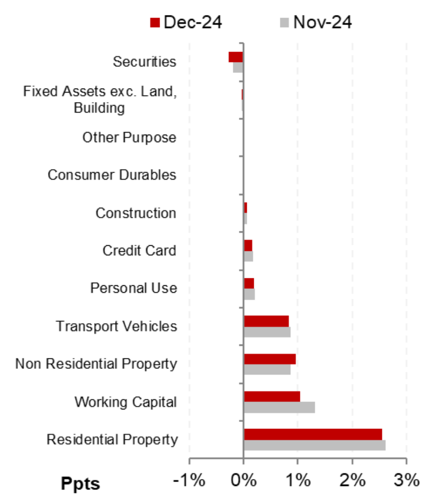
Malaysia Money & Credit

M3, deposit and loan growth slowed sharply in December on high base effect

- **Broad money (M3) growth slowed to a 15-month low (3.6% YoY; Nov: 4.0%)**
  - **Reason:** A high base effect weaker other deposits (-12.3%; Nov: -1.0%) and dragged M3 growth by -1.2 ppts. Slower demand deposits (4.6%; Nov: 5.2%) and fixed deposits (4.6%; Nov: 4.8%), further reduced M3 growth by 0.2 ppts.
  - MoM (1.4%; Nov: 0.7%): Jumped to a 12-month high, adding RM33.5b (Nov: RM16.7b).
  - 2024: RM86.4b (2023: RM136.4b): Lowest in four years.
- **Lower M3 growth is also due to slower net claims on government and private sector but partially offset by higher foreign assets**
  - **Net claims on government** (3.6%; Nov: 5.3%): Fell for the fifth straight month to a 41-month low as deposits stagnant (0.0%; Nov: 8.0%), and claims (3.0%; Nov: 5.8%) slowed.
  - **Claims on private sector** (4.7%; Nov: 4.9%): Slight moderation due to slower loans (5.6%; Nov: 5.7%) and continued weakness in securities (-1.4%; Nov: -0.8%).
  - **Net foreign assets** (2.7%; Nov: -1.1%): rebounded to a three-month high, driven by a rebound in net foreign assets held by BNM (0.2%; Nov: -7.7%) after three months of decline. However, foreign assets held in the banking system (12.7%; Nov: 31.2%) recorded a sharp moderation.

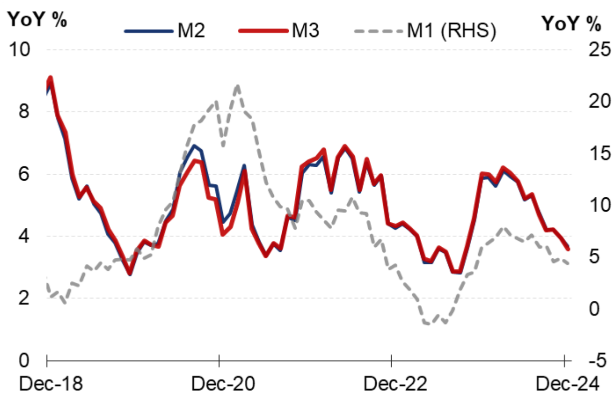
Graph 1: Loan Growth by Purpose (ppts)



Source: BNM, Macrobond, Kenanga Research

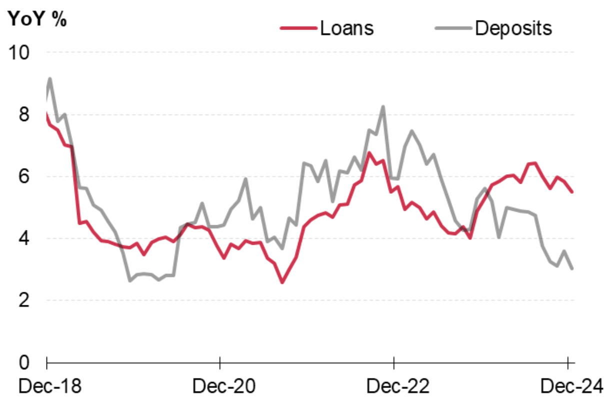
- **Loan growth moderated (5.5% YoY; Nov: 5.8%) to a 12-month low, in line with house forecast of 5.5% - 6.0%**
  - **By purpose:** working capital loans (4.7%; Nov: 5.9%) slowed, with its contribution to overall growth reduced to 1.0 ppts (Nov: 1.3 ppts). Residential property loans also eased (6.9%; Nov: 7.0%), but its contribution to overall loan growth remained at 2.6 ppts (Nov: 2.6 ppts).
  - **By sector:** construction (-7.4%; Nov: 3.6%) declined for the first time in 11 months, dragging overall loan growth by 0.4 ppts (Nov: 0.2 ppts).
  - MoM (0.8%; Nov: 0.6%): reached a six-month high, adding RM17.1b to a total outstanding loan.
  - 2024: RM117.4b (2023: RM107.4b): Outstanding loans expanded to a six-year high.
- **Deposit growth slowed sharply (3.0% YoY; Nov: 3.6%) lowest since May 2020**
  - **Reason:** Slower demand deposits (4.3%; Nov: 6.0%) and weak other deposits accepted (-10.1%; Nov: 0.6%).
  - MoM (0.7%; Nov: 0.9%): adding RM19.0b to the total deposit after a surge in the prior month.
  - 2024: RM75.3b (2023: RM132.1b): moderated to a five-year low.
- **2025 loan growth forecast maintained at 5.5% - 6.0% (2024: 5.5%)**
  - Loan growth may moderate slightly in the near term due to last year's high base and economic normalisation. However, a resilient domestic economy backed by a steady labour market and improving household income should support loan growth towards the end of the year.
  - **OPR outlook:** BNM is expected to keep the overnight policy rate (OPR) steady at 3.00% in 2025, barring major economic shocks. The current stance balances price stability with the government's growth target of 4.5% - 5.5% and aligns with our growth projection of 4.8% from an estimated growth of 5.0% in 2024.

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

		2022	2023	2024	Dec-23	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
	% MoM				2.2	-0.8	0.1	1.2	0.0	1.5	1.8
M1	Chg (RM b)	24.7	35.5	28.0	13.8	-5.4	0.8	7.4	0.2	9.8	11.5
	% YoY	4.3	5.9	4.4	5.9	7.2	6.0	6.0	4.5	4.9	4.4
	% MoM				1.7	-0.1	-0.3	0.1	0.8	0.7	1.4
M2	Chg (RM b)	92.5	132.7	87.9	39.4	-3.4	-7.9	3.1	19.8	16.7	34.1
	% YoY	4.3	5.9	3.7	5.9	5.3	4.7	4.2	4.2	4.0	3.7
	% MoM				1.7	-0.1	-0.4	0.1	0.9	0.7	1.4
M3	Chg (RM b)	93.9	136.4	86.4	40.5	-3.4	-9.0	3.1	21.1	16.7	33.5
	% YoY	4.3	6.0	3.6	6.0	5.3	4.7	4.2	4.2	4.0	3.6
	% MoM				1.1	0.1	0.3	0.4	0.7	0.6	0.8
Loans	Chg (RM b)	108.9	107.4	117.4	23.1	3.2	6.2	9.0	14.8	13.5	17.1
	% YoY	5.7	5.3	5.5	5.3	6.4	6.0	5.6	6.0	5.8	5.5
	% MoM				1.3	-0.6	-0.3	0.7	0.3	0.9	0.7
Deposit	Chg (RM b)	132.0	132.1	75.3	31.8	-14.2	-8.7	18.5	7.6	22.5	19.0
	% YoY	5.9	5.6	3.0	5.6	4.7	3.8	3.3	3.1	3.6	3.0
LCR*	(%)	152.1	161.0	160.7	161.0	151.1	145.5	146.6	146.8	147.9	160.7

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%.*

For further information, please contact:

Wan Suhaimie Wan Mohd Saidie
Head of Economic Research
wansuhaimi@kenanga.com.my

Muhammad Saifuddin Sapuan
Economist
saifuddin.sapuan@kenanga.com.my

Afiq Asyraf Syazwan Abd. Rahim
Economist
afiqasyraf@kenanga.com.my

Nurul Hanees Hairulkama
Economist
nurulhanees@kenanga.com.my

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my