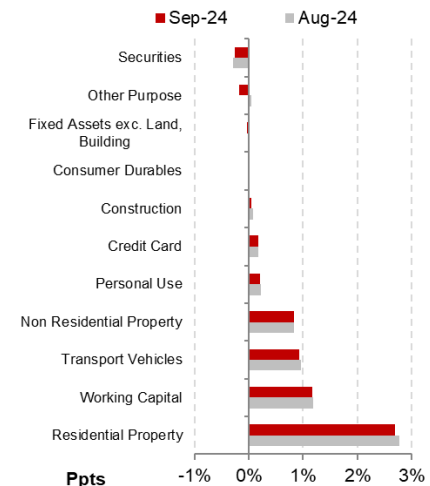


Malaysia Money & Credit

M3 and loan growth slowed further in September on high base effect

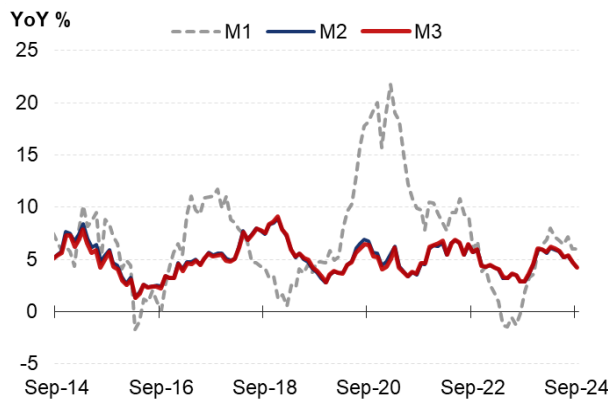
- Broad money (M3) supply growth moderated to an 11-month low in September (4.2% YoY; Aug: 4.7%). The slowdown reflects:**
 - A sharp dip in foreign currency deposits (2.9%; Aug: 8.2%), which hit a seven-month low and reducing its contribution to overall growth to 0.3 ppts (Aug: 0.9 ppts). This was further dragged by slower growth in saving deposits (3.2%; Aug: 4.0%), with its contribution edged down to 0.3 ppts (Aug: 0.4 ppts).
 - MoM: rebounded (0.1%; Aug: -0.4%), adding RM3.1b.
- Slower M3 growth mainly due to lower government spending**
 - Net claims on government** (9.9%; Aug: 13.4%): moderated sharply to a 14-month low due to slower growth in government claims (4.4%; Aug: 7.4%) and further declines in government deposits (-14.5%; Aug: -13.5%).
 - Claims in the private sector** (4.8%; Aug: 4.9%): slipped slightly to an 11-month low due to persistent weakness in securities (-2.0%; Aug: -0.9%). However, sustained loan growth (5.8%; Aug: 5.8%) partially offset the slowdown.
- Loan growth slowed (5.6% YoY; Aug: 6.0%) to a four-month low**
 - By purpose:** slower growth of residential property (7.3%; Aug: 7.5%), reducing its contribution to overall growth to 2.7 ppts (Aug: 2.8 ppts). Growth was also dragged by weak other purposes (-4.5%; Aug: 1.3%), subtracting 0.2 ppts from overall loan growth (Aug: 0.1 ppts).
 - By sector:** primarily due to moderate growth in the household (6.3%; Aug: 6.4%) and manufacturing (2.4%; Aug: 5.1%) sectors. Both combined contributions to overall growth declined to 3.9 ppts (Aug: 4.2 ppts).
 - MoM: expanded (0.4%; Aug: 0.3%) to a three-month high.
- Deposit growth slowed further (3.3% YoY; Aug: 3.8%), the lowest since May 2020 (2.8%)**
 - A sharp slowdown in foreign deposits (4.2%; Aug: 8.0%) and fixed deposits (2.8%; Aug: 3.3%), lowering their combined contribution to overall deposit growth to 1.6 ppts (Aug: 2.2 ppts).
 - MoM rebounded (0.7%; Aug: -0.3%), adding RM18.6b to the total deposit after three months of decline.
- 2024 loan growth forecast retained at 5.5% - 6.0% (2023: 5.3%), and we project next year's growth to remain within the same forecast range**
 - September's loan growth aligns with our expectation, considering the high base effect from 2H23. Although MoM growth often accelerates in Q4, caution remains due to risks from the external sector. This includes the uncertainty of the upcoming US presidential election, global geopolitical risk, and a possible slowdown in advanced economies due to the lagged effects of high interest rates, which impact business, consumer, and investor confidence. Nevertheless, we still expect MoM growth momentum to continue in the remaining month of 2024.
 - While growth momentum is expected to carry through the rest of 2024, BNM is likely to keep overnight policy rate (OPR) steady at 3.00% at its final MPC meeting for this year on November 6th. Despite inflation risk is rising following the expected improvement in household income amid the impact of Budget 2025 measures, including RON95 subsidy rationalisation, we expect price pressure to remain under control as demand increases should be offset by productivity gains and government targeted assistance. Additionally, economic growth support from BNM is critical amid potential global headwinds.

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 November 2024

Table 1: Money Supply, Loan and Deposit Growth Trend

		2021	2022	2023	Sep-23	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24
M1	% MoM				1.1	-1.1	-0.5	1.1	-0.8	0.1	1.2
	Chg (RM b)	54.6	24.7	35.5	6.6	-6.9	-3.1	6.8	-5.4	0.8	7.4
	% YoY	10.4	4.3	5.9	1.9	7.1	6.8	6.4	7.2	6.0	6.0
M2	% MoM				0.6	-0.4	0.2	-0.1	-0.1	-0.3	0.1
	Chg (RM b)	128.3	92.5	132.7	14.3	-9.4	5.7	-3.4	-3.4	-7.9	3.1
	% YoY	6.3	4.3	5.9	2.8	5.9	5.8	5.2	5.3	4.7	4.2
M3	% MoM				0.6	-0.3	0.2	-0.2	-0.1	-0.4	0.1
	Chg (RM b)	130.8	93.9	136.4	14.0	-8.5	4.7	-4.0	-3.4	-9.0	3.1
	% YoY	6.4	4.3	6.0	2.9	6.0	5.8	5.2	5.3	4.7	4.2
Loans	% MoM				0.8	0.1	0.3	0.8	0.1	0.3	0.4
	Chg (RM b)	84.3	108.9	107.2	16.1	1.8	5.9	17.5	3.2	6.2	9.0
	% YoY	4.6	5.7	5.3	4.4	6.1	5.8	6.4	6.4	6.0	5.6
Deposit	% MoM				1.2	-0.5	0.5	0.0	-0.6	-0.3	0.7
	Chg (RM b)	132.4	132.0	132.1	29.6	-12.5	11.3	-0.1	-14.2	-8.7	18.6
	% YoY	6.3	5.9	5.6	4.3	5.0	4.9	4.9	4.7	3.8	3.3
LCR*	(%)	153.3	151.5	160.9	151.1	152.3	149.6	155.1	150.8	145.4	148.0

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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