10.9 | 31.8 | -1.8 | 13.1 | 20.5 | -12.1 |
| | % YoY | 6.3 | 5.9 | 5.6 | 6.4 | 5.3 | 5.6 | 5.2 | 4.0 | 5.0 | 5.0 |
| LCR* | (%) | 153.3 | 151.5 | 160.9 | 152.6 | 149.7 | 161.0 | 160.2 | 153.7 | 150.3 | 152.2 |

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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