

Malaysia Money & Credit

Slower M3 and loan growth in November signals cautious optimism ahead

- **Broad money (M3) supply slowed in November (4.0% YoY; Oct: 4.2%)**

- Reason: Mainly due to slower growth in fixed deposits (4.7%; Oct: 5.2%), dragging 0.2 pts lower to overall M3 growth. Nevertheless, the weakness was partially mitigated by expansion in demand deposits (5.2%; Oct: 4.6%), contributing 1.1 pts to overall M3.
- MoM: moderated (0.7%; Oct: 0.9%) following previous month's sharp increase, adding RM16.7b (Oct: RM21.1b).

- **Lower M3 growth was also due to slower net claims on government, private sector and foreign assets**

- Net claims on government (5.3%; Oct: 7.7%): at a 39-month low as deposits rebounded (8.0%; Oct: -12.4%), offsetting the faster growth in claims (5.8%; Oct: 3.5%).
- Claims on private sector (4.7%; Oct: 5.0%): slowed due to moderate loans (5.6%; Oct: 6.0%) and continued weakness in securities (-0.8%; Oct: -1.8%).
- Net foreign assets (-1.1%; Oct: 2.5%): contracted, lowest since December 2022, due to a decline in net foreign assets held by BNM (-7.7%; Oct: -5.0%) and slower growth in net foreign assets held in the banking system (30.8%; Oct: 40.0%).

- **Loan growth moderated (5.8% YoY; Oct: 6.0%) to a two-month low**

- By purpose: slower growth in working capital loans (5.9%; Oct: 6.4%) reduced its contribution to overall growth to 1.3 pts (Oct: 1.4 pts). Residential property also slowed slightly (7.0%; Oct: 7.1%), lowering its contribution to overall loan growth fell to 2.6 pts (Oct: 2.7 pts).
- By sector: a sharp slowdown in transport and storage (2.3%; Oct: 13.4%) after last month's growth spike, reducing its contribution to overall loan growth to 0 pts (Oct: 0.2 pts).
- MoM: eased slightly (0.6%; Oct: 0.7%) but stayed above the year-to-date average of 0.4%, adding RM13.5b to total outstanding loan.

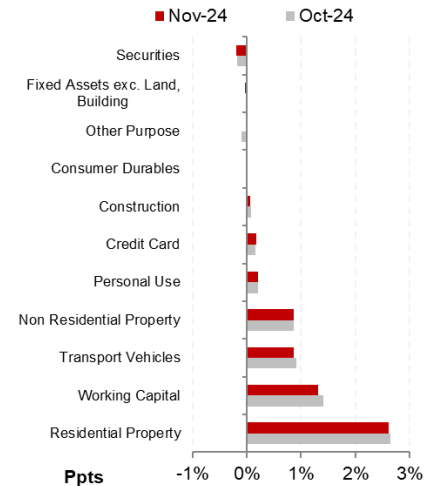
- **Deposit growth expanded (3.6% YoY; Oct: 3.1%) to a three-month high**

- Attributable to a higher demand deposit (6.0%; Oct: 4.4%) and fixed deposits (3.7%; Oct: 3.5%).
- MoM growth accelerated (0.9%; Oct: 0.3%), adding RM22.5b to the total deposit, the highest in 11 months.

- **2024 loan growth forecast at 5.5% - 6.0% (2023: 5.3%), with steady momentum expected in 2025**

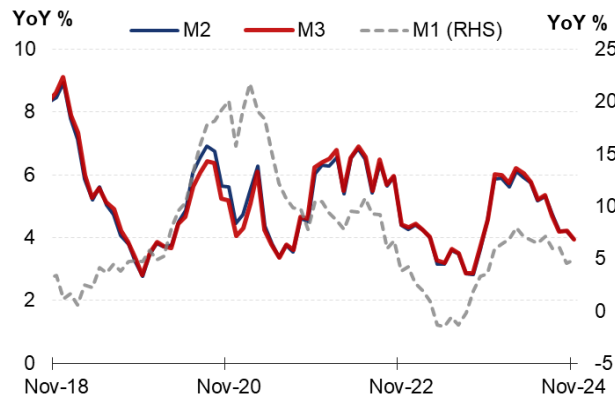
- November loan growth remains within target range, driven by a resilient domestic economy fuelled by a steady labour market and continued expansion in the services sector, especially retail and tourism. The low base effect from last year also contributed. Growth is on track to meet year-end forecast.
- OPR outlook: BNM is expected to maintain the overnight policy rate (OPR) steady at 3.00% in 2025 as we believe the current stance is reasonably balanced between maintaining price stability and supporting the growth outlook. Despite a lower inflation reading in November (1.8%), upside risk to price pressure remains for 2025. This is particularly due to the upcoming fuel subsidy rationalisation and higher household incomes from increase in minimum wage and civil servants' salary adjustments. This is reflected in our higher inflation projection of 2.7% in 2025 (2024 estimate: 1.9%).

Graph 1: Loan Growth by Purpose (ppts)



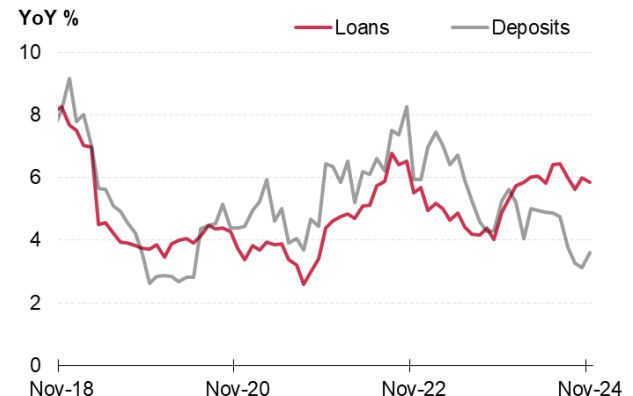
Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, Macrobond, Kenanga Research

02 January 2025

Table 1: Money Supply, Loan and Deposit Growth Trend

		2021	2022	2023	Nov-23	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
M1	% MoM				1.2	1.1	-0.8	0.1	1.2	0.0	1.5
	Chg (RM b)	54.6	24.7	35.5	7.5	6.8	-5.4	0.8	7.4	0.2	9.8
	% YoY	10.4	4.3	5.9	3.6	6.4	7.2	6.0	6.0	4.5	4.9
M2	% MoM				0.9	-0.1	-0.1	-0.3	0.1	0.8	0.7
	Chg (RM b)	128.3	92.5	132.7	21.5	-3.4	-3.4	-7.9	3.1	19.8	16.7
	% YoY	6.3	4.3	5.9	4.6	5.2	5.3	4.7	4.2	4.2	4.0
M3	% MoM				0.9	-0.2	-0.1	-0.4	0.1	0.9	0.7
	Chg (RM b)	130.8	93.9	136.4	21.8	-4.0	-3.4	-9.0	3.1	21.1	16.7
	% YoY	6.4	4.3	6.0	4.6	5.2	5.3	4.7	4.2	4.2	4.0
Loans	% MoM				0.8	0.8	0.1	0.3	0.4	0.7	0.6
	Chg (RM b)	84.3	108.9	107.2	15.8	17.5	3.2	6.2	9.0	14.8	13.5
	% YoY	4.6	5.7	5.3	4.9	6.4	6.4	6.0	5.6	6.0	5.8
Deposit	% MoM				0.4	0.0	-0.6	-0.3	0.7	0.3	0.9
	Chg (RM b)	132.4	132.0	132.1	10.9	-0.1	-14.2	-8.7	18.5	7.6	22.5
	% YoY	6.3	5.9	5.6	5.3	4.9	4.7	3.8	3.3	3.1	3.6
LCR*	(%)	153.3	151.5	160.9	149.3	155.2	151.1	145.5	146.6	146.8	147.9

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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