

Malaysia Money & Credit

June M3 eased but loan growth hits 20-month high, signalling strong growth

- Broad money (M3) growth moderated for the third straight month in June (5.2% YoY; May: 5.8%) and the lowest in seven months**

- Slower growth was mainly due to moderate growth in fixed deposits (3.4%; May: 4.0%), hitting a 19-month low and reducing its contribution to overall growth to 1.5 ppts (May: 1.8 ppts). This was further weighed down by a sharp slowdown in other deposits (3.2%; May: 5.0%). However, overall growth was partially supported by the expansion in foreign currency deposits (15.6%; May: 14.4%).
- MoM: growth fell slightly (-0.2%; May: 0.2%), subtracting RM4.1b.

- Slower broad money supply growth due to low net foreign assets and government claims, but partially mitigated by higher private sector claims**

- Claims in the private sector (5.5%; May: 5.1%): expanded to a three-month high due to higher loans (6.1%; May: 5.7%) which hit a 5-year high. Additionally, it was also bolstered by a slight expansion in securities (1.0%; May: 0.9%).
- Net claims on government (12.2%; May: 13.5%): moderated due to slower growth in government claims (7.2%; May: 8.6%), while a contraction in deposits worsens (-11.2%; May: -9.2%).
- Foreign assets (7.5%; May: 12.9%): slowed sharply to a seven-month low due to weaker expansion in net foreign assets held by BNM (3.1%; May: 8.5%) and net foreign assets in the banking system (27.6%; May: 31.3%).

- Loan growth surged (6.4% YoY; May: 5.8%) to a 20-month high, exceeding our target range for the year**

- **By purpose:** mainly due to a solid expansion in working capital (6.8%; May: 4.0%) which rose to a 20-month high, while its contribution to overall loan growth expanded to 1.5 ppts (May: 0.9 ppts).
- **By sector:** driven by higher credit growth in construction (3.5%; May: 0.7%), highest since Oct 2019, and finance & insurance (22.8%; May: 20.3%) sectors with a combined contribution of 1.3 ppts (May: 1.0 ppts) to overall growth.
- MoM: strong expansion (0.8%; May: 0.3%) on a MoM basis, the highest since November 2021.

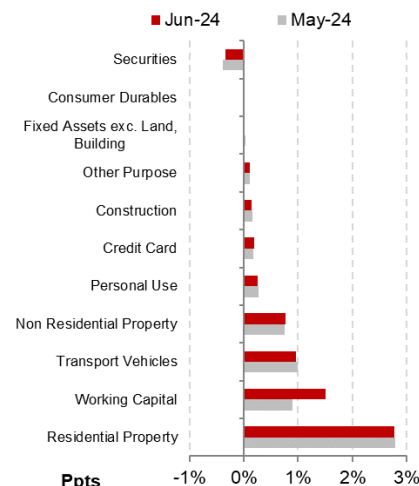
- Deposit growth remained unchanged (4.9% YoY; May: 4.9%) for the second straight month**

- While there was a slowdown in fixed deposits (1.8%; May: 2.6%), which hit a 26-month low, the overall deposit growth was supported by a surge in foreign currency deposits (16.0%; May: 12.1%), hitting a 17-month high.
- MoM: fell marginally (-0.004%; May: 0.5%) and subtracting RM0.1b from a total deposit.

- 2024 loan growth forecast remained at 5.5% - 6.0% (2023: 5.3%) with an upside bias that it would settle closer to our upper-end target**

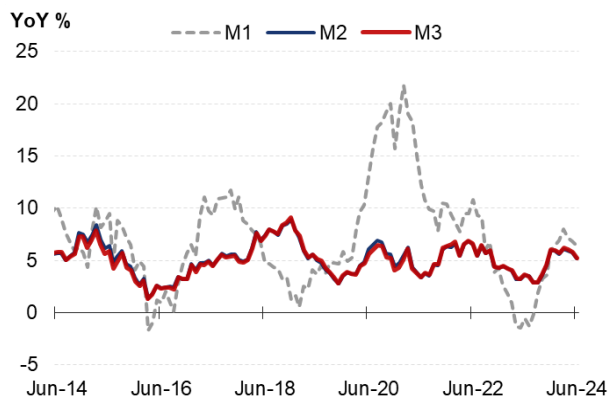
- Despite strong loan growth in June, we are maintaining our year-end target, as loan growth may taper off in the final quarter due to the high base recorded in the second half last year. However, we still expect loan growth to outpace GDP growth, which we project to expand by 4.5% - 5.0% (2023: 3.6%).
- Likewise, we expect BNM to maintain the overnight policy rate (OPR) at 3.00% for the rest of the year, potentially extending into 2025. This monetary stance is likely to support economic growth amid ongoing reforms by the Madani government. Although there is an upside risk to domestic inflation outlook in 2H24, we believe the impact will be relatively controlled.

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 August 2024

Table 1: Money Supply, Loan and Deposit Growth Trend

		2021	2022	2023	Jun-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
M1	% MoM				1.4	0.1	0.1	0.9	-1.1	-0.5	1.1
	Chg (RM b)	54.6	24.7	35.5	8.5	0.8	0.7	5.5	-6.9	-3.1	6.8
	% YoY	10.4	4.3	5.9	-0.6	6.4	6.9	8.0	7.1	6.8	6.4
M2	% MoM				0.4	0.4	0.4	0.5	-0.4	0.2	-0.1
	Chg (RM b)	128.3	92.5	132.7	9.4	9.3	10.7	12.5	-9.4	5.7	-3.4
	% YoY	6.3	4.3	5.9	3.6	5.9	5.6	6.1	5.9	5.8	5.2
M3	% MoM				0.4	0.4	0.5	0.5	-0.3	0.2	-0.2
	Chg (RM b)	130.8	93.9	136.4	8.4	10.1	10.9	11.3	-8.3	4.5	-4.1
	% YoY	6.4	4.3	6.0	3.6	6.0	5.7	6.2	6.1	5.8	5.2
Loans	% MoM				0.2	0.2	0.5	0.6	0.1	0.3	0.8
	Chg (RM b)	84.3	108.9	107.2	4.8	5.3	9.8	13.3	1.6	5.9	17.6
	% YoY	4.6	5.7	5.3	4.4	5.7	5.8	6.0	6.0	5.8	6.4
Deposit	% MoM				0.0	-0.1	0.5	0.8	-0.5	0.5	0.0
	Chg (RM b)	132.4	132.0	132.1	1.1	-1.8	13.1	20.5	-12.1	11.3	-0.1
	% YoY	6.3	5.9	5.6	5.9	5.2	4.0	5.0	5.0	4.9	4.9
LCR*	(%)	153.3	151.5	160.9	154.7	160.2	153.7	150.3	152.2	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%.

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