

Sidang Akhbar

Prestasi Ekonomi Suku Pertama Tahun 2021

11 Mei 2021

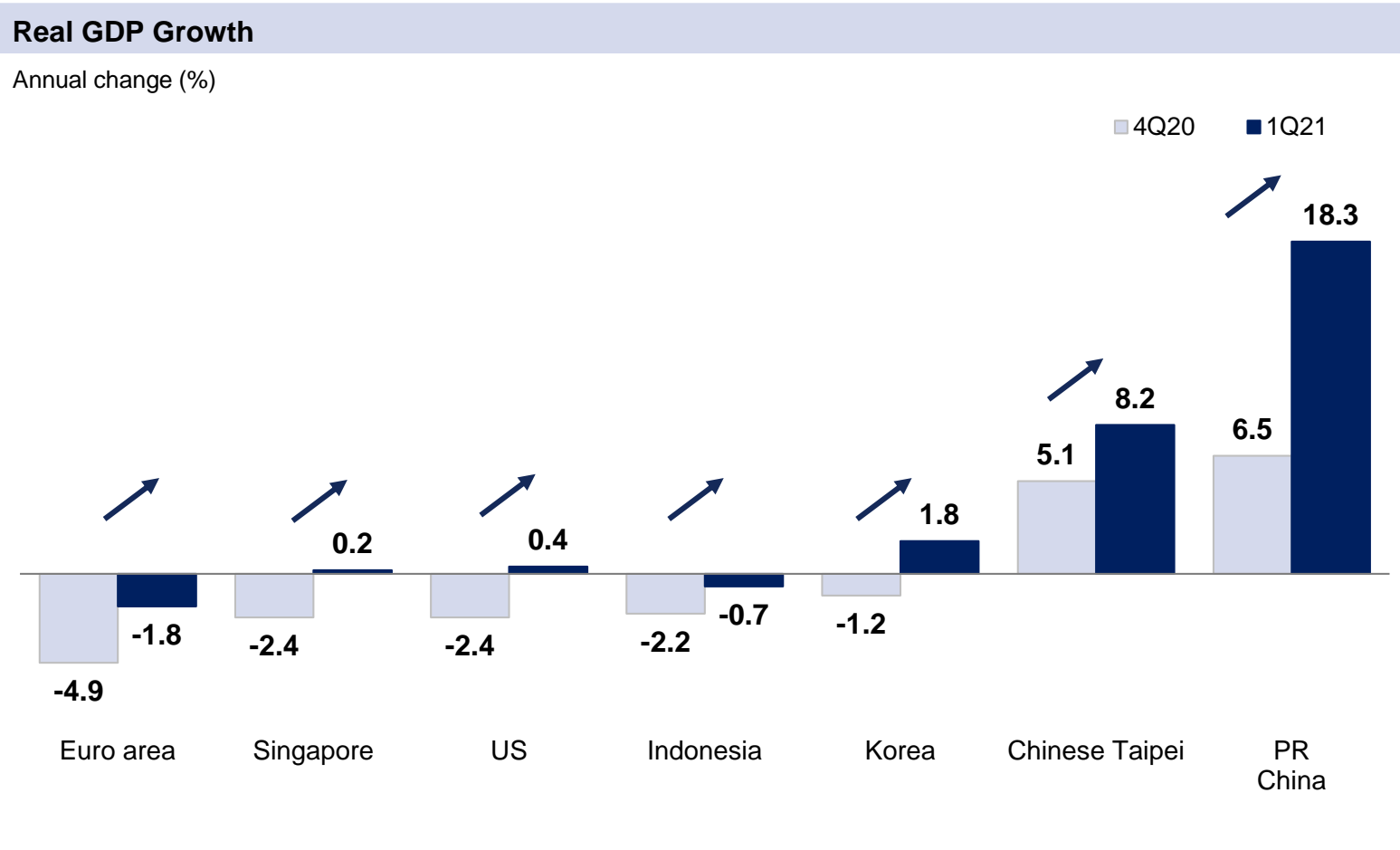


BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

Global growth improved further in 1Q 2021



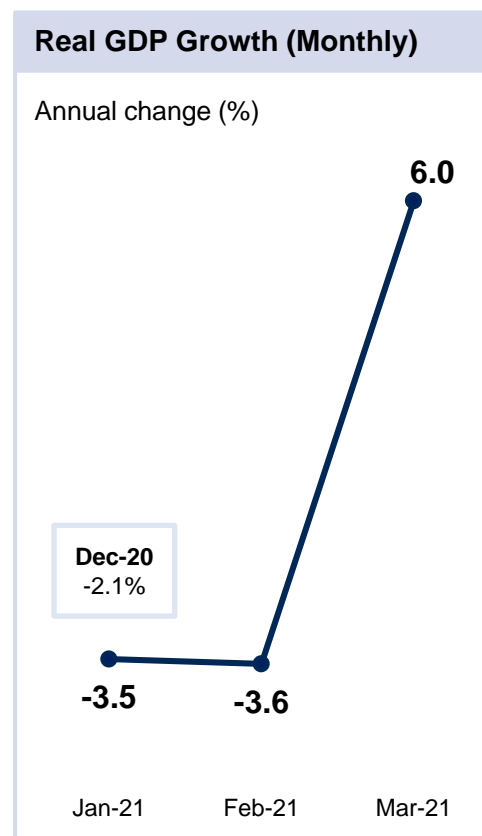
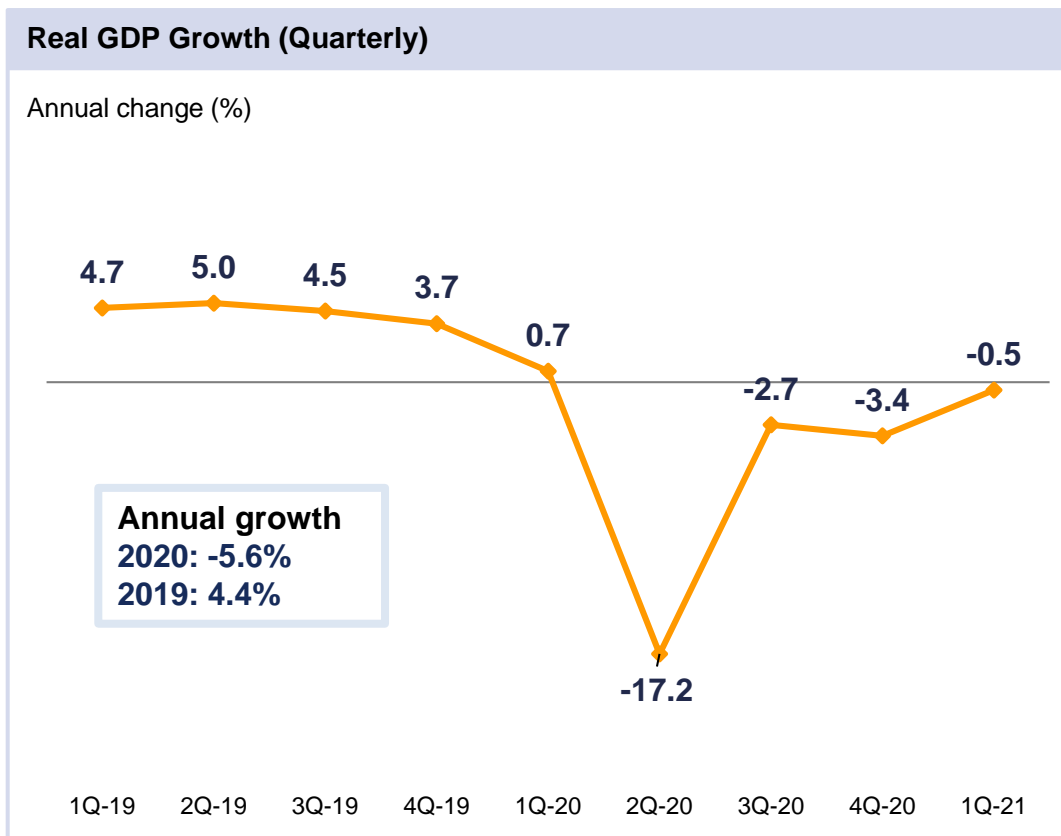
Global Growth Developments

- Labour market improvement supporting private consumption
- Continued recovery in manufacturing activity
- Goods trade improved, particularly regional exports
- However, reintroduction of containment measures in some economies weighed on services activity, contributing to an uneven pace of global recovery


Source: CEIC, national authorities

Malaysia's GDP recorded a better-than-expected performance of -0.5% in 1Q 2021, despite imposition of MCO 2.0 during the quarter


Growth supported by expansion in exports and improvement in domestic demand



Key Factors:




Less stringent containment measures



Better external demand

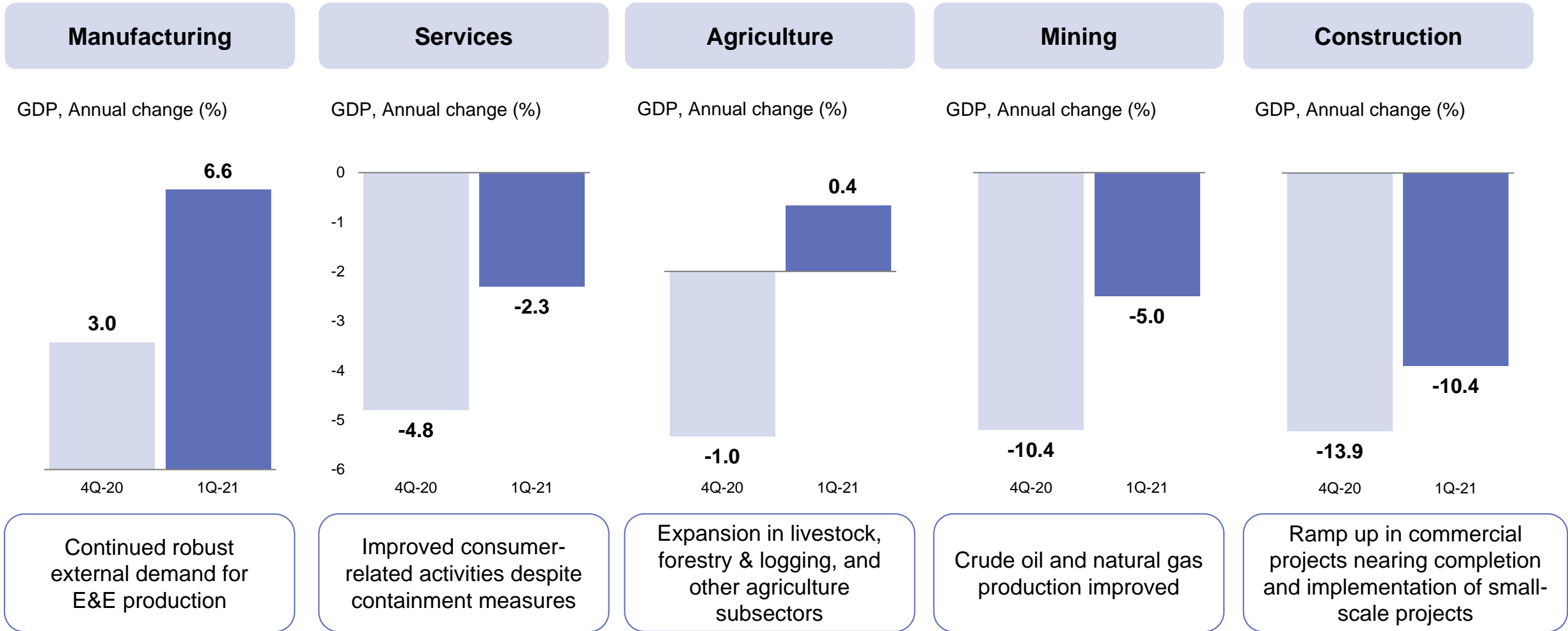
weighed by...



Labour shortages and site shutdowns due to COVID-19 outbreaks

Source: Department of Statistics Malaysia

Improvement in all economic sectors, led by manufacturing



Source: Department of Statistics Malaysia

Improvement in domestic demand, particularly private sector expenditure

Private Consumption

GDP, Annual change (%)



Household spending affected by movement restrictions albeit to a smaller extent

Private Investment

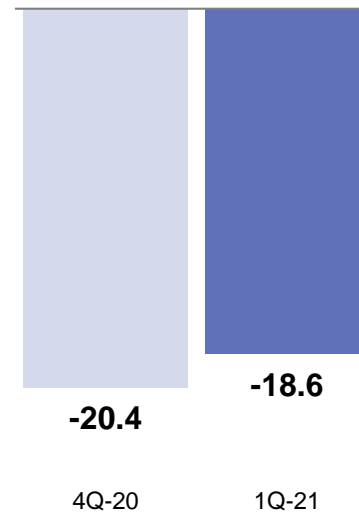
GDP, Annual change (%)



Higher capital expenditure particularly in the services and manufacturing sectors

Public Investment

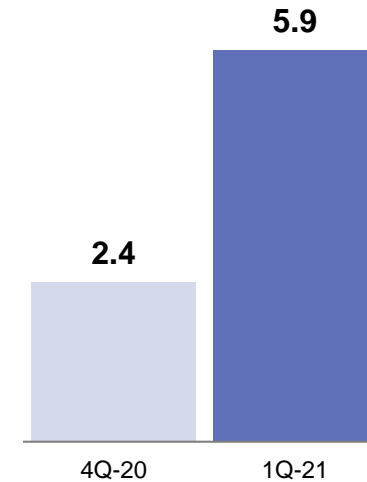
GDP, Annual change (%)



Higher spending on fixed assets by Federal Government

Public Consumption

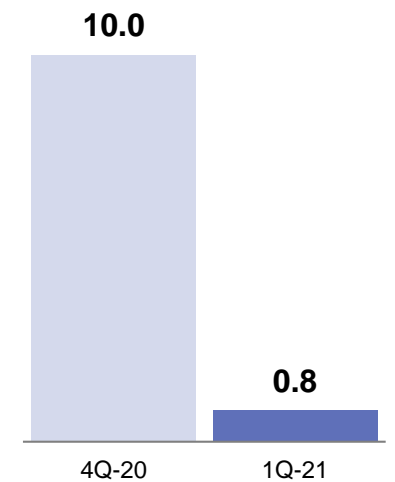
GDP, Annual change (%)



Higher spending on emoluments and supplies and services

Net exports

GDP, Annual change (%)

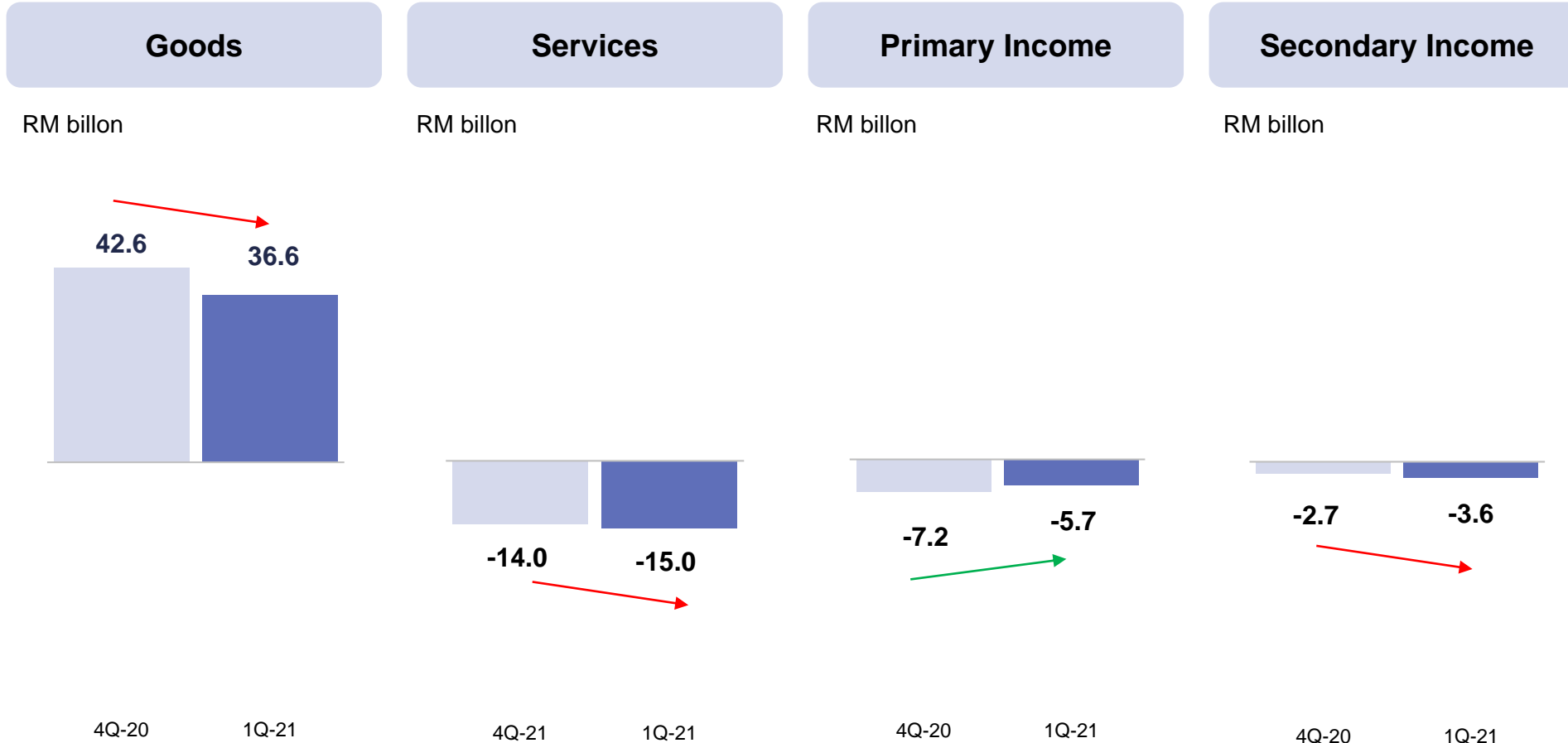


Strong exports and imports driven by higher external and domestic demand

Source: Department of Statistics Malaysia



Current account of the balance of payments registered a surplus of RM12.3 billion or 3.3% of GDP



Lower Goods Surplus

- Larger improvement in in imports amid pick-up in domestic demand

Larger Services Deficit

- Larger imports of transport and construction services

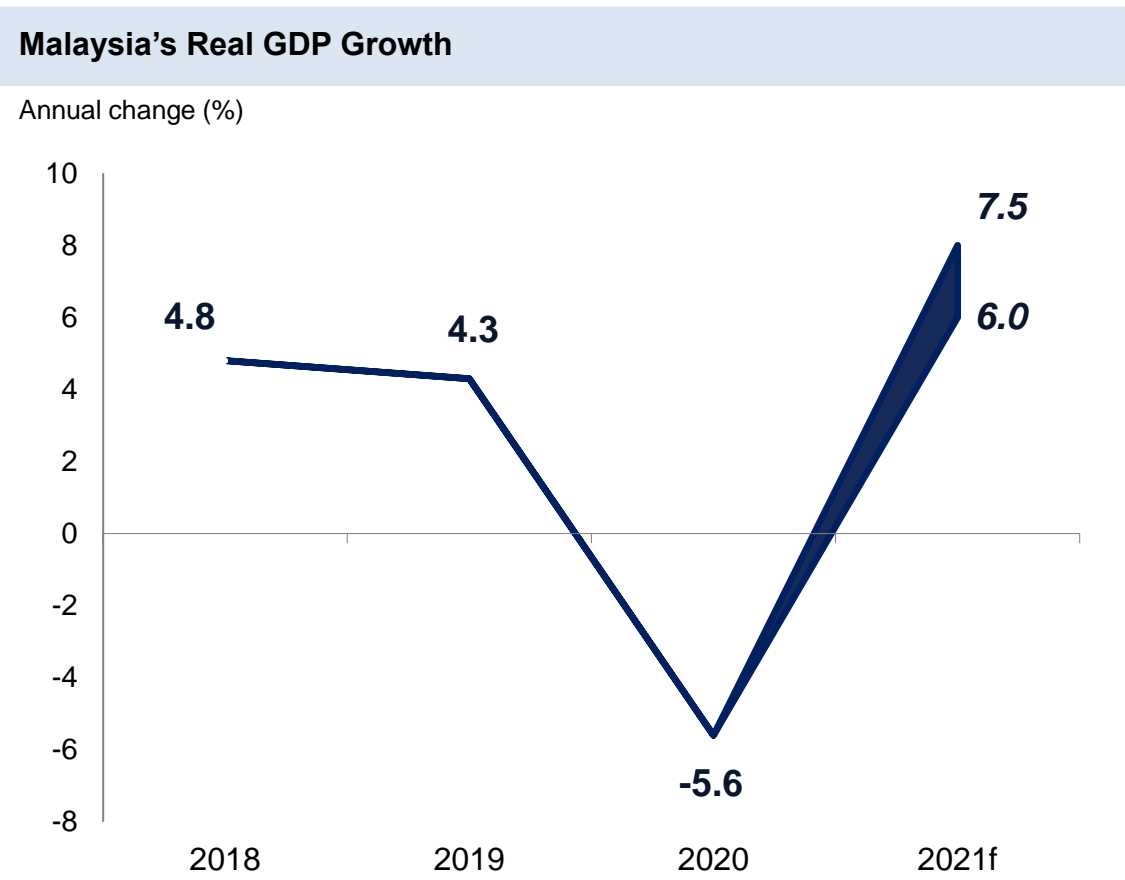
Larger Secondary Income Deficit

- Higher outward remittances by foreign workers

Source: Department of Statistics Malaysia

Malaysia's economy to continue to benefit from strong external demand and recovery in domestic conditions

Malaysia remains on track to achieve projected growth of 6.0% – 7.5% in 2021...



Source: Bank Negara Malaysia



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...supported by stronger external demand and recovery in domestic conditions



Stronger external demand driving improvement in production activities



Pick-up in economic activity, as most sectors are allowed to operate



Recovery in labour market conditions



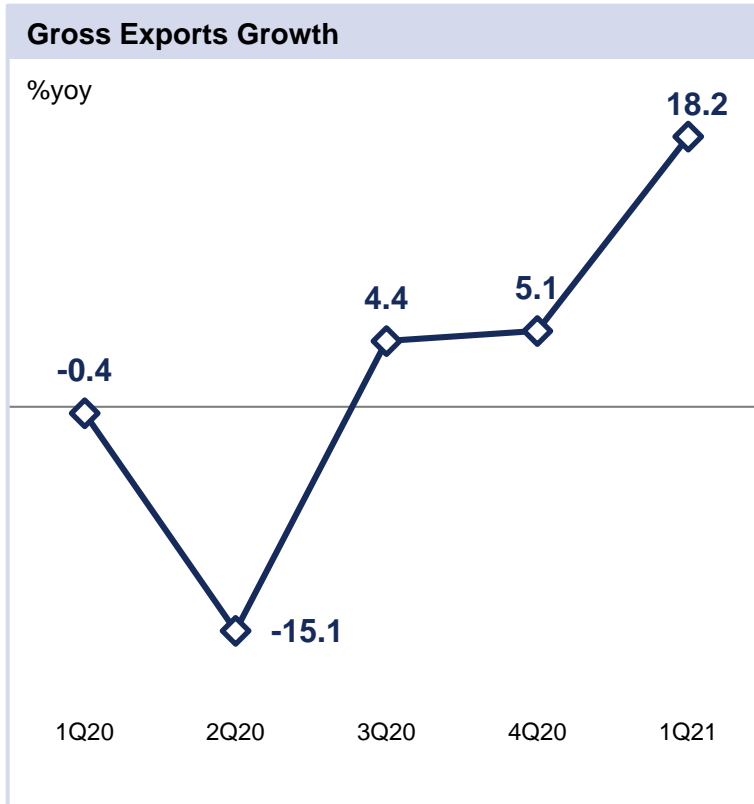
Continued targeted policy support
(e.g. PENJANA, 2021 Budget, PERMAI and PEMERKASA)



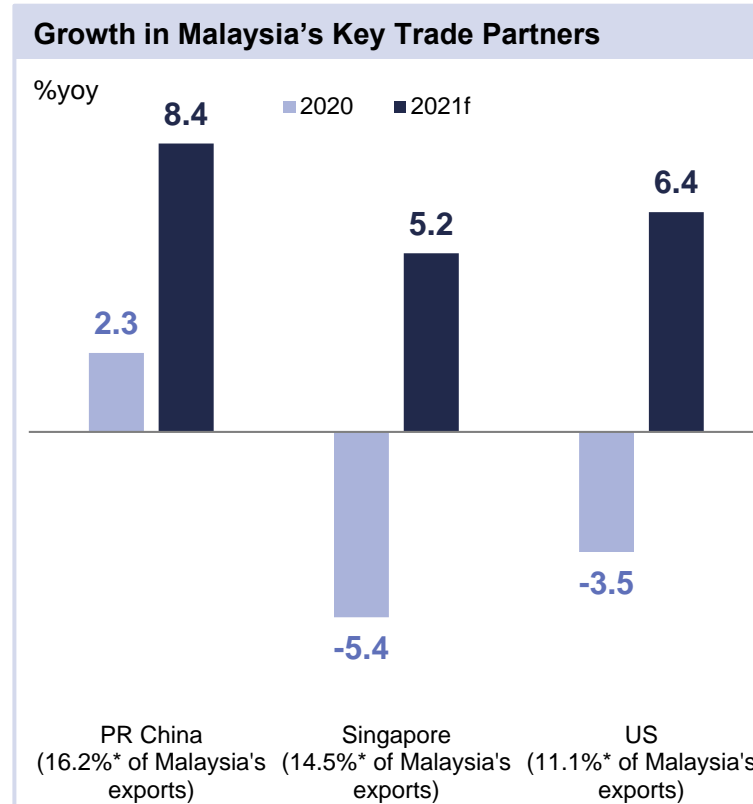
Continuation of large infrastructure projects
(e.g. ECRL, LRT3, Pan-Borneo Highway and JENDELA)

Expansion of gross exports is expected to support the overall recovery

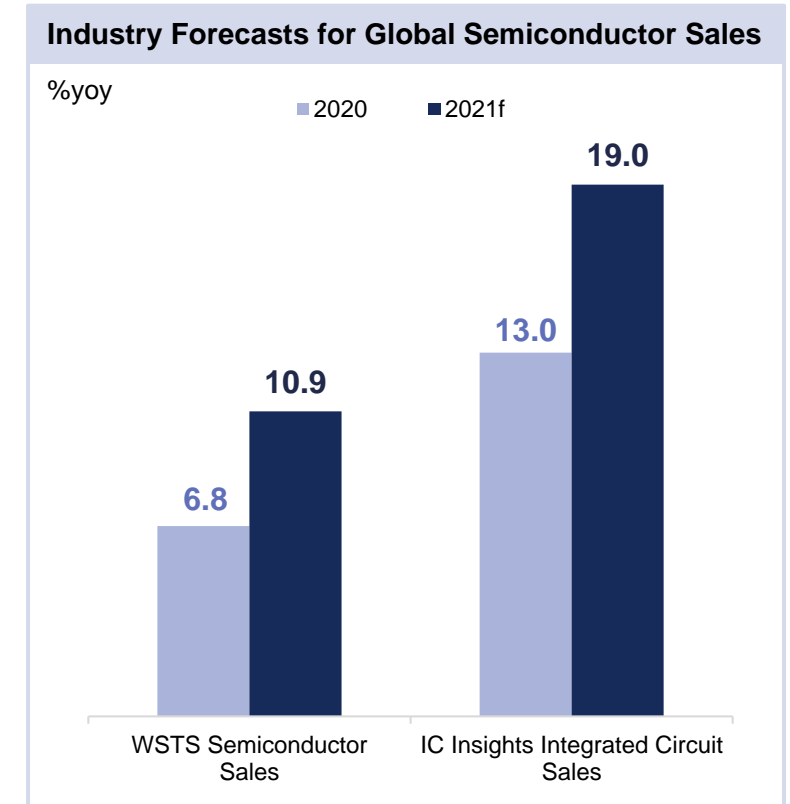
The recovery in gross exports growth is expected to persist...



... in line with the rebound in major trade partners' growth...



... and rising demand for semiconductors for work-from-home & medical devices



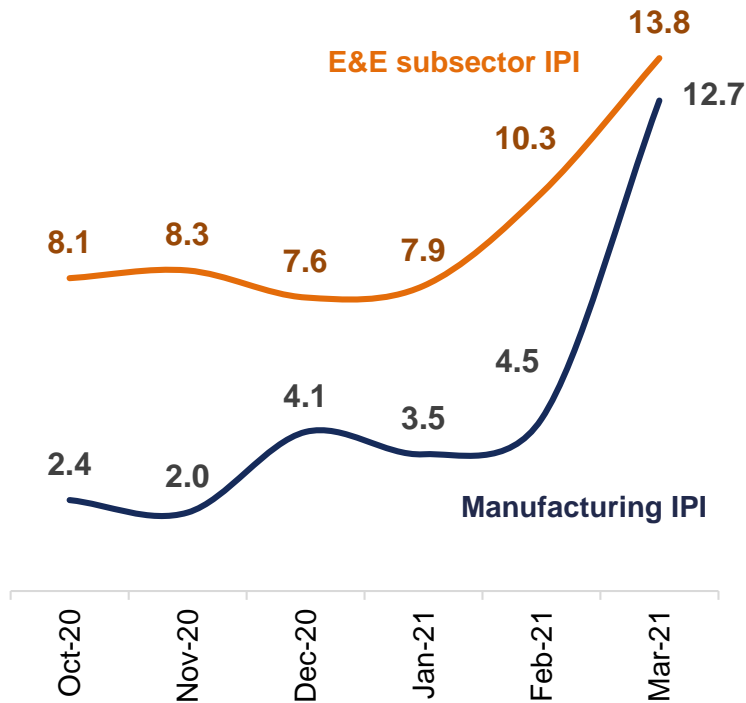
* Share of 2020 Malaysia's exports

Source: International Monetary Fund, World Semiconductor Trade Statistics, IC Insights, Department of Statistics Malaysia

Stronger production activity in the manufacturing industry

Higher overall manufacturing production, driven by the E&E subsector

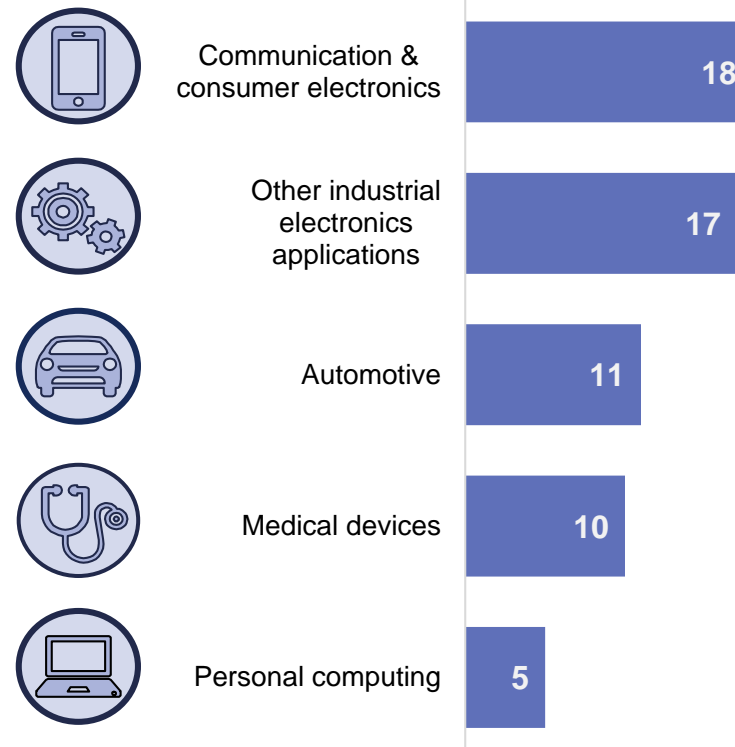
Industrial production index (IPI)
%yoy



Source: Department of Statistics Malaysia

Malaysia's E&E subsector is plugged into key products* in the global value chain

E&E products made in Malaysia
% breakdown

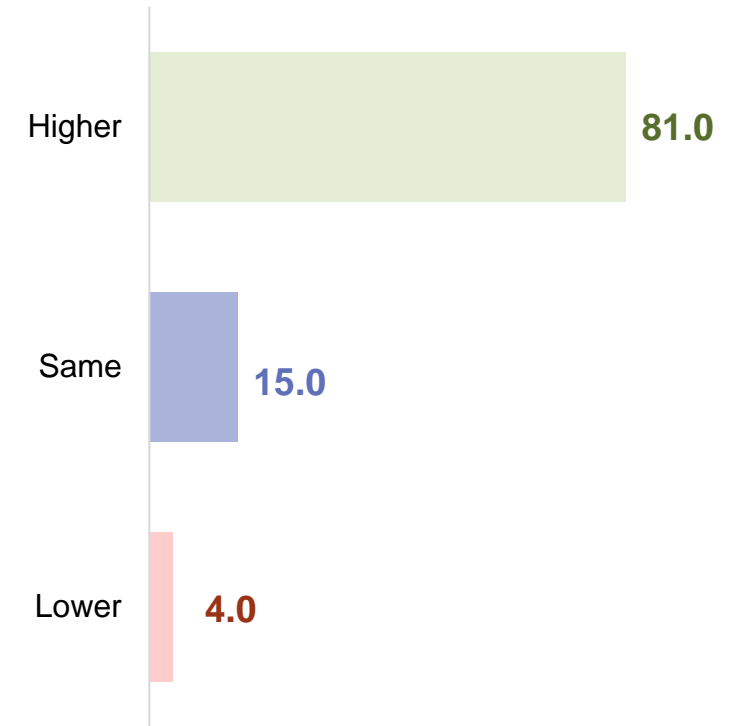


* Non-exhaustive list

Source: AMCHAM survey

Survey: Demand for E&E products to remain robust throughout 2021

E&E exports outlook for 2H 2021 versus 2H 2020
% of respondents



Note: Survey of major E&E firms in Malaysia in March – April 2021

Source: BNM RES

Similar MCO 2.0 and 3.0 restrictions allow most economic activity to continue

	MCO 2.0	MCO 3.0
Economic activity	<p>Most economic sectors allowed to operate with the exception of*:</p> <ul style="list-style-type: none"> • Spas, reflexology and gyms • Classes (e.g. tuition, music, dance) • Pubs and nightclubs • Theme parks, karaoke and cinemas 	<p>Most economic sectors allowed to operate with the exception of*:</p> <ul style="list-style-type: none"> • Spas, reflexology and massage centres • Sports facilities (e.g. gyms) • Pubs and nightclubs • Theme parks, karaoke and cinemas
Labour restrictions	30% capacity for managerial and supervisory positions	
Movement restrictions	Interstate and interdistrict travel prohibited with limits of 2 passengers per car	Interstate and interdistrict travel prohibited with limits of 3 passengers per car
Operating hours	<ul style="list-style-type: none"> • Restaurants and food stalls: 6am – 8pm • Convenience stores and pharmacies: 6am – 8pm 	<ul style="list-style-type: none"> • Restaurants and food stalls: 6am – 10pm • Convenience stores: 6am – 12am • Pharmacies: 6am – 10pm
Dine-ins	Prohibited	
Social activities (weddings, reunions, <i>kenduri</i>)	Prohibited	

* The list of prohibited activities is not exhaustive.

Note: Available information as at 10 May 2021.

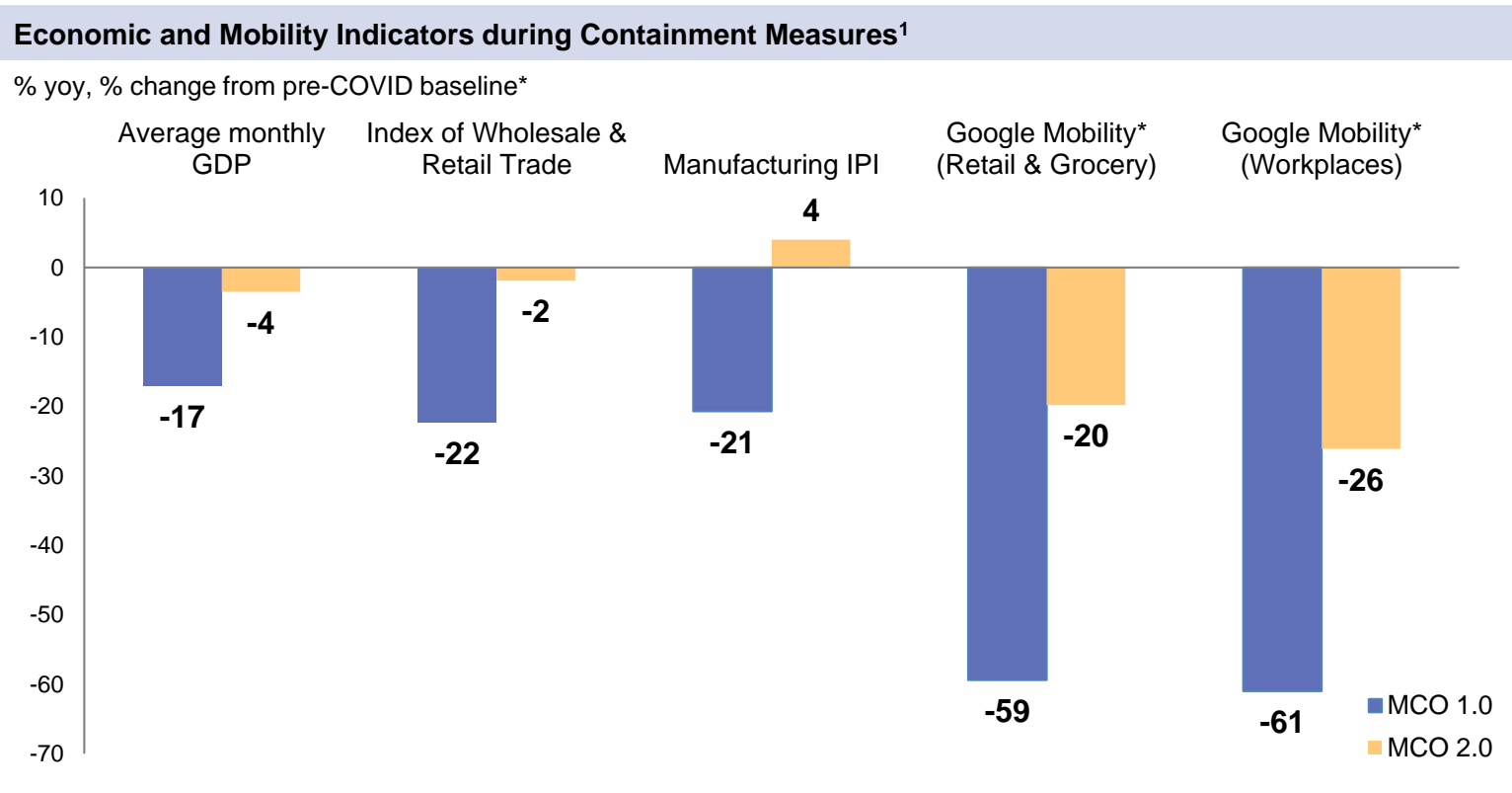
Source: MKN



Most economic activity allowed to continue during MCO 3.0, similar with MCO 2.0

Actual data indicates impact due to imposition of MCO 2.0 was much less significant compared to the MCO 1.0 in 2020

Similar factors are in place in MCO 3.0 to cushion the impact to economic activities



Most economic sectors allowed to operate, subject to SOPs



The nation is more accustomed to SOPs



Continued economic activities through online platforms

¹ MCO 2.0 data for GDP, IOWRT and Manufacturing IPI refers to the Jan-Feb 2021 average, and 13 Jan – 4 Mar 2021 for Google Mobility. MCO 1.0 data for GDP, IOWRT and Manufacturing IPI refers to the Mar-Apr 2020 average, and 18 Mar – 3 May 2020 for Google Mobility

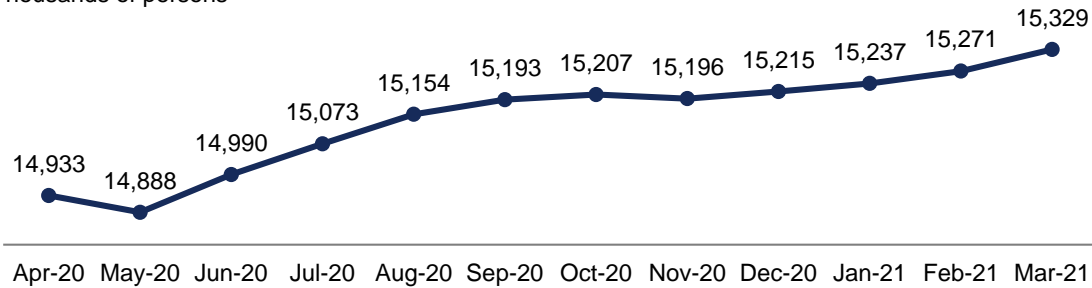
Source: Department of Statistics Malaysia, Google Mobility Community Reports

Early signs of recovery in the labour market despite imposition of containment measures

Employment and unemployment rate improved despite temporary disruption caused by MCO 2.0 in Jan-21

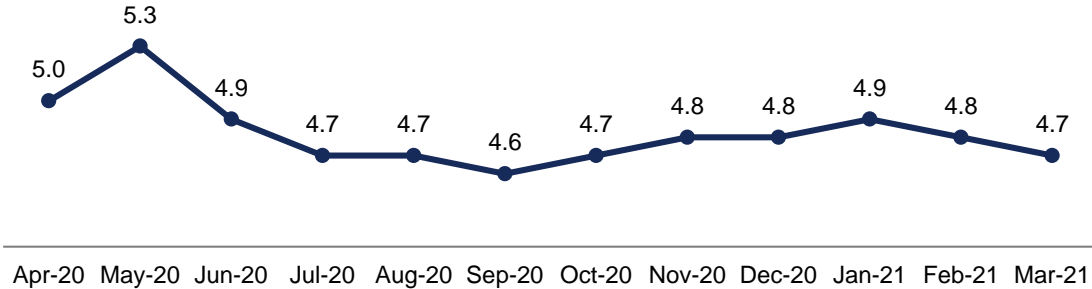
Employment levels

Thousands of persons



Unemployment rate

Share of labour force (%)

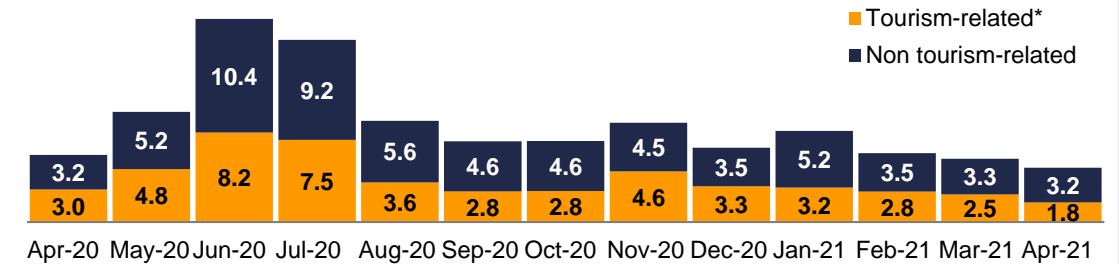


Source: Department of Statistics Malaysia

Continued decline in jobless claims and increase in job placement rate indicate better employment conditions

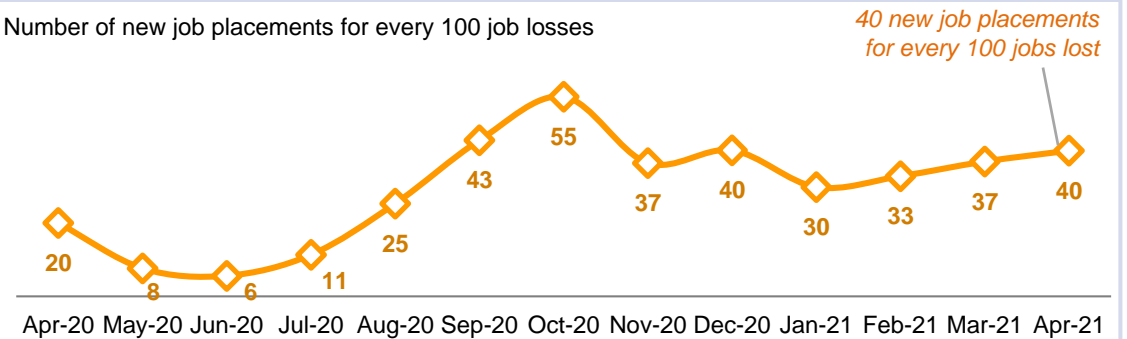
Jobless claims

Thousands of persons



Placement rates

Number of new job placements for every 100 job losses



* Tourism-related industries include wholesale retail, administrative and support services, accommodation and F&B, transportation and storage, entertainment and recreation

Source: Employment Insurance System, Social Security Organisation

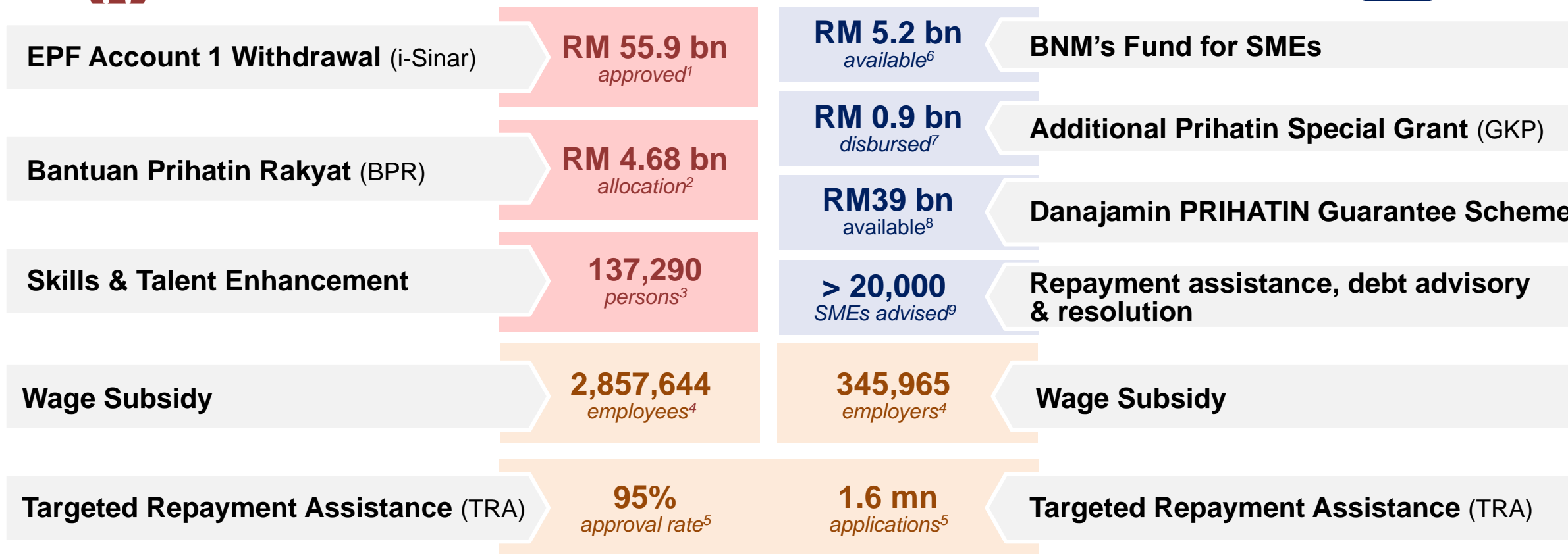
Targeted policy support remains in place for affected segments to alleviate the economic impact of the pandemic

Fiscal and financial measures mainly benefitting households and businesses in 2021



Households

Businesses



¹ As at 16 April 2021 (Source: 52nd LAKSANA report)

² As at 4 May 2021 (Source: 52nd LAKSANA report)

³ Cumulative up to end-March 2021 (Source: 48th LAKSANA report)

⁴ Total beneficiaries and applications as at 30 April 2021 (Source: EIS, SOCSO)

⁵ From 7 August 2020 to 26 March 2021 (Source: BNM)

⁶ As at 23 April (Source: BNM)

⁷ As at February 2021 (Source: 52nd LAKSANA report)

⁸ As at 6 May 2021 (Source: Danajamin)

⁹ Since inception in 2019

Investment activity will be supported by key strategic projects

2021 and beyond: Continued capital spending in major infrastructure projects and investment intentions by the private sector

Key infrastructure projects

Progress based on work done

Recent announcements by MNCs to invest in Malaysia

ECRL

- RM50.0 billion
- Duration: 2018-2027

21%

MRT2

- RM30.5 billion
- Duration: 2016-2023

89%

LRT3

- RM16.6 billion
- Duration: 2018-2024

51%



MyDigital (e.g. RM21 billion under JENDELA)

- RM70.0 billion
- Duration: 2021-2030

Services: Digital-related sector

- **Microsoft:** US\$1 billion investment over the next five years in Malaysia to set up data centres (*The Edge, 19 Apr 2021*)



Manufacturing: E&E

- **Infineon Technologies:** RM3.25 billion investment in the country over a span of 10 years until 2029. (*NST, 19 Sep 2020*)
- **Western Digital:** Higher investments by RM2.3 billion to upgrade the hard disc drive manufacturer's production capacity. (*Channel News Asia, 5 Nov 2020*)



Manufacturing: Resource-based

- **SK Nexilis:** RM2.3 billion investment to set up its first overseas production base in Malaysia. (*The Star, 26 Jan 2021*)



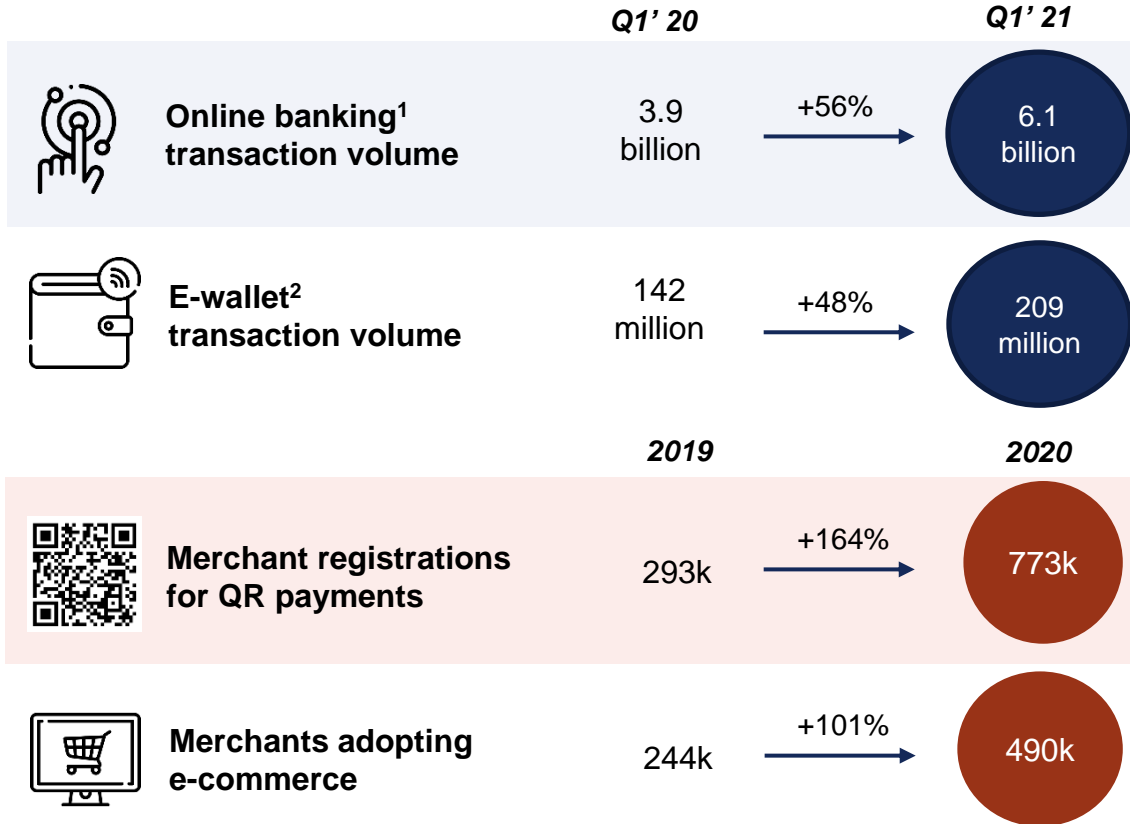
Source: Newsflows



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Digitalisation continues to gain traction to support the growth of the digital economy

Greater adoption of digital solutions by individuals and businesses...



Source: Bank Negara Malaysia, Malaysia Digital Economy Corporation





¹ Financial and non-financial transactions

² Network-based e-money

³ Non-exhaustive

⁴ Investment Promotion Agencies

...with roll-out of strategic initiatives to catalyse the nation's digitalisation agenda³

	Malaysia Digital Economy Blueprint	<ul style="list-style-type: none"> A strategic roadmap of policy priorities and initiatives to advance the nation's digital economy
	Jalinan Digital Negara	<ul style="list-style-type: none"> Upgrades to fixed and mobile broadband on track and exceeded quarterly targets 5G planning and implementation to begin in 2021 instead of 2023 previously
	National E-Commerce Strategic Roadmap 2.0	<ul style="list-style-type: none"> Targets 875k MSMEs adopting e-commerce and 84k SMEs exporting overseas by 2025 (2020: 490k, 27k)
	Digital Investment Office	<ul style="list-style-type: none"> Fully-digital platform to strengthen coordination across all IPAs⁴ Facilitate digital investments to position Malaysia as a Digital Hub for ASEAN

Source: Economic Planning Unit, Malaysian Communications and Multimedia Commission, Malaysia Digital Economy Corporation

Risk to 2021 growth remains tilted to the downside, arising primarily from pandemic-related challenges

Upside risks

- ▲ Higher-than-expected **global growth**
- ▲ Higher-than-expected production from **existing and new manufacturing facilities**
- ▲ Stronger-than-expected impact from **policy support**

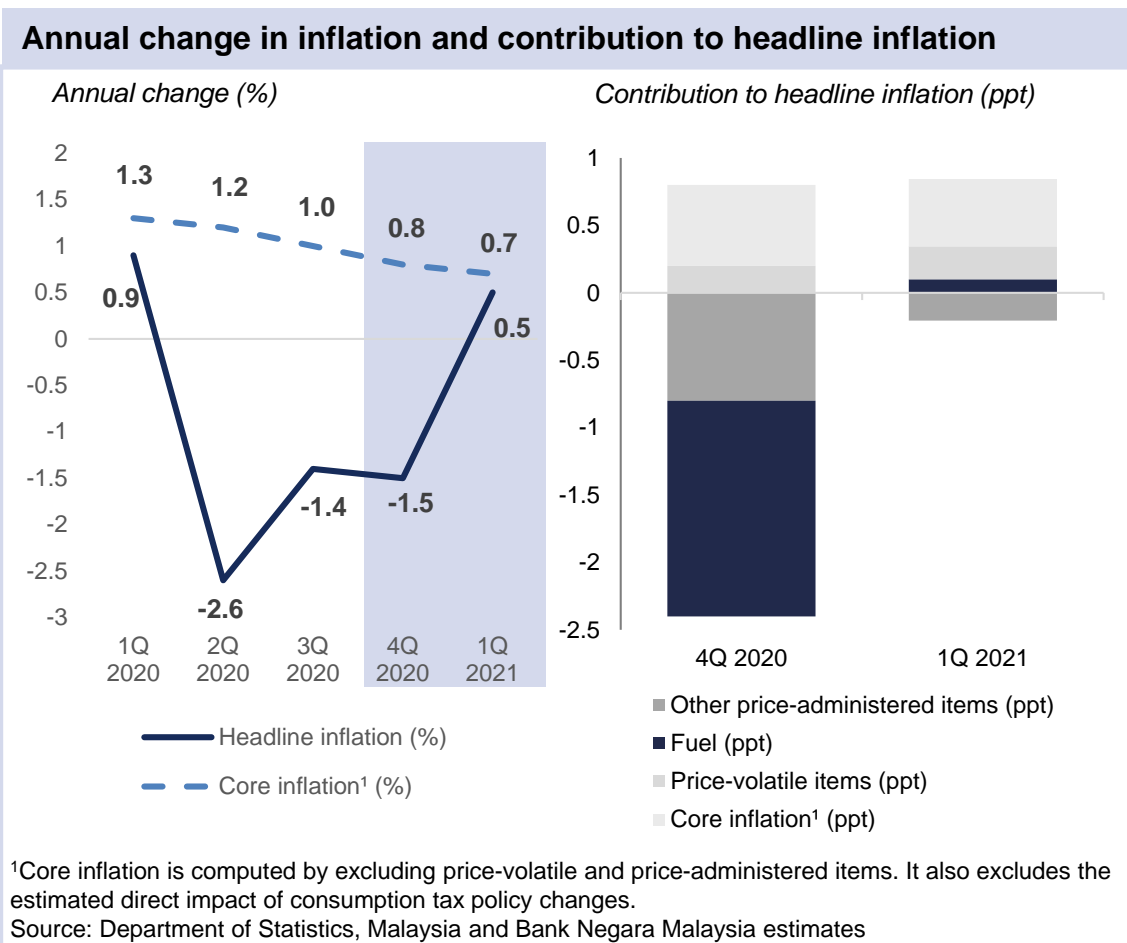
- ▼ Escalation in COVID-19 cases leading to stricter **containment measures** globally and domestically
- ▼ Slower-than-expected rollout of **vaccines**
- ▼ Uncertainty arising from **global oil and commodity** price developments
- ▼ Slower-than-expected progress of **major infrastructure projects**
- ▼ Greater **financial market volatility**

Downside risks

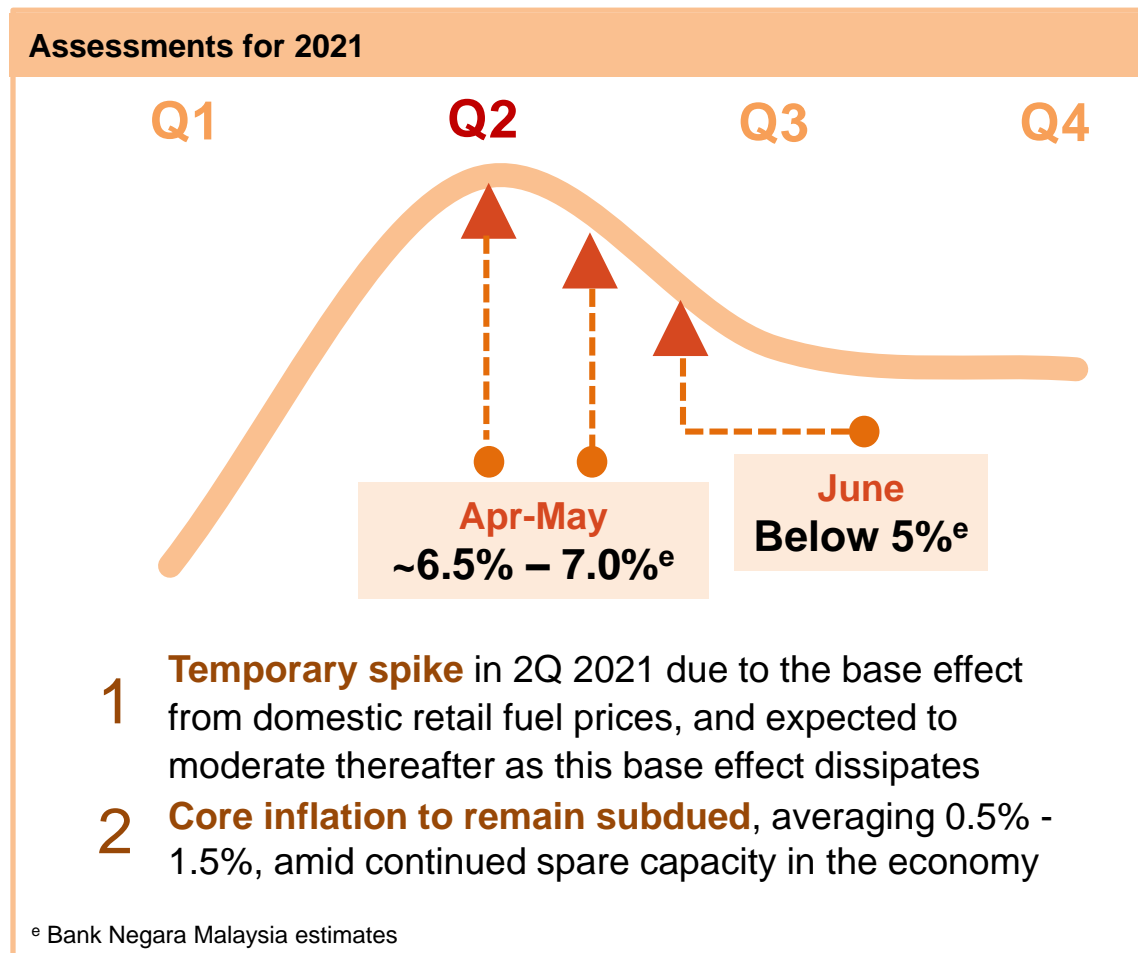


Headline inflation turned positive in 1Q 2021 and is expected to average 2.5% – 4.0% for the year

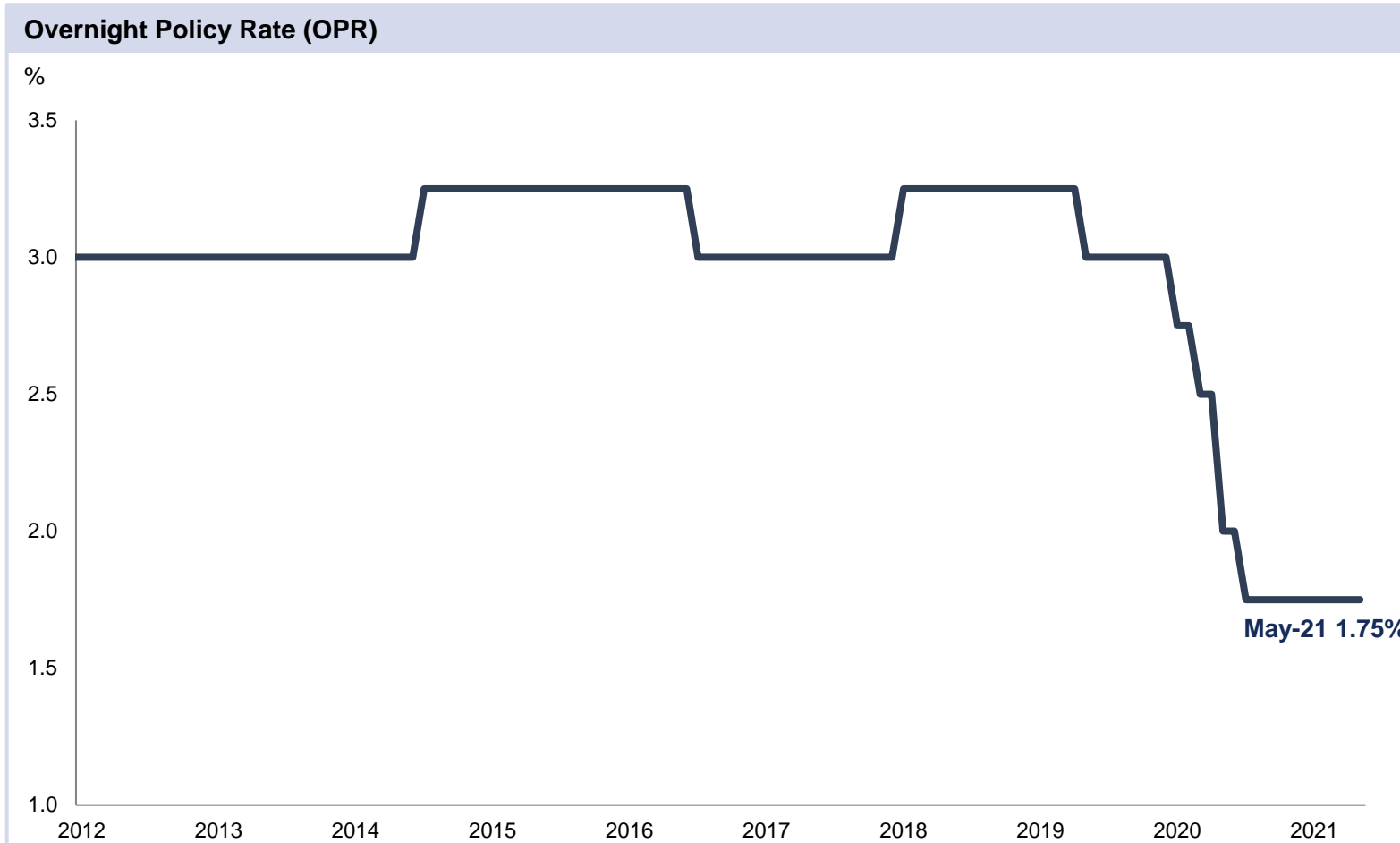
Headline inflation increased to 0.5% in 1Q 2021, mainly due to base effect from fuel prices and lapse in impact from electricity tariff rebates



Higher headline inflation in 2021 due to the cost-push factor of higher global oil prices, while core inflation to remain subdued



Monetary policy remains accommodative

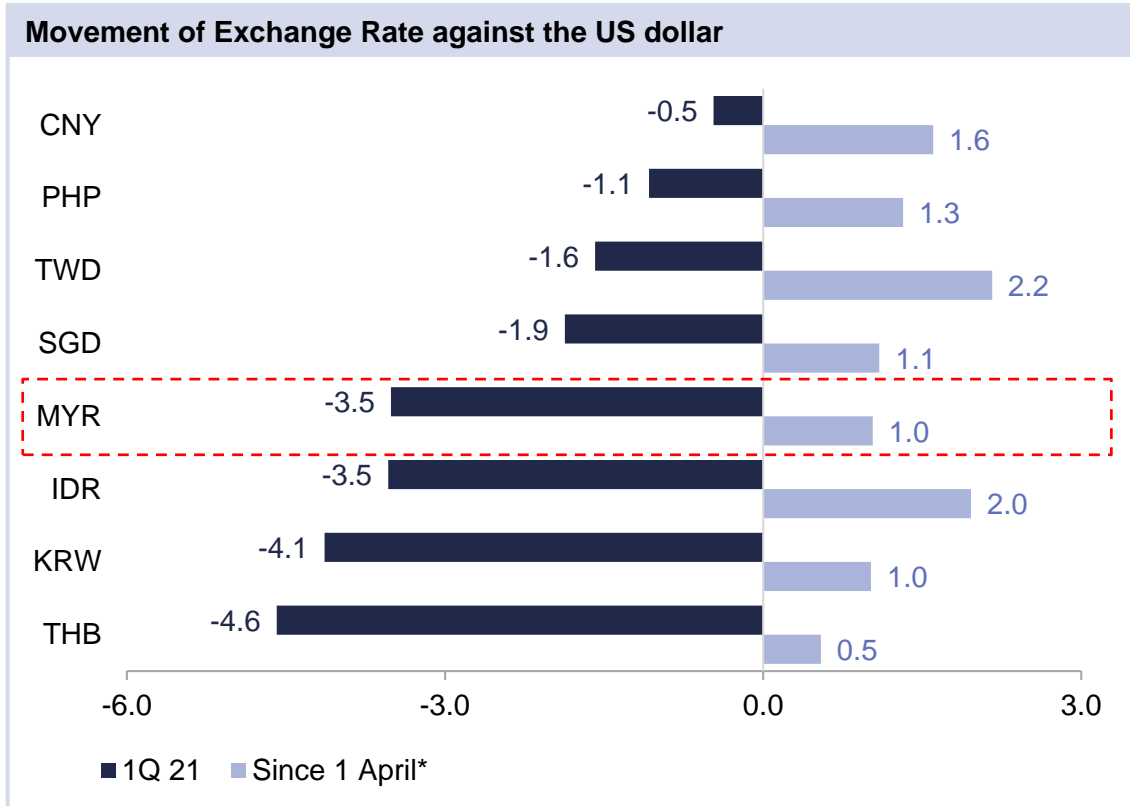


- Overnight Policy Rate (OPR) was maintained at 1.75% at the May MPC meeting
- Monetary policy in 2021 will remain accommodative to support the economic recovery, while ensuring price pressures remain manageable. The Bank also remains vigilant against a build-up of financial imbalances
- Given ongoing uncertainties surrounding pandemic, monetary policy going forward will continue to be determined by new data and information

Source: Bank Negara Malaysia

Domestic financial markets were affected by external and domestic factors

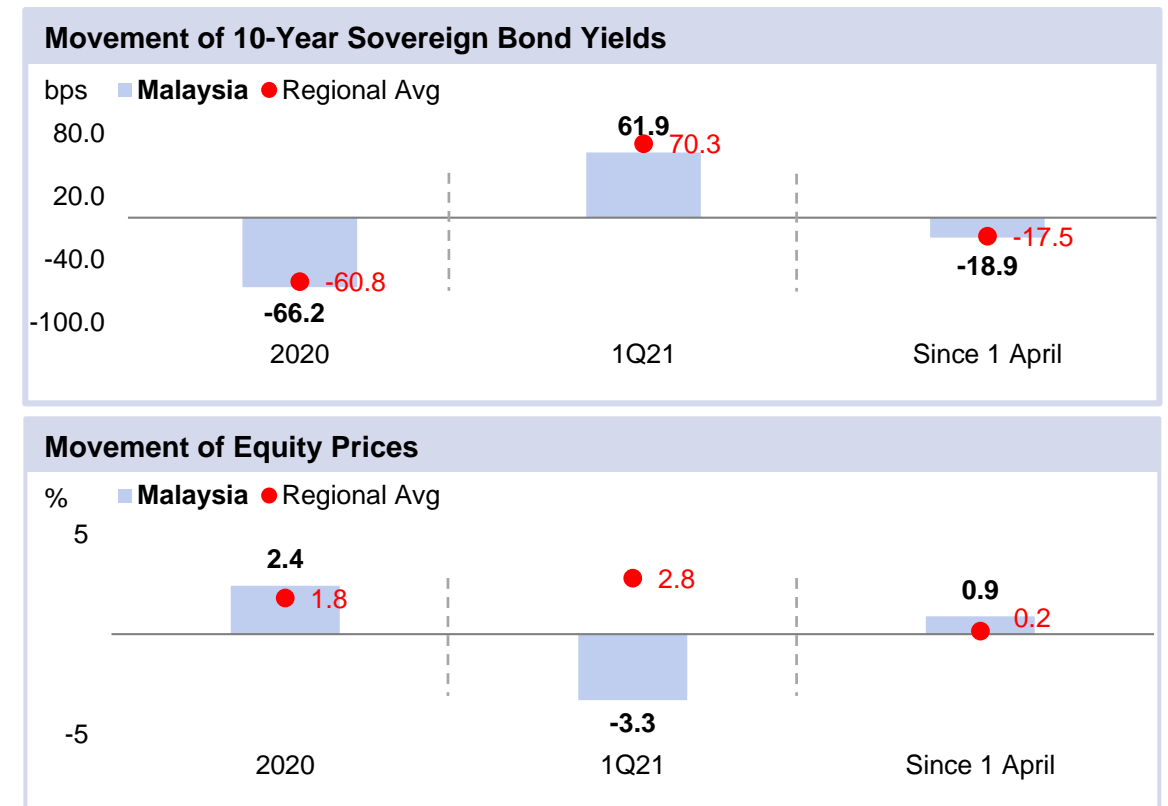
Broad USD strengthening amid the rise in US Treasury yields



*Change in exchange rate against the US dollar from 1 April to 7 May 2021

Source: Bank Negara Malaysia, Reuters

MGS yields increased amid the rise in US Treasury yields, while equities declined due mainly to domestic uncertainties surrounding COVID-19 developments

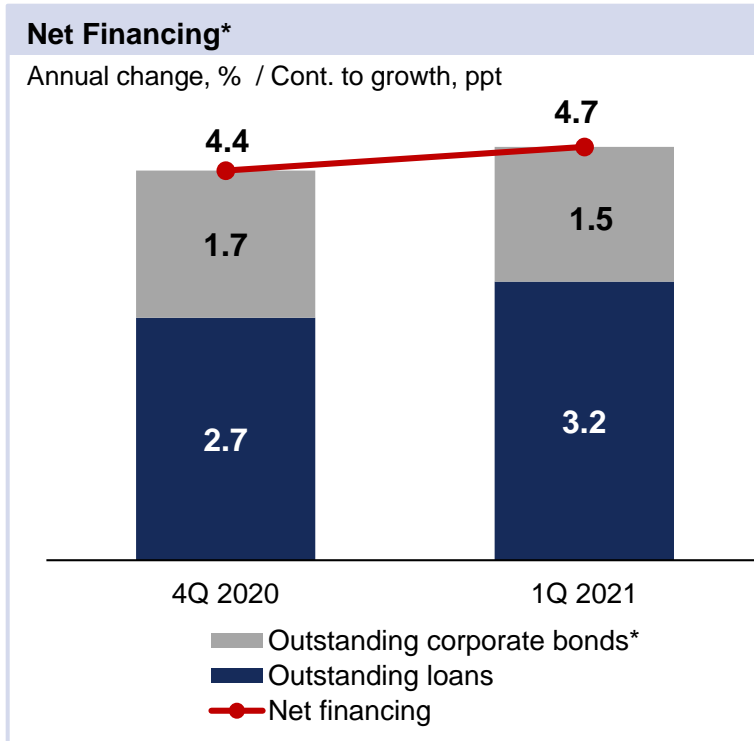


*Regional countries include Indonesia, the Philippines, PR China, Singapore, South Korea and Thailand. YTD as at 7 May 2021.

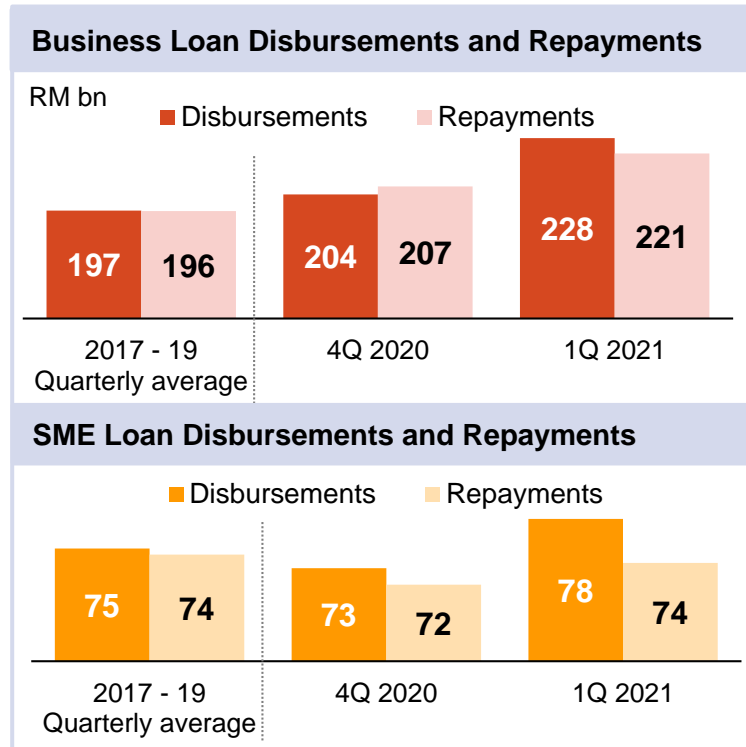
Source: Bank Negara Malaysia, Bloomberg

Continued expansion in net financing

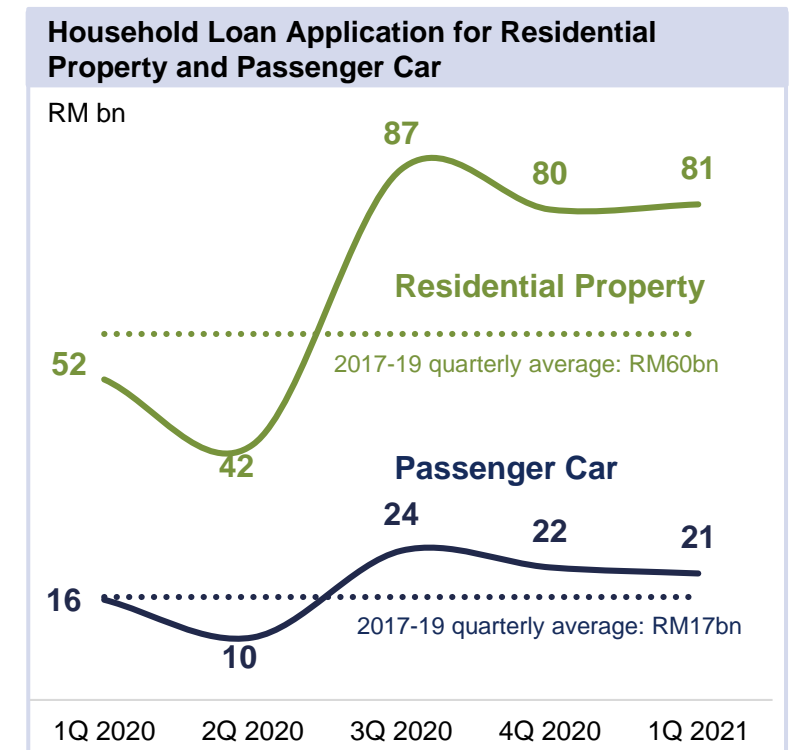
Net financing expanded by 4.7% during the quarter, supported mainly by loans



Higher business loan disbursements and repayments, including in the SME segment



Demand for household loan demand remained forthcoming

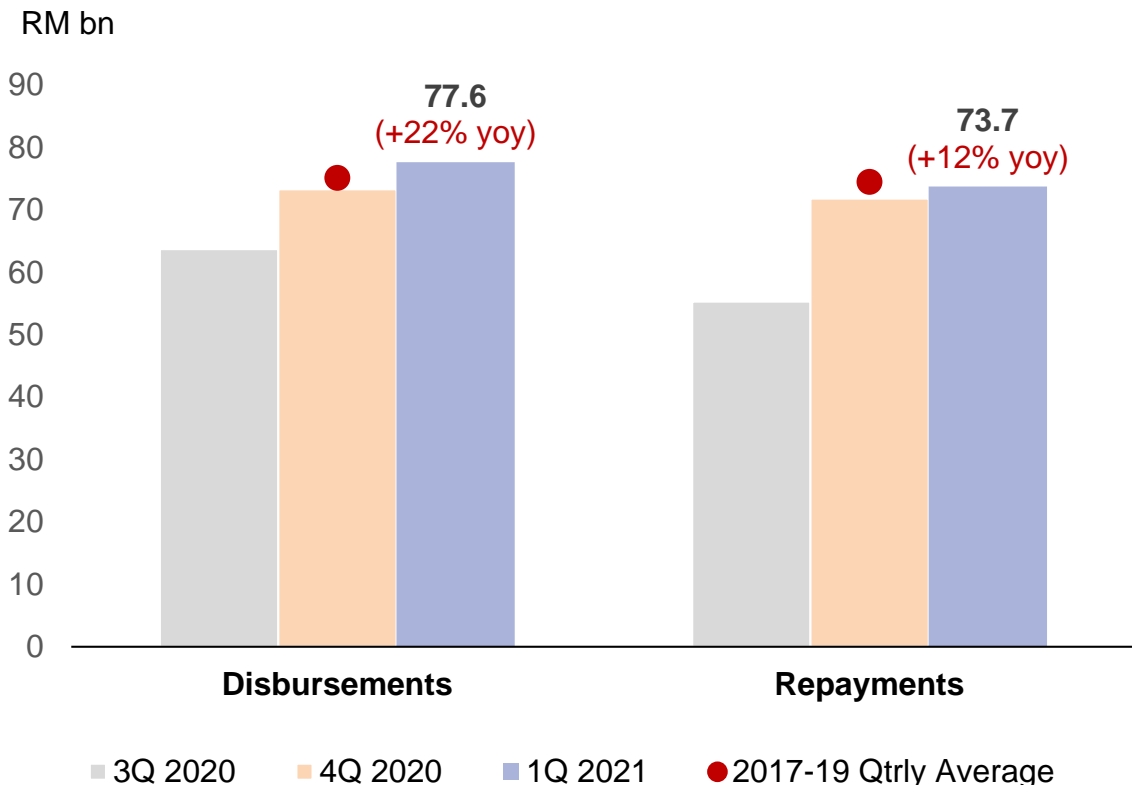


Note: Data refers to loans from banking system and development financial institutions (DFIs), *Excludes issuances by Cagamas and non-residents
 Numbers may not add up due to rounding
 Source: Bank Negara Malaysia

Financing to SME expanded by 10%¹, complemented by other schemes and a supportive financing ecosystem

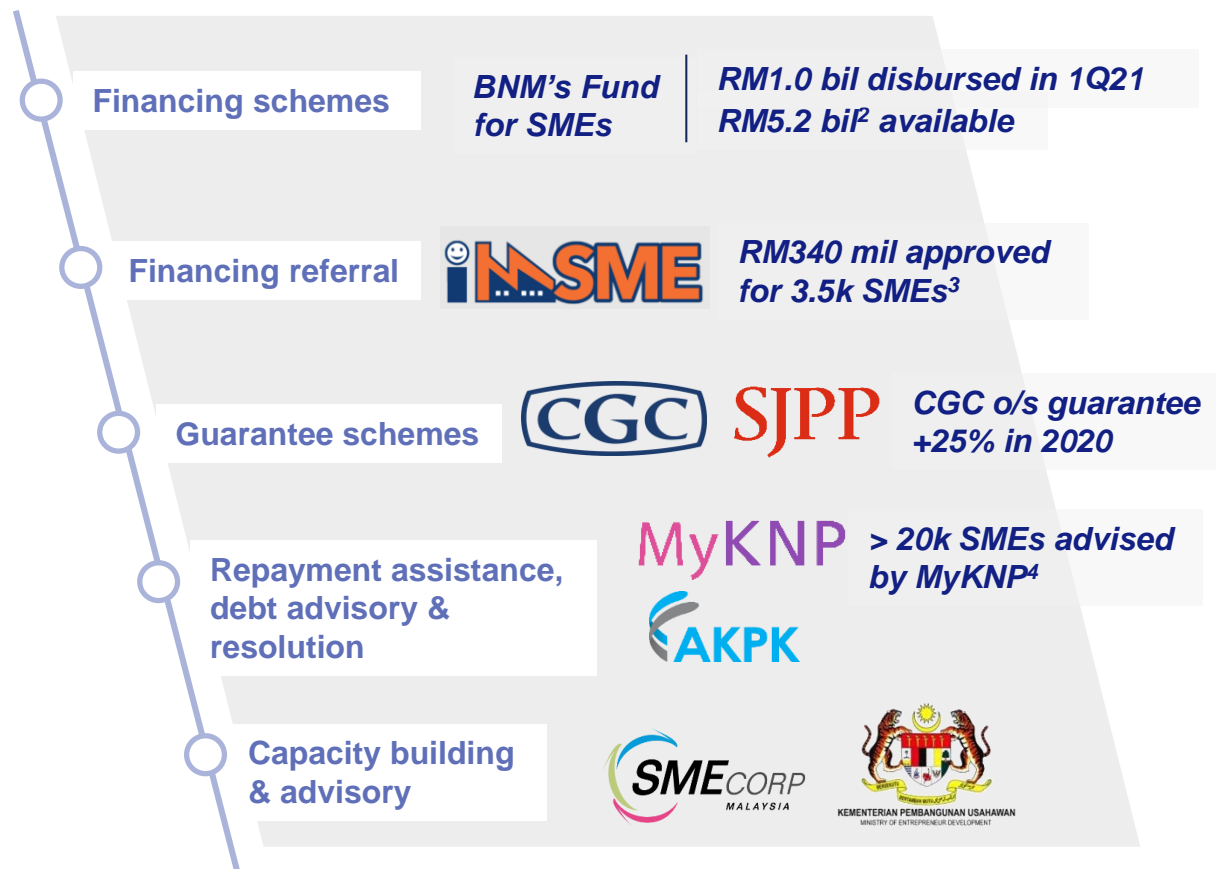
SME financing disbursements remained conducive in 1Q 2021, with steady repayments

SME Financing Indicators



¹ Refers to the annual growth of outstanding loans in 1Q 2021
 Note: Banking system and development financial institutions (DFI)
 Source: Bank Negara Malaysia

Comprehensive financing ecosystem will continue to provide support to SMEs in all economic sectors



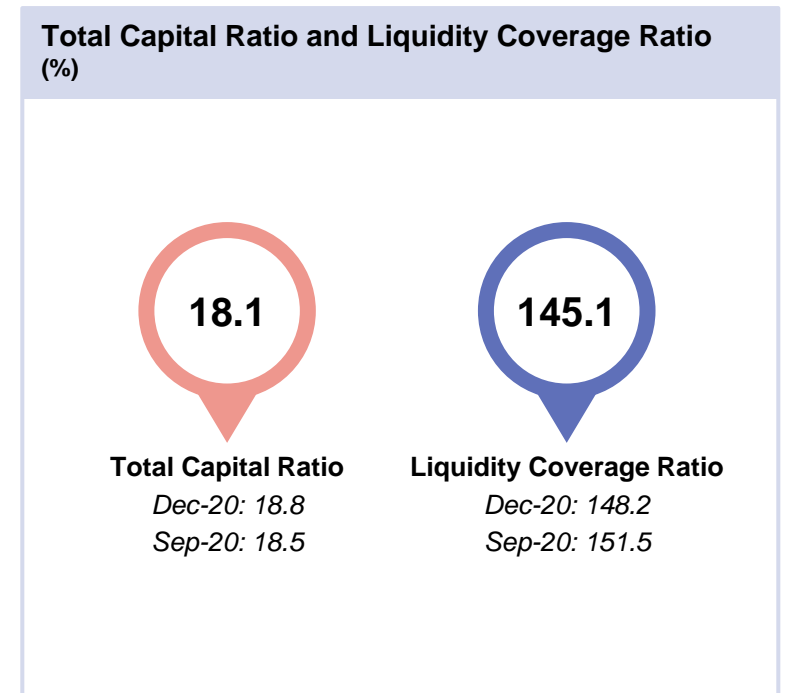
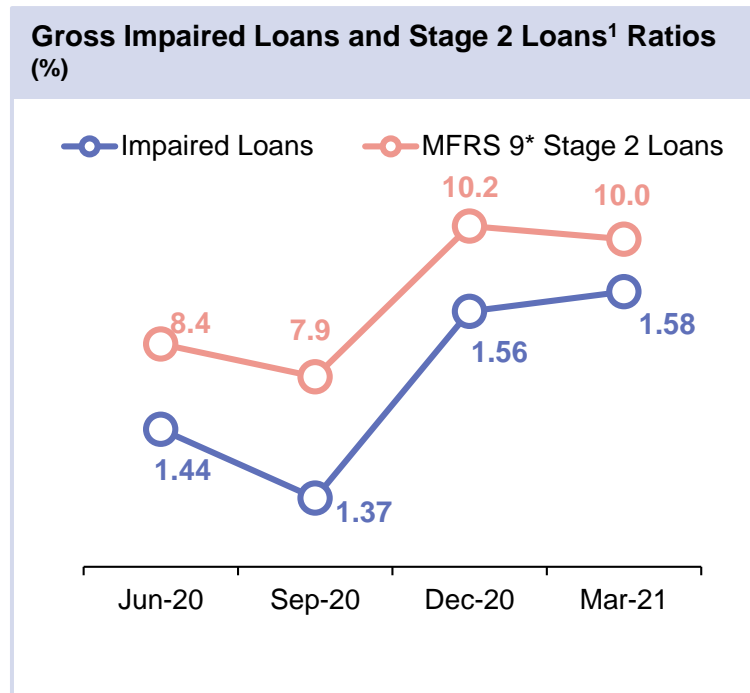
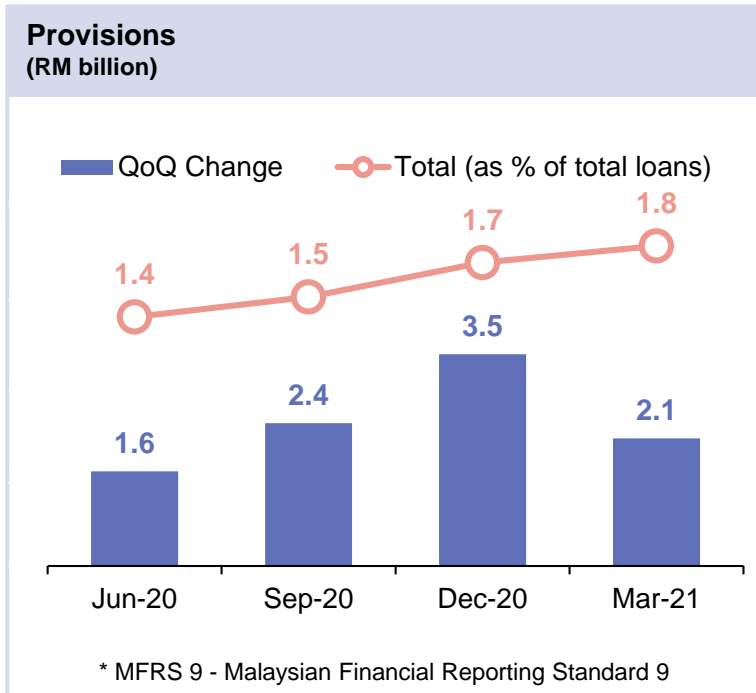
² As at 28 April 2021
³ Since inception in 2018
⁴ Since inception in 2019

Banking system remains resilient and well-positioned to support ongoing economic recovery

Banks continue to build up loan loss provisions albeit at a slower pace...

...amid higher impairments and elevated loans with increased credit risk...

Healthy capital and liquidity buffers will continue to support financial intermediation activities



Note:
 1. Refers to loans that have exhibited deterioration in credit risk, for which banks are required to set aside provisions based on lifetime expected losses
 Source: Bank Negara Malaysia

In a nutshell...

● Malaysia's GDP recorded **better growth** in 1Q 2021, with a smaller decline of 0.5%

● **Strong external demand** to provide main support to growth, amidst improving domestic conditions

● Most economic activity **allowed to continue** during MCO 3.0, similar with MCO 2.0

● **Targeted policy support and continuation of large public projects** to mitigate impact of re-imposition of containment measures

● Malaysia remains on track to **register growth within the range of 6.0 – 7.5%** for 2021



End of Presentation



Additional Information



Malaysian GDP growth improved to -0.5% in 1Q 2021

Annual change in GDP growth by component

Real GDP (% YoY)	Share ¹ % (2020)	2020		2021
		1Q	4Q	1Q
Services	57.7	3.1	-4.8	-2.3
Manufacturing	22.9	1.4	3.0	6.6
Agriculture	7.4	-8.6	-1.0	0.4
Mining and Quarrying	6.8	-2.9	-10.4	-5.0
Construction	4.0	-7.9	-13.9	-10.4
Real GDP	100.0	0.7	-3.4	-0.5

Real GDP (% YoY)	Share, % (2020)	2020		2021
		1Q	4Q	1Q
Domestic demand (excluding stocks)	93.8	3.7	-4.5	-1.0
Private Sector	75.1	4.9	-4.0	-0.9
Consumption	59.5	6.7	-3.5	-1.5
Investment	15.7	-1.1	-6.6	1.3
Public Sector	18.6	-1.8	-5.7	-1.5
Consumption	13.4	4.9	2.4	5.9
Investment	5.2	-14.4	-20.4	-18.6
Net exports of goods and services	6.5	-36.8	10.0	0.8
Exports	61.5	-7.2	-2.1	11.9
Imports	55.0	-2.7	-3.3	13.0
Change in stocks, RM bn	-0.3	-3.0	-0.9	-1.6
Real GDP	100.0	0.7	-3.4	-0.5

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

Source: Department of Statistics Malaysia

Malaysian GDP growth improved to -0.5% in 1Q 2021

Percentage point contribution to GDP growth by component

Real GDP (Ppt contribution, %)	Share ¹ % (2020)	2020		2021
		1Q	4Q	1Q
Services	57.7	1.8	-2.8	-1.3
Manufacturing	22.9	0.3	0.7	1.5
Agriculture	7.4	-0.6	-0.1	0.0
Mining and Quarrying	6.8	-0.2	-0.7	-0.4
Construction	4.0	-0.4	-0.6	-0.5
Real GDP	100.0	0.7	-3.4	-0.5

Real GDP (Ppt contribution, %)	Share, % (2020)	2020		2021
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Private Sector	75.1	3.7	-2.9	-0.7
Consumption	59.5	3.9	-2.0	-0.9
Investment	15.7	-0.2	-0.9	0.2
Public Sector	18.6	-0.3	-1.3	-0.2
Consumption	13.4	0.6	0.4	0.7
Investment	5.2	-0.9	-1.7	-0.9
Net exports of goods and services	6.5	-3.2	0.6	0.0
Exports	61.5	-4.7	-1.3	7.2
Imports	55.0	-1.5	-1.9	7.1
Change in stocks	-0.3	0.5	0.2	0.4
Real GDP	100.0	0.7	-3.4	-0.5

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

Source: Department of Statistics Malaysia



Financial account registered a net inflow in 1Q 2021

This was driven by inflows in all major accounts

Financial Account by Component

RM billion	2019	2020		2021	
	Year	3Q	4Q	Year	1Q
Direct Investment	6.6	-2.2	1.6	2.8	1.4
<i>Direct Investment Abroad (DIA)*</i>	-25.8	-1.8	-5.2	-11.9	-7.8
<i>Foreign Direct Investment (FDI)*</i>	32.4	-0.3	6.8	14.6	9.1
Portfolio Investment	-32.4	-20.3	-7.1	-48.2	0.4
<i>Residents</i>	-46.9	-20.8	-19.9	-59.3	-14.2
<i>Non-residents</i>	14.5	0.5	12.8	11.1	14.6
Financial Derivatives	-0.5	-0.5	-0.9	0.4	0.3
Other Investment	-11.7	-8.1	-3.7	-31.1	13.9
Financial Account Balance	-38.0	-31.1	-10.2	-76.2	16.0



Higher FDI inflows amid larger DIA outflows



Turnaround in portfolio investment



Significant other investment inflows

*As per the IMF's BPM5 classifications (i.e. directional basis)

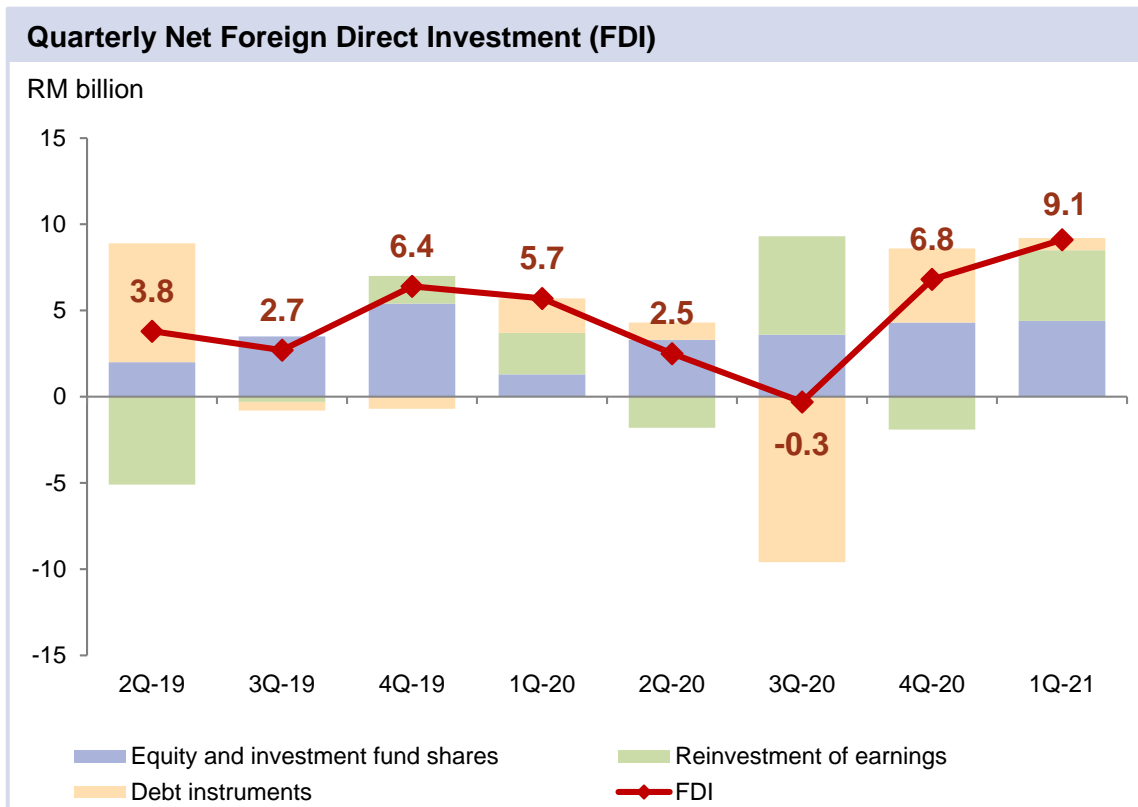
Note: Numbers may not add up due to rounding

Source: Department of Statistics Malaysia; and Bank Negara Malaysia



Higher FDI net inflows in 1Q 2021

This was driven by larger reinvestment of earnings and sustained equity injections into Malaysia



Larger reinvestment of earnings

+RM4.1 billion in 1Q-21 (4Q-20: -RM1.9 billion)



Continued equity injections

+RM4.4 billion in 1Q-21 (4Q-20: +RM4.3 billion)



Lower debt inflows

+RM0.7 billion in 1Q-21 (4Q-20: +RM4.3 billion)

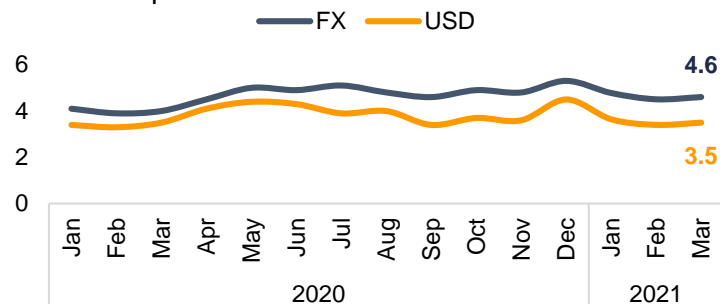
Source: Department of Statistics Malaysia, Bank Negara Malaysia



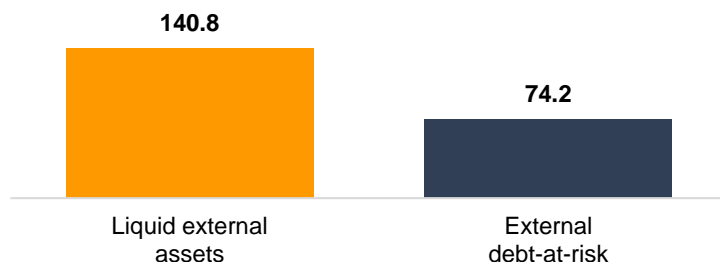
Malaysia's external debt remains manageable

Banks are resilient to face potential external shocks...

Banks' FX and USD Net Open Positions as Percentage of Capital
% of total capital

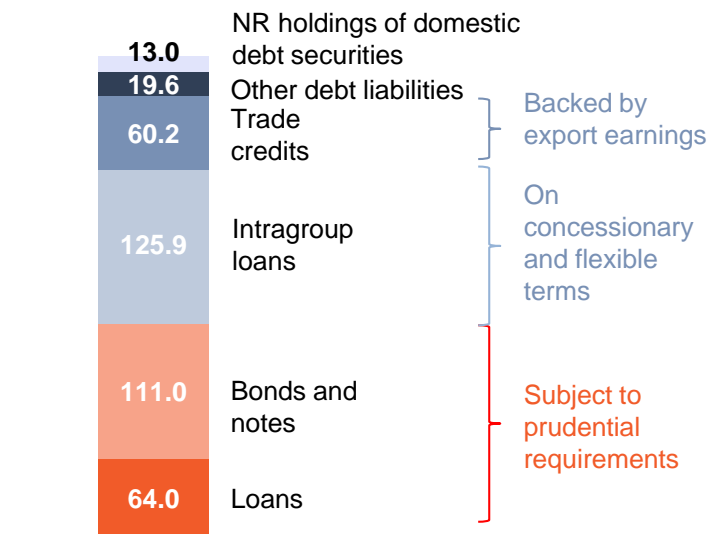


Banks' Liquid External Assets* and External Debt-at-Risk**
RM billion



...while corporates' external debt is mainly subject to prudential requirements

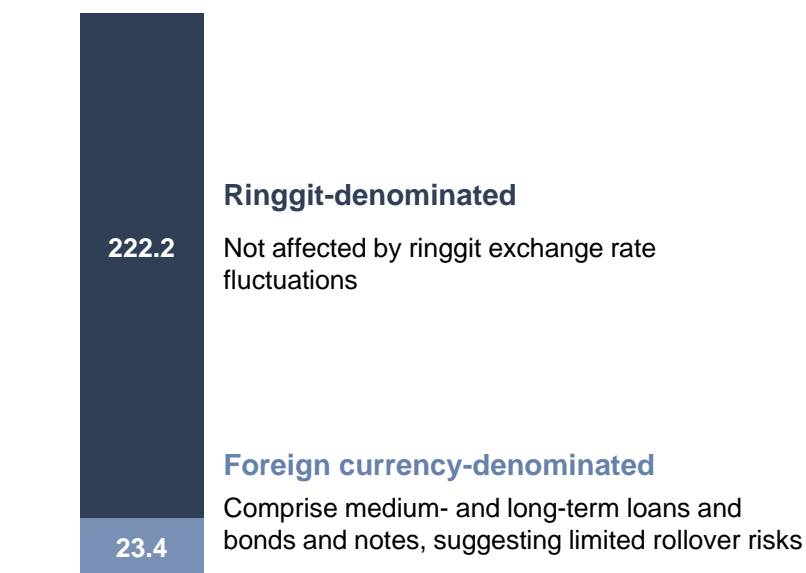
Corporate External Debt Breakdown by Instrument (as at end-1Q 2021)
RM billion



Total: RM393.8 billion

...and Government's external debt mainly in ringgit

Government External Debt Breakdown by Currency (as at end-1Q 2021)
RM billion



Total: RM245.6 billion

* Consist of currency and deposit placements, and portfolio investments

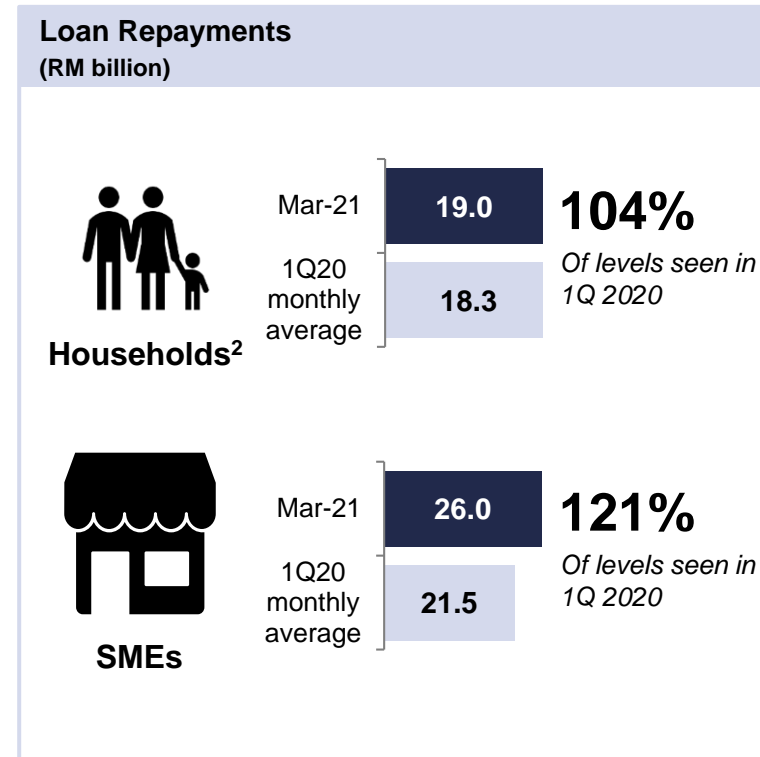
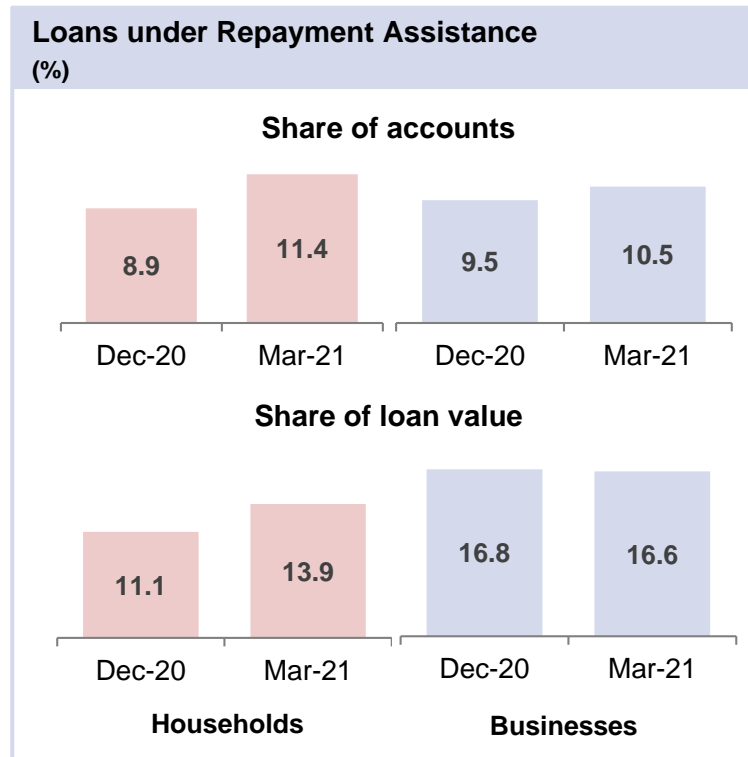
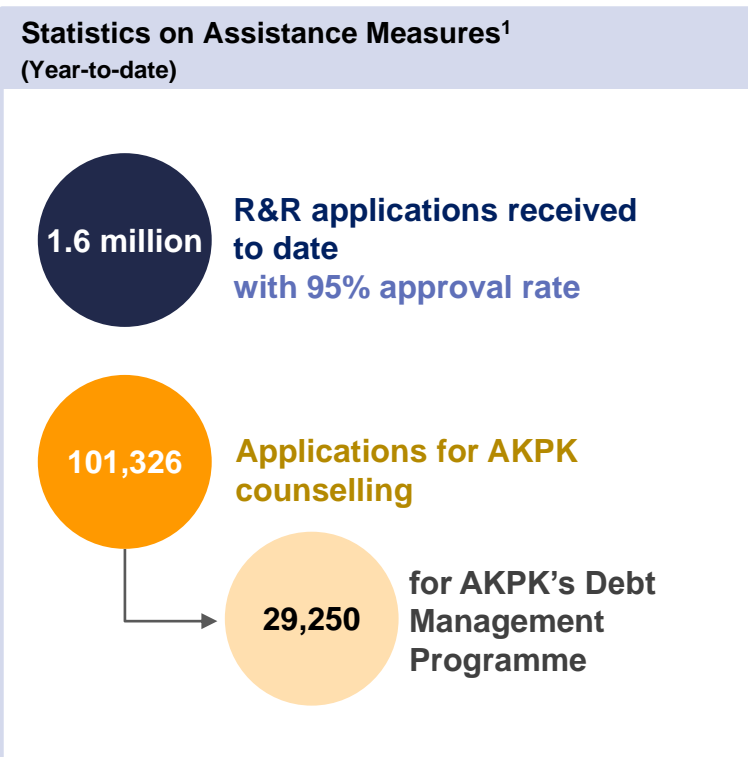
** Consist of short-term financial institutions' deposits, interbank borrowings and loans from unrelated counterparties

Source: Bank Negara Malaysia

Banks continue to extend support to borrowers in need of repayment assistance

While impact of MCO 2.0 is less severe, distressed borrowers continue to approach banks for repayment assistance albeit at a more moderate pace

Repayments remained close to 1Q 2020 levels, indicating most borrowers able to sustain resumption of payments



Note:

1. Data from April 2020 to 11 April 2021

2. Refers to individual repayments excluding credit cards

Source: Bank Negara Malaysia

