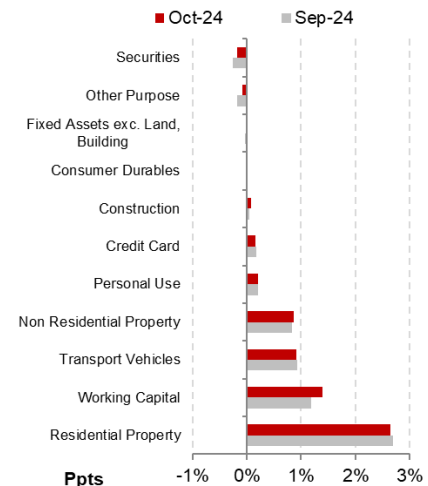


Malaysia Money & Credit

Loan growth accelerates in October, while M3 growth remained steady

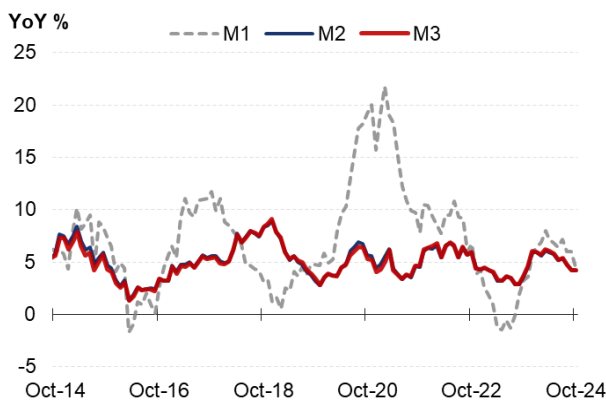
- Broad money (M3) supply growth unchanged in October (4.2% YoY; Sep: 4.2%)**
 - Reason:** the expansion in fixed deposits (5.3%; Sep: 4.5%), which hit an eight-month high was partially weighed by slower demand deposits (4.7%; Sep: 6.4%). Notably, fixed deposits contributed 2.3 ppts (Sep: 2.0 ppts) to overall M3 growth.
 - MoM: surged (0.9%; Sep: 0.1%) to a 10-month high, adding RM21.1b, the highest since December 2023.
- Lower government spending was partially mitigated by strong private-sector spending**
 - Net claims on government** (7.7%; Sep: 9.9%): slowed sharply to a 17-month low due reduced claims (3.5%; Sep: 4.4%), which fell to the lowest since January 2020, and further weighed by persistent declines in government deposits (-12.4%; Sep: -14.5%).
 - Claims on private sector** (5.0%; Sep: 4.7%): reached a three-month high due to increased loans (6.0%; Sep: 5.7%), despite weakness in securities (-1.8%; Sep: -2.0%).
- Loan growth expanded (6.0% YoY; Sep: 5.6%) to a two-month high**
 - By purpose:** due to higher growth of working capital (6.3%; Sep: 5.4%) with its contribution to overall growth expanded to 1.4 ppts (Sep: 1.2 ppts), a three-month high.
 - By sector:** primarily due to a surge in the finance & insurance (23.7%; Sep: 19.8%) and a rebound in electricity, gas, steam & aircon supply (5.8%; Sep: -16.1%) sectors. Both combined contributions to overall loan growth expanded to 1.2 ppts (Sep: 0.9 ppts).
 - MoM: accelerated (0.7%; Sep: 0.4%) to a four-month high, adding RM14.8b to the total outstanding loan.
- Deposit growth moderated further (3.1% YoY; Sep: 3.3%), the lowest since May 2020 (2.8%)**
 - This was mainly due to a sharp slowdown in demand deposits (4.4%; Sep: 6.1%) but was partially mitigated by higher fixed deposits (3.5%; Sep: 2.8%).
 - MoM growth moderated (0.3%; Sep: 0.7%), after a surge in the previous month, adding RM7.6b to the total deposit.
- 2024 loan growth forecast retained at 5.5% - 6.0% (2023: 5.3%) and to remain within the same range in 2025**
 - October's loan growth remains within our target range, driven by the low base effect from the same period of last year. Looking ahead, we anticipate that growth momentum to sustained in the near term, as MoM growth typically accelerates in Q4. That said, loan growth may settle around upper end of our target range.
 - OPR outlook:** BNM is likely to maintain the overnight policy rate (OPR) steady at 3.00% in 2025 and potentially into 2026, barring unforeseen circumstances. This mainly as inflation is projected to edge up modestly next year, driven by the impact of subsidy rationalisation, and strong domestic demand fuelled by various policy measures aim to lift household income, such as the minimum wage hikes to RM1,700 from RM1,500, and salary increases for government servants.
 - Risk and support:** Global uncertainties from geopolitical conflicts and US policy shifts under the incoming Trump administration may weigh on domestic growth. However, domestic drivers, including various national policy initiatives and infrastructure projects, should mitigate the impact and support the growth outlook.

Graph 1: Loan Growth by Purpose (ppts)



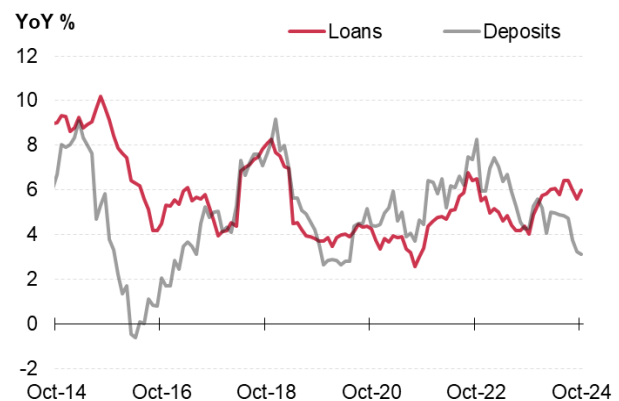
Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, Macrobond, Kenanga Research

Table 1: Money Supply, Loan and Deposit Growth Trend

		2021	2022	2023	Oct-23	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
M1	% MoM				1.5	-0.5	1.1	-0.8	0.1	1.2	0.0
	Chg (RM b)	54.6	24.7	35.5	8.8	-3.1	6.8	-5.4	0.8	7.4	0.2
	% YoY	10.4	4.3	5.9	3.3	6.8	6.4	7.2	6.0	6.0	4.5
M2	% MoM				0.8	0.2	-0.1	-0.1	-0.3	0.1	0.8
	Chg (RM b)	128.3	92.5	132.7	19.3	5.7	-3.4	-3.4	-7.9	3.1	19.8
	% YoY	6.3	4.3	5.9	3.6	5.8	5.2	5.3	4.7	4.2	4.2
M3	% MoM				0.9	0.2	-0.2	-0.1	-0.4	0.1	0.9
	Chg (RM b)	130.8	93.9	136.4	20.0	4.7	-4.0	-3.4	-9.0	3.1	21.1
	% YoY	6.4	4.3	6.0	3.7	5.8	5.2	5.3	4.7	4.2	4.2
Loans	% MoM				0.3	0.3	0.8	0.1	0.3	0.4	0.7
	Chg (RM b)	84.3	108.9	107.2	6.3	5.9	17.5	3.2	6.2	9.0	14.8
	% YoY	4.6	5.7	5.3	4.0	5.8	6.4	6.4	6.0	5.6	6.0
Deposit	% MoM				0.4	0.5	0.0	-0.6	-0.3	0.7	0.3
	Chg (RM b)	132.4	132.0	132.1	10.3	11.3	-0.1	-14.2	-8.7	18.5	7.6
	% YoY	6.3	5.9	5.6	4.3	4.9	4.9	4.7	3.8	3.3	3.1
LCR*	(%)	153.3	151.5	160.9	150.4	149.7	155.2	151.1	145.5	146.6	146.8

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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