

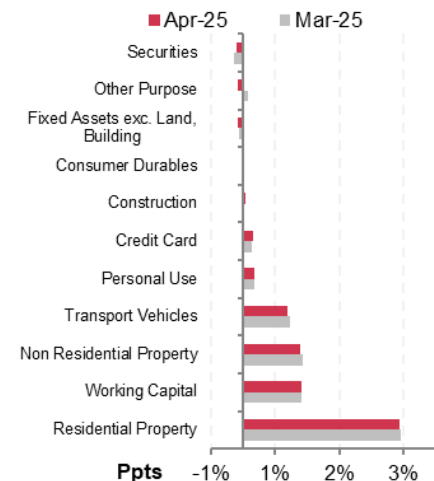
03 June 2025

Malaysia Money & Credit

April loan growth cools to 17-month low; broad money (M3) picks up steam

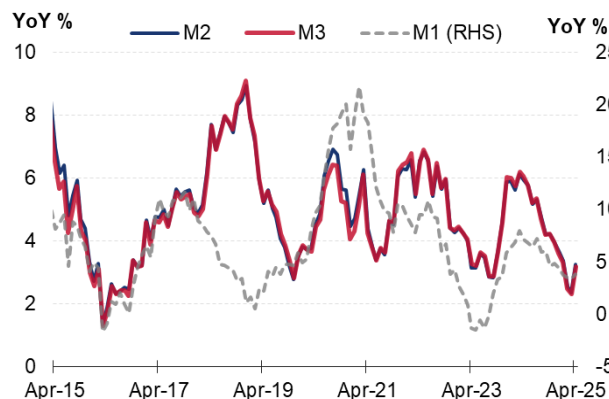
- **Broad money (M3) growth accelerated to 3.2% YoY (Mar: 2.3%), a three-month high**
 - **Reason:** The growth expansion was contributed by higher foreign currency deposits (13.3%; Mar: 8.1%), followed by demand (4.0%; Mar: 2.6%) and fixed (2.6%; Mar: 2.2%) deposits. Combined, these added 3.4 ppts to M3 growth (Mar: 2.4 ppts).
 - MoM (0.5%; Mar: 0.3%): expanded to a four-month high, adding RM12.6b (Mar: RM7.1b).
- **Higher net claims in private sector offset weaker government activity**
 - **Net claims on government** (-1.2%; Mar: -2.5%): declined for the third straight month, due to a slowdown in government deposits (6.8%; Mar: 8.6%), though government claims (0.2%; Mar: -0.6%) rebounded marginally.
 - **Claims on private sector** (5.0%; Mar: 4.8%): expanded to a nine-month high, amid sustained loans (5.3%; Mar: 5.3%) and expansion in securities (2.7%; Mar: 1.3%).
 - **Net foreign assets** (0.03%; Mar: -5.2%): rebounded marginally after a contraction in the previous month, thanks to a sharp rebound in net foreign assets held by the banking system (4.4%; Mar: -12.0%).
- **Loan growth edged down to 5.1% YoY (Mar: 5.2%), a 17-month low**
 - **By purpose:** slower growth in residential property (6.5%; Mar: 6.6%), non-residential property (7.6%; Mar: 7.8%) and vehicles (7.0%; Mar: 7.3%) loans.
 - **By sector:** notable slowdown in wholesale & retail trade (motor vehicles) (3.4%; Mar: 5.1%), contributing just 0.2 ppts (Mar: 0.4 ppts) to overall loan growth. Weakness persisted in agriculture (-8.8%; Mar: -8.1%), mining & quarrying (-3.8%; Mar: -2.9%), construction (-7.6%; Mar: -8.3%) and education, health & others (-7.1%; Mar: -7.6%) sectors.
 - MoM (-0.05%; Mar: 0.6%): fell marginally, subtracting RM1.1b, the weakest since Jan 2023 (-0.2%).
- **Deposit growth expanded sharply to 3.8% YoY (Mar: 3.0%), a nine-month high**
 - **Reason:** driven by surges in foreign currency (13.9%; Mar: 8.8%) and demand (5.2%; Mar: 3.2%) deposits. But growth was capped by slower saving deposits (3.0%; Mar: 3.8%).
 - MoM (0.2%; Mar: 0.4%): growth slowed for the second straight month, adding RM5.8b.
- **2025 loan growth forecast maintained at 5.5% - 6.0% (2024: 5.5%)**
 - **Drivers:** Loan growth will be supported by BNM's recent SRR cut, injecting about RM19.0b in liquidity into the banking system. Loan demand should remain resilient, backed by stable domestic consumption, a solid labour market, and rising household incomes, despite heightened global economic uncertainty from Trump's tariffs. Momentum is expected to build towards year-end as base effects ease.
 - **OPR outlook:** Despite market expectations for a 25 bps cut, we continue to expect BNM to keep the overnight policy rate (OPR) at 3.00% through 2025. Domestic economy is likely to remain stable amid steady domestic demand. This is reflected in the latest core inflation which rose to 2.0% in April (Mar: 1.9%), signalling firm underlying demand despite low and stable headline inflation at 1.4% (Mar: 1.4%).

Graph 1: Loan Growth by Purpose (ppts)



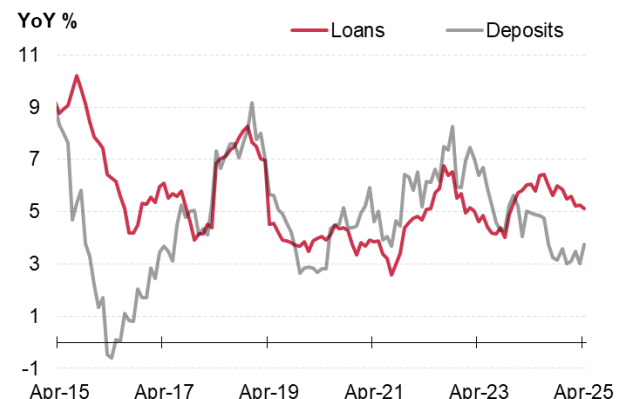
Source: BNM, Macrobond, Kenanga Research

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	Apr-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
M1	% MoM				-1.1	1.5	1.7	-0.5	-0.2	0.8	-0.7
	Chg (RM b)	24.7	35.5	28.0	-6.9	9.8	11.4	-3.1	-1.4	5.5	-4.6
	% YoY	4.3	5.9	4.4	7.1	4.9	4.4	3.8	3.4	3.4	3.8
M2	% MoM				-0.4	0.7	1.4	0.1	-0.4	0.3	0.5
	Chg (RM b)	92.5	132.7	87.9	-9.4	16.7	34.0	2.3	-9.0	8.6	11.7
	% YoY	4.3	5.9	3.7	5.9	4.0	3.7	3.4	2.5	2.4	3.2
M3	% MoM				-0.3	0.7	1.4	0.2	-0.4	0.3	0.5
	Chg (RM b)	93.9	136.4	86.4	-8.5	16.7	33.4	3.8	-9.2	7.1	12.6
	% YoY	4.3	6.0	3.6	6.0	4.0	3.6	3.3	2.5	2.3	3.2
Loans	% MoM				0.1	0.6	0.8	0.3	0.1	0.6	0.0
	Chg (RM b)	108.9	107.4	117.4	1.8	13.5	17.2	7.7	2.5	14.2	-1.1
	% YoY	5.7	5.3	5.5	6.1	5.8	5.5	5.6	5.2	5.2	5.1
Deposit	% MoM				-0.5	0.9	0.7	0.0	0.9	0.4	0.2
	Chg (RM b)	132.0	132.1	75.3	-12.5	22.5	19.0	0.1	23.0	9.5	5.8
	% YoY	5.9	5.6	3.0	5.0	3.6	3.0	3.1	3.5	3.0	3.8
LCR*	(%)	152.1	161.0	160.7	152.4	147.9	160.7	157.8	154.4	151.6	N/A

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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