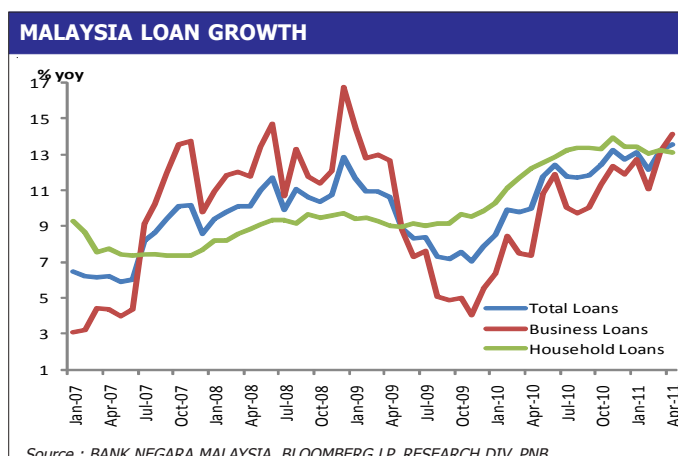


Malaysia's bank credit grew stronger from 13.2% in March to 13.5% in April, 2011 supported mainly by a faster increase in business loans amidst a sustained credit demand from households. Overall loan indicators however showed some moderation in loan application and approval, while the growth in loan disbursement and repayment declined. The faster loan growth in April indicates a sustained domestic demand, which would have supported economic growth during 2Q11. The firming of domestic spending, led by consumption, is likely to trigger further interest rate hikes of probably 25-50 bps by BNM in the second part of this year to ease inflation.



Overall demand for credit grew faster. Total loan outstanding grew faster by 13.5% y-o-y in April, the fastest since June 98, from 13.2% y-o-y in March. On a m-o-m basis, growth moderated to 0.9% in April from 1.5% in March. The monthly increase, however, exceeded the 0.6% gain charted in the same month last year, indicating that the stronger upward momentum despite several measures introduced by government to cool credit growth.

Business loans ratchet up.

- Total loans extended to the business sector had expanded faster by 14.1% y-o-y in April (March: +13.2%), mainly supported by the finance/insurance and business activities (FIB) sub-sectors. The FIB sub-sectors charted a faster 25.6% y-o-y increase (March: +23.4%) on the back of higher net disbursement of RM660 million or 1.0% m-o-m. This would have been supported by increases in domestic demand.
- Manufacturing loans, the largest segment in the business sectors, also recorded a faster growth of 12.3% y-o-y (March: +11.5% y-o-y) following the growing demand for working capital. As such, growth in bank lending for working capital (loan by type) was sustained at a double-digit pace (April: +25.5% y-o-y, March: +25.7% y-o-y) due to the rise in capacity utilization, higher business activities, as well as growing optimism among businesses over economic growth prospects.
- The other business sub-sector that saw faster loan growth included the agriculture, electricity/gas/water and real estate. However, mining/quarrying, transport/storage/communications and education/health sub-sectors experienced net repayments but the impact was marginal due to their relatively small weightage to total loan outstanding.

TOTAL OUTSTANDING BANKING SYSTEM LOANS - BY SECTOR

	APRIL 2011			MARCH 2011		
	RMmIn	% mom	% yoy	RMmIn	% mom	% yoy
TOTAL	919,831	0.9	13.5	912,070	1.5	13.2
Agriculture	20,331	1.6	6.6	20,012	1.6	5.2
Mining/quarrying	3,354	-2.4	25.4	3,437	2.4	29.1
Manufacturing/agro-based	87,192	0.5	12.3	86,795	1.4	11.5
Electricity, gas & water	12,464	0.7	48.2	12,377	3.0	46.6
Wholesale/retail trade/hotels/restaurants	67,224	0.4	7.2	66,953	0.5	7.2
Construction	38,833	0.2	8.5	38,752	1.0	8.5
Real Estate	40,400	0.7	18.8	40,136	2.9	18.6
Transport, storage & communications	26,221	-0.3	-4.4	26,306	1.1	-5.5
Finance/insurance/business activities	67,128	1.0	25.6	66,468	5.2	23.4
Education/health/others	32,990	-0.1	34.2	33,026	1.1	35.2
Household sector	509,418	1.0	13.1	504,220	1.1	13.2
Other sector + individual businesses	14,276	5.1	2.5	13,590	2.3	-4.6

Source : BANK NEGARA MALAYSIA

TOTAL OUTSTANDING BANKING SYSTEM LOANS -BY PURPOSE

	APRIL 2011			MARCH 2011		
	RMmIn	% mom	% yoy	RMmIn	% mom	% yoy
TOTAL	919,831	0.9	13.5	912,070	1.5	13.2
Purchase of securities	42,894	2.9	20.2	41,687	2.6	15.5
Purchase of transport vehicles	136,961	0.9	8.9	135,721	1.0	8.8
of which: Purch. of passenger cars	126,710	0.7	7.2	125,850	0.8	7.3
Purchase of residential property	246,824	1.0	13.1	244,422	1.1	13.2
Purchase of non-residential property	95,712	1.2	20.8	94,587	2.1	22.4
Purchase of other fixed assets	9,053	-0.2	0.4	9,070	-0.1	5.3
Personal use	44,710	1.0	14.3	44,254	2.0	14.5
Credit card	30,079	0.7	12.0	29,874	-0.9	12.5
Purchase of consumer durables	86.6	-1.5	-18.0	87.9	-2.3	-14.4
Construction	22,936	1.6	20.6	22,574	2.0	17.7
Working capital	234,906	0.1	10.4	234,613	2.0	10.3
Other purpose	55,669	0.9	25.6	55,181	1.4	20.3

Source : BANK NEGARA MALAYSIA

Demand for credit among household was sustained.

- Loans extended to the household sector continued to grow at a strong pace of 13.1% y-o-y in April from 13.2% y-o-y in March. Of the RM7.76 billion of net new loans, 67% of the increase was accounted for by loans to the household sector. To a large extent, the increase was driven by the higher purchases of residential properties and passenger cars.
- Significant increases in net disbursement can also be seen in other type of household loans such as purchase of securities, credit card and personal use. Meanwhile, bank credit for consumer durables continued to chart net repayments since February this year.

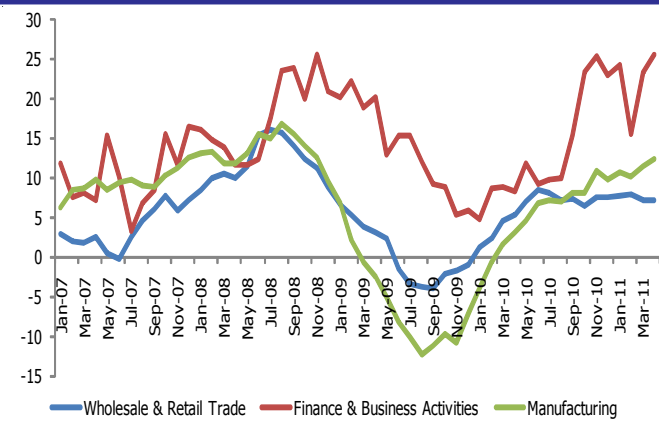
Overall loan indicators moderated from their relatively high levels in March.

- There were signs of loan demand moderating, whereby loan disbursements had slowed and growth in loan applications and approvals moderated in April. Loans to household sector also indicate a downtrend, but remained on a strong expansionary pace in April.
- While loan growth to business sector strengthened in April, loan applications were lower, particularly by manufacturing/agro-based, agriculture and education sub-sectors. Likewise, the household loan applications for credit card slowed significantly, partly due to the impact of stricter credit card measures in March. Similarly, loan applications for purchase of property had shown a downtrend, attributed to the restricted lending measures imposed on residential property during the month.

Loan growth to sustain double-digit trend. Going forward, we however expect overall loan growth to sustain a double-digit growth supported by a steady household income and expectation of a rebound in global orders that will be positive for businesses during the 2H of the year. Currently, we are projecting at a loan growth of about 11-12% for this year on the back of real GDP growth of 5.3-5.5%.

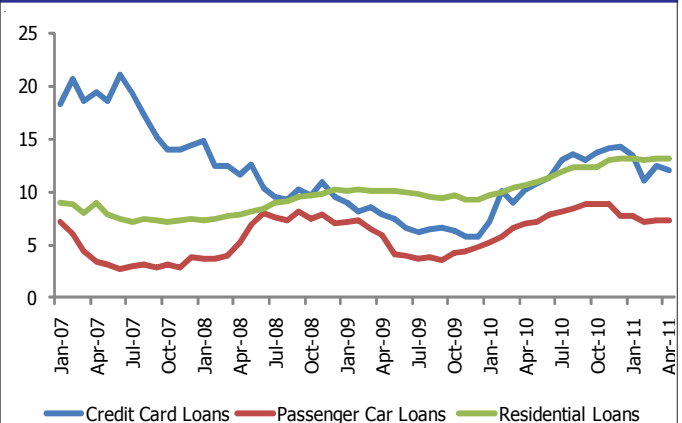
Domestic demand strengthening, room for more hikes in the OPR. A further rise in household credit would sustain higher private consumption, thus suggesting economic growth will continue to be supported by domestic demand during 2H11. A stronger increase in demand for credit for business sectors would also help strengthen growth in domestic demand. The uptrend in domestic demand supported by larger credit could only raise inflationary pressure, amidst the rising oil and food prices. As such, we can expect Bank Negara Malaysia to undertake further tightening measures to moderate loan growth. We are projecting the OPR to be increased further by 25-50 basis points during the 2H11 to end the year at 3.25-3.50%, with the earliest hike to be made in the upcoming MPC meeting in July.

LOANS BY SECTOR (% YOY)



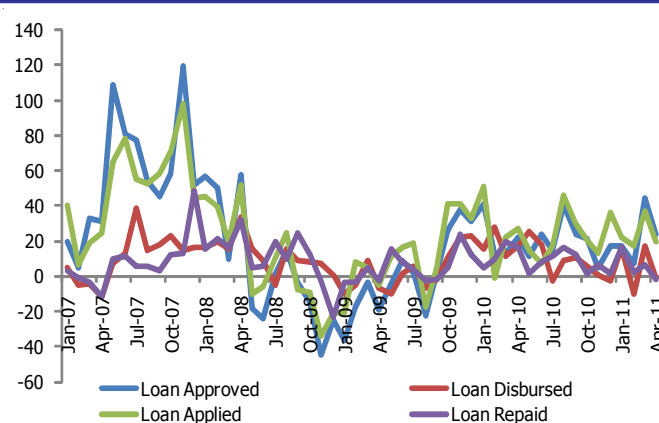
Source : BANK NEGARA MALAYSIA, BLOOMBERG LP, RESEARCH DIV. PNB

LOANS BY PURPOSE (% YOY)



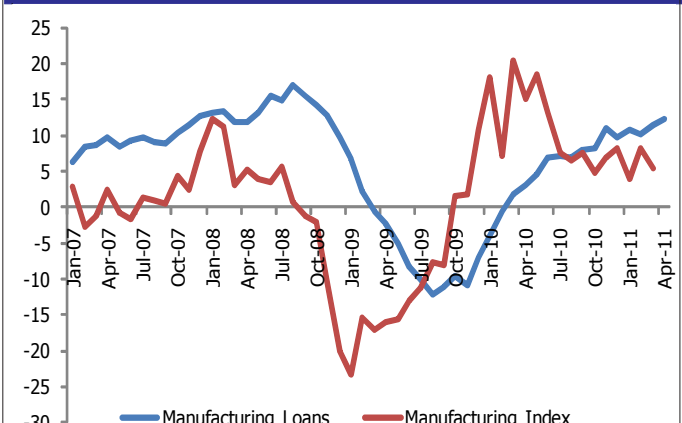
Source : BANK NEGARA MALAYSIA, BLOOMBERG LP, RESEARCH DIV. PNB

TOTAL LOAN - APPLICATION, DISBURSEMENT, REPAYMENT



Source : BANK NEGARA MALAYSIA, BLOOMBERG LP, RESEARCH DIV. PNB

MANUFACTURING LOANS VS MANUFACTURING INDEX



Source : BANK NEGARA MALAYSIA, BLOOMBERG LP, RESEARCH DIV. PNB