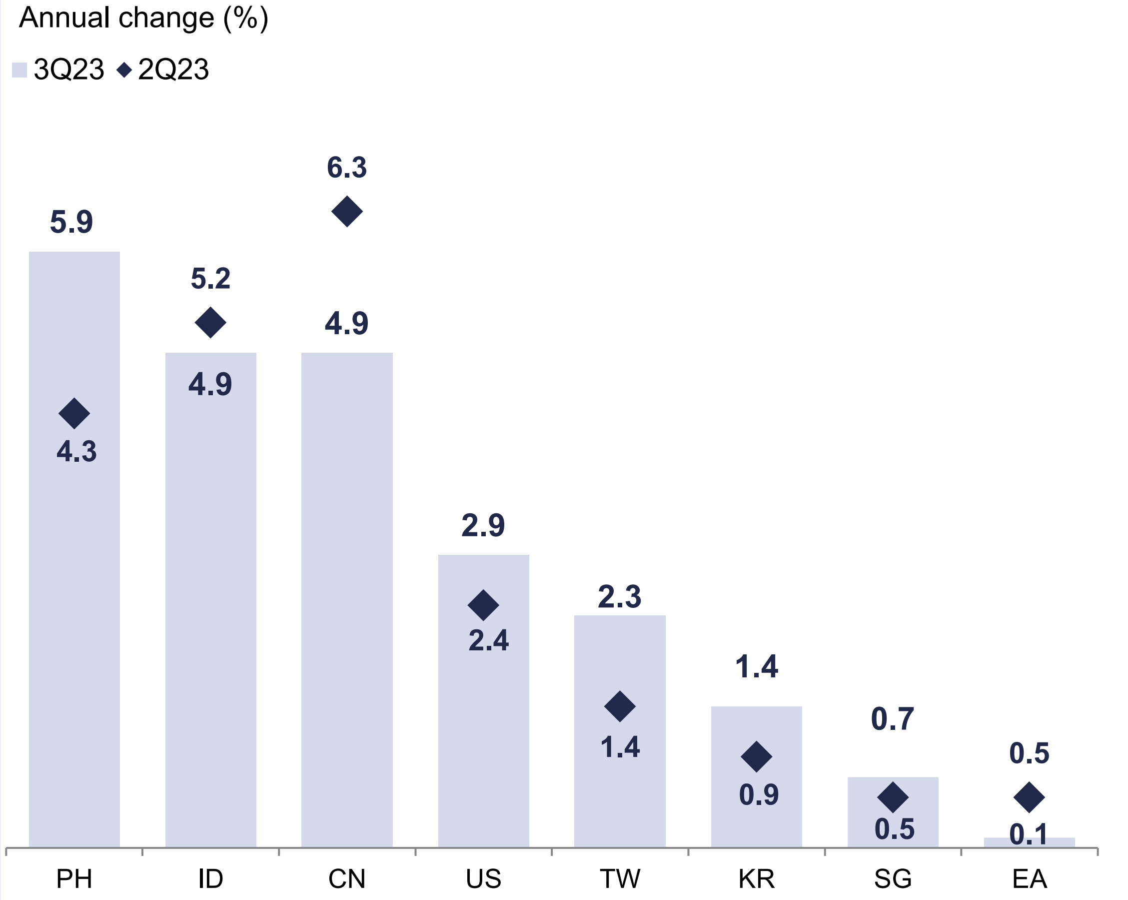
Sidang Akhbar

Prestasi Ekonomi Suku Ketiga Tahun 2023

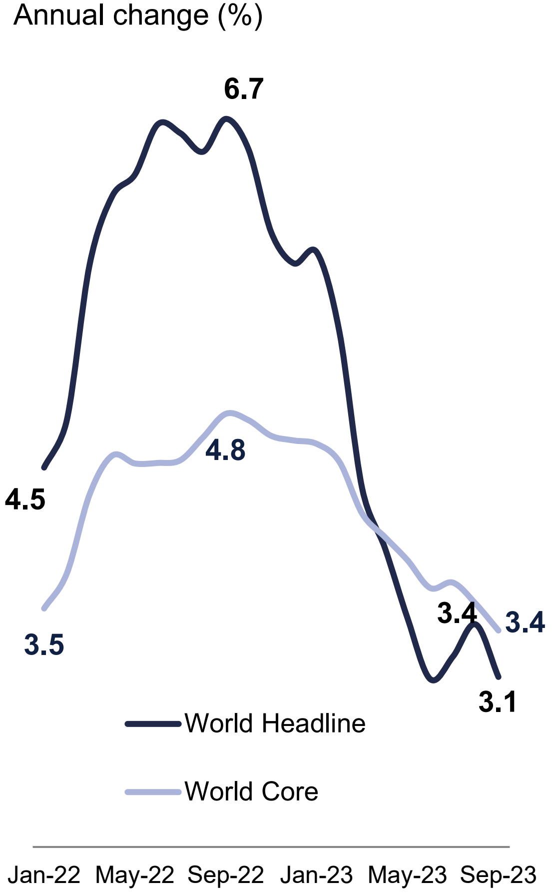
17 November 2023

Moderate global growth in 3Q 2023

Real GDP Growth[1]



Inflation



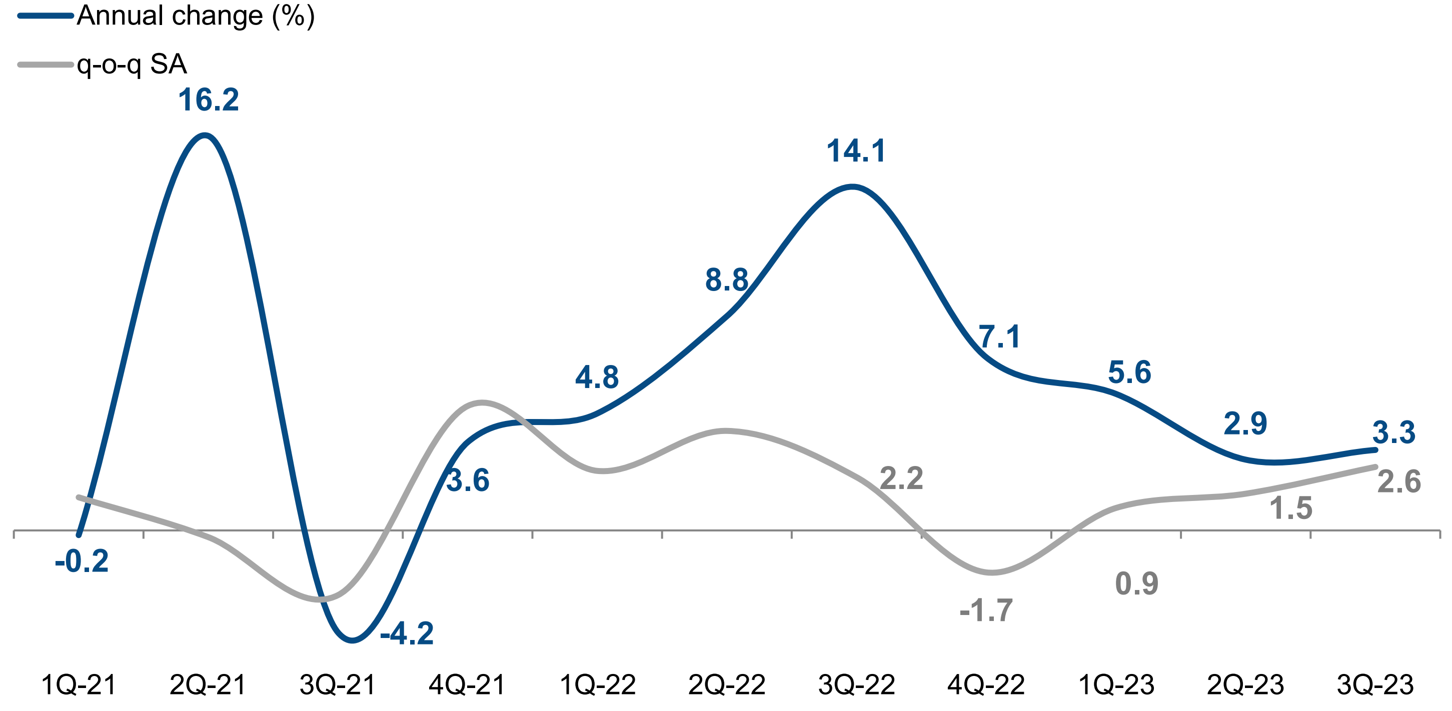
Global Growth Developments

- Growth weighed by high interest rate and elevated inflation
- Signs of improvement in China, with higher consumption despite drag from property market
- Headline inflation ticked up albeit temporarily, due partly to higher commodity prices
- Tentative recovery in regional exports in line with nascent turnaround in global E&E sector

Note:
[1] GDP for the third quarter of 2023 are advanced or preliminary estimates except *for China, Indonesia, and Philippines*
Source: Macrobond, national authorities, International Monetary Fund, Bank Negara Malaysia estimates

Malaysia's GDP grew by 3.3% in 3Q 2023

Real GDP Growth (Quarterly)



Monthly Real GDP Growth (Annual change, %)

Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
4.6	6.6	5.7	0.7	5.6	2.4	4.2	3.2	2.5

Source: Department of Statistics, Malaysia

Factors Supporting Growth in 3Q 2023

- Expansion in domestic spending
- Continued improvement in labour market conditions
- Further recovery in tourism activities
- Higher construction activity

Factors weighing on growth

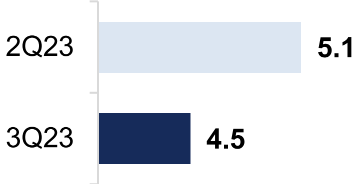
- Weaker external demand affecting goods production and exports
- Lower mining production

Expansion in domestic demand, with services and construction sectors supporting growth

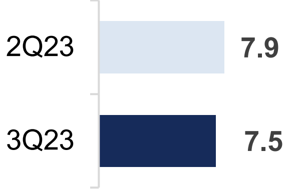
Driven by both private and public sector expenditure

Annual Change (%)

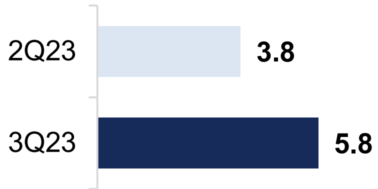
Private Consumption
Improvement in both necessities and discretionary spending by households



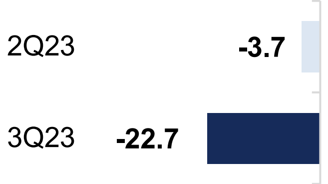
Private Investment
Continued capacity expansion by businesses



Public Investment
Continued expansion of Government fixed assets spending and capex by public corporations



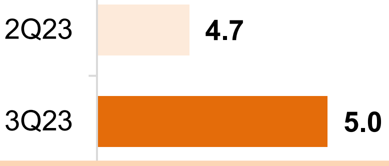
Public Consumption
Increased supplies and services spending by the Government



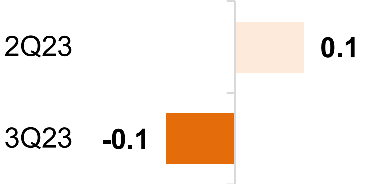
Net Exports
Weaker external demand for goods

Driven mainly by services and construction sectors

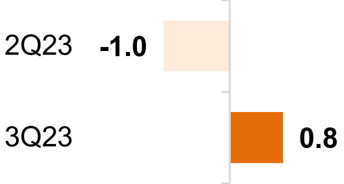
Annual Change (%)



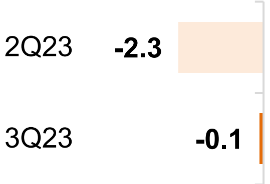
Services
Improvement across both consumer- and business-related services



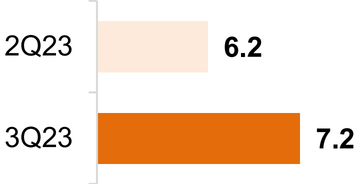
Manufacturing
Further weakness in E&E amid tech downcycle and lower production of refined petroleum products



Agriculture
Higher oil palm output as weather conditions improved amid further easing of labour shortages



Mining
Continued contraction in natural gas production

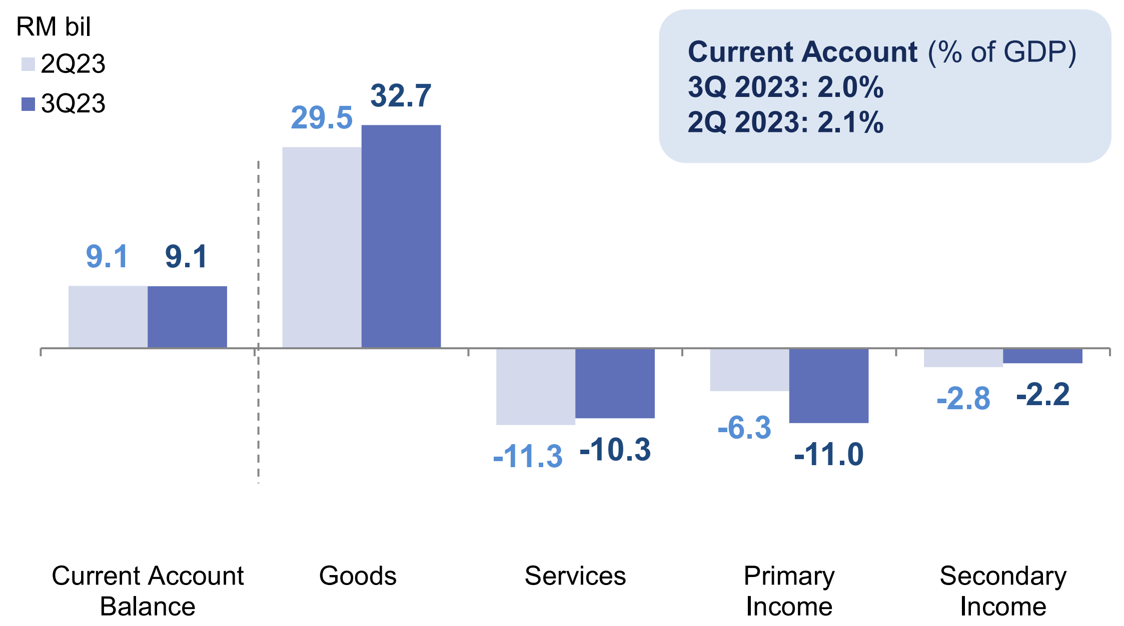


Construction
Higher support from ongoing large infrastructure and small-scale projects

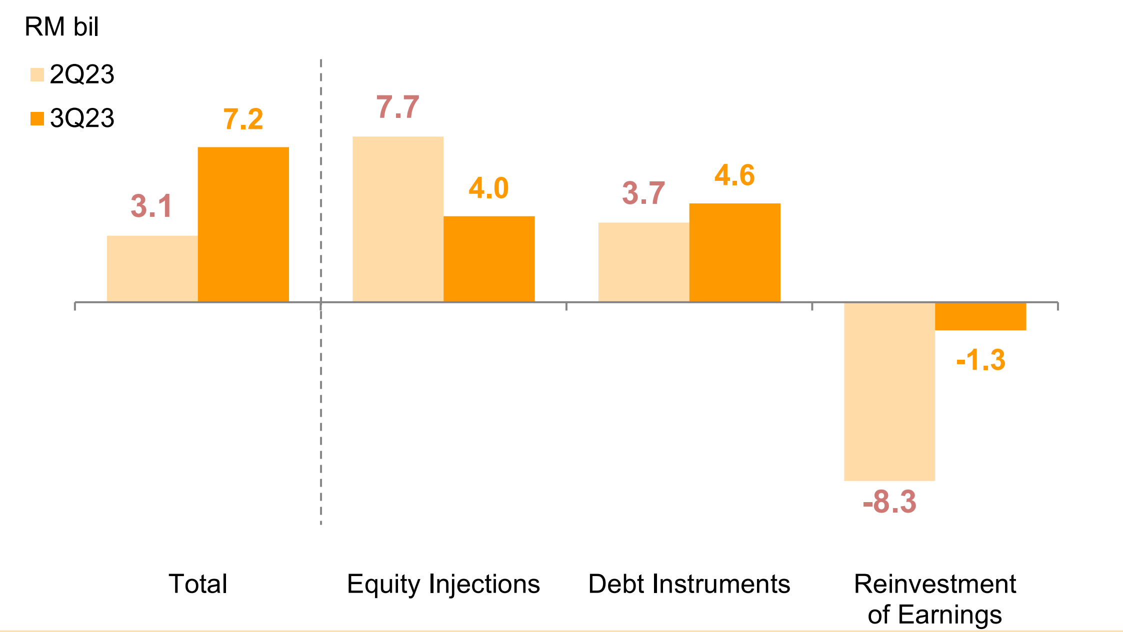
Source: Department of Statistics, Malaysia

Continued current account surplus and FDI inflows

Current Account



Foreign Direct Investment



- Larger goods surplus
- Narrower services deficit as inbound tourism continued to recover towards pre-pandemic level

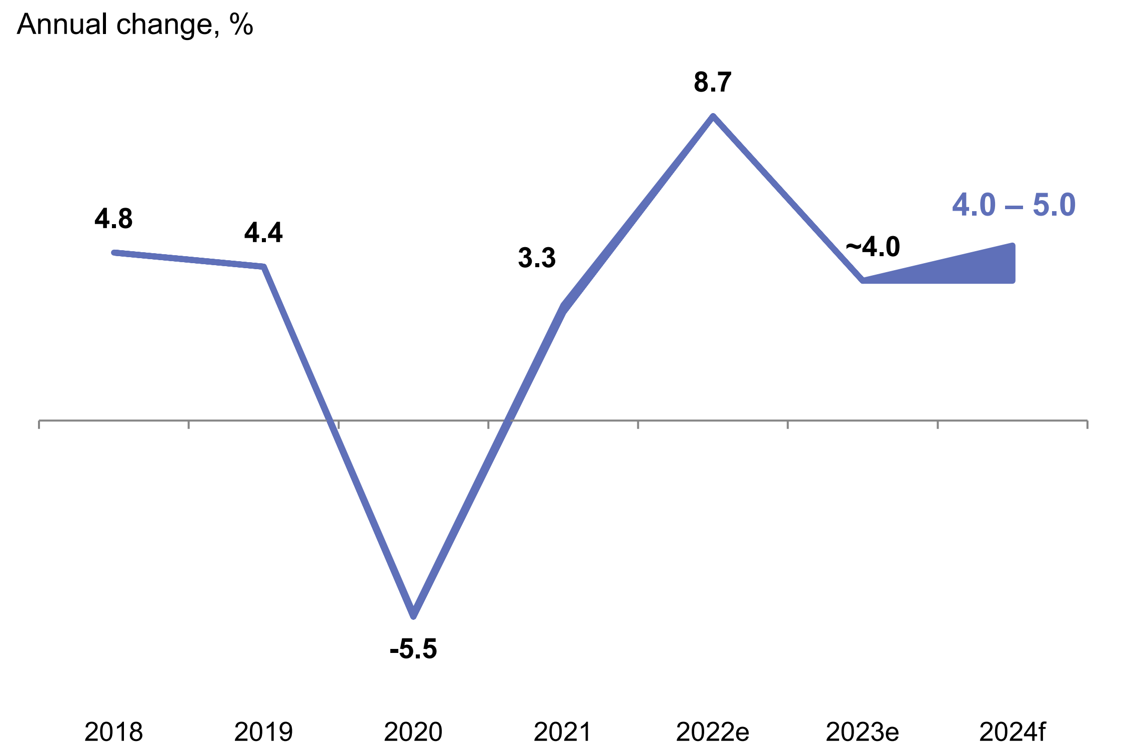
- Higher FDI inflows supported by larger inflows in debt instruments and continued equity injections from foreign investors
- FDI was mainly channelled into the non-financial services and financial services subsectors

Source: Department of Statistics, Malaysia

Further expansion in domestic demand and improvement in external demand to support growth in 2024

Growth in 2024 to be between 4% and 5%

Real GDP Annual Change



e Estimate, f forecast
Source: Department of Statistics, Malaysia, Economic Outlook 2024 (Ministry of Finance Malaysia)

Key growth drivers for 2024

Favourable labour market conditions
Continued expansion in employment and income prospects

Progress in investment projects
Realisation of multi-year projects

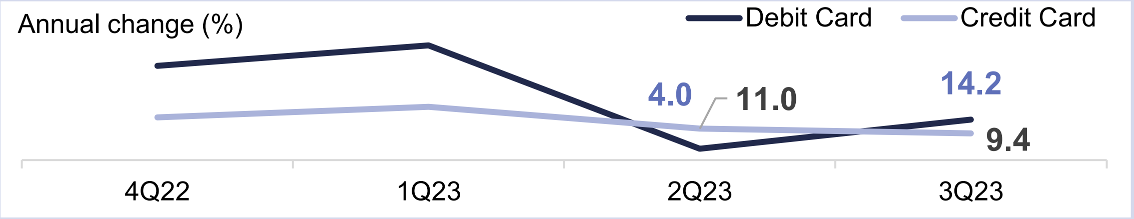
Improvement in global tech cycle
Higher trade activities

Continued rise in tourism activity
Further recovery in tourist arrivals and travel receipts towards pre-pandemic levels

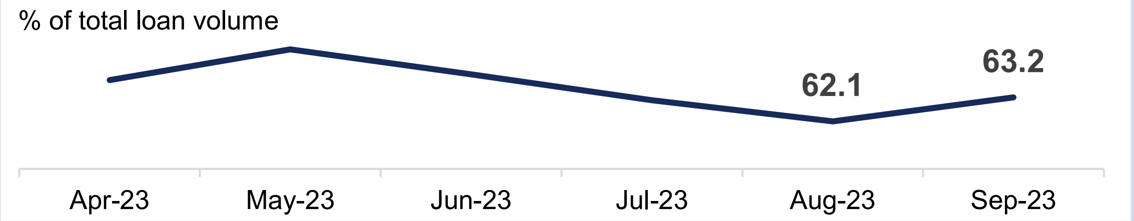
Household spending to remain as anchor of growth

Spending to continue to expand

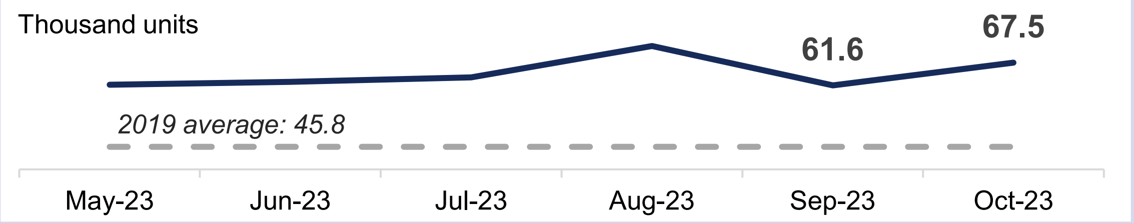
Debit and Credit Card Spending



Household Loan Approval Rates



Passenger Car Sales



Source: Malaysian Automotive Association and Bank Negara Malaysia

Factors supporting consumption growth

Improvement in income levels and sound household balance sheet[1]

Continued employment expansion and lower unemployment rate

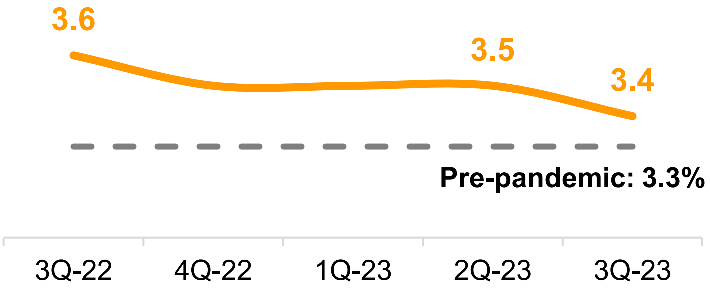
Government measures
Targeted cash transfers and early incentive payments for civil servants

Note:
[1] Financial assets comprising EPF savings, deposits, unit trust funds, domestic equity holdings, and insurance policies (surrender value). Liquid financial assets exclude EPF savings.

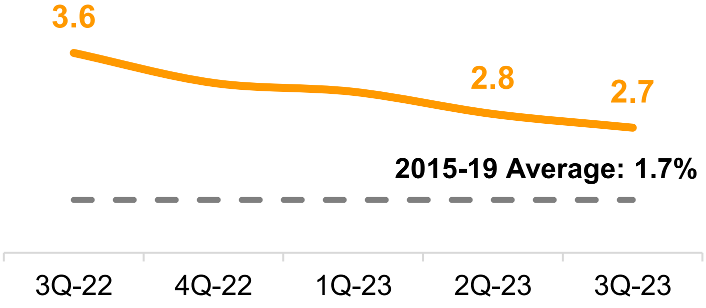
Favourable labour market conditions going forward

Unemployment rate to decline driven by above-average growth in employment…

Unemployment rate,
% of labour force

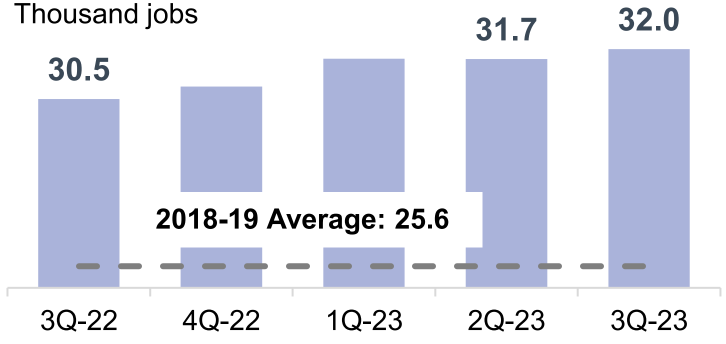


Employment growth,
% yoy

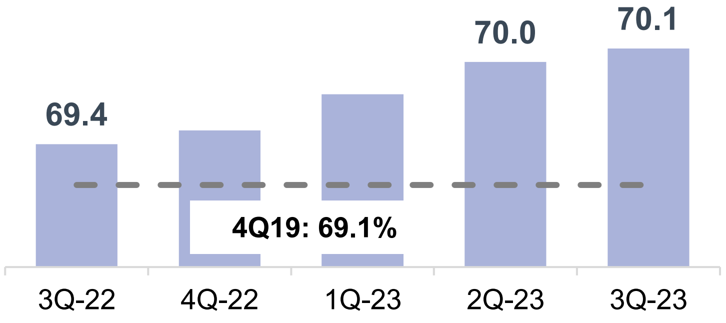


…amid high job creation and labour participation rate

Jobs Created,
Thousand jobs

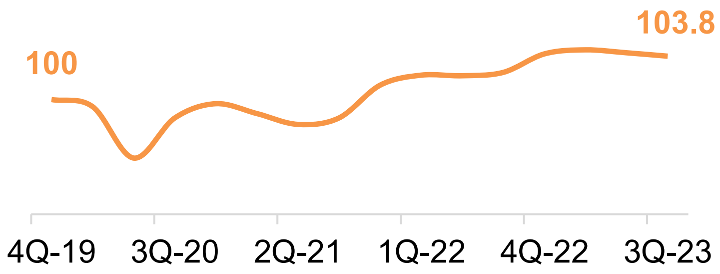


Labour Force Participation Rate,
% of working age population

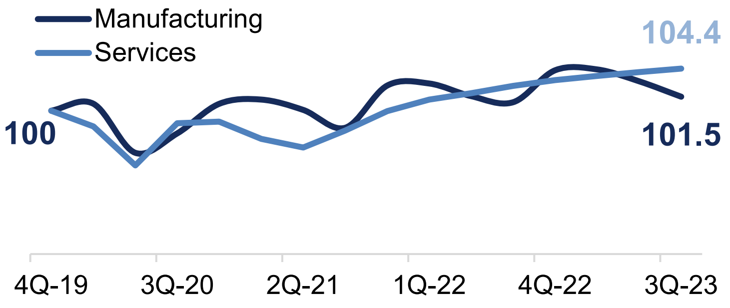


Continued income growth

Nominal private sector wages per worker,
Index (4Q2019 =100)



Sectoral nominal wages per worker,
Index (4Q2019 =100)



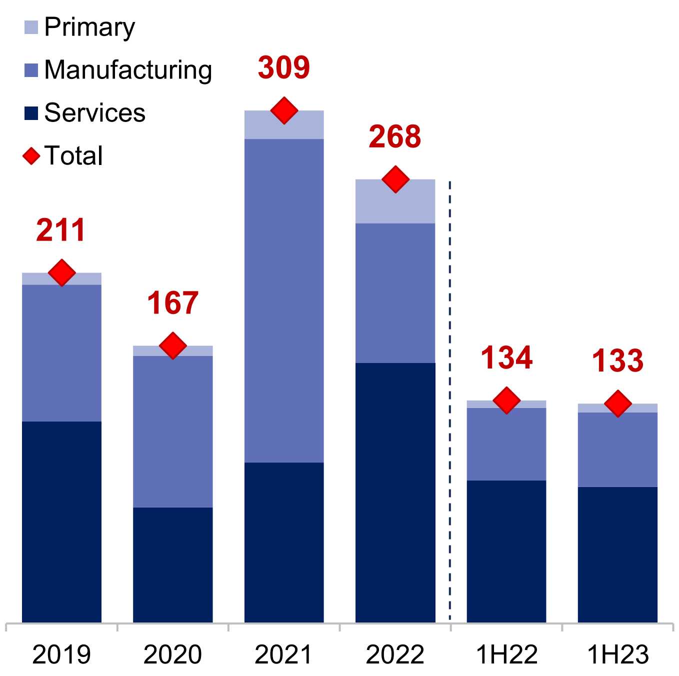
Source: Department of Statistics, Malaysia

Investment activity will be supported by realisation of projects, easing supply conditions and structural policy measures

Investment approvals remain firm

MIDA Total Investment Approvals

RM Billion



Source: Malaysia Investment Development Authority

Key infrastructure projects provide further support to investment

Key Infrastructure Projects

Project	Start	End	*Cumulative Progress Rate*
ECRL RM50.0 billion	2018	2026	*50%*
RTS RM3.7 billion	2018	2026	*52%*
MyDIGITAL 5G RM16.5 billion	2021	2031	*73%*
Pan Borneo Sabah Phase 1a RM16.0 billion	2016	2024	*82%*

Note: Progress for MyDIGITAL 5G project proxied by coverage of populated areas (COPA)

Source: Newsflows

Several factors underpin more conducive investment environment

Stabilising cost of materials

Gradual easing in labour shortage

Structural policy measures e.g., investment reforms under NIP*, NIMP** and NETR***

*New Investment Policy
**New Industrial Master Plan; total investment targeted up to RM95 bn by 2030
***National Energy Transition Roadmap; RM25 bn committed for catalyst projects and cumulatively at least RM210 bn of investments needed by 2030

While exports declined, it exhibited relative resilience amidst a challenging global landscape

Malaysia's exports declined in 3Q 2023, partly due to base effect

Real Exports of Goods & Services
Annual change, %

3Q-22	21.5%
2Q-23	-9.4%
3Q-23	-12.0%

Drivers of exports in 3Q 2023

- Higher travel receipts
- Slowdown in global trade in goods
- High base effect from 3Q 2022

Source: Department of Statistics, Malaysia and national authorities

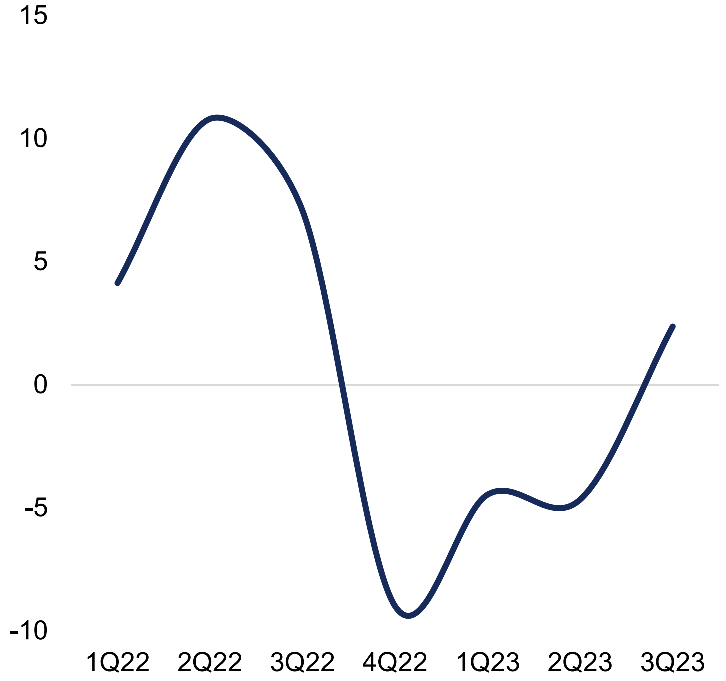
However, export contraction began later than regional economies…

Start of Prolonged Export Contraction* and Length		Lowest Export Growth*
Oct 2022	12 months	-25.0% *(Jan 2023)*
Nov 2022	11 months	-17.5% *(Jul. 2023)*
	10 months	-20.3% *(Jun 2023)*
Mar 2023	7 months	-29.4% *(Apr 2023)*
	7 months	-18.7% *(Aug 2023)*

* Refers to monthly exports growth expressed in domestic currencies

…and has recently stabilised with signs of recovery in momentum

Quarter-on-quarter seasonally adjusted exports growth (%)



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

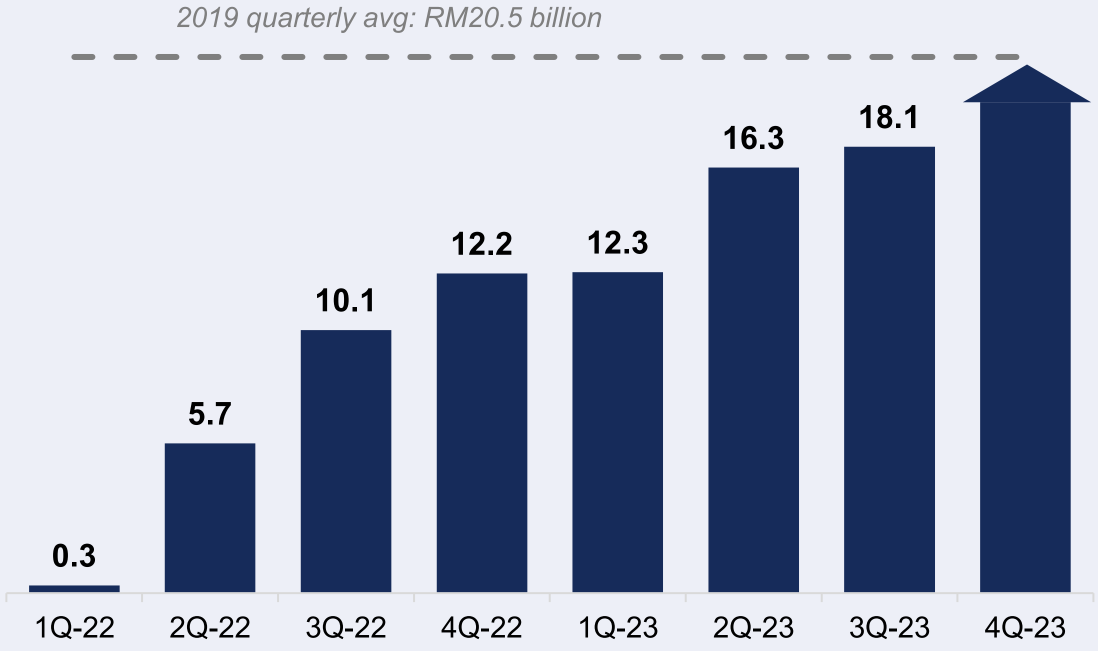
Exports to gradually recover going forward, supported by pick up in global tech cycle and tourism activity

Recovery in global tech cycle

WSTS Global Semiconductor Sales**
Annual change (%), 3-month moving average

Higher inbound tourism activity

Travel receipts
RM billion

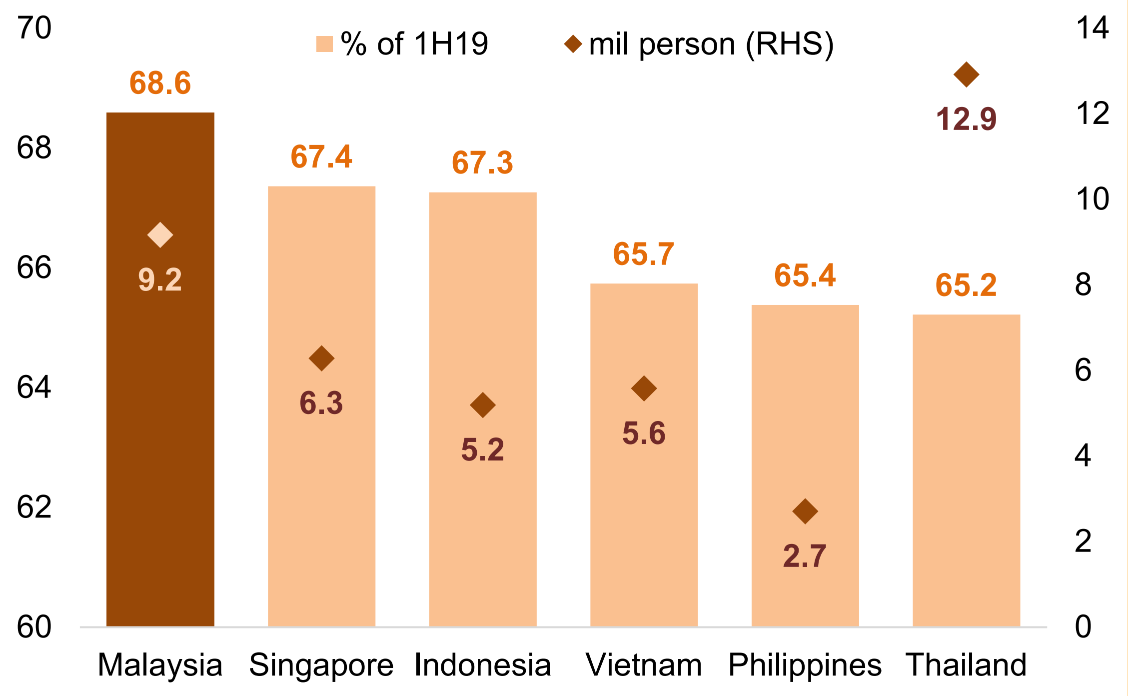


Source: Department of Statistics Malaysia, World Semiconductor Trade Statistics (WSTS), national authorities and newsflows

Inbound tourism continues to recover towards pre-pandemic level, in line with regional economies

Tourist arrivals in Malaysia have reached about 70% of the pre-pandemic level

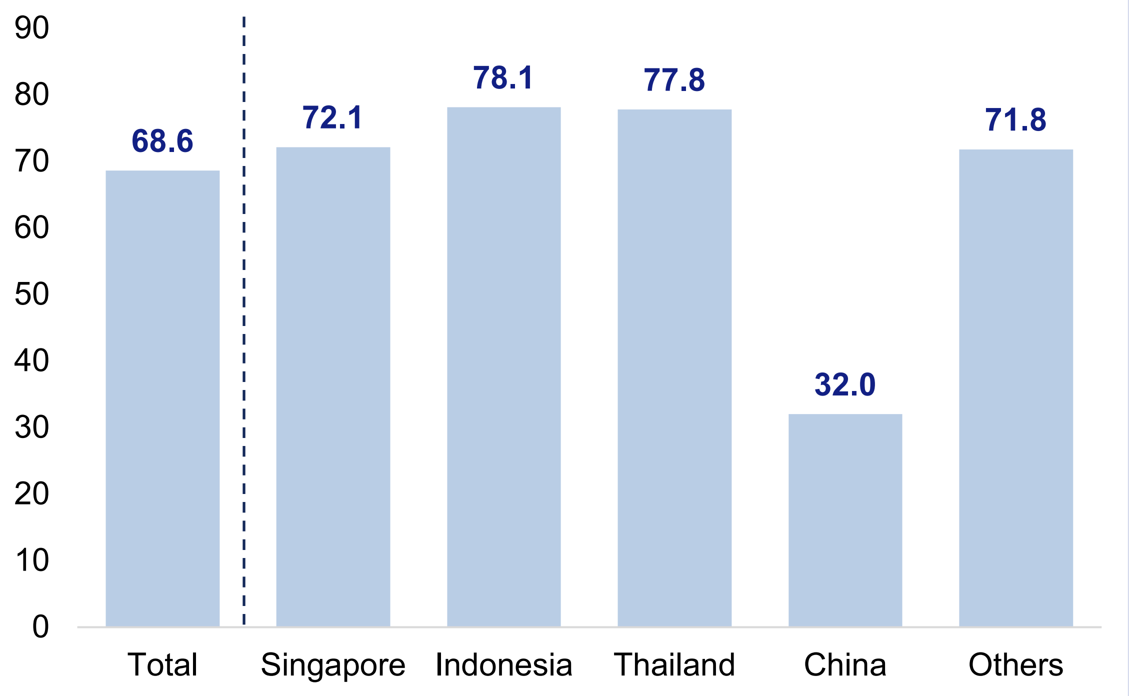
Tourist Arrivals in Regional Countries for 1H 2023
% of 1H 2019, mil persons



Source: Tourism Malaysia, staff calculations

The recovery is driven mainly by regional tourists from Singapore, Indonesia and Thailand

Tourist Arrivals in Malaysia by Origin Country for 1H 2023
% of 1H 2019



Source: Tourism Malaysia, national authorities, staff calculations

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

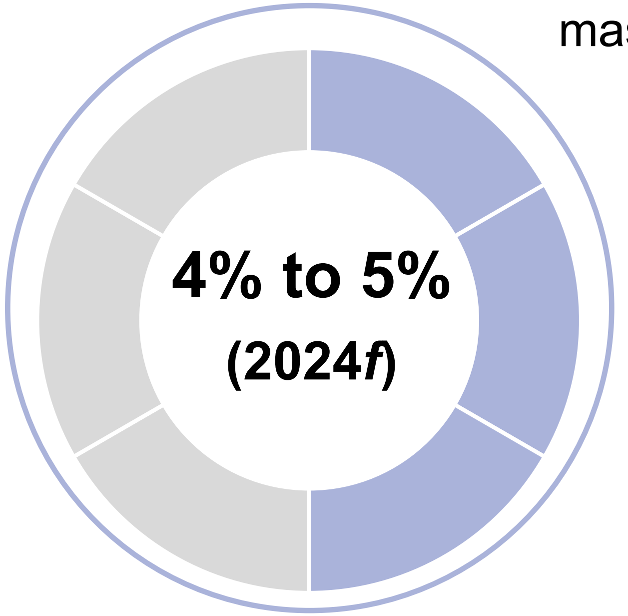
Growth remains subject to risks from both external and domestic factors

Upside risks

▲ Stronger-than-expected pick-up in tourism activity

▲ Faster recovery from tech cycle downturn

▲ Larger impact from multi-year investment projects and strategies under national master plans and blueprints



▼ Slower-than-expected recovery in external demand

▼ Heightened geopolitical tension

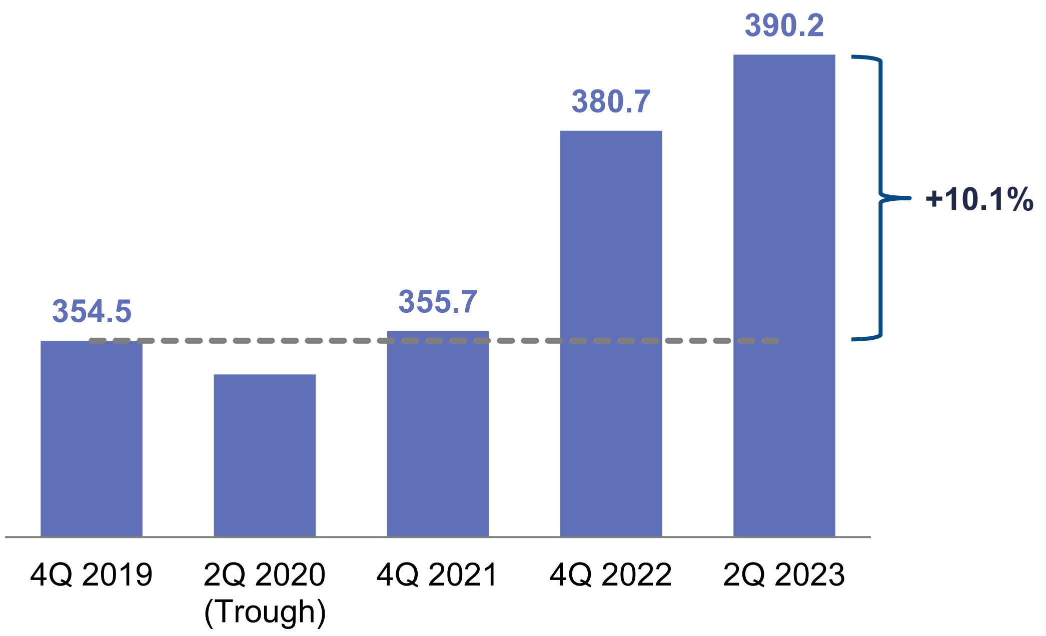
▼ More severe shocks to commodity production

Downside risks

Box Article: Malaysia's Economic Resilience: A Post-pandemic Analysis

Malaysia's economic resilience has enabled a steadfast recovery from the COVID-19 crisis and cushioned the impact from external headwinds

Malaysia's Gross Domestic Product (GDP)
Seasonally adjusted levels, RM Billion



Source: Department of Statistics Malaysia

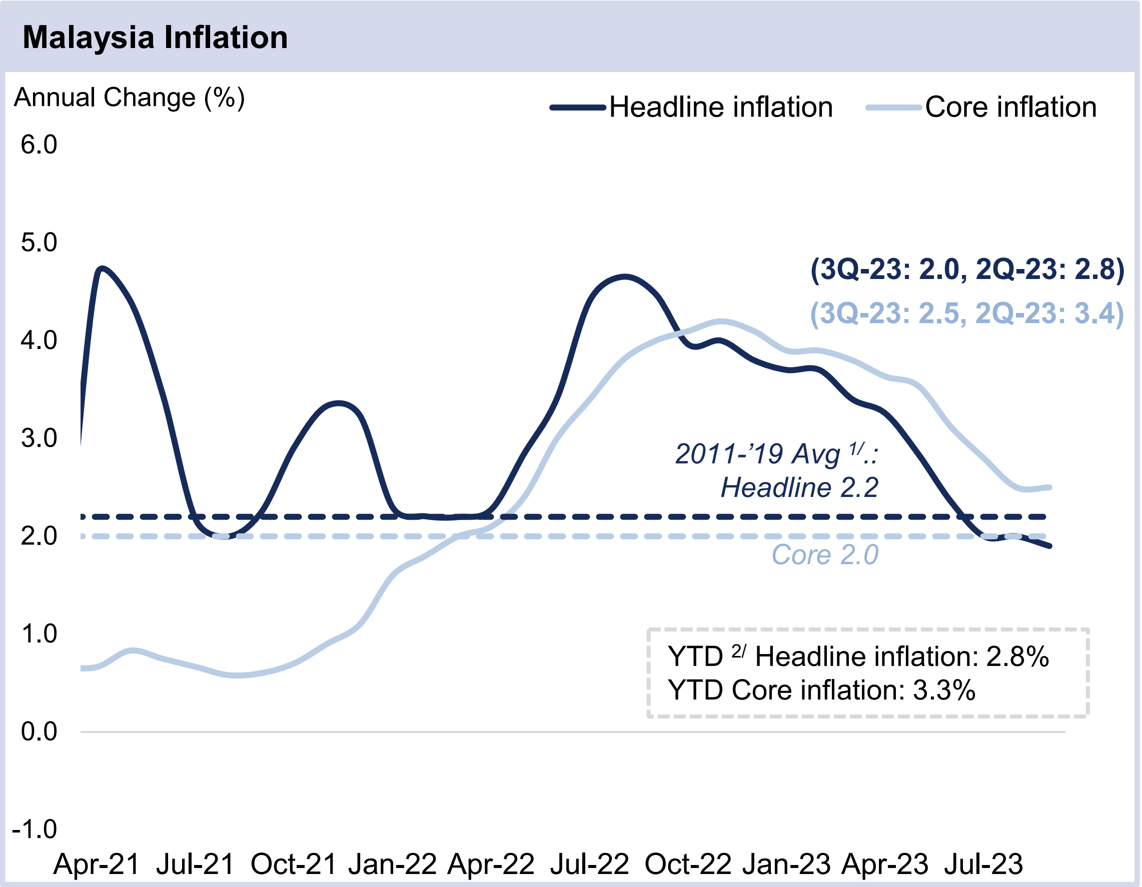
Recovery led by manufacturing and services sectors

Malaysia's diversified exports and tourism rebound have contributed to the country's trade resilience

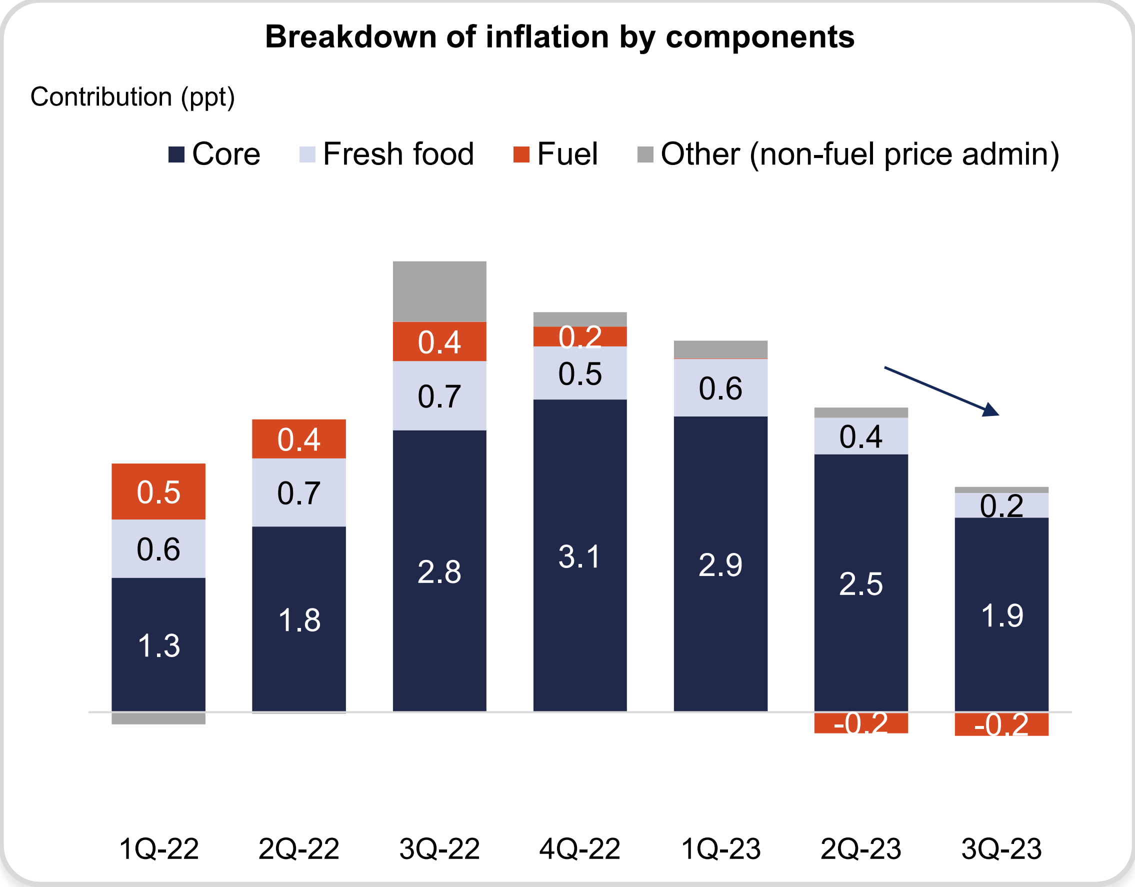
Improving labour market provided job and income opportunities, especially for the vulnerable segments

Disinflation trend continued with lower headline and core inflation

- **Headline inflation trended lower in line with moderating cost conditions**
- **Core inflation declined driven largely by lower inflation for food goods and services as well as transport services.**



1/ Average of past inflation is calculated based on monthly frequency from Jan-11 to Dec-19
2/ YTD refers to the average from January 2023 to September 2023
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates



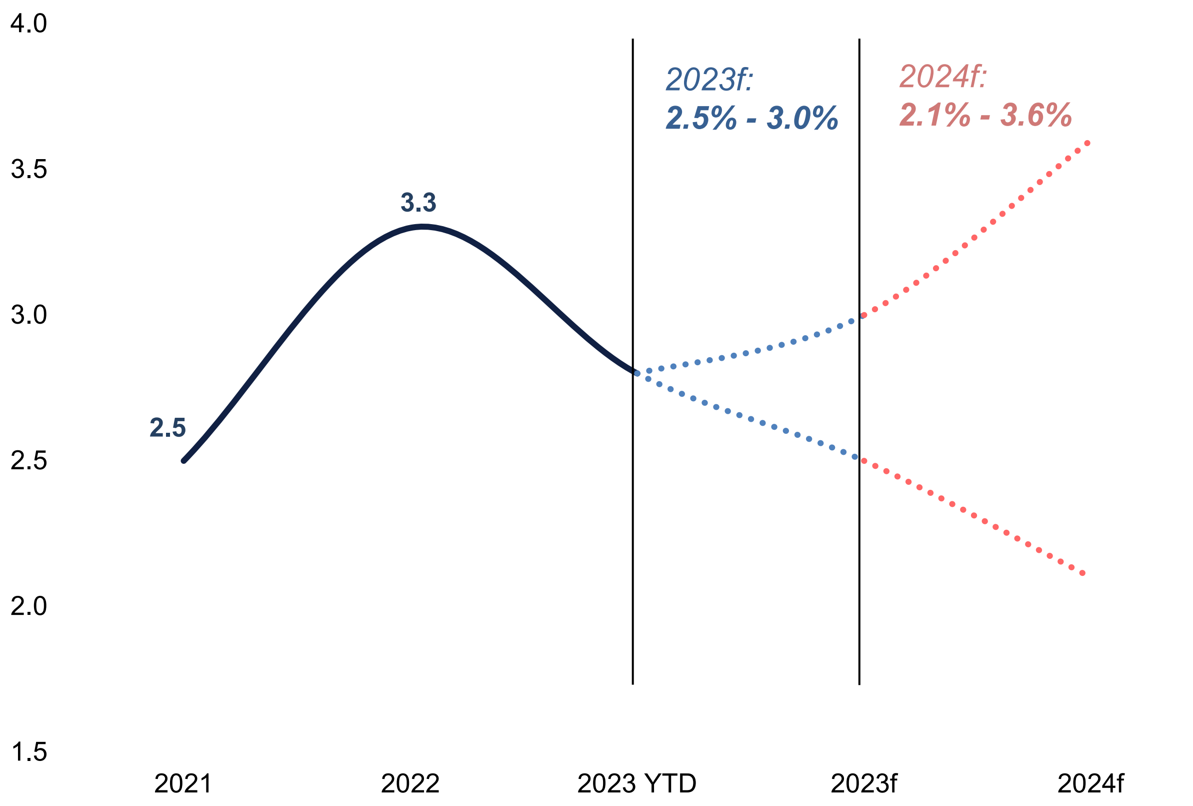
Source: Department of Statistics, Malaysia, Bank Negara Malaysia estimates

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Going forward, the inflation outlook remains highly subject to domestic policy factors, global commodity prices and financial market developments

Headline inflation forecast for 2023 and 2024[1/]

(Based on MOF outlook)



1/ Source: Economic Outlook 2024, Ministry of Finance Malaysia.

Balance of risk to inflation outlook in 2023 and 2024

Upside risks

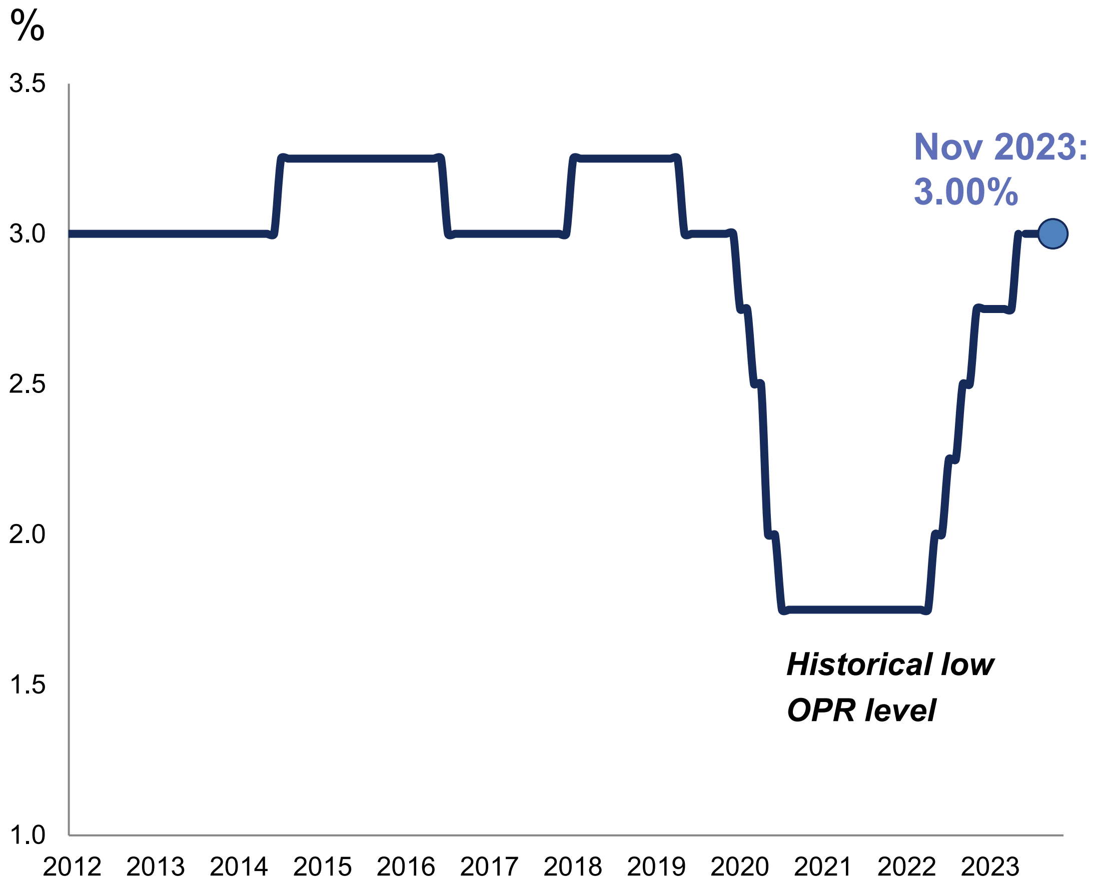
- ▲ Phased rationalisation on subsidies and price controls
- ▲ Higher global commodity prices due to worsening geopolitical conflict or adverse weather events
- ▲ Higher imported inflation amid exchange rate depreciation

Downside risks

- ▼ Weaker global growth leading to more subdued commodity prices
- ▼ More favourable weather conditions leading to lower-than-expected pressure on food prices

The OPR was maintained at 3.00% at the November MPC meeting

Overnight Policy Rate, OPR

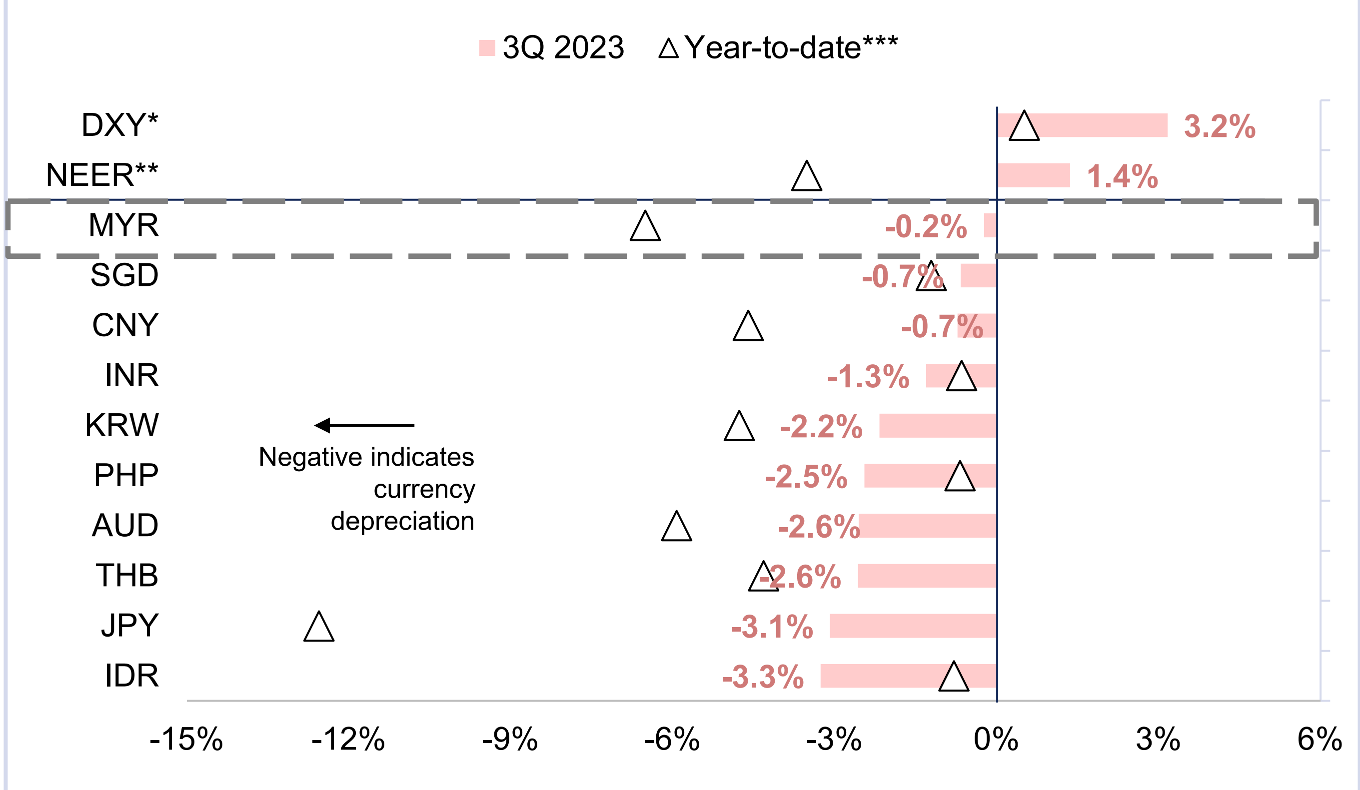


Source: Bank Negara Malaysia

- Monetary policy stance remains supportive of the economy and is consistent with the current assessment of the inflation and growth prospects
  - – Growth in 2024 driven mainly by resilient domestic expenditure
  - – Inflation in 2024 to remain modest
- The MPC is vigilant to ongoing developments to inform the assessment on the outlook of domestic inflation and growth

The ringgit depreciated in a strong USD environment

US Dollar Index (DXY) and Selected Currencies against the US Dollar (%)



In 3Q 2023 and year-to-date, the ringgit depreciated amid broad US dollar strength following US policy rate hikes

Nevertheless, in 3Q 2023, ringgit appreciated on an effective basis against some major trading partners

Moving forward, ringgit's performance is expected to be driven by external factors, including the global monetary policy path

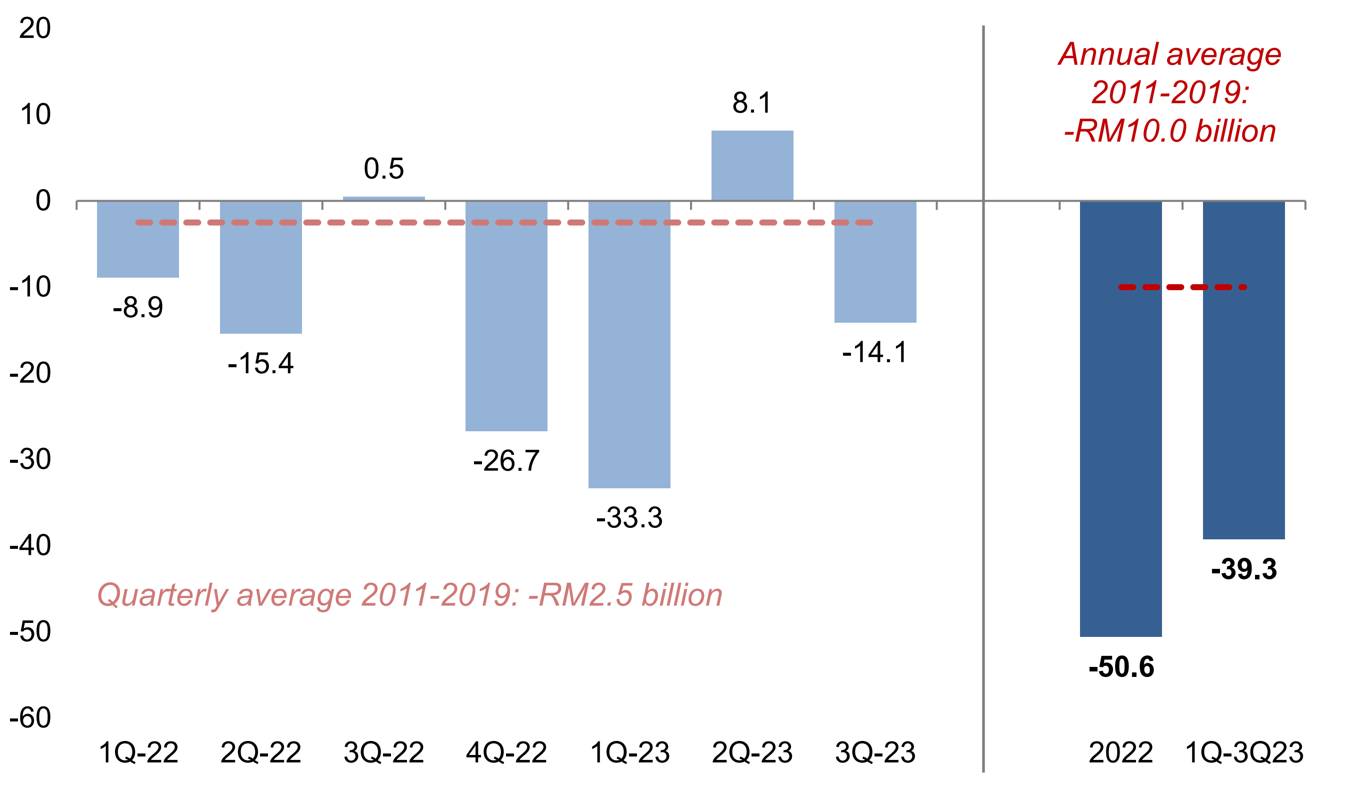
*The US dollar Index (DXY) is an index of the value of the US dollar against a basket of foreign currencies, namely EUR (57.6%), JPY (13.6%), GBP (11.9%), CAD (9.1%), SEK (4.2%), and CHF (3.6%).
** NEER refers to the ringgit nominal effective exchange rate. It is an index measuring ringgit's performance against currencies of Malaysia's major trading partners.
*** Change in exchange rate against the US dollar from 1 January to 14 November 2023

Source: Bank Negara Malaysia and Bloomberg

Portfolio investment recorded a net outflow amid external uncertainty

Net outflows in portfolio investment in 3Q 2023 were primarily driven by higher residents' investment abroad

Portfolio Investment Flows *(RM billion)*



Source: Department of Statistics, Malaysia

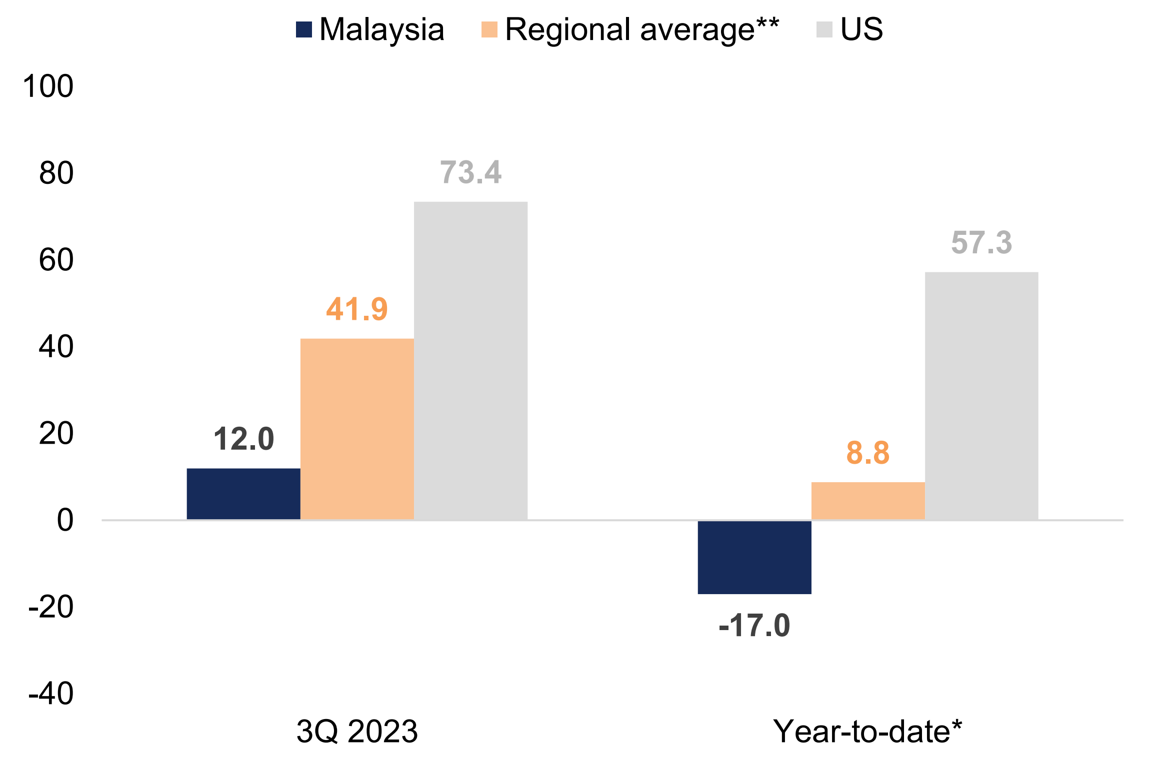
Factors affecting portfolio investment flows in 3Q 2023

- Higher investments in equity and debt securities abroad by resident investors
- Liquidation of domestic debt securities by non-resident investors

Malaysian bond yields and equities rose

Malaysian bond yields increased in line with regional peers on expectations for a "higher-for-longer" US policy rate path

Movement of 10-Year Local Currency Sovereign Bond Yields (in bps)



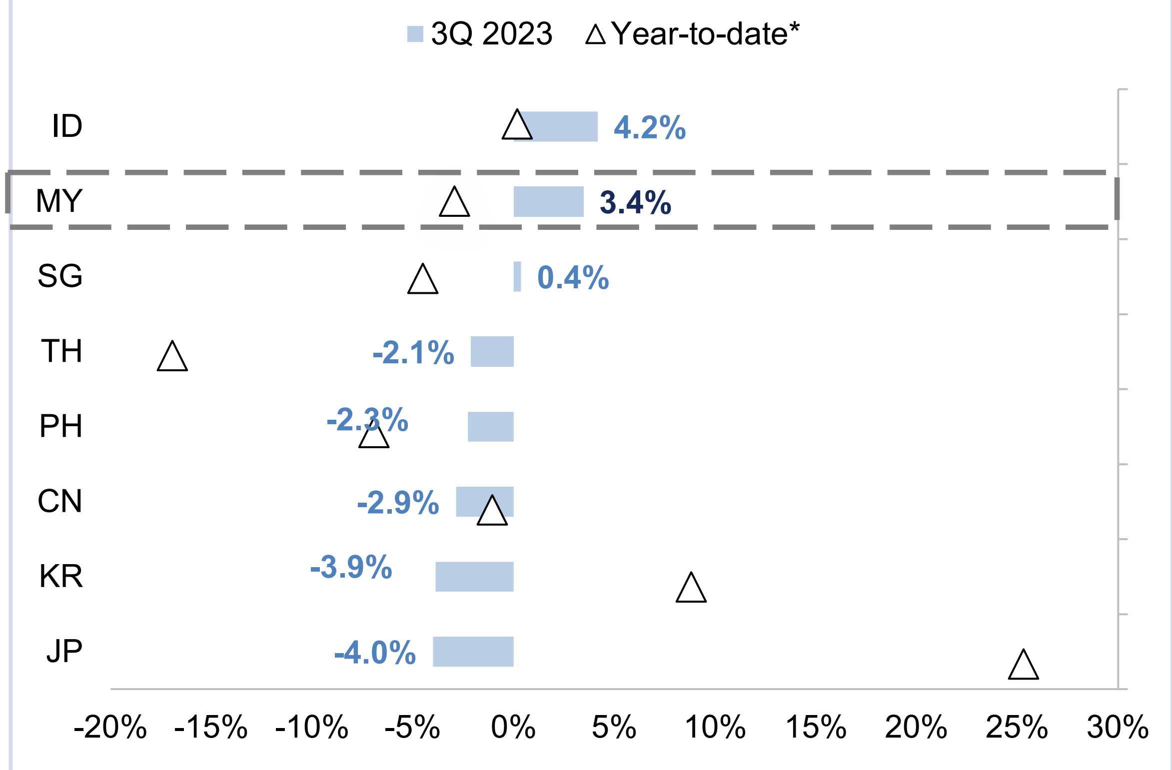
* Change from 1 January to 14 November 2023

**Regional countries comprise Indonesia, the Philippines, Singapore, South Korea and Thailand.

Source: Bank Negara Malaysia, ETP and Bloomberg

Malaysian equities rose on structural reform announcements, including various national master plans

Performance of Equity Indices (% Change)



* Change from 1 January to 14 November 2023

US: United States; PH: the Philippines; MY: Malaysia; TH: Thailand; SG: Singapore; KR: South Korea; CN: China; JP: Japan; ID: Indonesia.

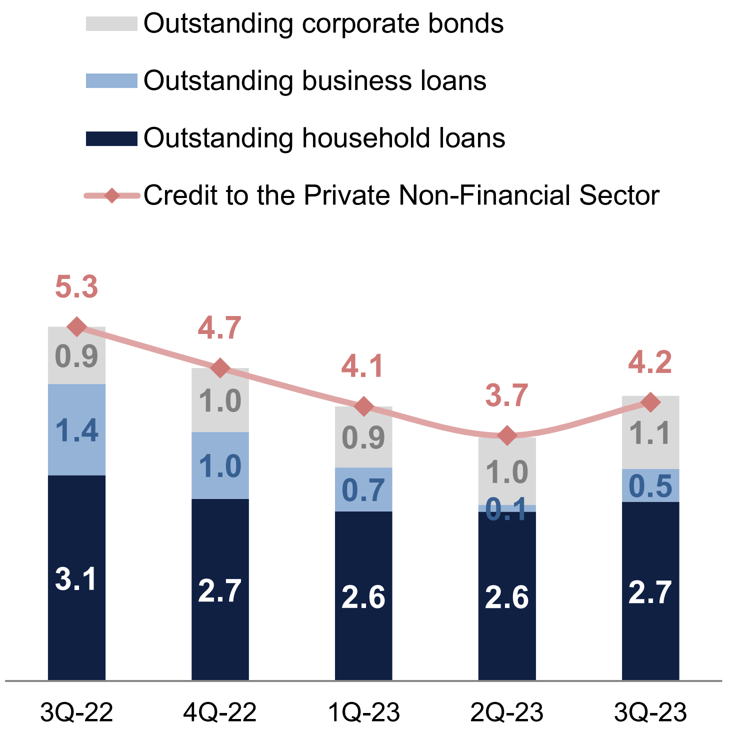
Source: Bloomberg and Bursa Malaysia

Credit growth improved following expansion in business loans

Credit expanded by 4.2%, supported by higher growth in business loans...

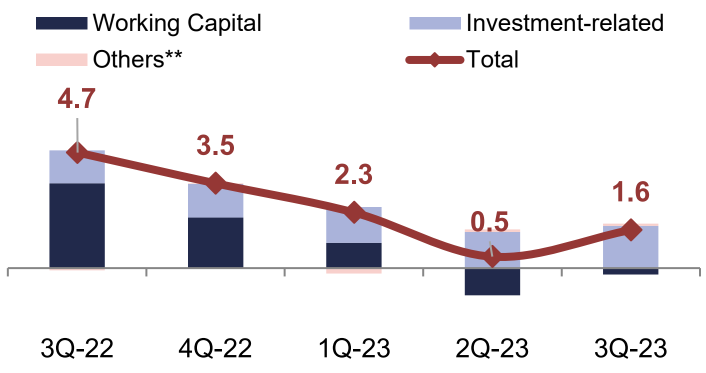
Credit to the Private Non-Financial Sector*

Annual change (%) / Cont. to growth (ppt)



Outstanding Business Loan Growth

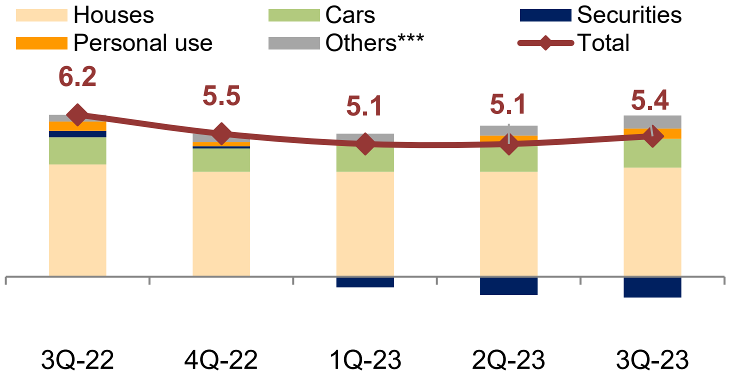
Annual change (%) / Cont. to growth (ppt)



…while household loan growth continued to be sustained across key purposes

Outstanding Household Loan Growth

Annual change (%) / Cont. to growth (ppt)



Loan disbursement levels remained forthcoming and supportive of economic activity

Business Loan Disbursement Levels

RM426.5 bn

(2Q-23: RM400.9 bn)

Household Loan Disbursement Levels

RM134.8 bn

(2Q-23: RM124.1 bn)

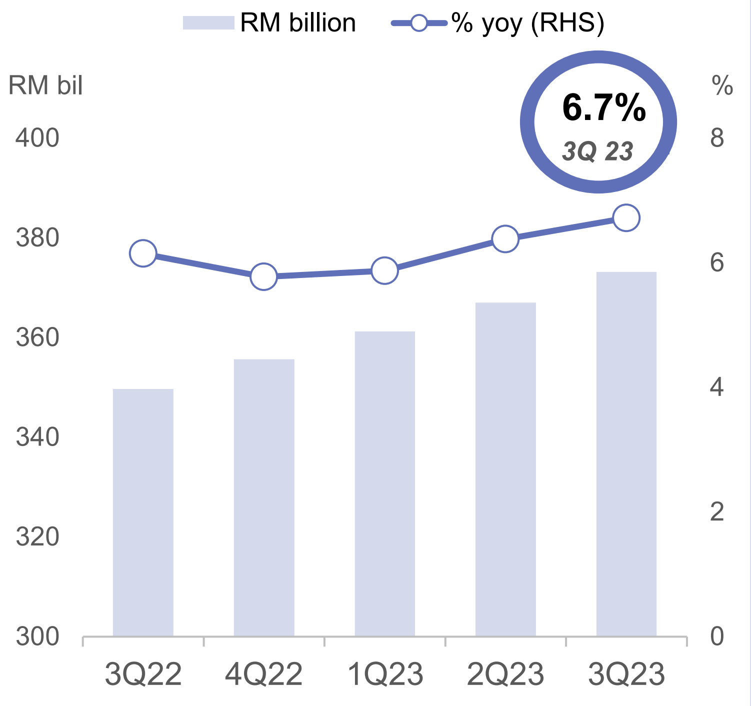
*Comprises loans to households and non-financial corporations from the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers).
**Includes loans for credit cards, the purchase of consumer durable goods and other purposes. ***Includes loans for the purchase of non-residential property, credit cards and other purposes.
Source: Bank Negara Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Banks continued to meet SME financing needs in 3Q 2023

Continued strong pace in the expansion of SME loans

Outstanding SME Financing



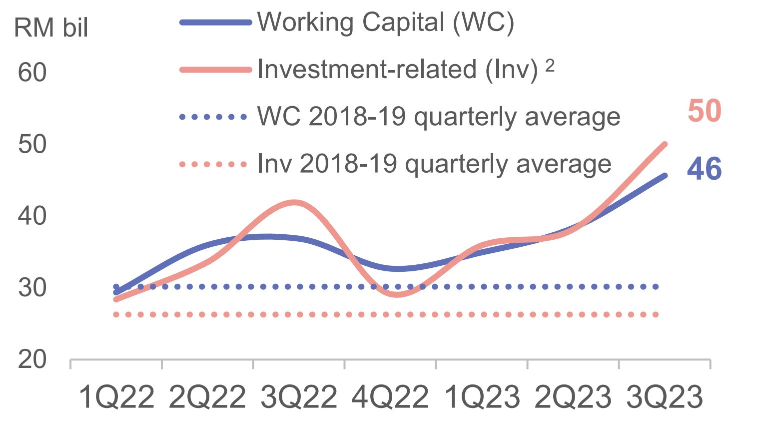
Higher financing application and approval rates

SME Financing Approval Rates

76.8%
Pre-pandemic[1]

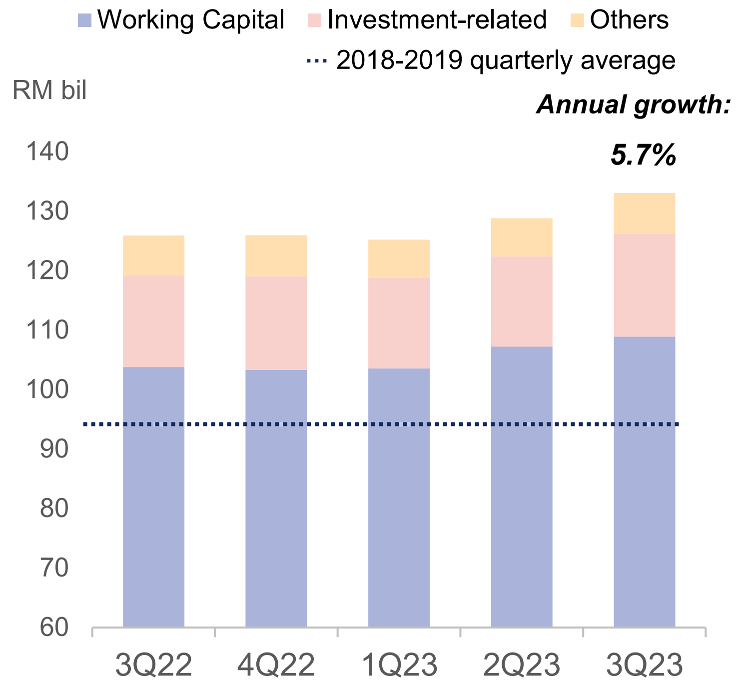
81.4%
YTD Sep 2023

SME Financing Applications



Sustained high levels of disbursements, particularly for working capital purposes

SME Financing Disbursements by Purpose



1. Refers to the average YTD September 2018 and YTD September 2019.
2. Investment-related purpose includes financing for the purchase of non-residential properties, residential properties for business use, fixed assets (incl. cars), and construction activity.
Note: Reflects loan/financing from the banking system and development financial institutions (DFIs).
Source: Bank Negara Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Banks remain well-positioned to support financial intermediation needs

Strong capital and liquidity positions accord banks with the ability to sustain financing to the real economy

Sep-23: 18.1%

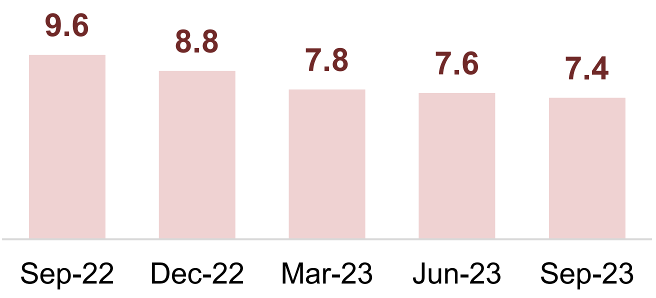
Total Capital Ratio
(Jun-23: 18.8%)

Sep-23: 151.5%

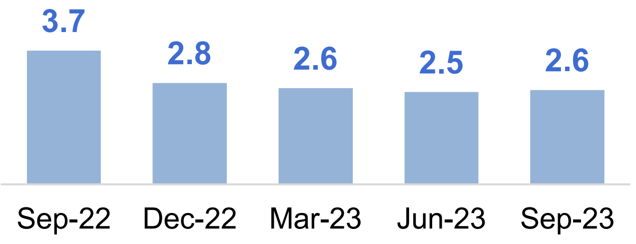
Liquidity Coverage Ratio
(Jun-23: 154.7%)

Loans with higher credit risk and those under repayment assistance have further declined

Stage 2 Loans Ratio, %

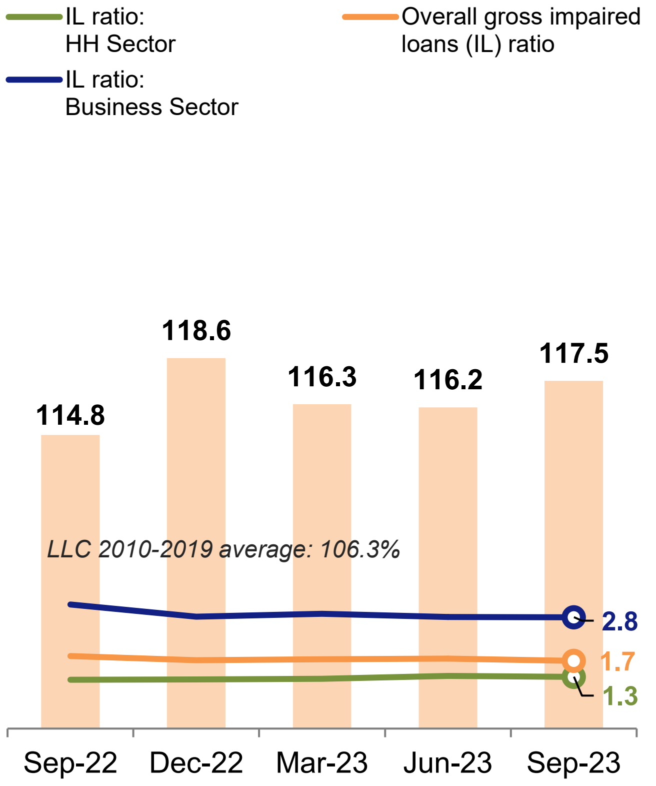


Repayment Assistance Loans of Total Banking System %



Prudent provisioning despite low impairment levels

Impaired Loans Ratio & Loan Loss Coverage Ratio (including regulatory reserve), %



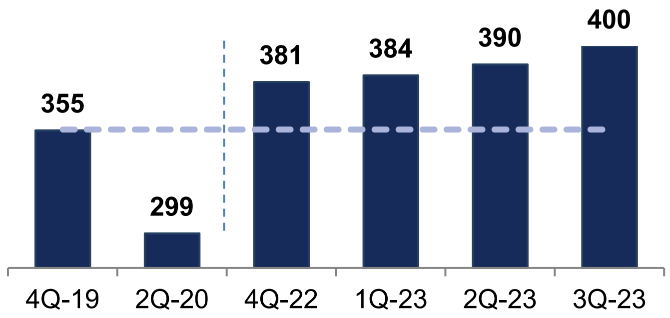
[1] Impairment ratio is based on Stage 3 loans under MFRS 9.
Source: Bank Negara Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Malaysia's macroeconomic fundamentals remain supportive of growth

The economy has firmly exceeded pre-pandemic levels

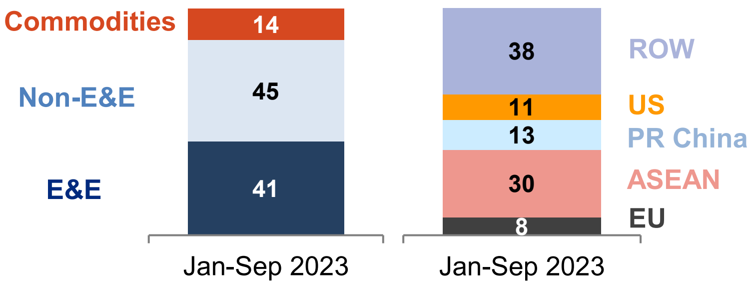
Seasonally adjusted real GDP
RM bil



Diversified export market and product

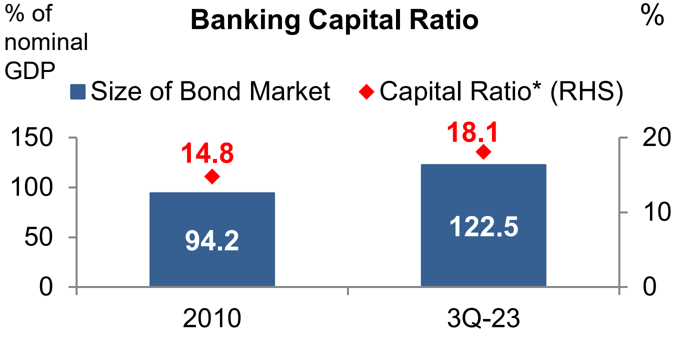
Product
% share of exports

Market
% share of exports



Deep markets and strong financial sector

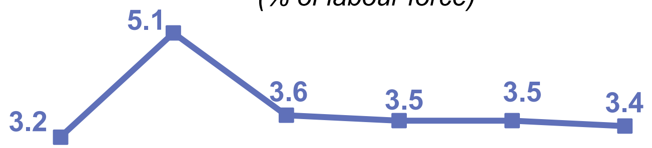
Size of Bond Market and Banking Capital Ratio



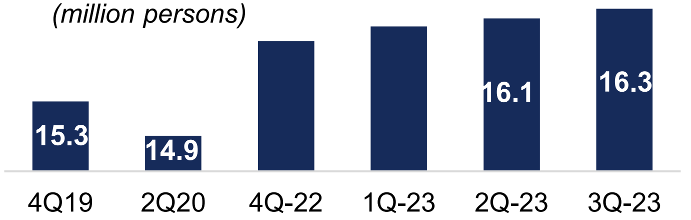
* Capital ratio in 2010 refers to the risk-weighted capital ratio; Ratio in 2023 refers to total capital ratio, reported based on Basel III Capital Adequacy Framework adopted since January 2013

Labour market conditions improving

Declining unemployment rate
(% of labour force)

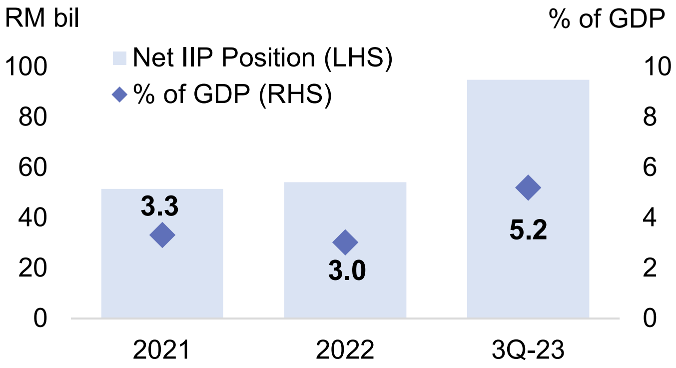


Rising employment levels
(million persons)



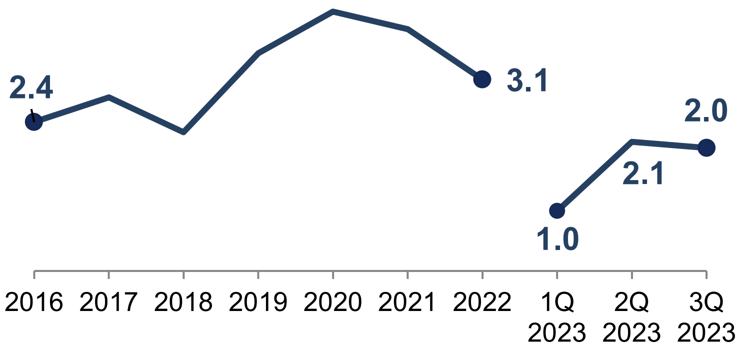
Sustained net creditor position

External Assets Minus External Liabilities (2021 – 3Q 23)



Current account remains in surplus

Current Account Balance
% of GDP



Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Summary

The Malaysian economy grew by 3.3% in the third quarter of 2023, driven by both private and public sector expenditure

The economy is projected to grow between 4% and 5% in 2024, with domestic demand remaining as key growth driver

Growth outlook is subject to risks, emanating from both external developments and domestic factors

Headline inflation is projected to average between **2.1% and 3.6% in 2024**

End of Presentation

Additional Information

Breakdown of 3Q 2023 GDP (% yoy)

Annual Change in GDP Growth by Component

Real GDP (% YoY)	Share[1], % (2022)	2022	2023	
		3Q	2Q	3Q
Services	58.3	16.7	4.7	5.0
Manufacturing	24.1	13.1	0.1	-0.1
Agriculture	6.6	1.2	-1.0	0.8
Mining and Quarrying	6.4	9.1	-2.3	-0.1
Construction	3.5	15.3	6.2	7.2
Real GDP	100.0	14.1	2.9	3.3

Real GDP (% YoY)	Share, % (2022)	2022	2023	
		3Q	2Q	3Q
Domestic Demand (Excluding Stocks)	**93.1**	**13.2**	**4.5**	**4.8**
Private Sector	**75.5**	**14.4**	**4.5**	**4.5**
Consumption	60.2	14.8	4.3	4.6
Investment	15.3	13.2	5.1	4.5
Public Sector	**17.6**	**7.9**	**4.6**	**6.2**
Consumption	13.2	6.5	3.8	5.8
Investment	4.4	13.1	7.9	7.5
Net Exports of Goods and Services	**5.5**	**26.2**	**-3.7**	**-22.7**
Exports	74.6	21.5	-9.4	-12.0
Imports	69.1	21.1	-9.7	-11.1
Change in stocks, RM bil.	**1.4**	**3.2**	**8.0**	**4.1**
Real GDP	**100.0**	**14.1**	**2.9**	**3.3**

[1] Numbers do not add up due to rounding and exclusion of import duties component.

Source: Department of Statistics, Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Financial account turned around to record a net inflow

Inflows in other investment account more than offset outflows in portfolio and direct investment accounts

RM billion	2022		2023			
	3Q	1Q-3Q	1Q	2Q	3Q	1Q-3Q
Direct Investment	**-0.9**	**25.2**	**10.9**	**-4.9**	**-6.1**	**-0.1**
*Direct Investment Abroad (DIA)**	-10.6	-30.1	-1.1	-8.0	-13.4	-22.5
*Foreign Direct Investment (FDI)**	9.6	55.4	12.0	3.1	7.2	22.4
Portfolio Investment	**0.5**	**-23.9**	**-33.3**	**8.1**	**-14.1**	**-39.3**
Residents	2.6	-15.5	-16.3	-10.1	-15.4	-41.9
Non-residents	-2.1	-8.4	-17.0	18.3	1.3	2.6
Financial Derivatives	**-0.4**	**-0.5**	**-0.9**	**0.3**	**0.5**	**-0.1**
Other Investment	**-16.5**	**12.6**	**20.9**	**-15.1**	**34.6**	**40.4**
Financial Account Balance	**-17.5**	**13.5**	**-2.4**	**-11.6**	**14.9**	**1.0**

Continued FDI inflows amid higher DIA outflows

Net inflows in other investment driven by higher onshore banks' interbank borrowing

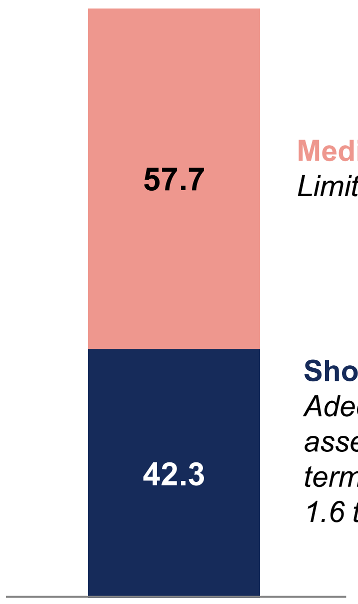
Net outflows in portfolio and direct investments

*As per the IMF's BPM5 classifications (i.e. directional basis).
Note: Numbers may not add up due to rounding.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Favourable external debt profile and adequate buffers to weather external shocks

Favourable external debt profile…

External Debt by Maturity
(% of total external debt)

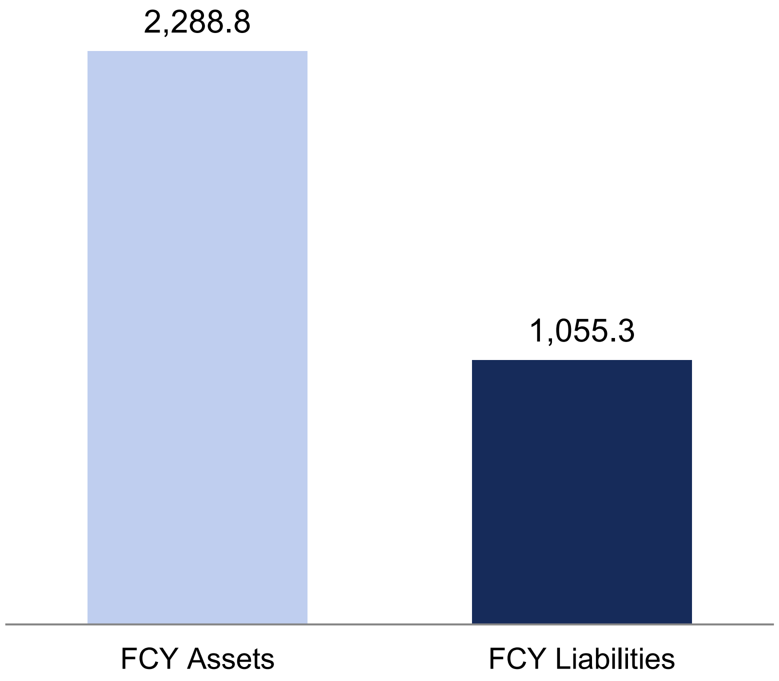


Medium and Long-Term
Limited rollover risks

Short-Term
Adequate liquid financial assets to meet short-term obligations by 1.6 times

…with large net foreign-currency assets …

FCY Denominated External Assets & Liabilities
(End-3Q 2023) (RM bil)



… and further supported by

Sustained foreign income
Continued current account surplus reduces external financing requirements

Sufficient international reserves* to facilitate international transactions
… to finance 5.3 months of imports of goods & services and is 1.0 time total short-term external debt as at 31 October 2023

* Note: The reserves coverage ratios may differ from that published in the press statement on international reserves as at 31 October 2023 as it reflects the latest 3Q 2023 data on imports of goods & services and short-term external debt.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Exchange rate pass-through to inflation has been limited

Change in the RM/USD exchange rate[1] by 5%

Core inflation to increase 0.2 ppt over the year

Note:

1. Source: “Revisiting Exchange Rate Pass-Through to Inflation in Malaysia”, Bank Negara Malaysia Economic & Monetary Review 2022.
2. Source: Department of Statistics Malaysia and BNM Staff estimates.

Source: Bank Negara Malaysia

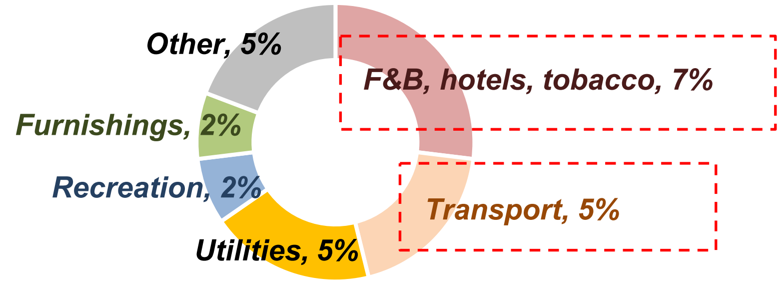
Modest import content and more moderate cost environment would limit risks to inflation from ERPT

- The share of import content in domestic consumption is approximately 26% [2].
- Moderating cost environment from lower global commodity prices

However, the impact could be larger for key necessities

- ERPT is typically concentrated for necessities with high import content such as food and transportation.

Breakdown of import content in private consumption



Financial institutions continue to intensify efforts to combat financial fraud

Robust countermeasures taken to strengthen online banking security and counter fraud threats

Prevention & awareness

- Implementation of key countermeasures[1] to enhance banking security
- Enhanced capability to trace and recover stolen funds following the establishment of National Scam Response Centre (NSRC)
- Strengthened customer education and fraud awareness programmes via coordinated National Scam Awareness Campaign

Enforcement & recovery

- 997 hotline (via NSRC) facilitated efforts to trace suspected fraudulent activity and flag mule accounts
- Effective coordination among FIs, PayNet and law enforcement agencies to improve tracing capabilities and recovery rate of stolen funds through NSRC

NSRC set-up enhances industry ability to identify mule accounts and trace stolen funds including those transferred across multiple layers

>19k
Cases received by NSRC

>40k
Mule accounts identified at NSRC

The National Fraud Portal (NFP)[2] to be launched in mid-2024, will further enhance NSRC's tracing and recovery capability

- Standardised and consolidated incident report platform
- Collaborative platform for rapid fraud incidence response
- Streamlined data-driven mule account assessment

[1] These include: (i) Migrate from SMS OTP to more secure forms of authentication, (ii) tighten detection rules and triggers to detect and block suspicious transactions, (iii) implement a cooling-off period for first-time enrolment of online banking services and secure devices, (iv) limit the number of registered devices that can be used for authenticating transactions, and (v) establish dedicated scam hotlines for victims to contact the banks to report scam incidents promptly.

[2] NFP aims to facilitate end-to-end automation and will embed enhanced functionalities such as mule account management.

Note: Data from October 2022 to August 2023 (Source: Bank Negara Malaysia)