Sidang Akhbar

Prestasi Ekonomi Suku Pertama Tahun 2024

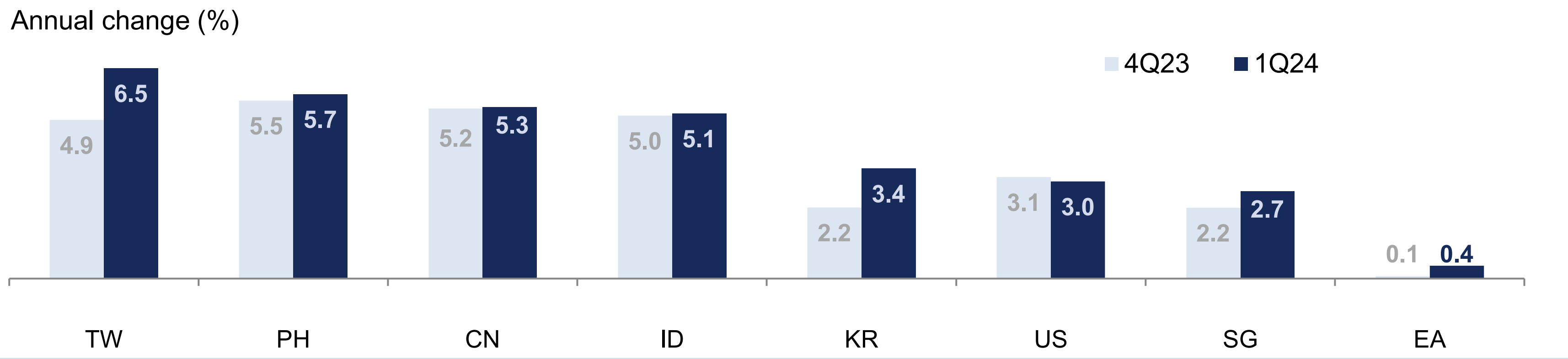
17 Mei 2024

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

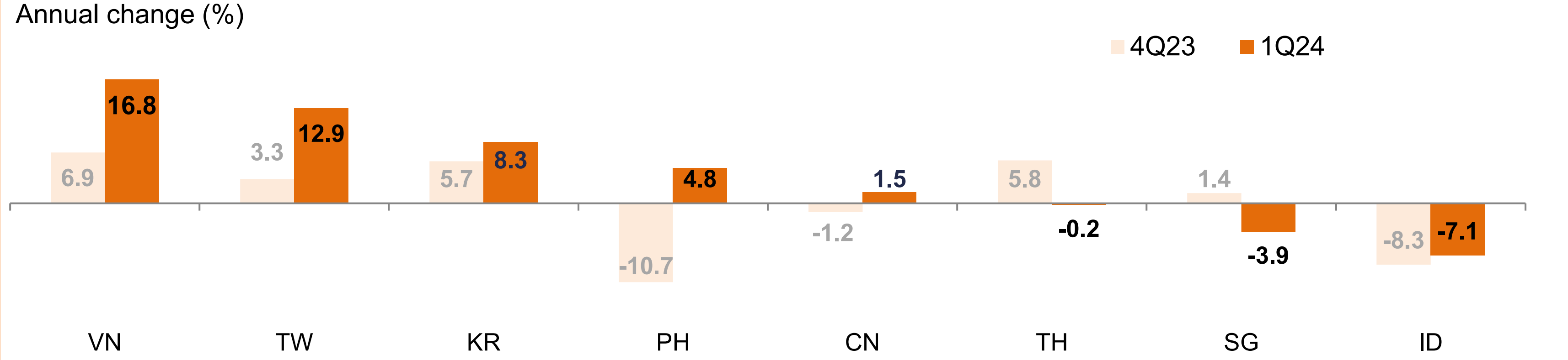
JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

Sustained global growth in 1Q 2024, amid improvement in regional trade

Real GDP Growth[1]



Regional Trade Growth



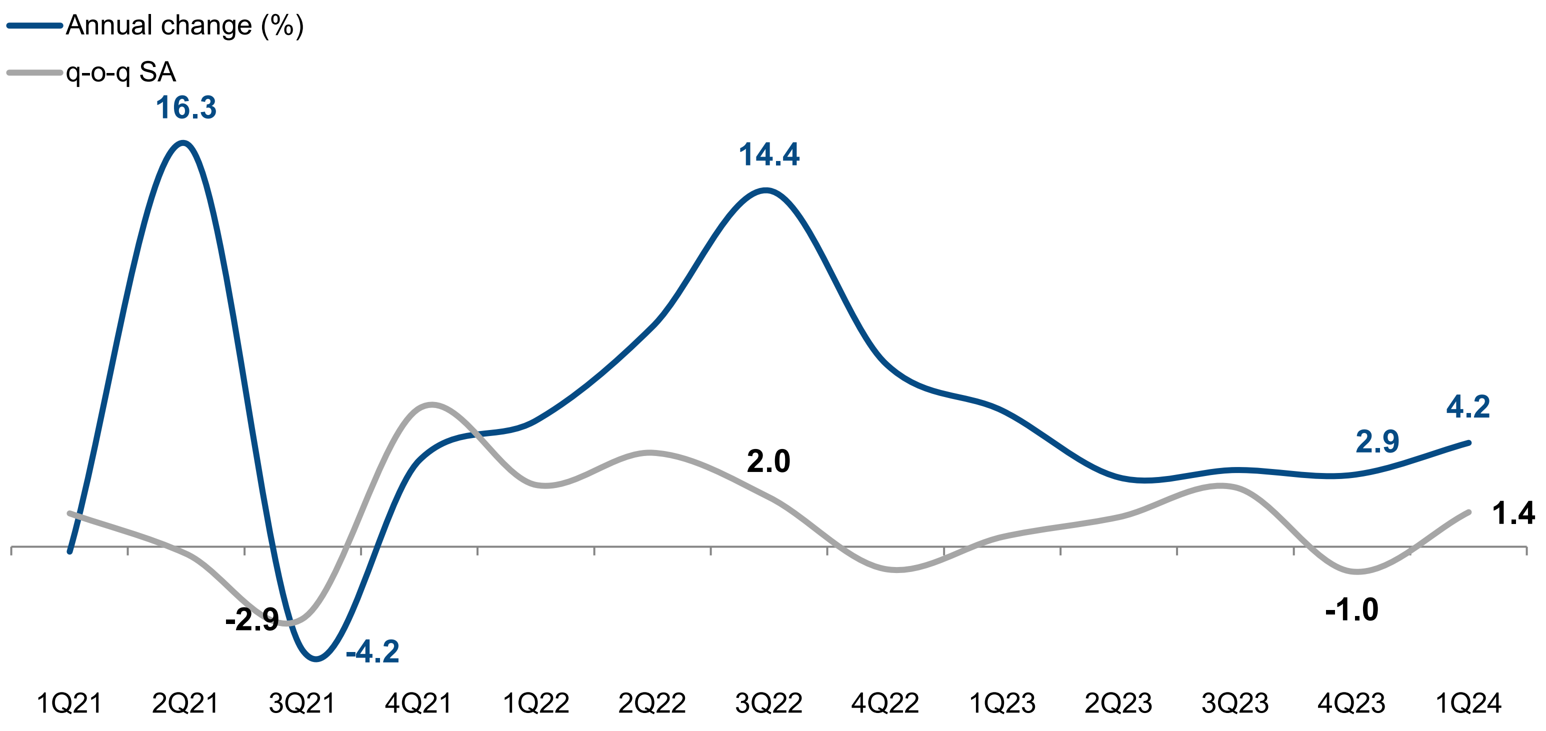
Global Growth Developments

- Sustained global growth, as resilient labour markets continued to support consumption activities.
- Recovery in regional trade activities, supported by both E&E and non-E&E industries.
- Headline and core inflation continued to trend downward.

Note: [1] GDP for the first quarter of 2024 are advanced or preliminary estimates except for Philippines, China, and Indonesia.
[2] Export growth is calculated based on year-on-year (YoY) growth of aggregate monthly exports for the quarter, compared to prior publication, which calculated growth based on average monthly YoY growth for the quarter.
Sources: National authorities, International Monetary Fund, Bank Negara Malaysia estimates

Malaysia's GDP registered a higher growth of 4.2% in 1Q 2024

Real GDP Growth (Quarterly)



Monthly Real GDP Growth (Annual change, %)

Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
3.4	3.1	2.3	4.8	5.0	2.9

Factors Supporting Growth in 1Q 2024

- Higher household spending
- Turnaround in goods exports and higher tourist arrivals
- Improvement in labour market conditions
- Stronger investment activities

Factor weighing on growth

- Lower agriculture production amid hot weather conditions

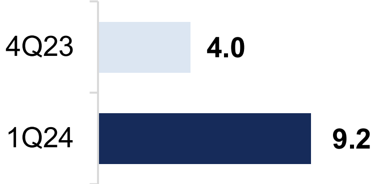
Source: Department of Statistics, Malaysia

Growth underpinned by stronger private sector expenditure amid higher growth in most sectors

Demand-Side

Annual Change (%)

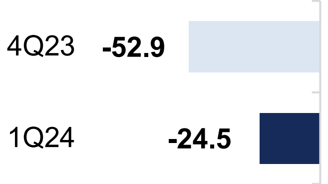
Private Consumption
Higher private consumption supported by discretionary and necessities spending



Private Investment
Stronger structures investment and continued machinery & equipment spending

Public Investment
Continued expansion in fixed assets spending by the Government and public corporations

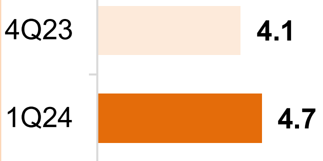
Public Consumption
Higher supplies & services spending by the Government



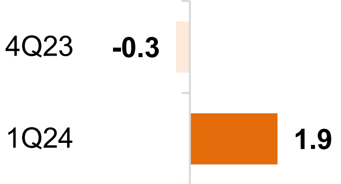
Net Exports
Slower contraction amid the recovery in goods and services exports

Supply-Side

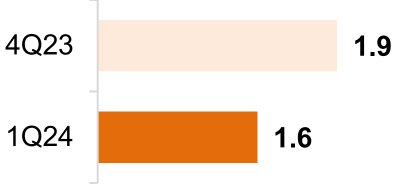
Annual Change (%)



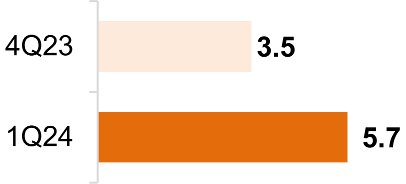
Services
Higher retail trade activities and continued support from transport & storage subsector



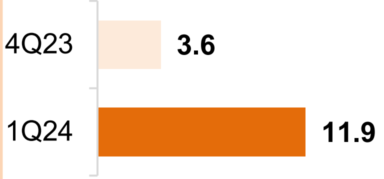
Manufacturing
Rebound in E&E and primary-related clusters, as well as stronger construction-related manufacturing activities



Agriculture
Moderate growth of rubber and food crops production amid hot weather



Mining
Higher natural gas output

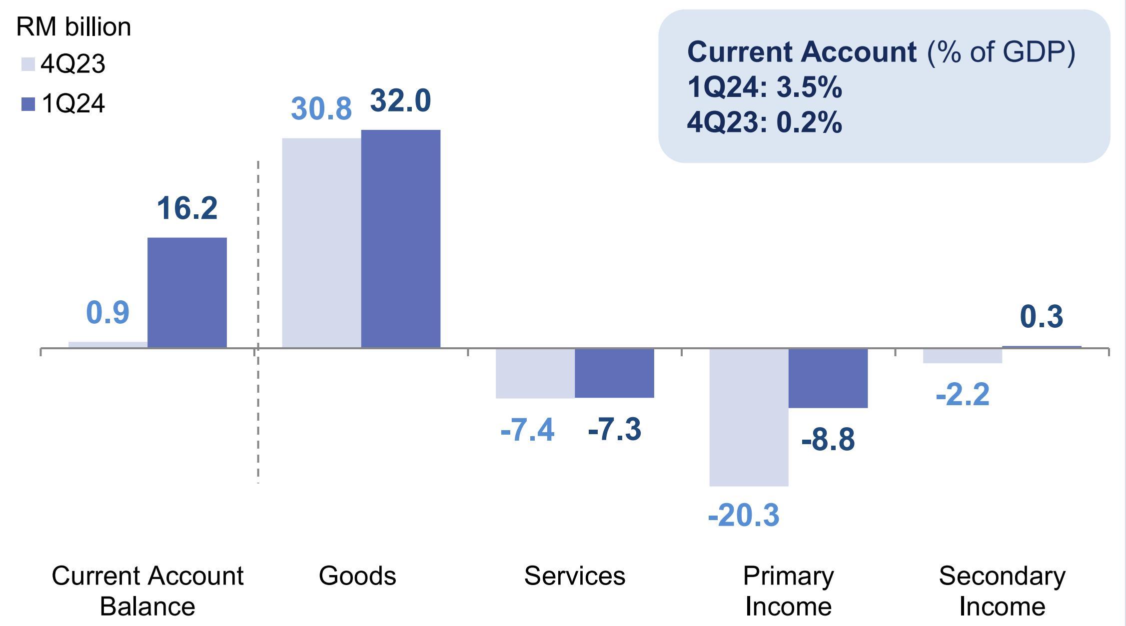


Construction
Faster progress of civil engineering projects and stronger support from special trade and residential activities

Source: Department of Statistics, Malaysia

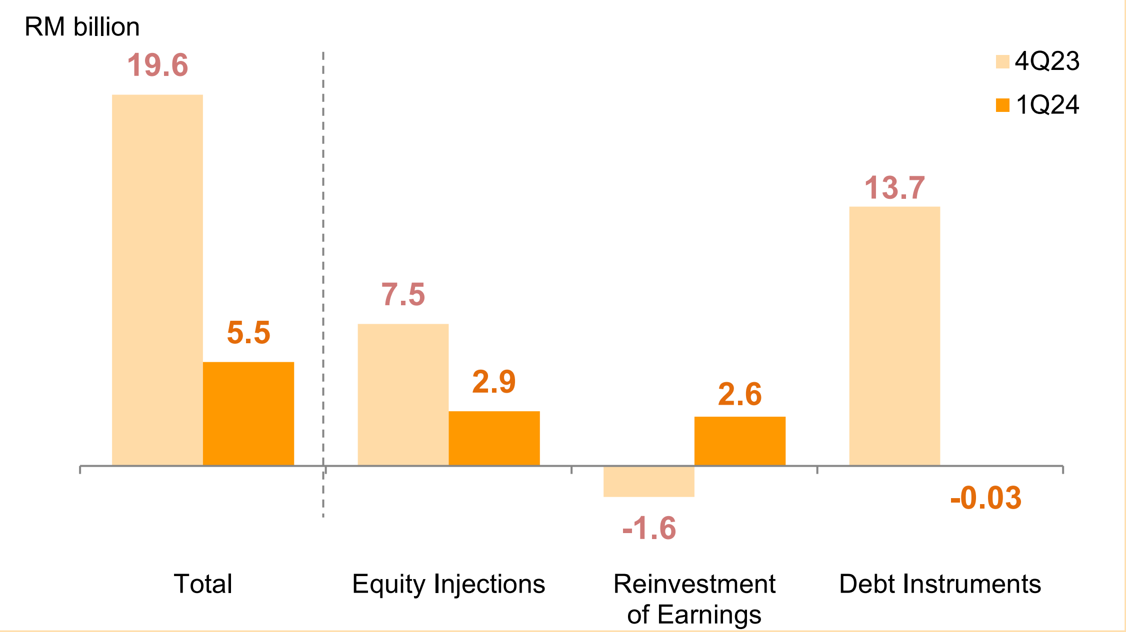
Improvement in current account surplus

Current Account



- Narrower primary income deficit and secondary income turned into surplus
- Higher goods surplus as exports level exceeded imports
- Narrower services deficit amid higher tourist arrivals

Foreign Direct Investment

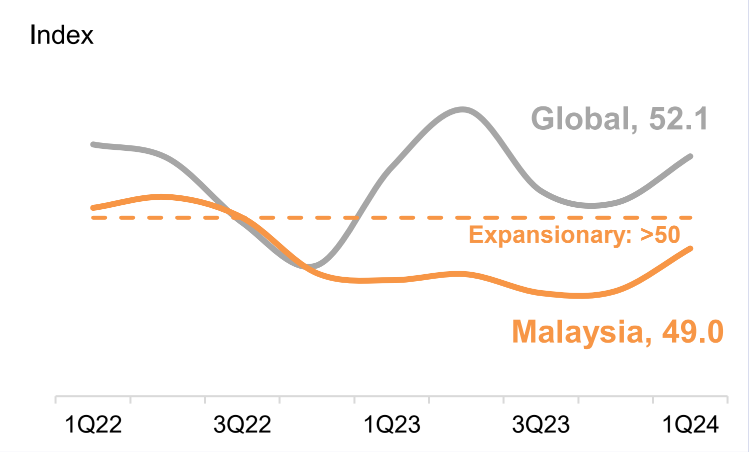


- Net FDI inflows amid continued equity injections and a turnaround in reinvested earnings.
- FDI was mainly channelled into the non-financial services and mining sub-sectors

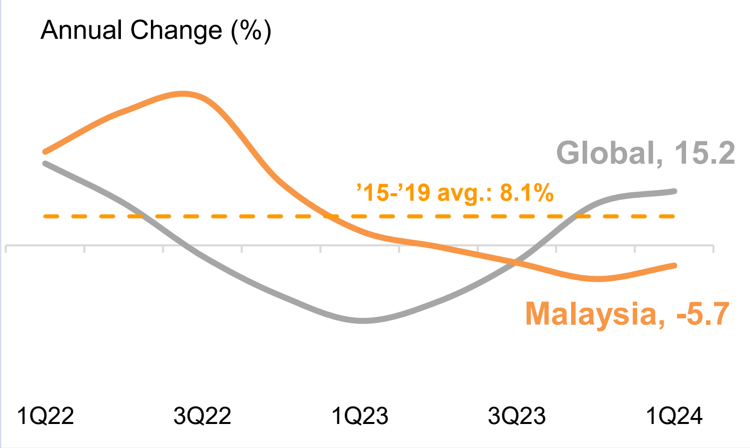
Source: Department of Statistics, Malaysia

Most forward-looking indicators point to continued growth for the Malaysian economy

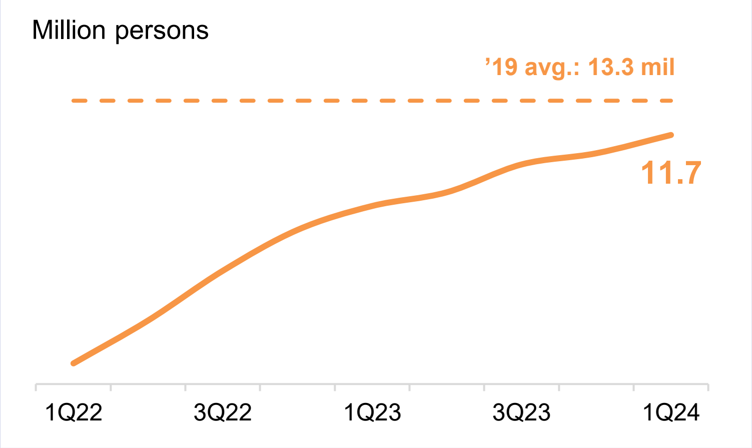
Global Composite & MY Manufacturing PMI[1]



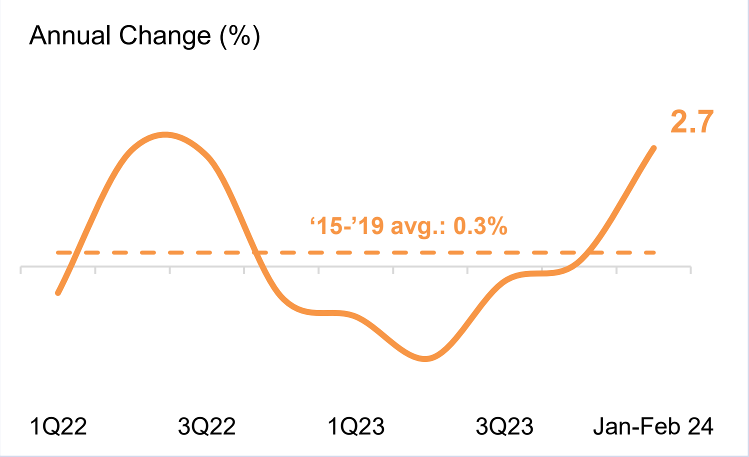
Global Semiconductor Sales & MY E&E Export



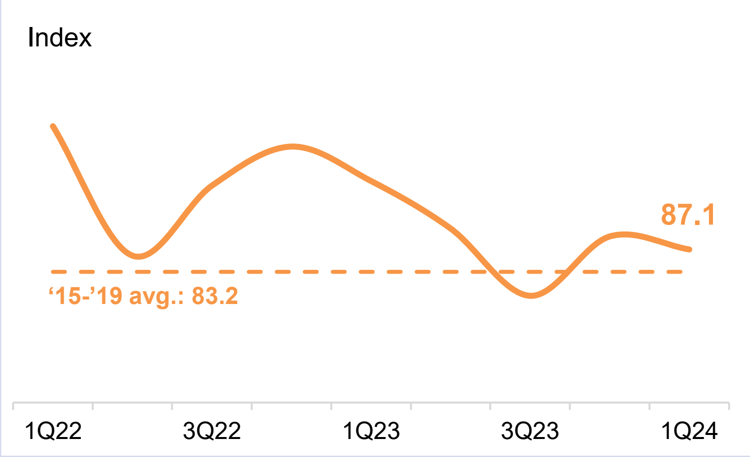
International Airport Passenger[2]



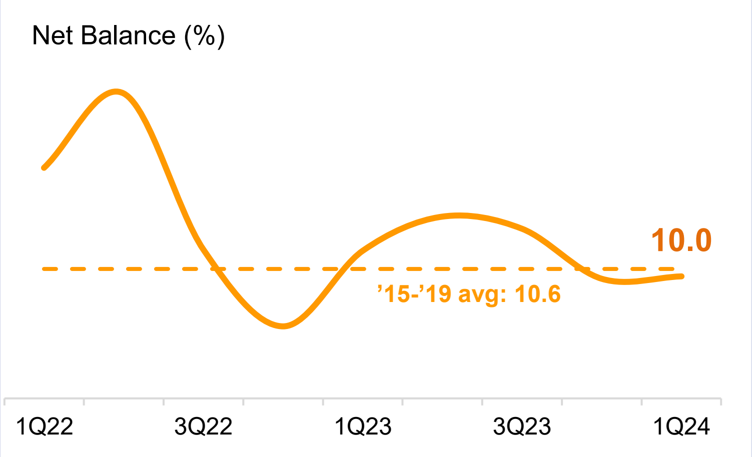
DOSM Leading Index



MIER Consumer Sentiment Index



DOSM Business Tendency Statistics: Business Expectation



Notes: [1] PMI is Purchasing Manager Index; [2] Excludes Senai Airport
Sources: Department of Statistics Malaysia, World Semiconductor Trade Statistics (WSTS), S&P Global, MAHB, CEIC

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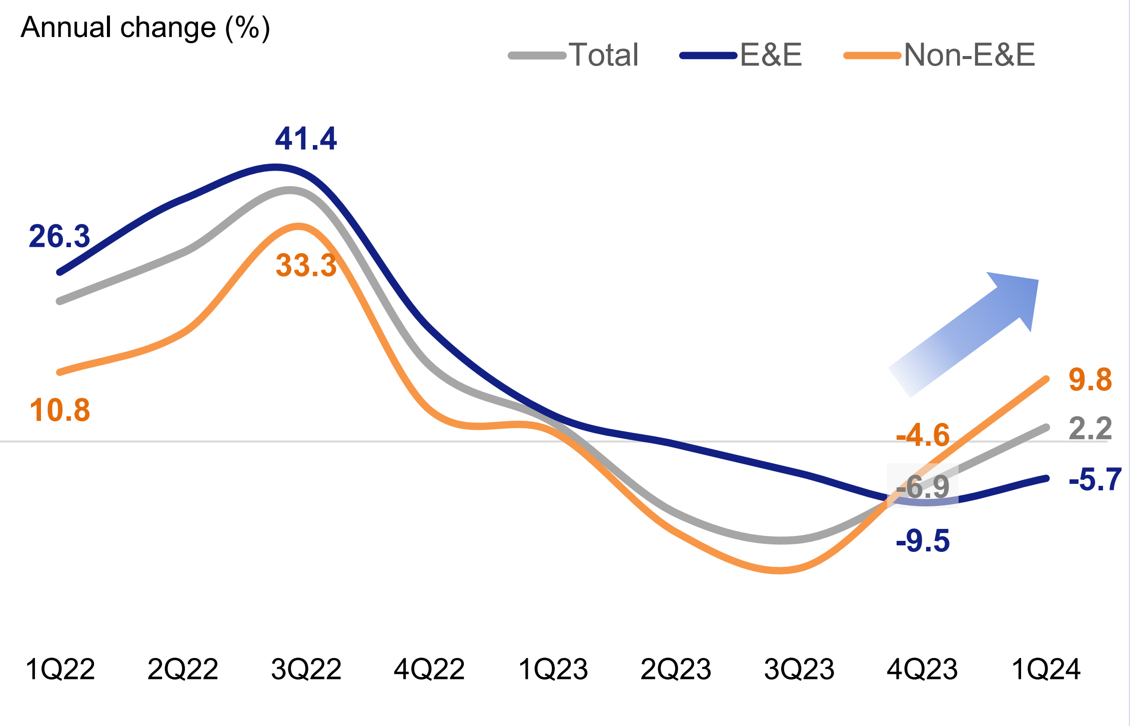
Positive turnaround in exports performance in 1Q 2024

Moving forward, exports to steadily improve underpinned by improving external demand and continued inbound tourism

Gross Exports Growth



Key factors supporting Malaysia's real exports growth in 2024

Sustained demand for non-E&E exports
IMF global growth[f]: 2023: 3.2%; 2024: 3.2%

Tech cycle rebound lifting E&E exports
WSTS Global Semicond. Sales[f]: 2023: -8.2%; 2024: 13.1%

Improving commodities exports
Resumption in oil and gas production following maintenance in 2023

Continued recovery in tourist arrivals
Supported by higher flight connectivity, visa exemptions and promotional activities

Note: [f] Forecast
Sources: Department of Statistics Malaysia, IMF World Economic Outlook (April 2024) and World Semiconductor Trade Statistics (WSTS)

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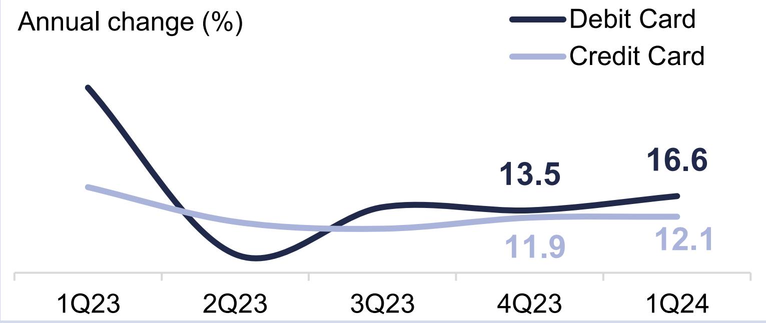
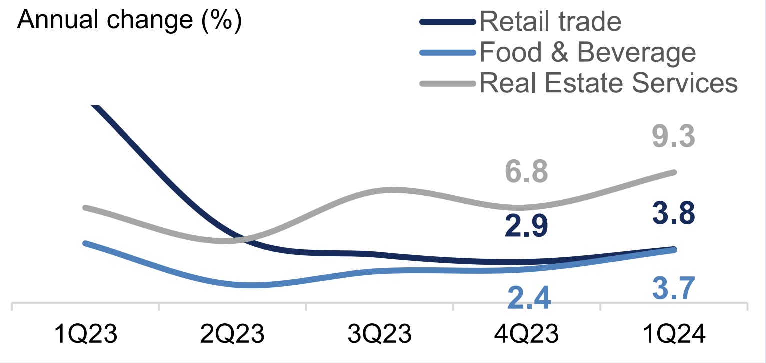
Household spending continues to anchor growth

Higher household spending…

Debit and Credit Card Spending

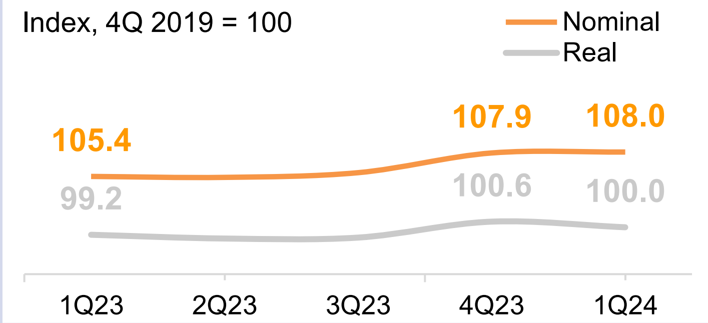


Selected Components in the Index of Services

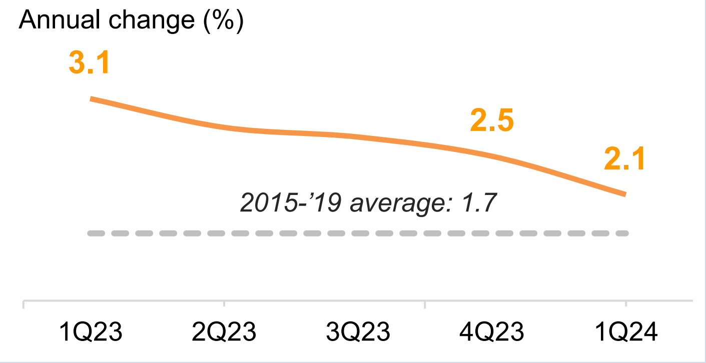


…supported by continued wage and employment growth

Private Sector Wages



Employment Growth



Consumer spending to improve going forward

Improvement in income levels and sound household balance sheet

Continued employment expansion, supported by sustained hiring intentions

Stronger Government measures to raise and supplement household income

Sources: Department of Statistics, Malaysia and Bank Negara Malaysia

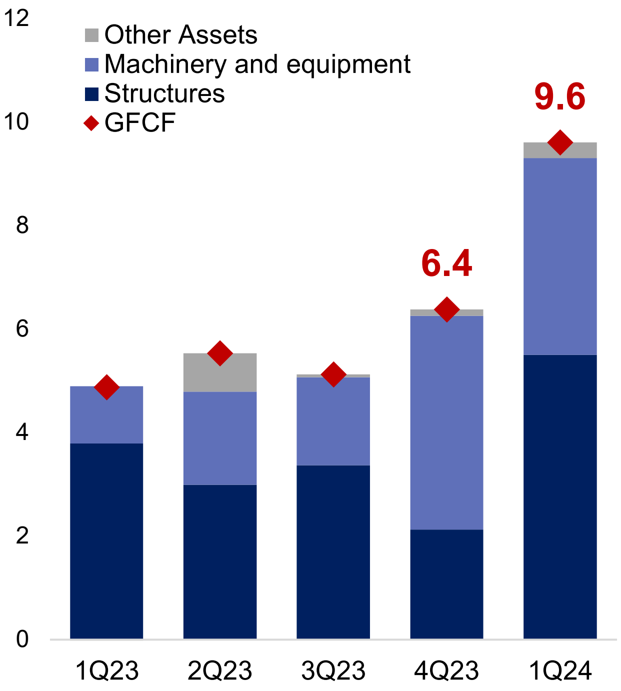
Implementation of new and existing projects supported investment activities

Stronger growth in capital expenditure

Real Gross Fixed Capital Formation

Annual change (%), ppt contribution

Avg. 2011-19: 5.5%

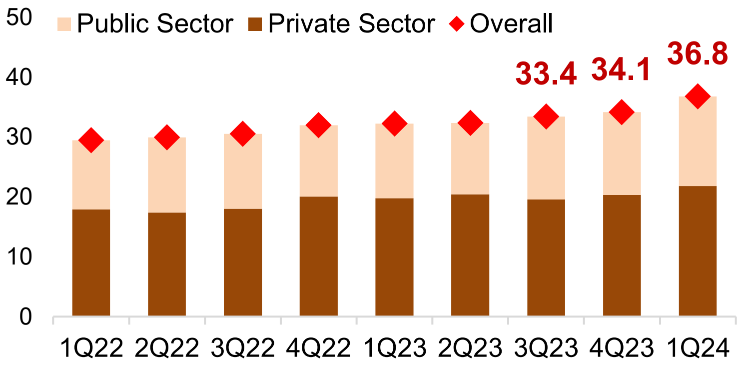


Source: Department of Statistics, Malaysia

Going forward, investments will be supported by key infrastructure projects…

Total value of construction work done

RM billion



Key Infrastructure Projects

ECRL
RM50.0 billion
2018-27
64% as of Mar'24

MyDIGITAL 5G
RM16.5 billion
2021-31
80% as of Feb'24

RTS
RM3.7 billion
2021-26
70% as of Mar'24

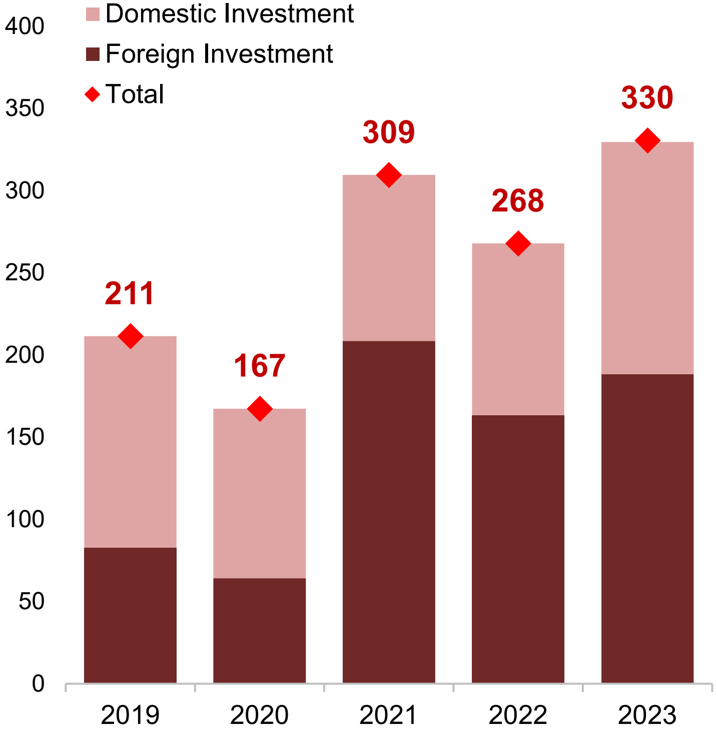
Pan Borneo Sabah Phase 1a
RM16.0 billion
2016-24
88% as of Feb'24

Note: Number in bracket refers to cumulative progress rate. Progress of MyDIGITAL 5G project proxied by coverage of populated areas.
Source: Department of Statistics, Malaysia, newsflows

…and realisation of approved domestic and foreign investments

MIDA Total Investment Approvals

RM Billion



Source: Malaysia Investment Development Authority

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

Upside risks

- ▲ Greater spillover from the **tech upcycle**
- ▲ More robust **tourism activities**
- ▲ Faster implementation of **new and existing investment projects**

4% to 5%

(2024*f*)

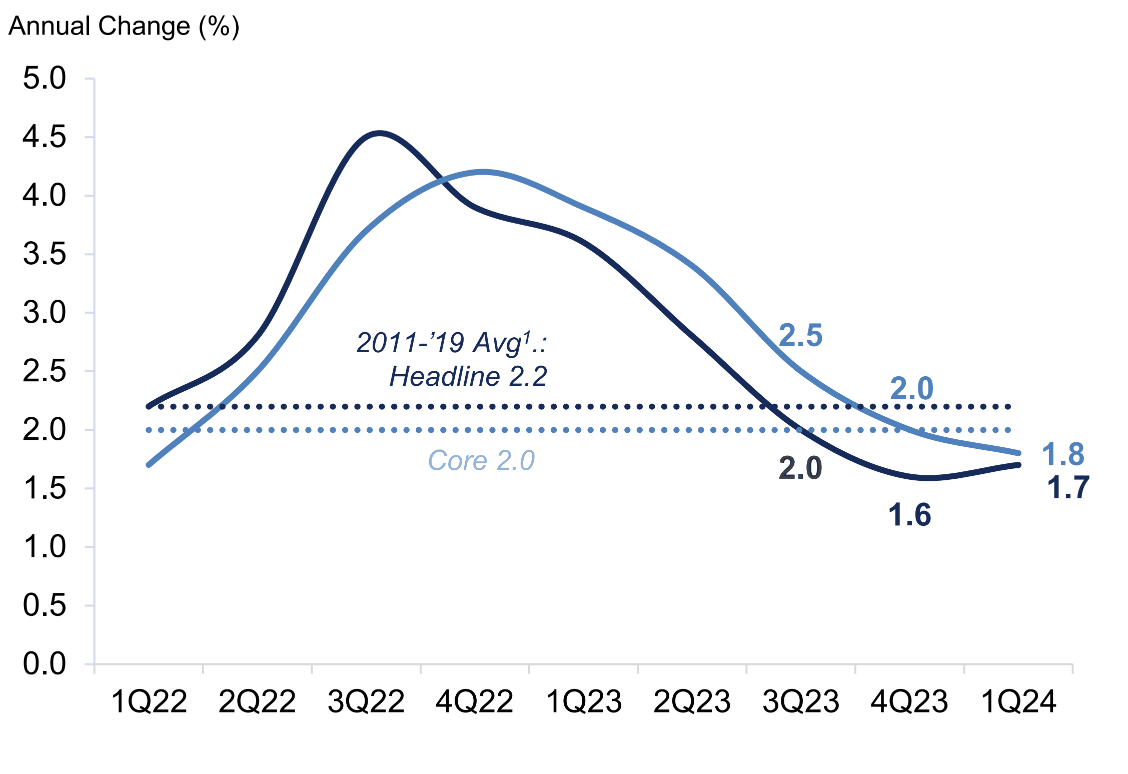
- ▼ Weaker-than-expected **external demand**
- ▼ Further escalation of **geopolitical conflicts**
- ▼ Larger decline in **commodity production**

Downside risks

Headline inflation remained moderate in 1Q 2024

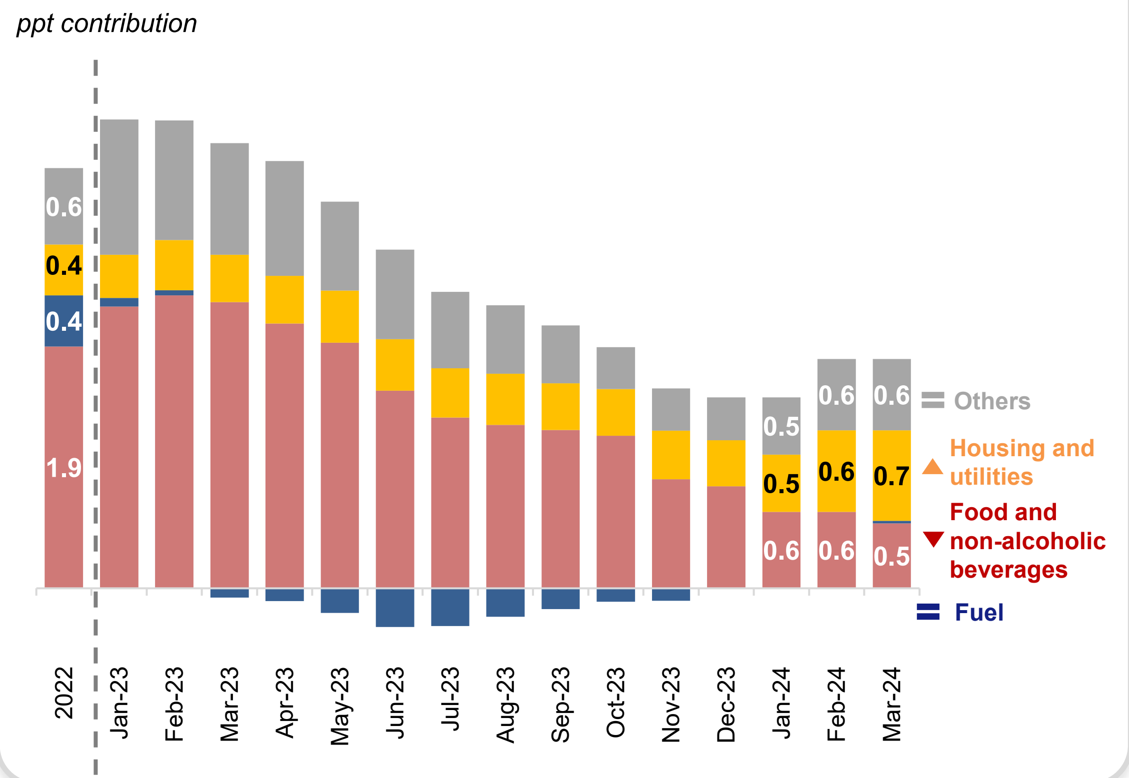
- **Headline inflation increased slightly driven mainly by higher water tariffs and service tax on high electricity consumption**
- **Core inflation declined driven by lower inflation for food-related items amid stable cost and demand conditions**

Malaysia's Headline and Core Inflation



Note: [1] Average of past inflation is calculated based on monthly frequency from Jan-11 to Dec-19
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

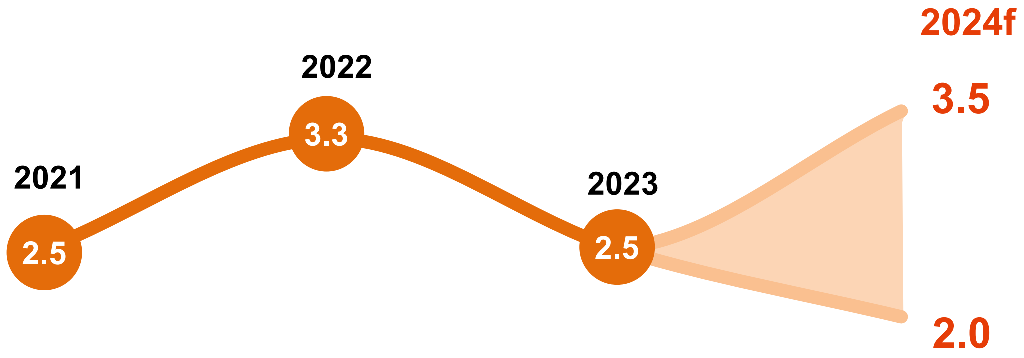
Breakdown of Headline Inflation



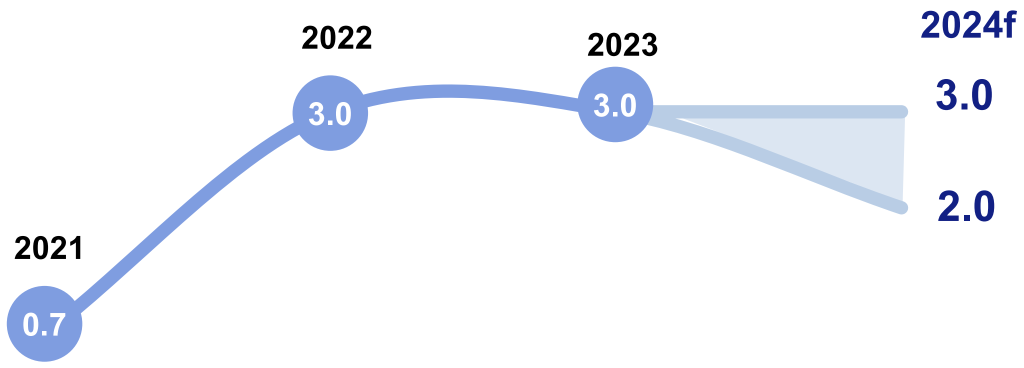
Source: Department of Statistics, Malaysia, Bank Negara Malaysia estimates

Going forward, the inflation outlook will be subject to policy factors, global commodity prices and financial market developments

Headline Inflation
Annual Change, %



Core Inflation
Annual Change, %



Sources: Department of Statistics Malaysia and Bank Negara Malaysia estimates

Balance of risk to inflation outlook in 2024 and 2025

Upside risks

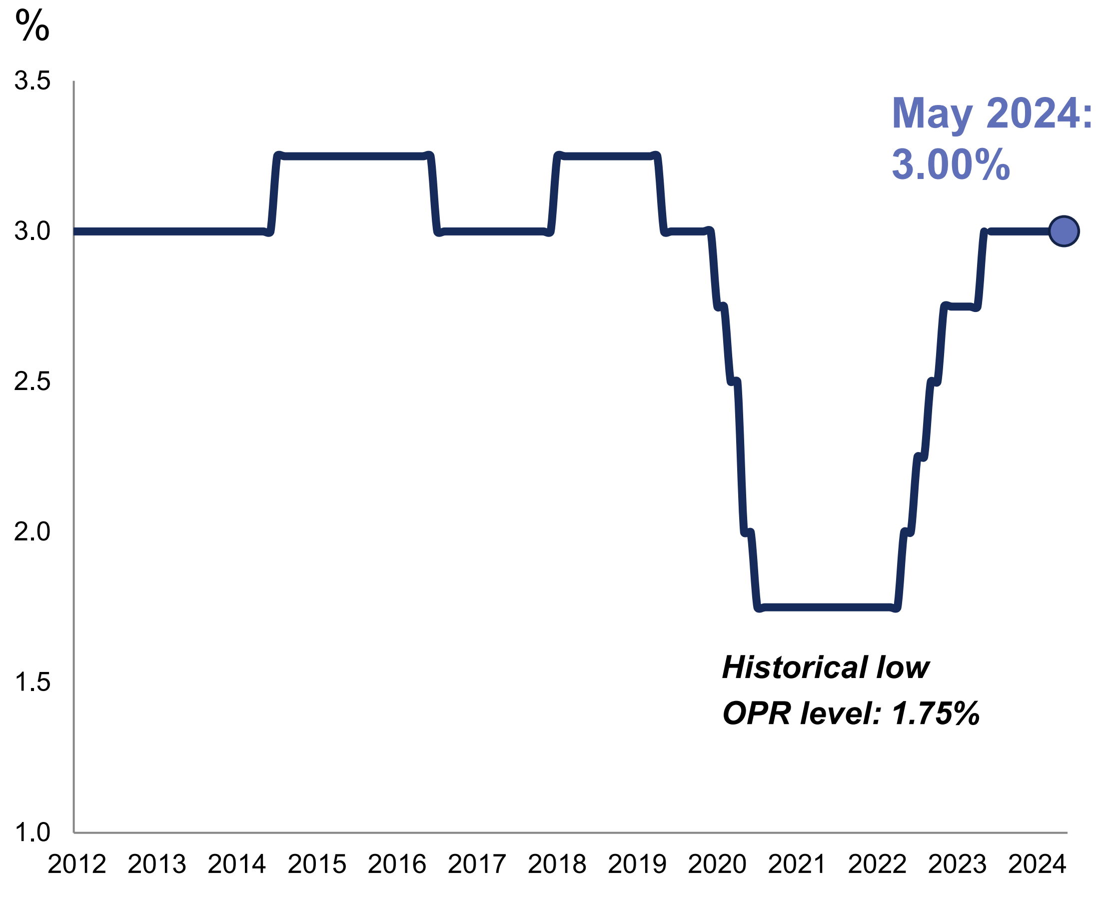
- ▲ Higher prices from the potential review of fuel subsidies
- ▲ Higher input costs due to exchange rate developments
- ▲ Higher global commodity prices amid worsening geopolitical tensions and weather disruptions

Downside risks

- ▼ Softer commodity prices from weaker global growth
- ▼ Slower demand conditions due to weaker-than-expected external demand

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

Overnight Policy Rate, OPR

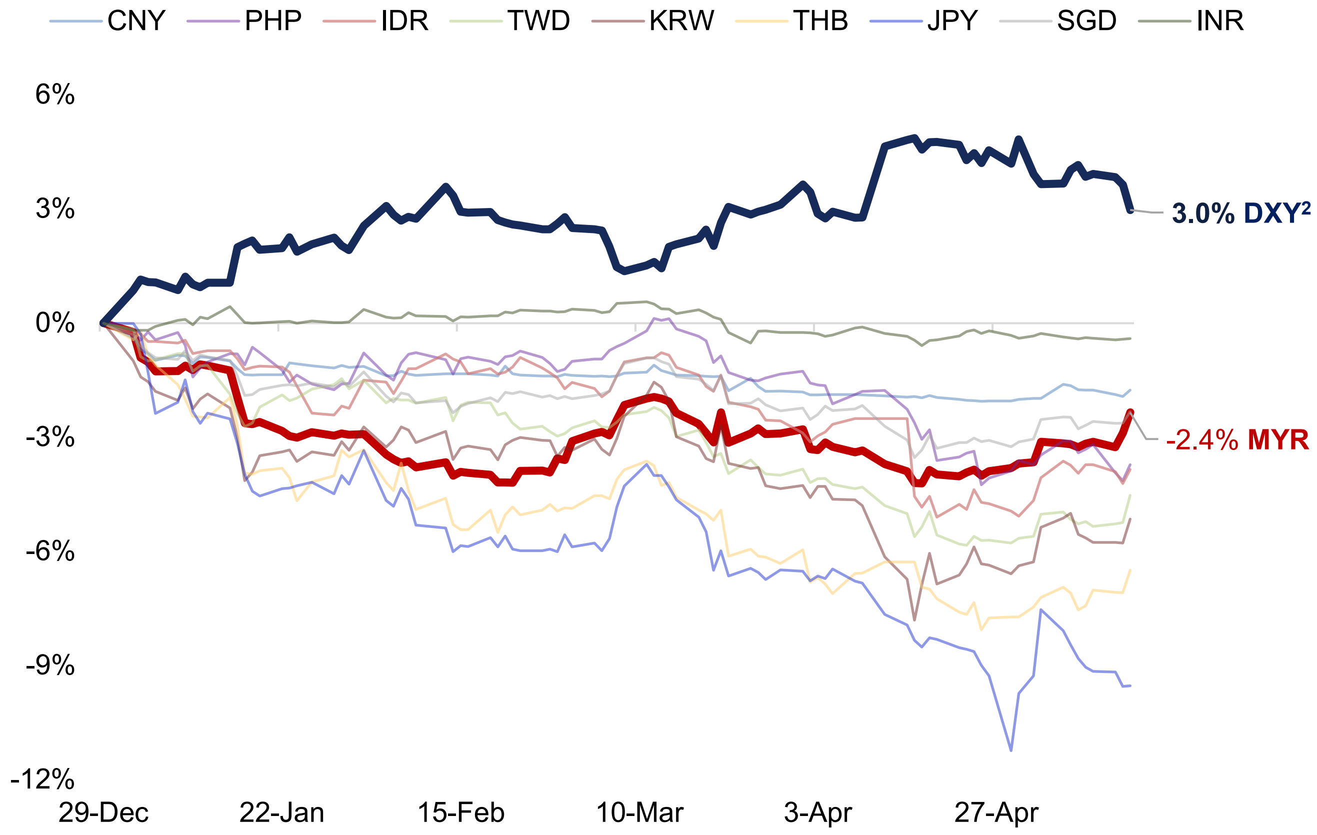


- The MPC deemed the monetary policy stance remains **supportive of the economy** and is consistent with the current assessment of the inflation and growth prospects
  - Growth in 2024 driven mainly by resilient domestic expenditure and continued improvement in exports
  - Inflation in 2024 to remain moderate
- The MPC **remains vigilant to ongoing developments** to inform the assessment on the outlook of domestic inflation and growth

Source: Bank Negara Malaysia

Shifting expectations of the US monetary policy path and geopolitical risks led to higher volatility in regional currencies, including the ringgit

YTD[1] Regional Currency Movements Against the US Dollar



High-for-longer US policy rate and heightened geopolitical risks have led to a stronger US dollar

This current pressure is not specific to Malaysia but reflects global currency market dynamics

BNM's market operations will continue to ensure sufficient liquidity and orderly functioning of the foreign exchange market

Notes: [1]YTD as of 15 May 2024
[2]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%)
Source: Bank Negara Malaysia and Bloomberg

Coordinated actions to encourage more consistent flows into the FX market have led to positive outcomes

The Government and BNM have taken coordinated actions to encourage consistent flows into the FX market

Encourage repatriation and conversion of foreign investment income by GLCs and GLICs

Actively engage corporates and exporters to convert their export proceeds and foreign investment income

Monitor conversion of export proceeds and import payments

Positive outcomes have been observed since these efforts *(period: 26 Feb - 15 May 2024, vs 29 Dec 2023 - 26 Feb 2024)*

Ringgit's performance and FX market liquidity have improved

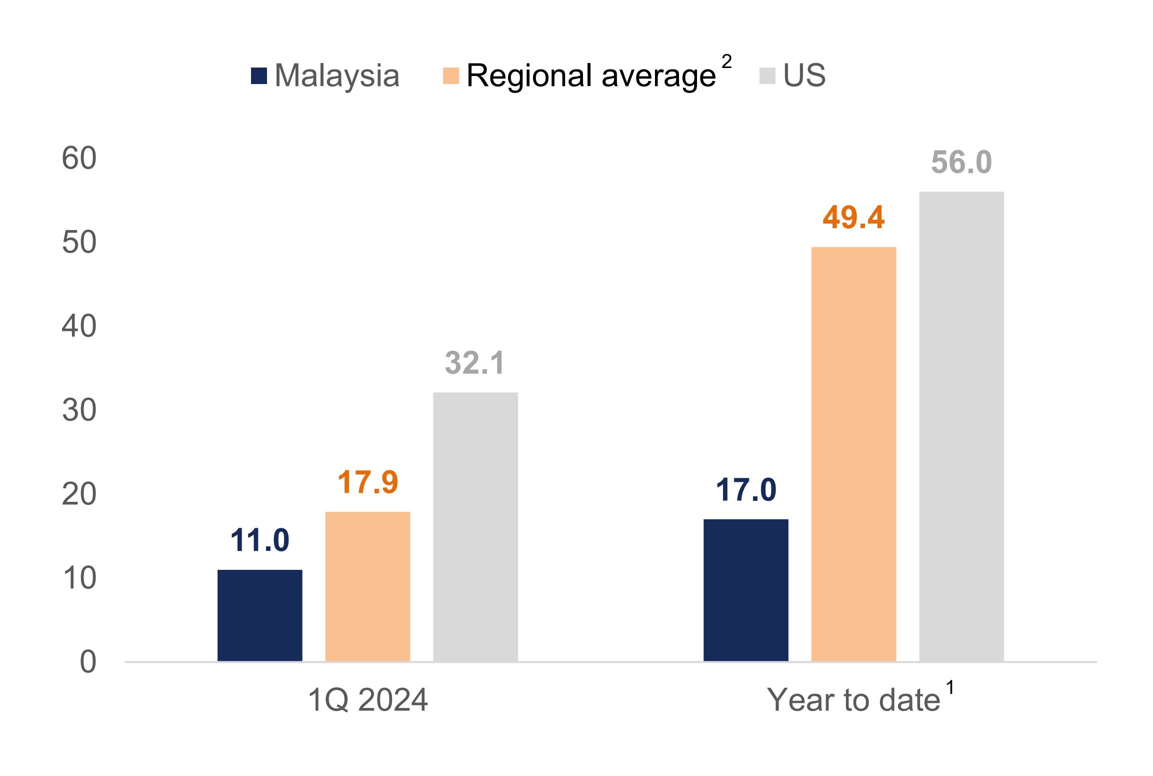
- ▲ Ringgit performance against the USD: **+1.6%** *(prior: -3.9%)*
- ▲ Ringgit nominal effective exchange rate (NEER[1]): **+2.5%** *(prior: -1.9%)*
- ▲ FX market trading volume, daily average: **increased** to USD17.6 billion *(prior: USD15 billion)*
- ▲ USDMYR bid-ask spread: **Narrowed to 39 pips** *(prior: 50 pips)*

Note: [1]NEER is an index measuring ringgit's performance against currencies of Malaysia's major trading partners

Malaysian bond yields edged higher while equities rose

Malaysian bond yields increased on expectations for a high-for-longer US policy rate

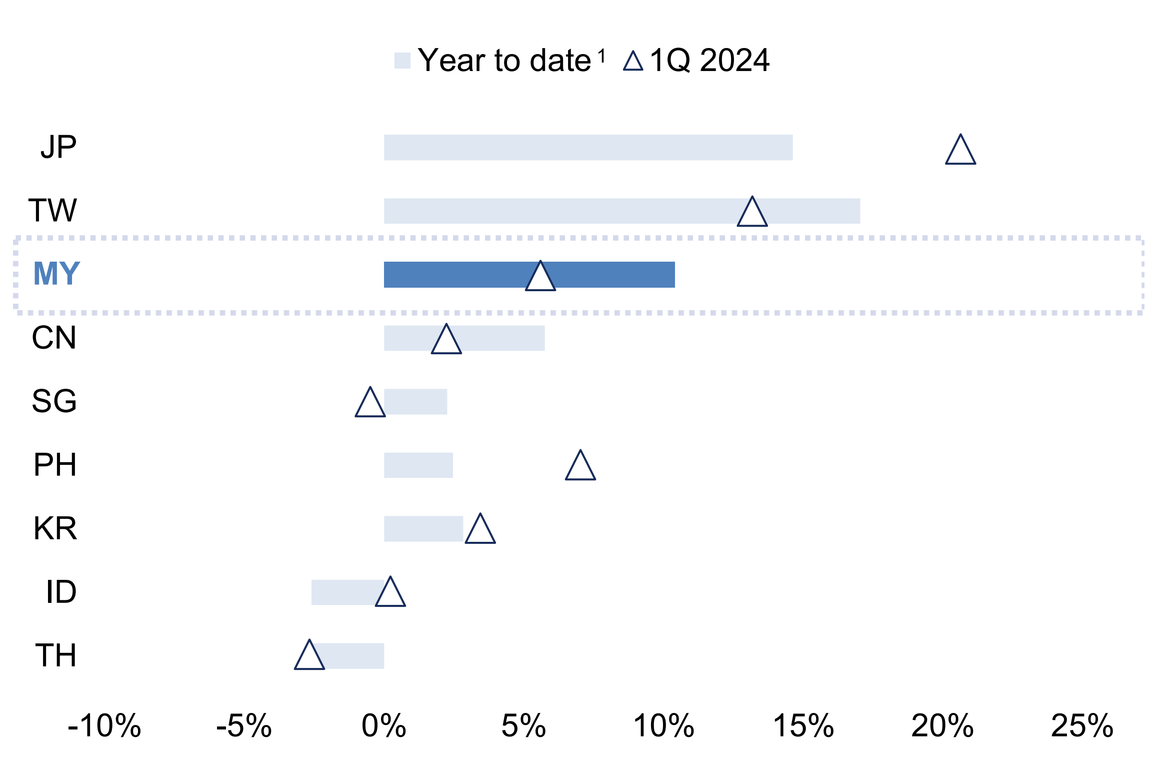
Movement of 10-Year Local Currency Sovereign Bond Yields (in bps)



Notes: [1] Year-to-date as of 14 May 2024
[2] Regional countries comprise Indonesia, the Philippines, Singapore, South Korea and Thailand
Source: Bank Negara Malaysia, ETP and Bloomberg

Positive impact from the implementation of domestic structural reforms is expected to continue supporting domestic markets

Performance of Equity Indices (% Change)



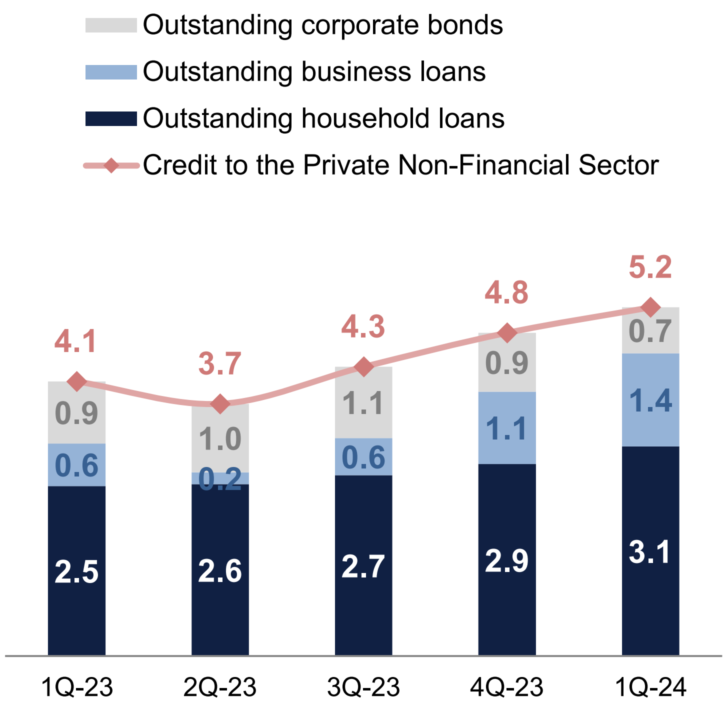
Notes: [1]Year-to-date as of 14 May 2024
US: United States; PH: the Philippines; MY: Malaysia; TH: Thailand; SG: Singapore; KR: South Korea; CN: China; JP: Japan; ID: Indonesia; TW: Taiwan
Source: Bloomberg and Bursa Malaysia

Credit growth increased, driven by greater expansion in loans for both businesses and households

Credit growth increased during the quarter…

Credit to the Private Non-Financial Sector[1]

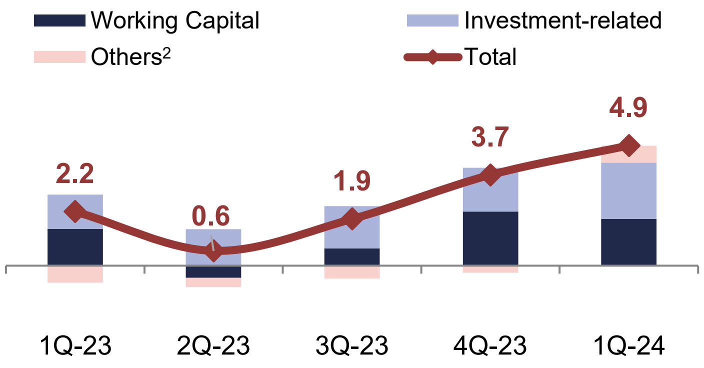
Annual change (%) / Cont. to growth (ppt)



…driven by higher business loan growth, particularly for investment-related purposes…

Outstanding Business Loan Growth

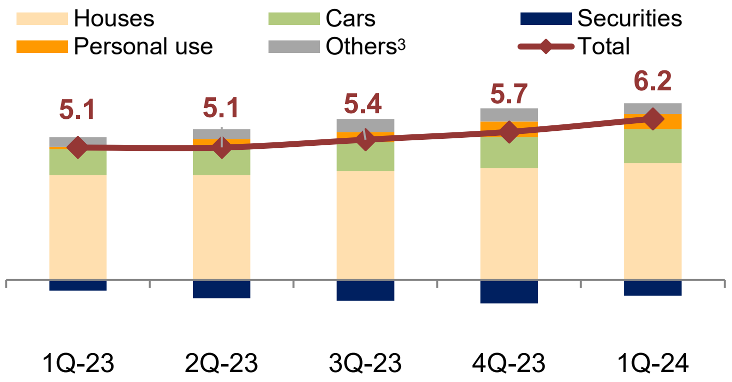
Annual change (%) / Cont. to growth (ppt)



…while household loan growth also increased across most loan purposes

Outstanding Household Loan Growth

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



Loan applications remained broadly sustained reflecting continued credit demand

Business Loan Application Levels

RM136.2 bn

4Q23: RM160.8 bn

Of which, SMEs:

RM81.1 bn

4Q23: RM82.6 bn

Household Loan Application Levels

RM222.1 bn

4Q23: RM240 bn

Notes:
[1] 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)
[2] Includes loans for the purchase of securities, mergers and acquisitions, credit cards, and other purposes
[3] Includes loans for the purchase of non-residential property, credit cards, and other purposes
Source: Bank Negara Malaysia

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Banks remain well-positioned to support financial intermediation

Strong capital and liquidity positions enable banks to sustain financing to the real economy

As at March 2024

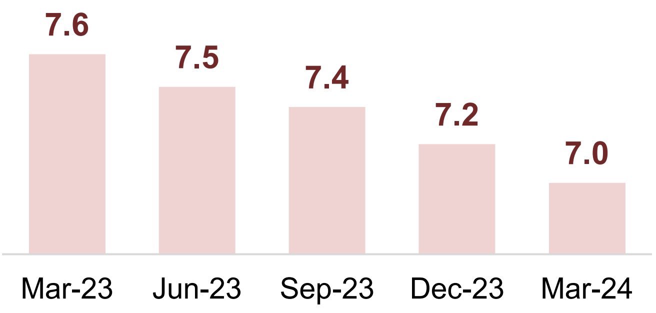
18.3% — **Total Capital Ratio** *(Dec-23: 18.8%)*

150.3% — **Liquidity Coverage Ratio** *(Dec-23: 161.0%)*

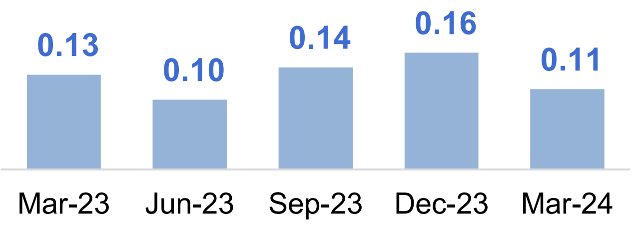
117.3% — **Net Stable Funding Ratio** *(Dec-23: 118.2%)*

Loans with higher credit risk have further declined

Stage 2 Loans Ratio, %

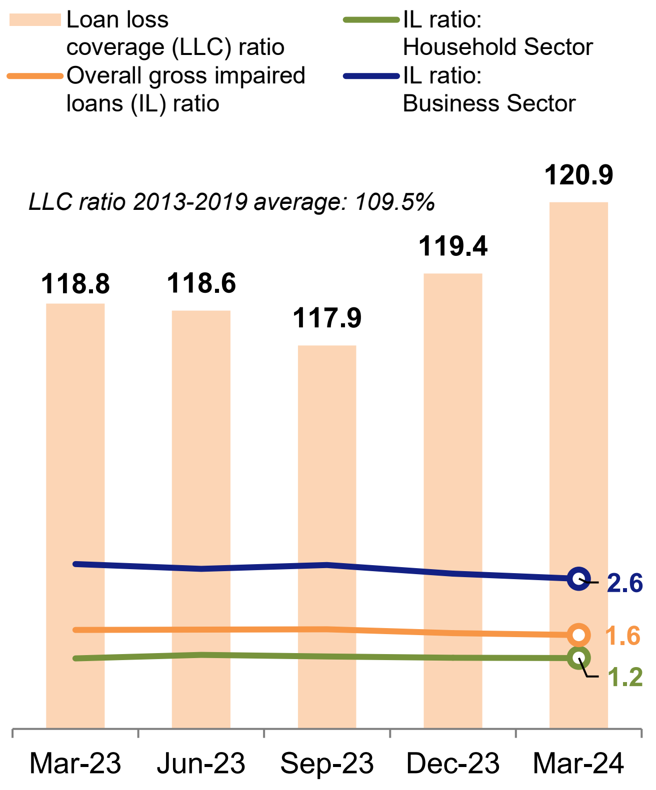


Newly Restructured and Rescheduled Loans, % of Total Banking System Loans



Prudent provisioning despite low impairment levels

Impaired Loans Ratio[1] & Loan Loss Coverage Ratio (including regulatory reserve), %



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

Summary

The Malaysian economy grew at a faster pace of 4.2% in the first quarter of 2024, driven by private expenditure and turnaround in exports.

Growth in 2024 will be underpinned by continued expansion in domestic demand and improvement in external demand

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

Headline inflation is projected to average between **2.0% and 3.5% in 2024**

Additional Information

Breakdown of 1Q 2024 GDP (% yoy)

Annual Change in GDP Growth by Component

Real GDP (% YoY)	Share, % (2023)	2023		2024
		1Q	4Q	1Q
Services	59.2	7.1	4.1	4.7
Manufacturing	23.4	3.2	-0.3	1.9
Agriculture	6.4	1.4	1.9	1.6
Mining and Quarrying	6.2	1.6	3.5	5.7
Construction	3.6	7.4	3.6	11.9
Real GDP	100.0	5.5	2.9	4.2

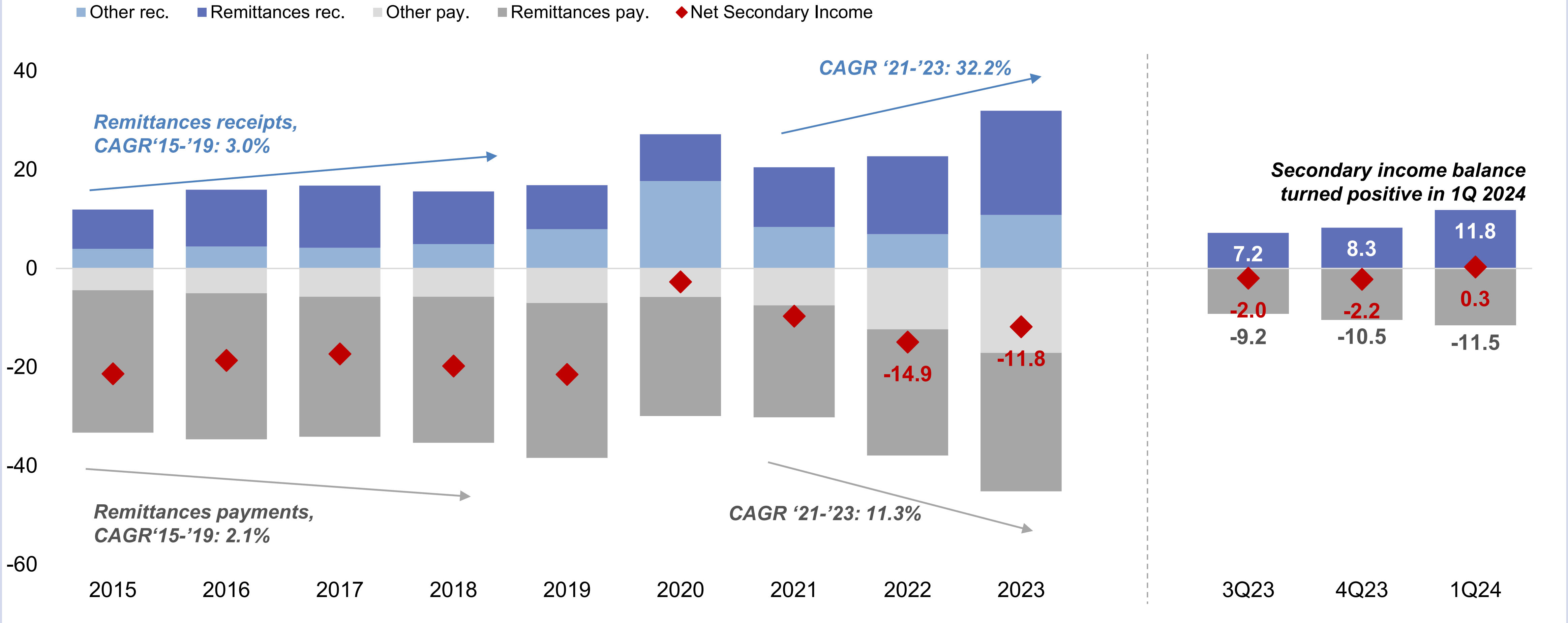
Note: Numbers may not add up due to rounding and exclusion of import duties component.
Source: Department of Statistics, Malaysia

Real GDP (% YoY)	Share, % (2023)	2023		2024
		1Q	4Q	1Q
Domestic Demand (Excluding Stocks)	**93.9**	**4.8**	**4.9**	**6.1**
Private Sector	**76.2**	**5.8**	**4.1**	**5.7**
Consumption	60.7	6.1	4.2	4.7
Investment	15.5	4.7	4.0	9.2
Public Sector	**17.8**	**-0.2**	**7.4**	**8.4**
Consumption	13.2	-2.0	5.8	7.3
Investment	4.6	5.7	11.3	11.5
Net Exports of Goods and Services	**4.4**	**71.2**	**-52.9**	**-24.5**
Exports	66.1	-2.9	-7.9	5.2
Imports	61.7	-6.7	-2.6	8.0
Real GDP	**100.0**	**5.5**	**2.9**	**4.2**

Note: Numbers may not add up due to rounding and exclusion of stocks.
Source: Department of Statistics, Malaysia

Secondary income remained in deficit, but receipts have outpaced payments

Secondary income *(RM billion)*



Note: Other secondary income includes general government-related receipts and payments such as grants, compensation and fees.

Source: Department of Statistics, Malaysua

Financial account recorded a lower net outflow

Outflows in portfolio and direct investment account more than offset inflows from other investment

RM billion	2023		2024
	4Q	Year	1Q
Direct Investment	**5.2**	**-0.2**	**-6.0**
*Direct Investment Abroad (DIA)**	-14.3	-40.6	-11.5
*Foreign Direct Investment (FDI)**	19.6	40.4	5.5
Portfolio Investment	**-6.0**	**-36.4**	**-23.7**
Residents	-10.0	-46.6	-21.2
Non-residents	4.0	10.3	-2.5
Financial Derivatives	**-3.8**	**-3.9**	**1.2**
Other Investment	**-15.5**	**25.0**	**9.8**
Financial Account Balance	**-20.1**	**-15.5**	**-18.7**

Continued DIA outflows amid moderating FDI inflows

Net inflows in other investment driven by loan repayments and settlement of trade credits received by resident corporates

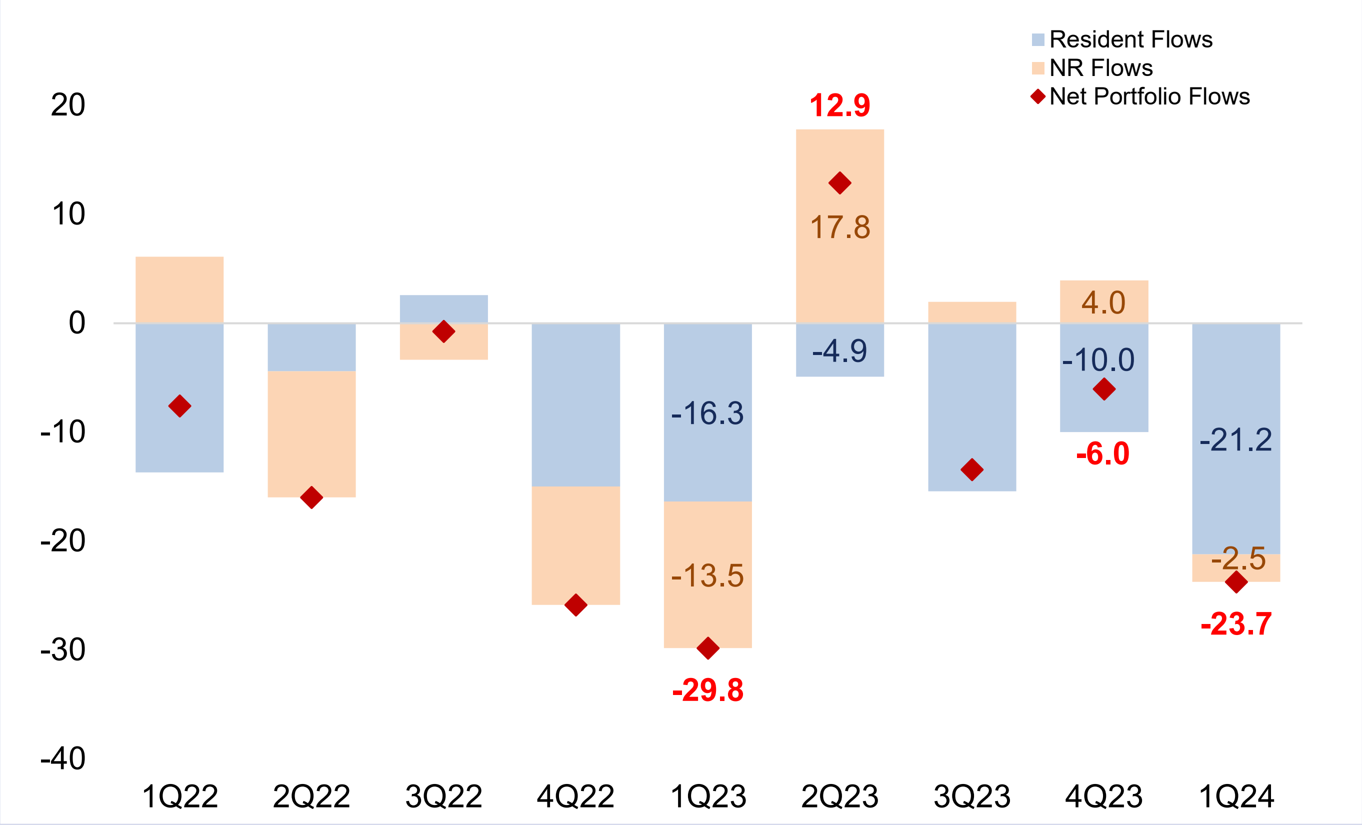
Net outflows in portfolio and direct investments

*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

Portfolio investment recorded a higher net outflow

Net outflows in portfolio investment in 1Q 2024 were primarily driven by higher residents' investments abroad

Portfolio Investment Flows *(RM billion)*



Source: Department of Statistics, Malaysia

Factors affecting portfolio investment flows in 1Q 2024

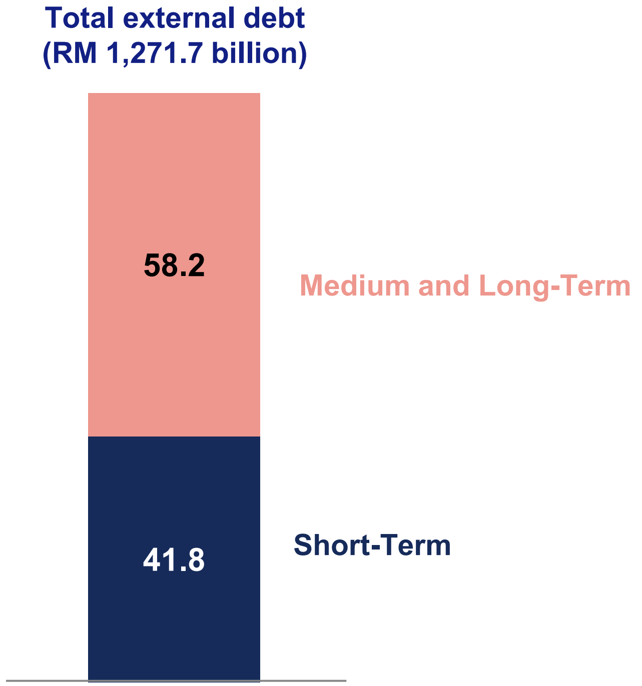
Higher investments in equity and continued investments in debt securities abroad by resident investors

Liquidation of domestic debt securities by non-resident investors

Favourable external debt profile and adequate buffers to weather external shocks

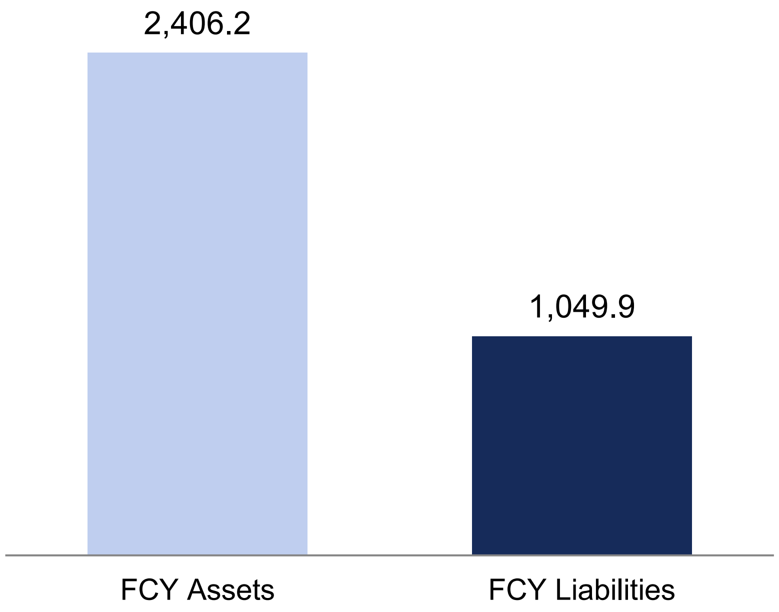
Favourable external debt profile…

External Debt by Maturity
(% of total external debt)



…with large net foreign-currency assets …

FCY Denominated External Assets & Liabilities
(End-1Q 2024) (RM bil)



… and further supported by

Sustained foreign income

Higher current account surplus reduces external financing requirements

Sufficient international reserves* to facilitate international transactions

… to finance 5.4 months of imports of goods & services and is 1.0 time total short-term external debt as at 30 April 2024

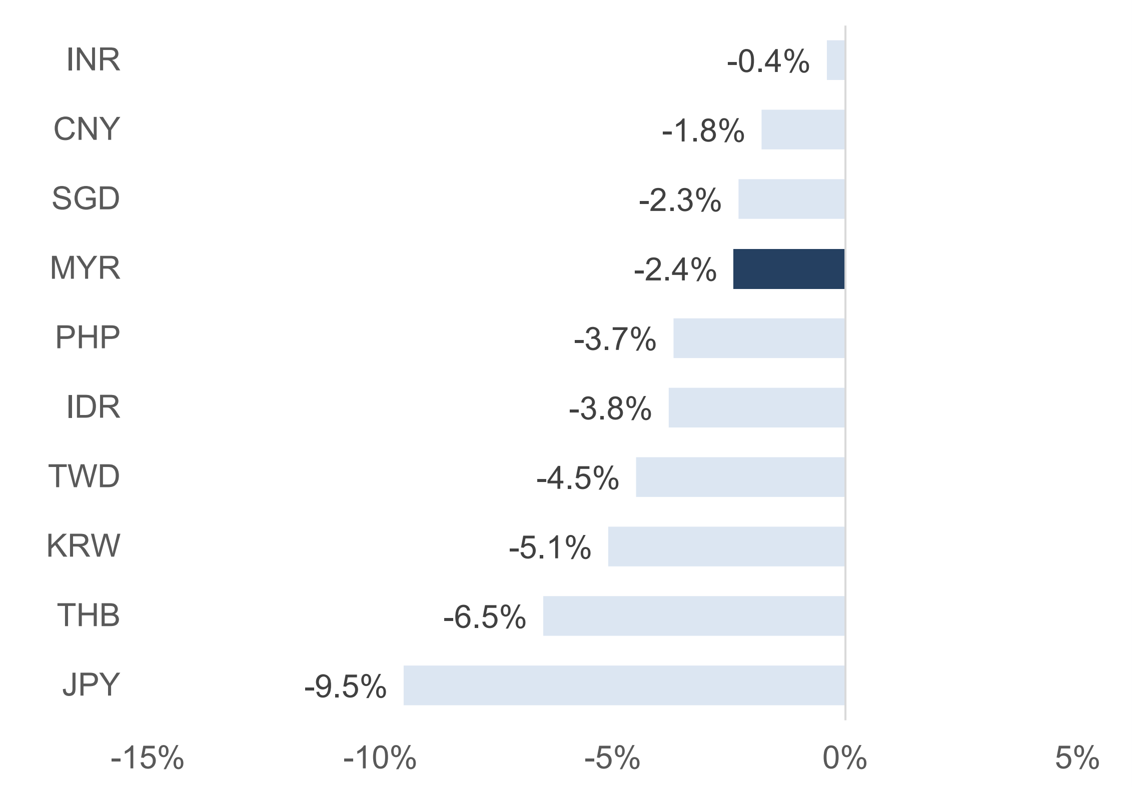
* Note: The reserves coverage ratios may differ from that published in the press statement on international reserves as at 8 May 2024 as it reflects the latest 1Q 2024 data on imports of goods & services and short-term external debt.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

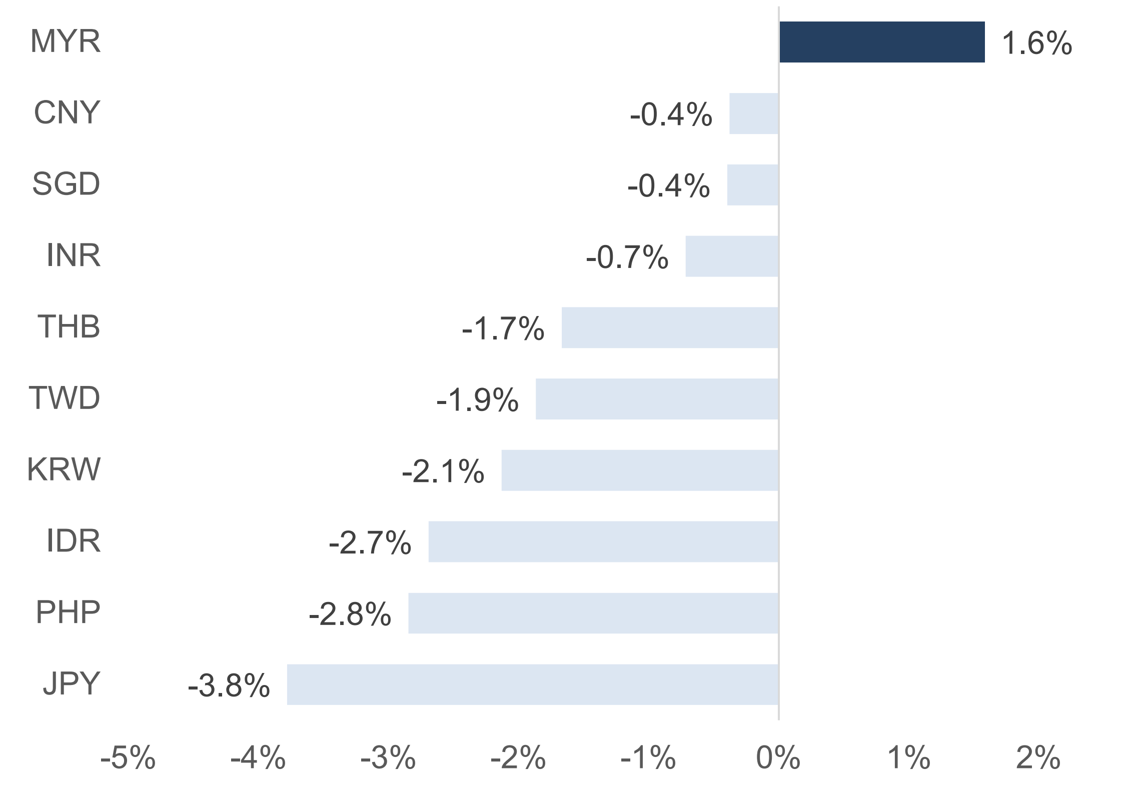
Ringgit performance has improved

Coordinated initiatives by the Government and BNM have gained further traction, cushioning pressure on the ringgit

Regional currency performance against US dollar YTD as at 15 May 2024



Regional currency performance against US dollar (26 Feb 2024 – 15 May 2024)



Source: Bank Negara Malaysia