KERATAN AKHBAR

TARIKH : 7 APRIL 2022

AKHBAR : THE STAR

MUKA SURAT : STARBIZ 3

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"We don't expect GST (goods and services tax) or even the Fiscal Responsibility Act legislation to be considered – don't expect passage of that this year, or the first half of next year," said Nishad.

Meanwhile, Moody's also expects the earnings of Malaysian banks to improve further in 2022, driven by a reduction in the loan loss reserves.

"If economic conditions normalise further in the second half of 2022, that will allow some banks to start releasing loan loss reserves that were set aside," said Li Tengfu, who is assistant vice-president and analyst (financial institutions group) at Moody's Investors Service.

However, he pointed out that the increase in profits will be partially offset by Cukai Makmur (the one-time prosperity tax).

Li also said the net interest margin (NIM) for Malaysian banks "will be fairly stable in 2022."

He noted that while loan growth will likely accelerate this year, the effect on NIMs will be largely offset by increasing competition for deposits as the economy starts to recover as well as the entry of digital banks.

"Rate hikes would definitely help NIM expansion for banks, but it may not be material this year, given that the central bank has so far remain fairly accommodative," said Li.

Regarding banks' asset quality, Li said it would be broadly stable as the non-performing loan (NPL) ratio has remained fairly steady during the pandemic due to various government support measures.

"Although most of the repayment assistance programmes will expire by June 2022 (when the flow of bad loans will start to normalise), we think that the NPL ratio will remain broadly stable because of the rebound in economic activities, as well as some of the targeted restructuring programmes offered by the Credit Counselling and Debt Management Agency and the banks," he said.

Li also noted that Malaysian banks have been fairly proactive in setting aside loan loss reserves.

"The NPL coverage of Malaysian banks has increased quite substantially, and we think that the level of reserves is sufficient to absorb credit losses when the support measures taper off.

"Also, most of the repayment assistance are for the retail and small and medium-sized enterprises segments, which are largely secure," he said.

In terms of the capitalisation of Malaysian banks, Li noted that this had increased last year as banks conserve capital due to the economic uncertainty.

"The banks had cut dividends and increased the proportion paid under various dividend reinvestment plans.

"Going forward, in line with the improving economic conditions, the banks would likely accelerate their loan growth and start to normalise some dividend payouts and that will lead to a decline in capital levels, but from fairly high levels," he said.

Meanwhile, the Asian Development Bank (ADB) has forecast Malaysia's economy to grow by 6% in 2022 and moderate to 5.4% in 2023.

In its Asian Development Outlook report, the ADB noted that the country's growth had recovered in 2021, supported by rising global demand for manufactured exports and terms-of-trade gains from exports of natural resources, and strong domestic demand.

However, the ADB also noted that rising imports from a pick-up in domestic investment had trimmed the current account surplus.

Another challenge is inflationary pressure, which is "building on rising energy prices, the phasing out of an electricity subsidy and continuing supply disruptions."

"Assisting poor households to return to the pre-pandemic norm is the major policy challenge," said the ADB.