

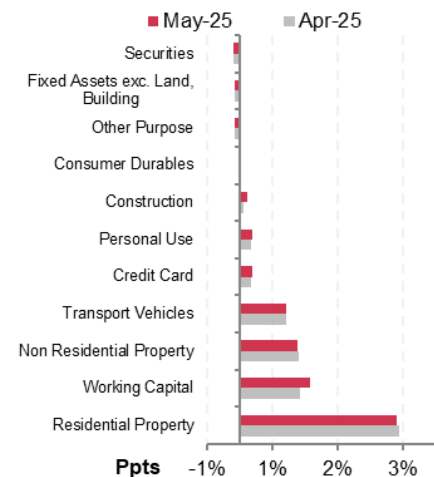
01 July 2025

Malaysia Money & Credit

Loan growth expanded to four-month high in May; broad money (M3) moderated

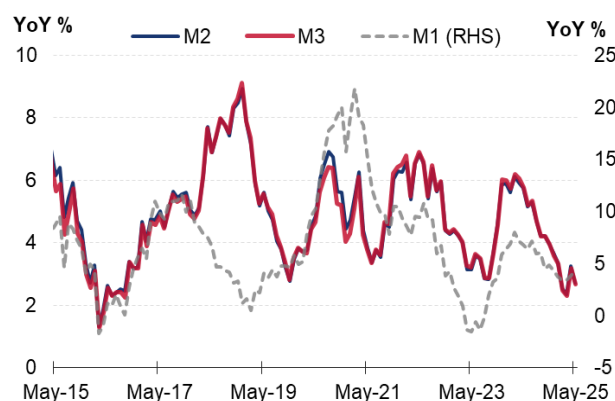
- Broad money (M3) growth moderated to 2.7% YoY (Apr: 3.2%), reversing previous month's rebound**
 - Reason:** The moderation was primarily due to slower growth in fixed deposits (1.8%; Apr: 2.6%) and saving deposits (1.2%; Apr: 3.0%), reducing their contribution to M3 growth to 0.9 ppts (Apr: 1.4 ppts).
 - MoM (-0.3%; Apr: 0.5%): contracted to a three-month low, declining by RM7.2b (Apr: RM12.6b).
- Weak government activity continued to drag M3 growth, but strong net claims on private sector partially offset the slowdown**
 - Net claims on government** (-3.7%; Apr: -1.2%): fell sharply for the fourth straight month, as government claims (-2.4 %; Apr: 0.2%) contracted, while government deposits continued to slow (3.6 %; Apr: 6.8%).
 - Claims on the private sector** (5.1 %; Apr: 5.0%): increased to a 10-month high, contributed by sustained loan growth (5.3 %; Apr: 5.3%) and higher holdings of securities (3.5%; Apr: 2.7%).
 - Net foreign assets** (1.3 %; Apr: -0.1%): rebounded, driven by a strong rise in banking system net foreign assets (9.9%; Apr: 4.0%).
- Loan growth increased to 5.3% YoY (Apr: 5.1%), a four-month high**
 - By purpose:** attributed to strong expansion in working capital (4.8 %; Apr: 4.1%), construction (3.7%; Apr: 1.9%), and credit card (9.1%; Apr: 7.9%).
 - By sector:** contributed by a strong rebound in other sector (8.0%; Apr: -2.7%), motor vehicles (3.6% Apr: 3.4%) and electricity, gas, steam & aircon supply (26.8%; Apr: 24.4%).
 - MoM (0.4; Apr: -0.05%): rebounded, adding RM 9.7b, reversing last month's dip.
- Deposit growth slowed to 2.7 % YoY (Apr: 3.8%), the weakest since March 2020**
 - Reason:** driven by slower demand deposits (3.7%; Apr: 5.2%), saving deposits (1.2%; Apr: 3.0%), and a steep drop in repurchase agreements (-4.6%; Apr: 11.0%).
 - MoM (-0.6 %; Apr: 0.2%): contracted to the lowest level in 10 months, subtracting RM14.5b.
- 2025 loan growth is forecast to reach 5.5% - 6.0% (2024: 5.5%), with growth to pick up pace in 2H25**
 - Drivers:** Loan growth is expected to remain positive, supported by BNM's earlier SRR cut and stable domestic fundamentals. Resilient consumer spending, improving labour market conditions, and rising household incomes continue to underpin credit demand. However, domestic reforms like SST expansion from 1 July and the upcoming fuel subsidy rationalisation could dampen sentiment. Even so, lending momentum is expected to stay steady into year-end supported by higher tourist arrivals, while base effect fade and confidence gradually stabilises.
 - OPR outlook:** While some market participants anticipate one or two rate cuts in 2H25, we maintain our view that BNM will hold the overnight policy rate (OPR) at 3.00% for the year. The 9 July MPC meeting is likely to reaffirm this stance. Inflation is expected to remain manageable, with only modest pressure from tax and tariff adjustments. Economic activity is still holding up, supported by domestic demand and stable financial conditions. However, worsening global trade tensions or geopolitical instability could trigger a sub-3.5% GDP, especially with negative sequential GDP prints, could tip the case for a rate cut though the probability remain low. With consensus GDP growth projection between 3.0% and 4.8% (Median: 4.2%; KIBB: 4.3%), BNM is likely to stay cautious, focusing on targeted support if needed.

Graph 1: Loan Growth by Purpose (ppts)



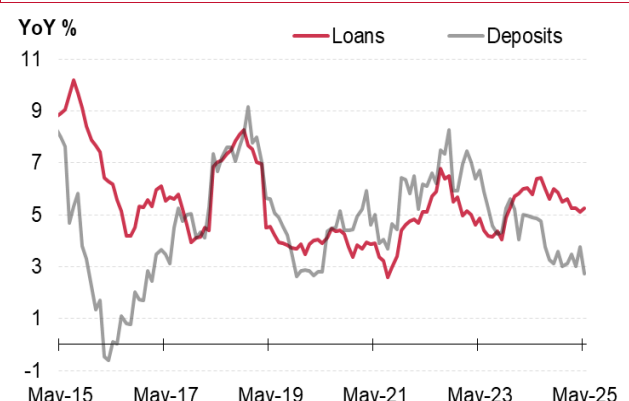
Source: BNM, Macrobond, Kenanga Research

Graph 2: Money Supply Growth



Source: BNM, Macrobond, Kenanga Research

Graph 3: Loan and Deposit Growth



Source: BNM, Macrobond, Kenanga Research

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Table 1: Money Supply, Loan and Deposit Growth Trend

		2022	2023	2024	May-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
M1	% MoM				-0.5	1.7	-0.5	-0.2	0.8	-0.7	0.0
	Chg (RM b)	24.7	35.5	28.0	-3.1	11.4	-3.1	-1.4	5.5	-4.6	0.3
	% YoY	4.3	5.9	4.4	6.8	4.4	3.8	3.4	3.4	3.8	4.4
M2	% MoM				0.2	1.4	0.1	-0.4	0.3	0.5	-0.3
	Chg (RM b)	92.5	132.7	87.8	5.7	34.0	2.3	-9.0	8.6	11.7	-6.6
	% YoY	4.3	5.9	3.7	5.8	3.7	3.4	2.5	2.4	3.2	2.7
M3	% MoM				0.2	1.4	0.2	-0.4	0.3	0.5	-0.3
	Chg (RM b)	93.9	136.4	86.4	4.7	33.4	3.8	-9.2	7.1	12.6	-7.2
	% YoY	4.3	6.0	3.6	5.8	3.6	3.3	2.5	2.3	3.2	2.7
Loans	% MoM				0.3	0.8	0.3	0.1	0.6	0.0	0.4
	Chg (RM b)	108.9	107.4	117.3	5.9	17.2	7.7	2.5	14.2	-1.1	9.7
	% YoY	5.7	5.3	5.5	5.8	5.5	5.6	5.2	5.2	5.1	5.3
Deposit	% MoM				0.5	0.7	0.0	0.9	0.4	0.2	-0.6
	Chg (RM b)	132.0	132.1	75.3	11.3	19.0	0.1	23.0	9.5	5.8	-14.5
	% YoY	5.9	5.6	3.0	4.9	3.0	3.1	3.5	3.0	3.8	2.7
LCR*	(%)	152.1	161.0	160.7	149.7	160.7	157.8	154.4	151.6	156.1	150.4

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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