# Sidang Akhbar
# Prestasi Ekonomi Suku Keempat Tahun 2019

12 Feb 2020

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

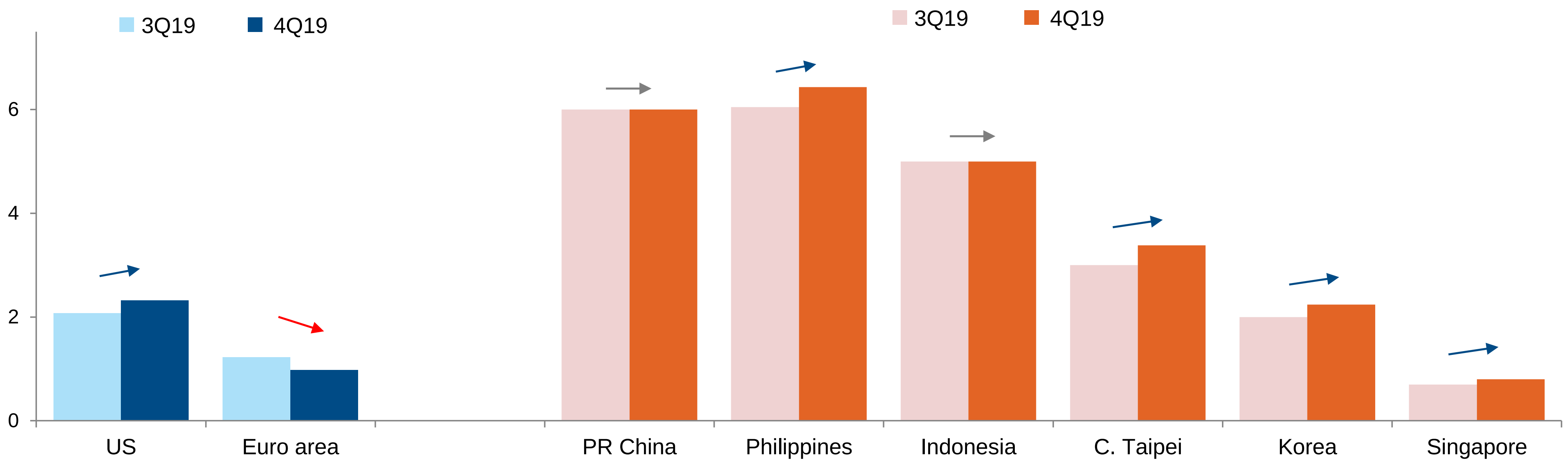
# Sidang akhbar akan meliputi

- Perkembangan ekonomi global dan serantau
- Prestasi ekonomi Malaysia pada suku keempat 2019
- Keadaan monetari dan kewangan

# Modest growth across most major and regional economies in 4Q19

**Advanced Economies**
*GDP, Annual change (%)*

**Regional Economies**
*GDP, Annual change (%)*




**Subdued domestic demand**

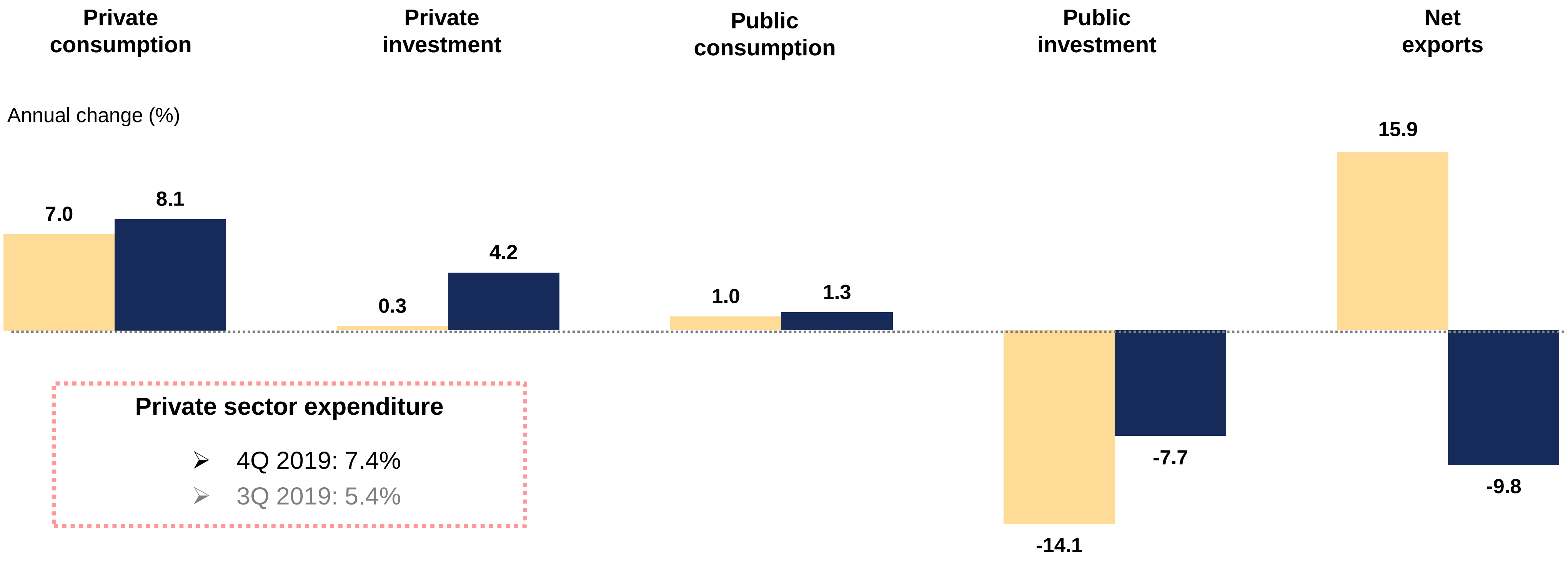
- Continued weak investment
- Labour market conditions supportive of private consumption
- Higher fiscal spending in the US

**Mild recovery in exports**

- Signs of recovery in exports
- Domestic demand supported by fiscal and monetary policy stimulus

Source: National authorities, Haver

# In 4Q 2019, Malaysia's growth was driven by stronger private sector activity




Higher spending on transport, restaurant and hotel, and recreational services

Improvement in investment in structures and machinery

Higher emoluments growth

Smaller contraction in investment by public corporations

Faster decline in exports relative to imports

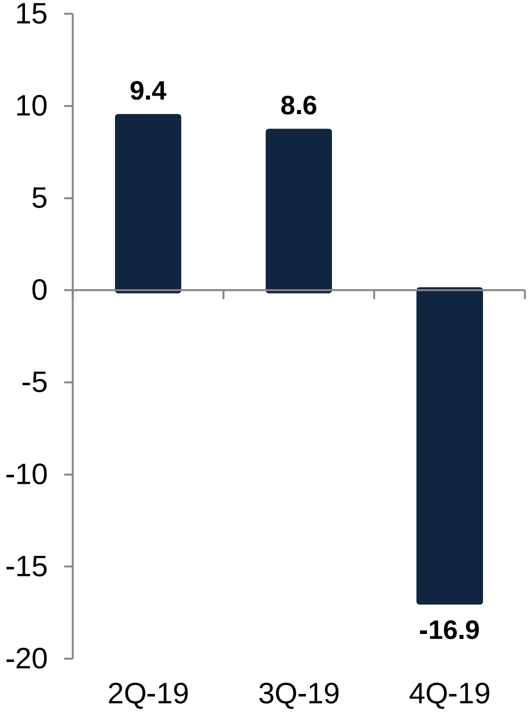
Source: Department of Statistics, Malaysia

# The domestic economy was affected by supply disruptions in the commodities sector during the quarter

**Sharp contraction in oil palm production**

**Oil Palm Production***

Annual change (%)

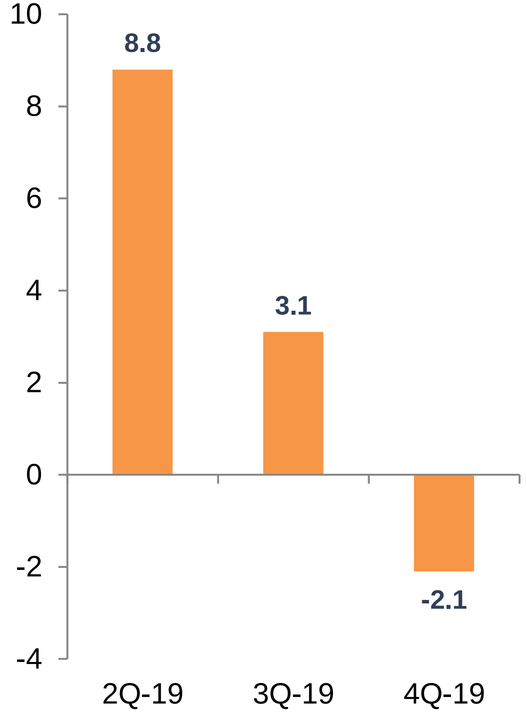



*Oil palm accounts for 39% share of agriculture sector
Source: MPOB

**Natural gas production declined**

**Natural Gas IPI***

Annual change (%)

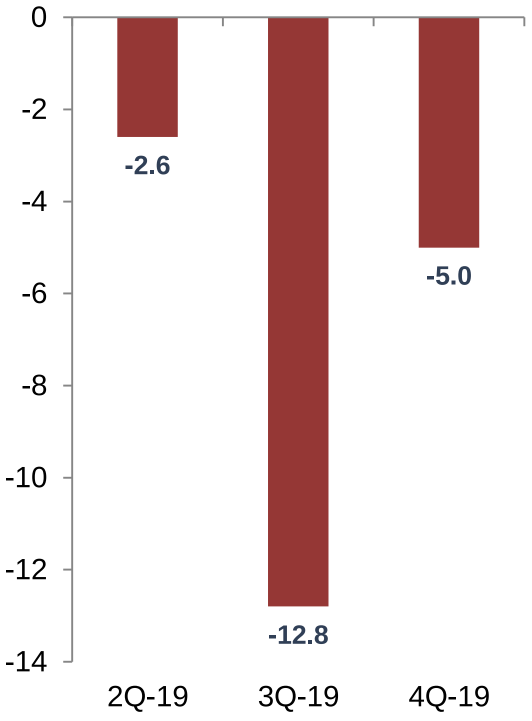



*Natural gas accounts for 48% share of mining sector
Source: Department of Statistics, Malaysia

**Crude oil output remained in contraction**

**Crude Oil IPI***

Annual change (%)

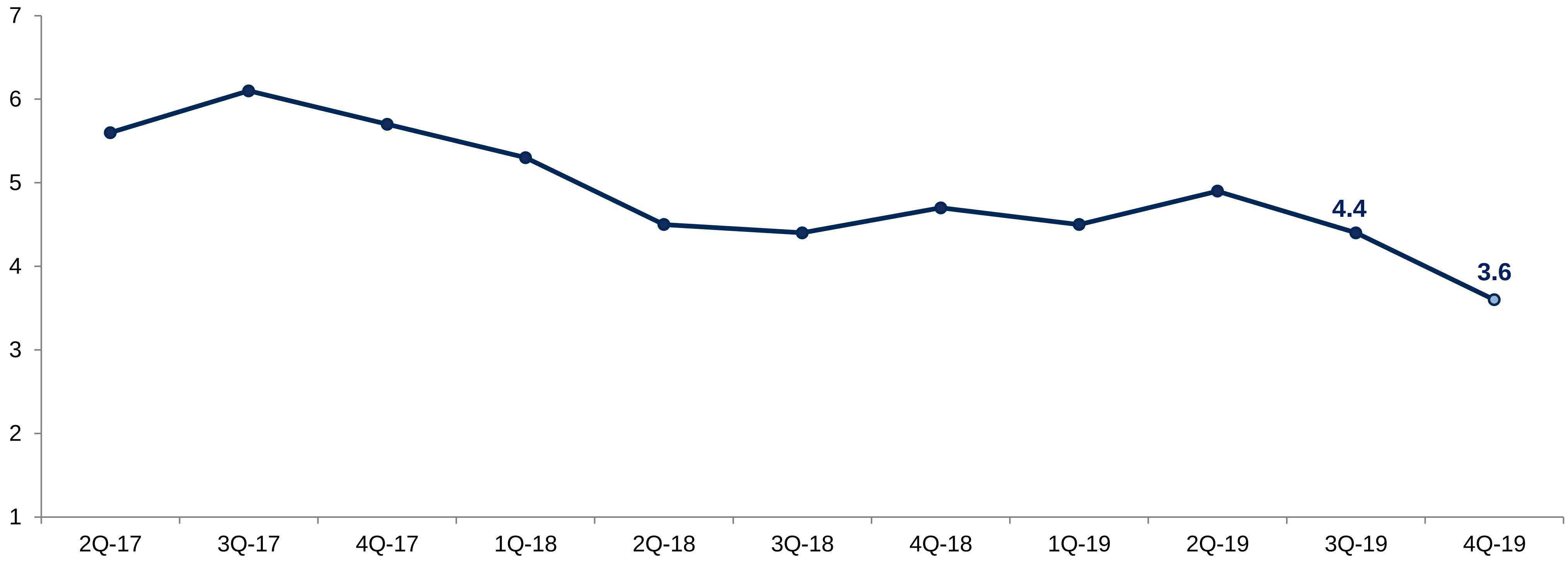



*Crude Oil account for 43% share of mining sector
Source: Department of Statistics, Malaysia

# The Malaysian economy expanded by 3.6% in the fourth quarter

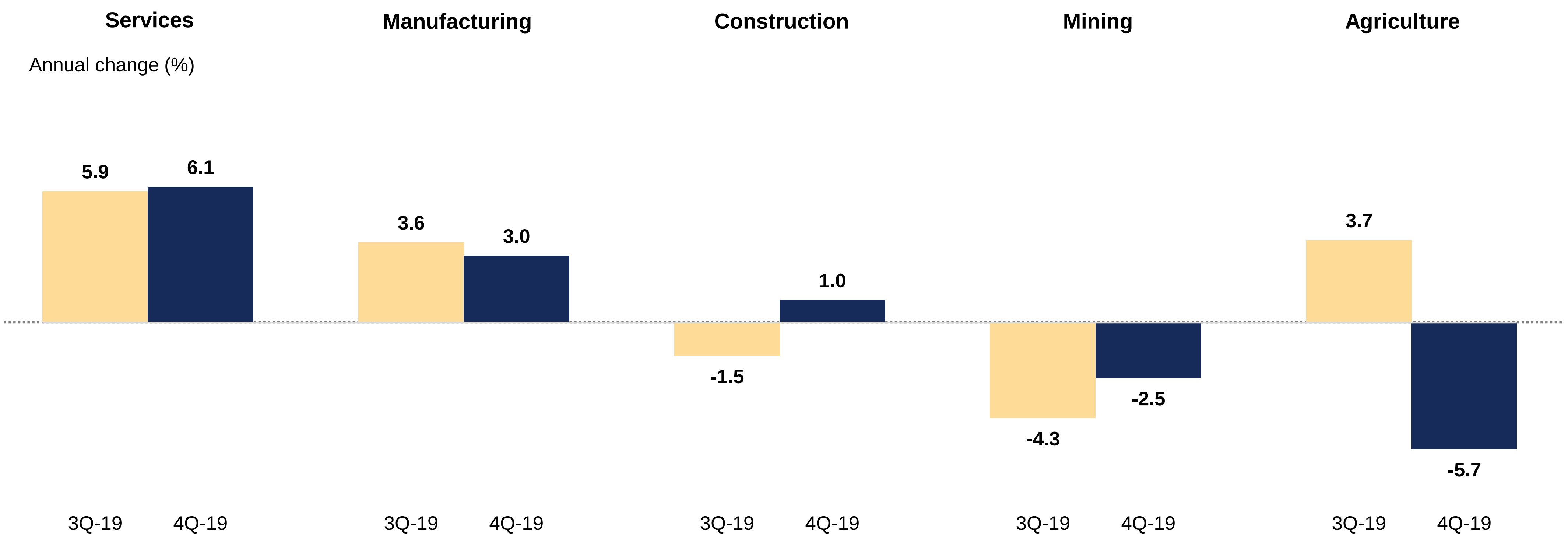
**Real GDP Growth**

Annual change, %




Source: Department of Statistics, Malaysia

# Services and manufacturing sectors remained the key drivers of growth




Firm consumer-related spending

Lower E&E production growth and spillover from disruptions in the commodities sector

Turnaround of residential sub-sector

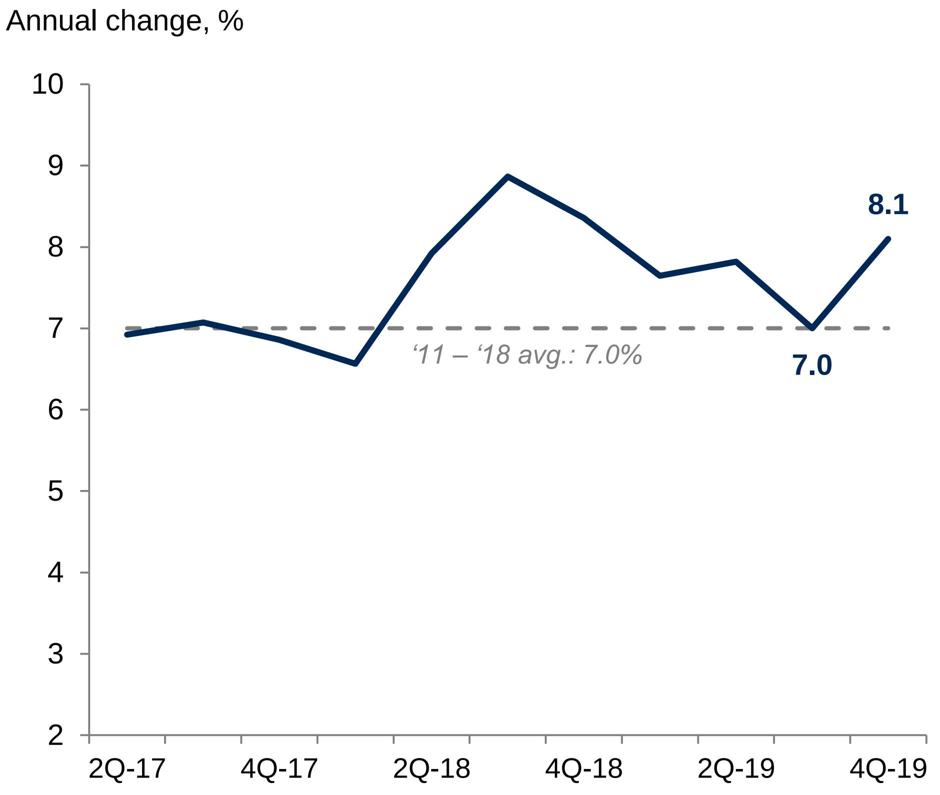
Lower drag from oil production

Contraction in oil palm production

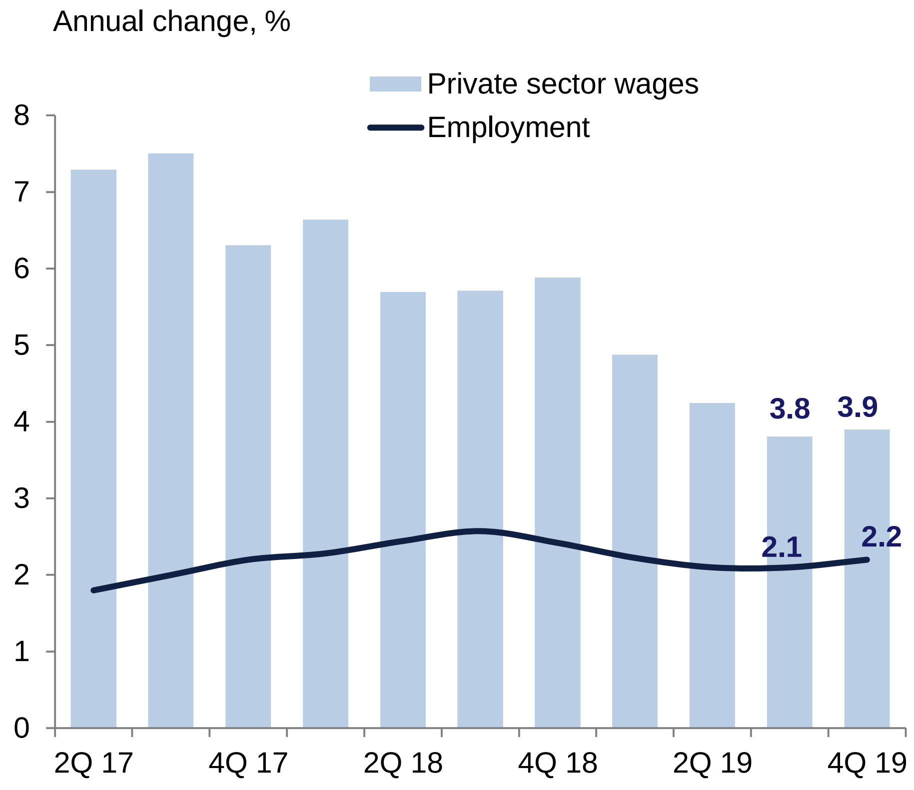
Source: Department of Statistics, Malaysia

# Strong private consumption growth supported by positive labour market conditions

### Real Private Consumption Growth




### Employment and Private Sector Wages*



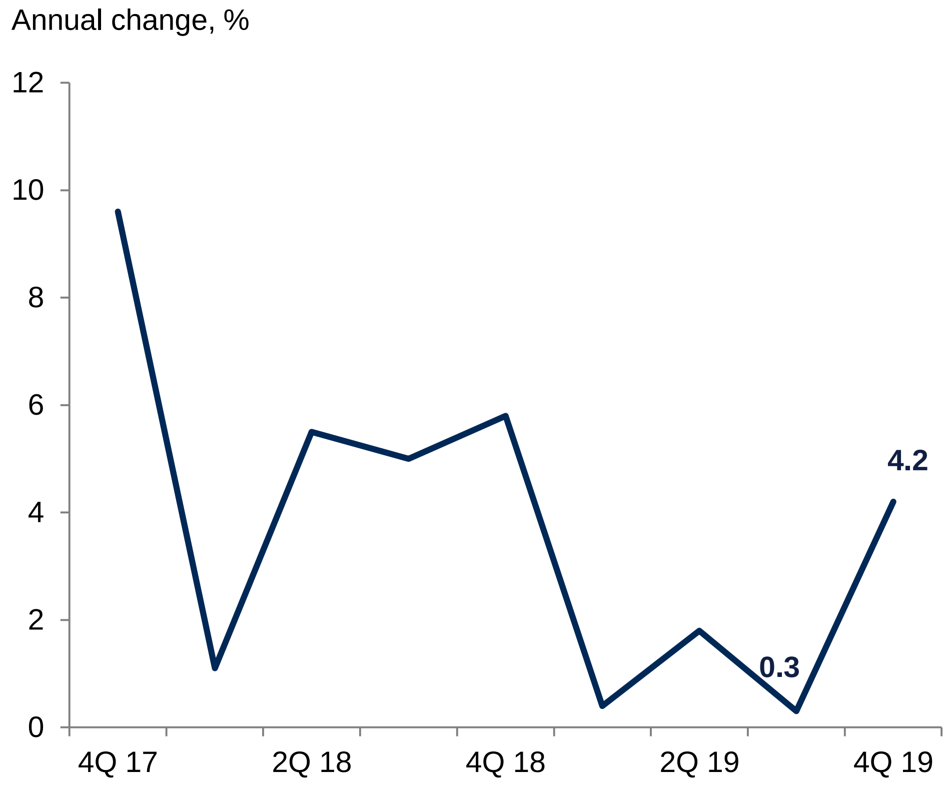

* Private sector wages are derived from the salaries and wages data published in the Monthly Manufacturing Statistics and Quarterly Services Statistics by the Department of Statistics, Malaysia. They cover 62.9% of total employment.

Source: Department of Statistics, Malaysia

# Stronger growth in private investment

**Growth driven mainly by improvements in structures investment…**

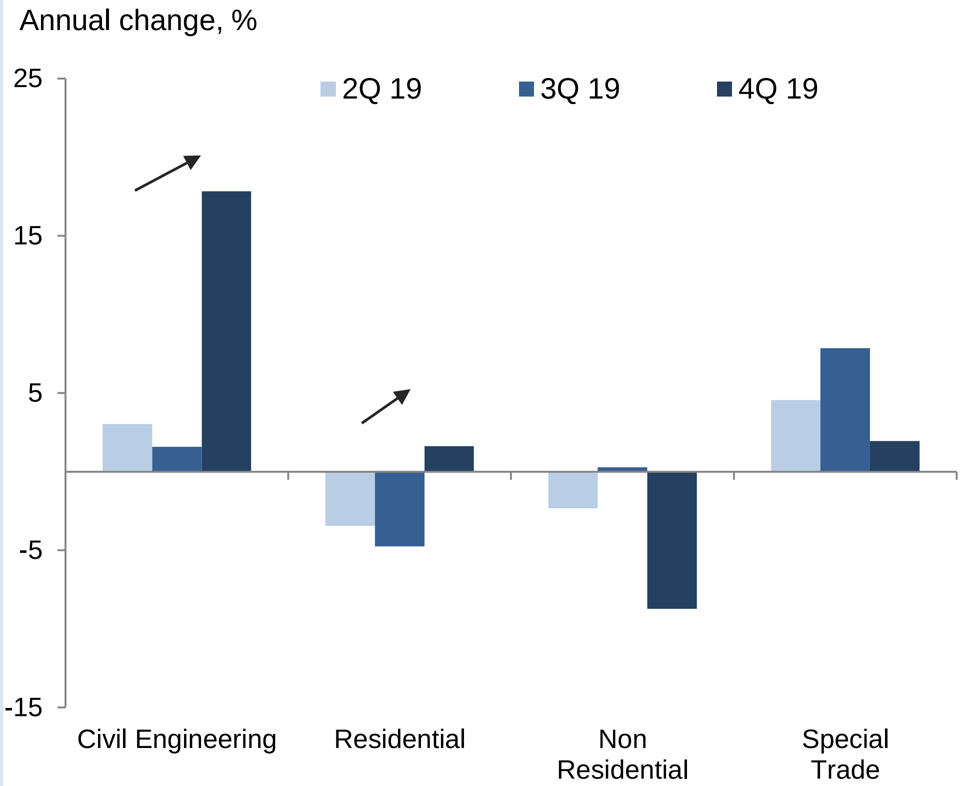
**Real Private Investment Growth**




Source: Department of Statistics, Malaysia

**…in particular, higher capital spending in the civil engineering and residential segment**

**Private Sector: Construction Work Done**

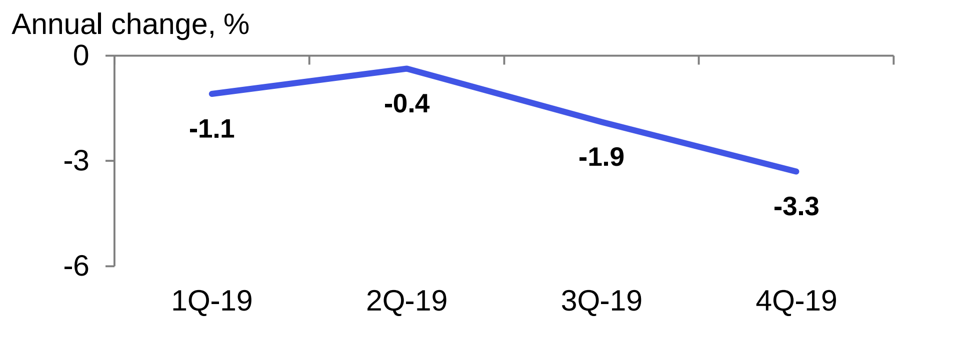



Source: Department of Statistics, Malaysia

# Subdued export and import performance in 4Q 2019

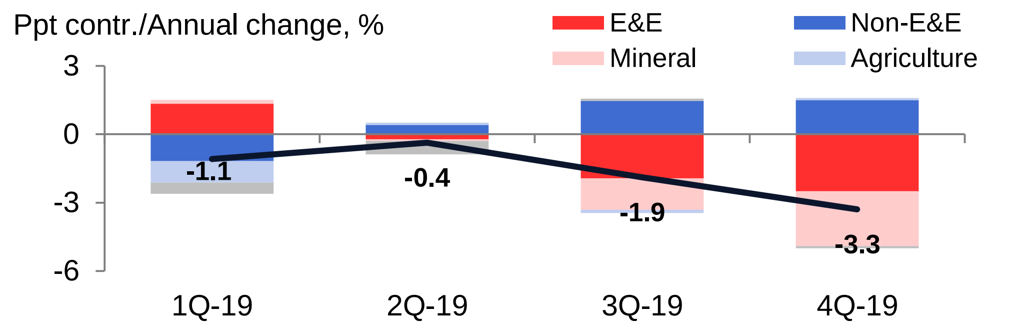
## Continued decline in overall exports

**Gross Export* Growth**



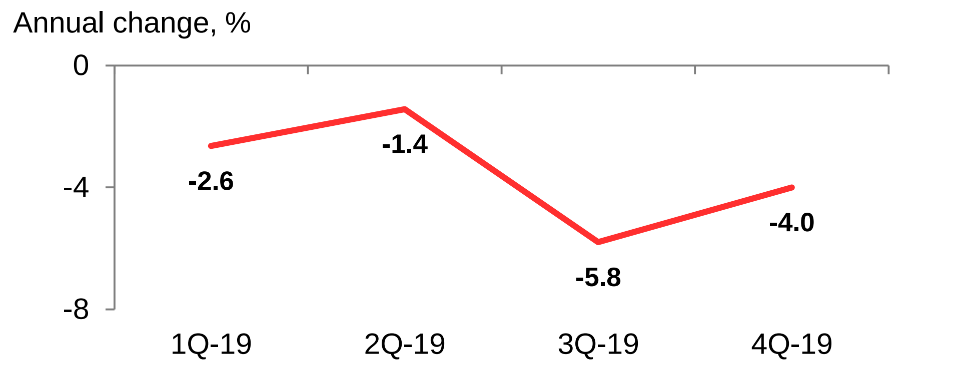

## Diversified exports partly offset the impact of weaker E&E and mineral exports

**Malaysia's Gross Exports by Product**



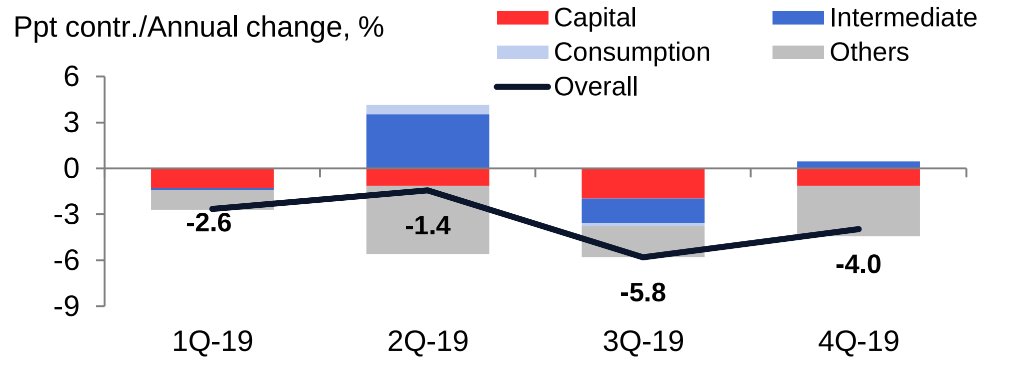

## Overall imports remained in contraction

**Gross Import Growth**




## Positive turnaround in intermediate imports and a smaller contraction in capital imports

**Malaysia's Gross Imports by Product**




*Gross exports (imports) refers to nominal merchandise exports (imports), which include volume and price effects.
Source: Department of Statistics, Malaysia

# Current account of the balance of payments registered a surplus of RM7.6 billion or 2.0% of GNI

**Current Account Balance (RM billion)**

| | 1Q19 | 2Q19 | 3Q19 | 4Q19 |
|---|---|---|---|---|
| **Current Account Balance** | **16.4** | **14.3** | **11.5** | **7.6** |
| *% of GNI* | *4.7* | *3.9* | *3.1* | *2.0* |
| Goods | 33.8 | 28.1 | 30.8 | 32.8 |
| Services | -1.8 | -3.4 | -1.6 | -4.0 |
| Primary Income | -10.1 | -5.5 | -12.2 | -15.7 |
| Secondary Income | -5.5 | -4.9 | -5.5 | -5.5 |

**Larger primary income deficit**

- Higher investment income accrued to foreign firms

**Higher services deficit**

- Lower travel surplus

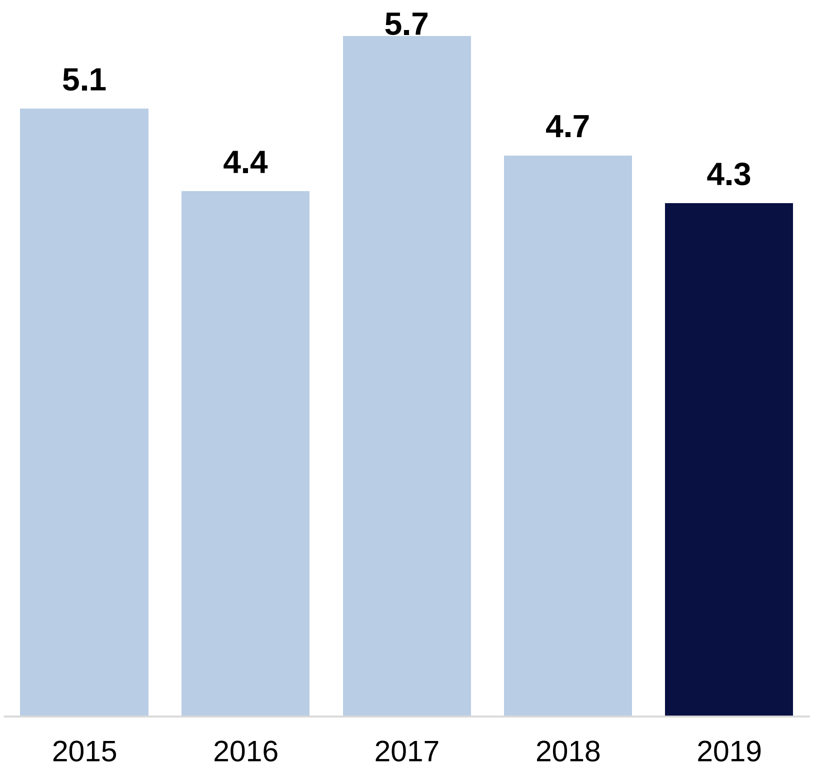
**Higher goods surplus**

- Higher non-E&E exports and crude palm oil prices

Sources: Department of Statistics, Malaysia and Bank Negara Malaysia

# Growth expanded by 4.3% in 2019 supported by resilient private sector activities despite challenging external environment

**Real GDP (annual change, %)**




**Factors that influenced growth in 2019**

**4.3%**

- **Resilient private sector spending**
- **Continued expansion in the services and manufacturing sectors**

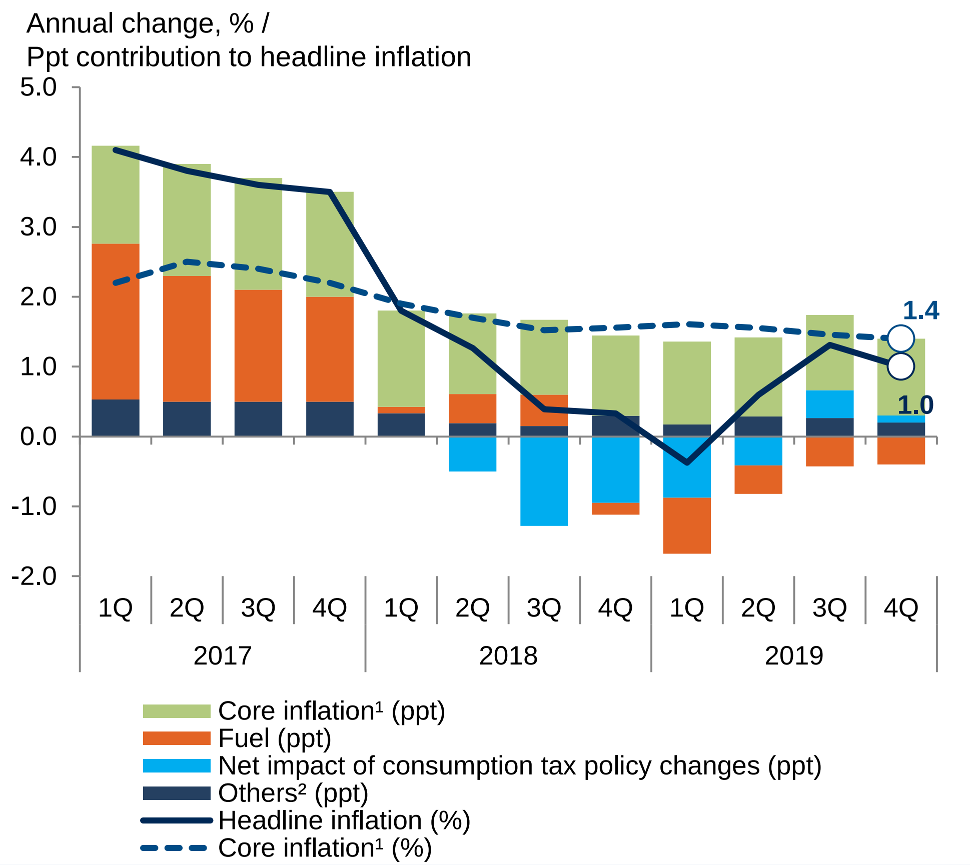
- **Slower global growth and trade activities**
- **Disruptions in commodity-related sectors**
- **Contraction in public investment activity**

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

# Monetary and Financial Developments

# Headline inflation declined in 4Q 2019 and is projected to average higher in 2020

**Contribution to Headline Inflation by Component**




**Headline inflation to remain modest in 2020**

**Underlying inflation is expected to remain stable**

[1]Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of consumption tax policy changes.

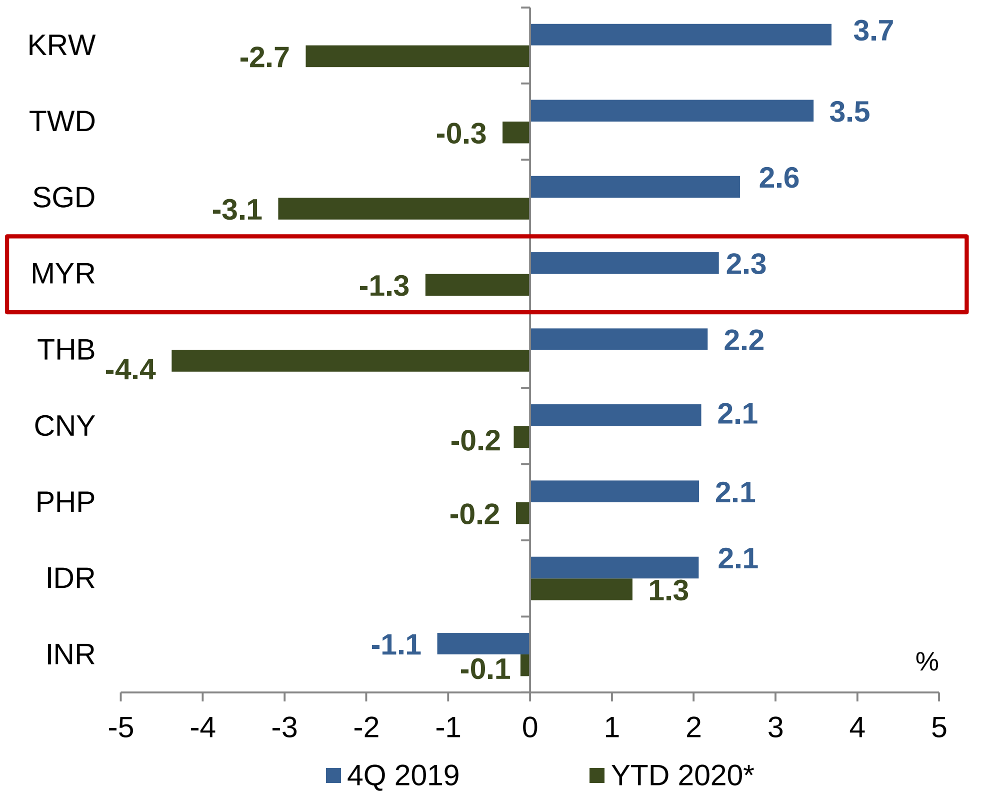
[2]Others include price-volatile items and other price-administered items

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

# Performance of domestic financial markets improved

**Improved investor sentiments amidst optimism in global trade negotiations**

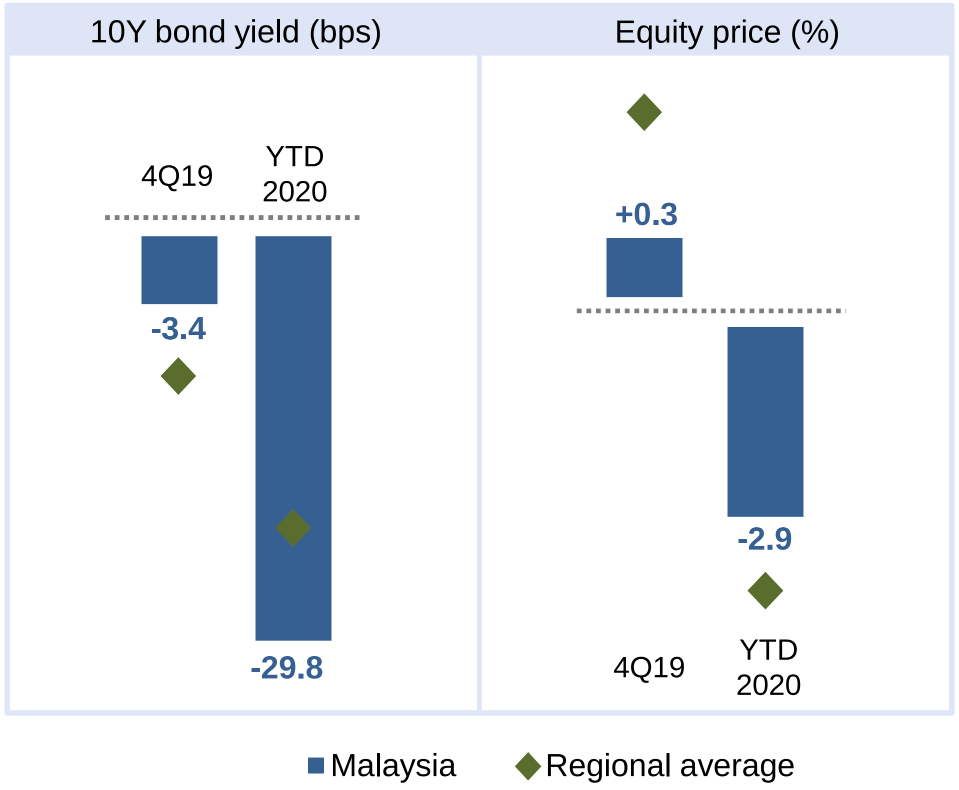
**Movement of Ringgit and Regional Currencies against the US Dollar**




*YTD as at 10 February 2020

Source: Bank Negara Malaysia

**Movement of 10-Year Sovereign Bond Yields and Equity Prices of Regional Markets***




*Regional countries include Indonesia, the Philippines, PR China, Singapore, South Korea and Thailand. YTD as at 10 February 2020.

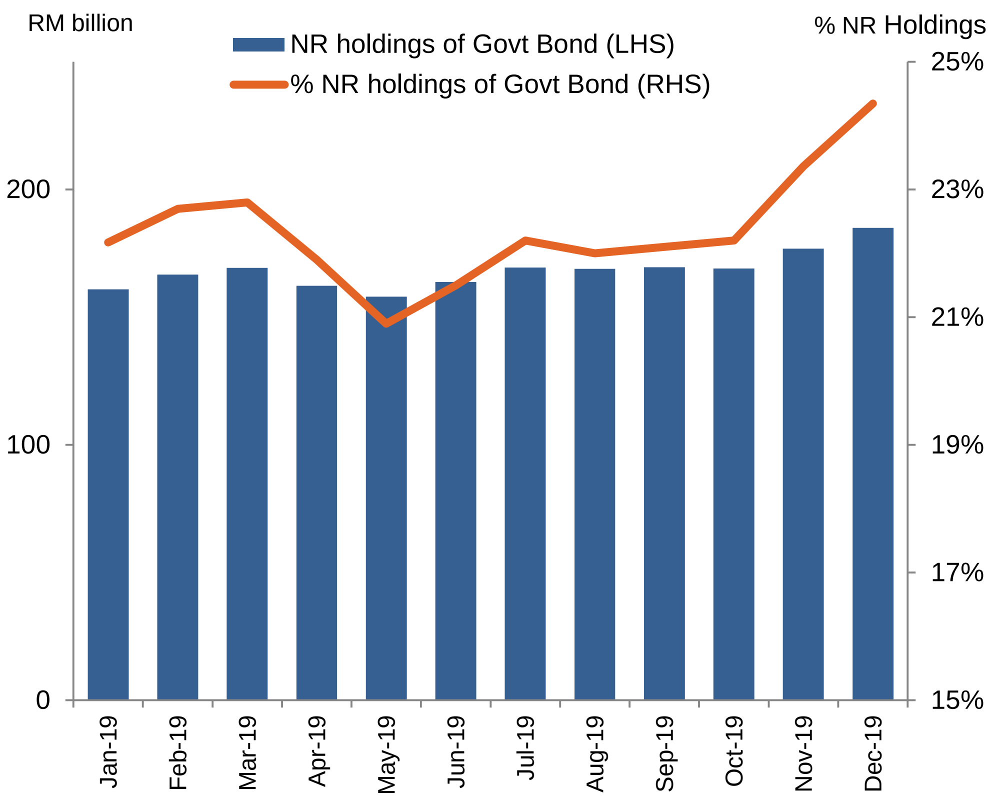
Source: Bloomberg, Bank Negara Malaysia

# Non-resident holdings of government bonds increased with long term investors remained as majority holders

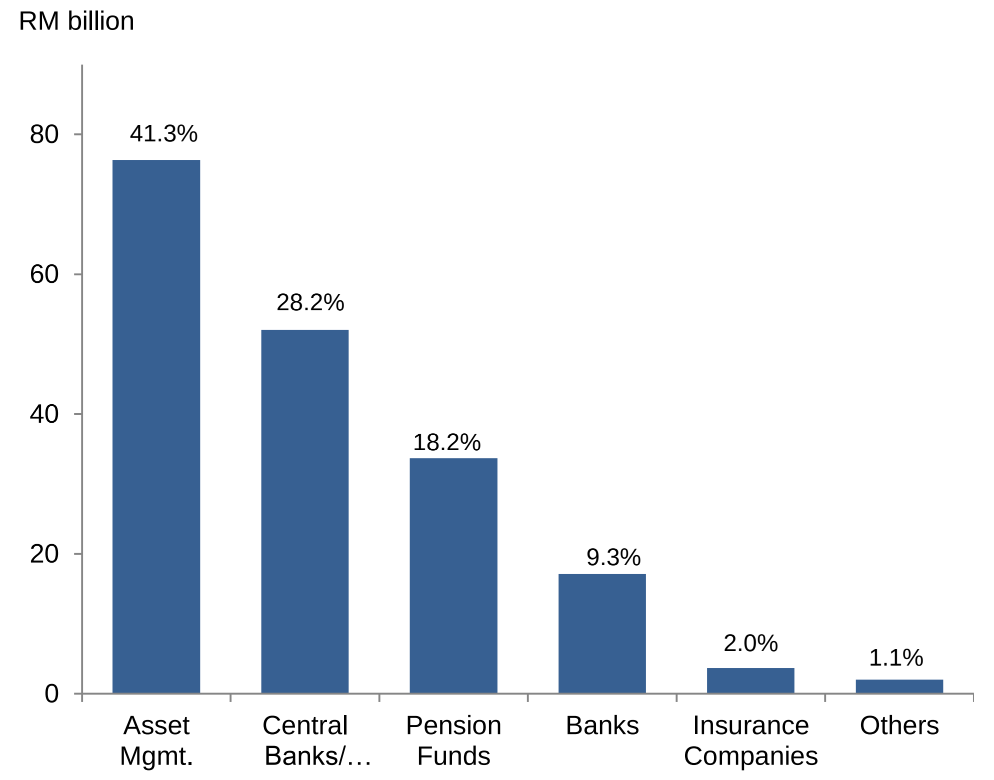
**NR holdings of Malaysian Govt bonds increased to 24.3% as at end-December 2019…**

**…with long term stable investors remained as key holders of Malaysian government bonds**

**Non-resident Holdings of Malaysian Government Bonds**




**Distribution of Non-resident Holdings of Government Bonds as at end-December 2019.**

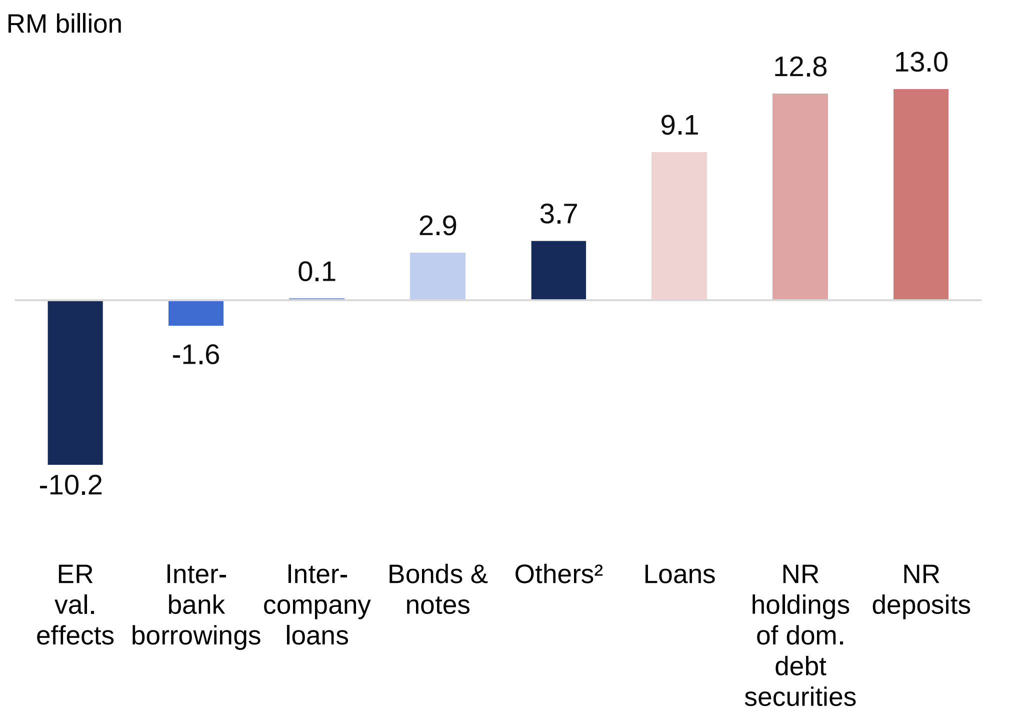



Source: Bank Negara Malaysia and Bloomberg

# Higher non-resident inflows resulted in external debt increasing to 62.6% of GDP (3Q 2019: 60.7%)

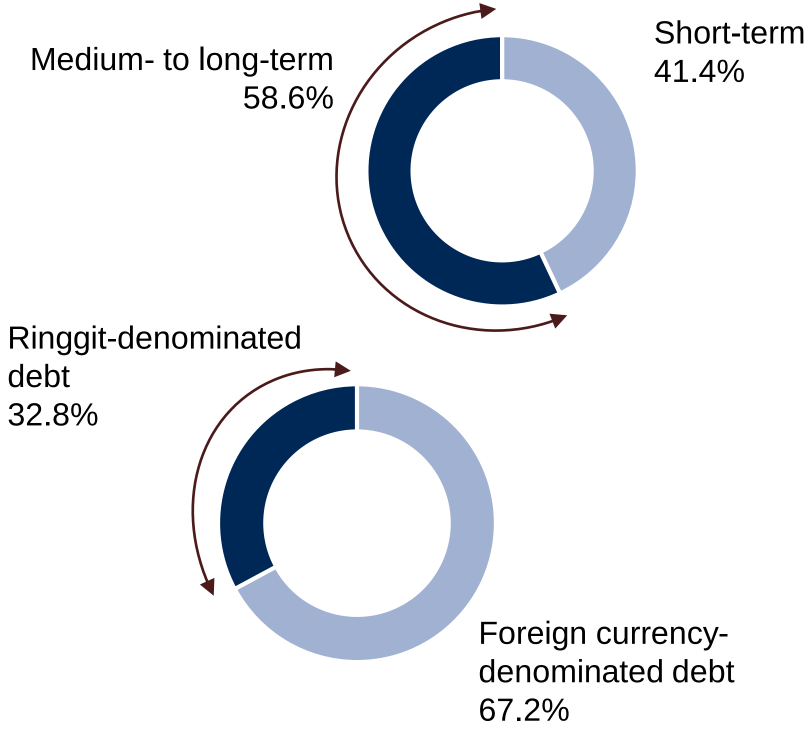
## External debt increased to RM946.3 billion (3Q 2019: RM916.4 billion)

**Changes in External Debt[1]**
*4Q 2019: +RM29.9 billion*




## Maturity and currency compositions provide resilience against potential shocks

**Malaysia's External Debt by Maturity and Currency**




[1] Changes in individual debt instruments exclude exchange rate revaluation effects
[2] Comprise trade credits, IMF allocation of SDRs and other debt liabilities

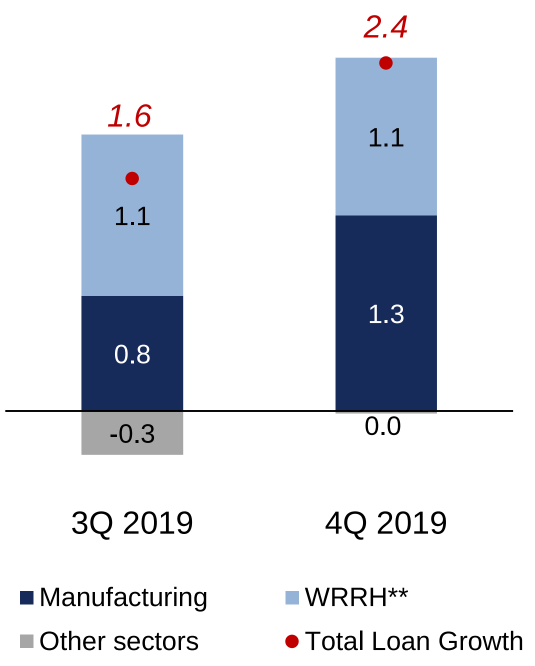
Source: Department of Statistics, Malaysia and Bank Negara Malaysia

# Financing continues to facilitate economic activity

**Improved loan growth in the business segment amid sustained momentum in business loan demand**

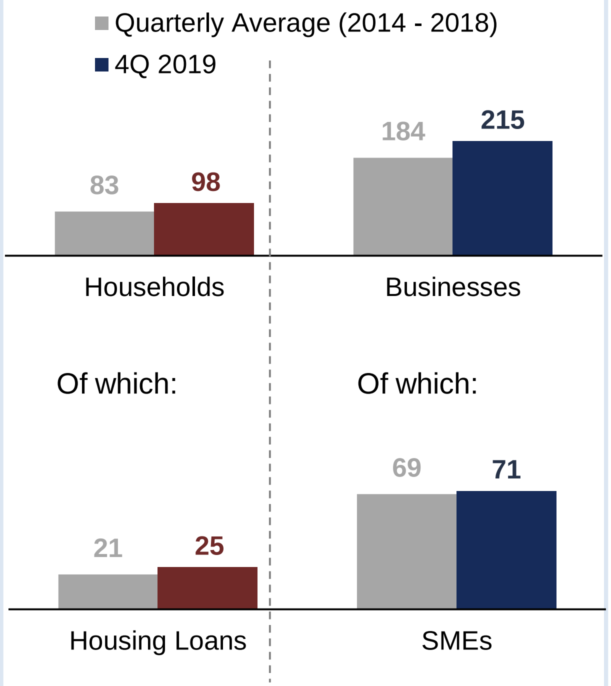
### Outstanding Business Loan Growth*

Annual change, % / Cont. to growth, ppt



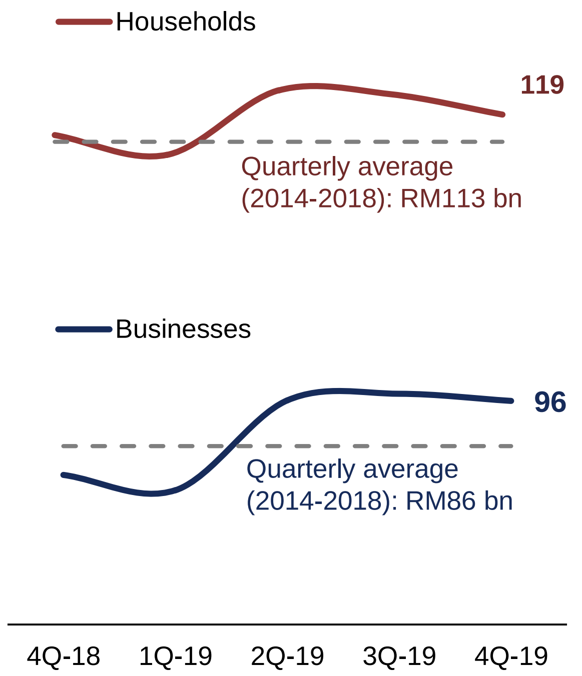

### Loan Disbursements*

RM billion




### Loan Applications***

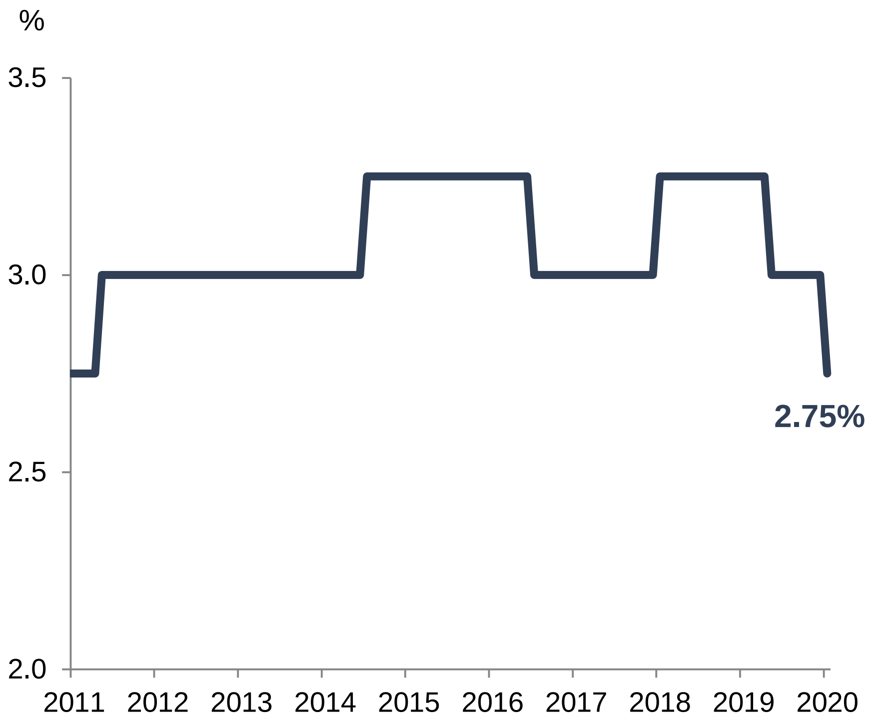
RM billion




*Loans from the banking system and development financial institutions (DFIs)
**WRRH – wholesale and retail trade, restaurants and hotels
***Loans from the banking system only
Source: Bank Negara Malaysia

# Reduction in policy rate is a pre-emptive measure to sustain growth amid price stability

**Overnight Policy Rate (OPR)**




Source: Bank Negara Malaysia

- Overnight Policy Rate was reduced by 25 basis points at the January MPC meeting
- Going forward, monetary policy considerations will continue to be guided by the risks to the outlook for domestic growth and inflation

# Coronavirus outbreak poses risk to 2020 growth

- **Growth, particularly in the first quarter of the year, will be affected by the coronavirus outbreak**

- **Severity of economic impact depends on how the virus spreads and evolves as well as countries' responses to the outbreak**

- **Coronavirus outbreak would affect Malaysia's growth through:**
  - Lower foreign tourists and spending on hotels, retail, transport and restaurants
  - Slower demand and production disruptions in PR China affecting Malaysia's exports (manufactured and commodities exports)

# The financial industry has announced measures to assist those affected by the nCoV outbreak

## Moratorium and temporary relief on financial commitments

- Grace period for affected borrowers in which they do not need to repay their financial commitments
- This would allow affected borrowers to focus their efforts on reviving their businesses

## Restructure and reschedule (R&R) financing

- Restructuring and rescheduling of borrowers' existing loans/financing to ease cash-flow situation

## Financial relief for hospital admission via insurance/Takaful

- Hospital admission and treatment for nCoV of Insurance/Takaful policyholders will be covered by life insurance and Takaful operators

Affected clients should approach their financial service providers early to seek assistance

# The Malaysian economy is expected to remain supported by private sector spending and improving global trade activities

**Growth to be underpinned by:**

Continued private sector spending

- Supportive labour market conditions and gradual improvement in investment activities

Resumption of large infrastructure projects to contribute around 1ppt to growth

- MRT2, Pan Borneo, LRT3, Gemas-JB Double Track, ECRL

Recovery in commodity production & operationalisation of new facilities

- RAPID, PFLNG2

Improvement in global trade activities

**However, materialisation of downside risks could weigh on growth prospects**

Prolonged coronavirus outbreak

Re-escalation of trade disputes

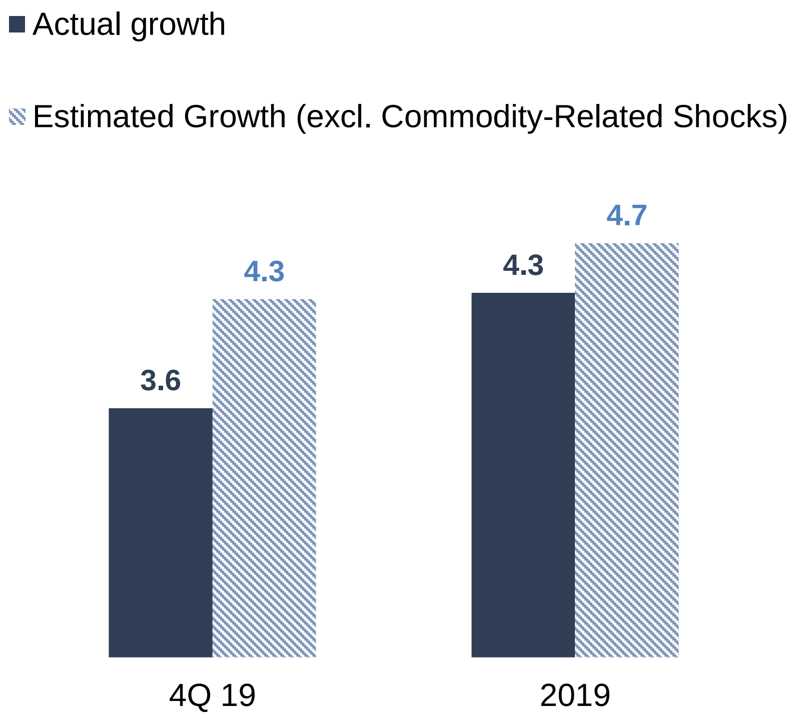
Supply disruptions in the commodities sector

# Additional Information

# Growth in 2019 was adversely affected by supply disruptions

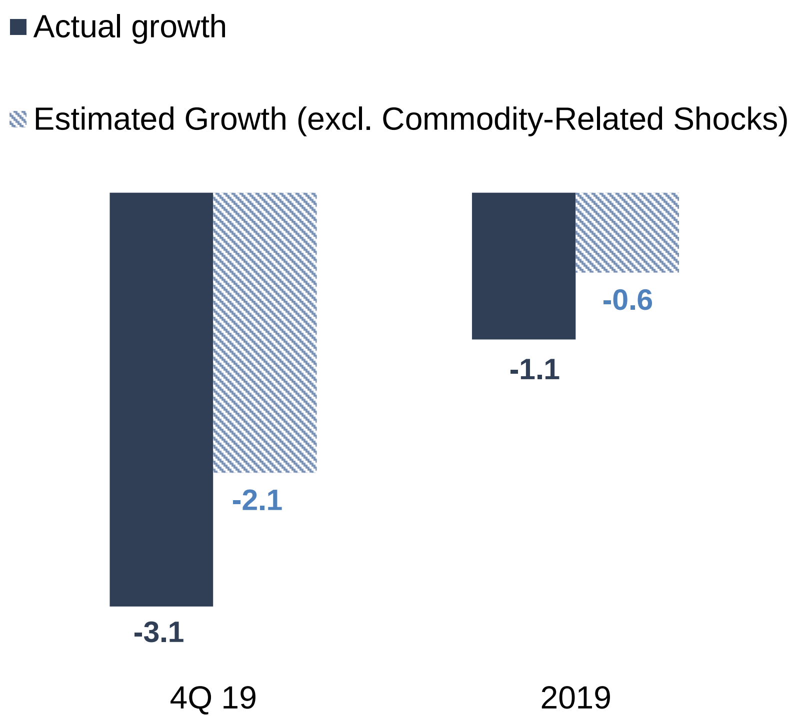
## Growth would have been higher without commodity disruptions …

**Real GDP (annual change, %)**




## … and exports would have recorded a much smaller contraction

**Real Exports (annual change, %)**




Source: Department of Statistics, Malaysia and BNM estimates

# The Malaysian GDP grew by 3.6% in the fourth quarter

## Annual growth of GDP components

| Real GDP (Annual change, %) | Share, % (2019) | 2018 | 2019 | |
|---|---|---|---|---|
| | | 4Q | 3Q | 4Q |
| **Domestic demand (excluding stocks)** | **94.1** | **5.7** | **3.5** | **4.9** |
| **Private Sector** | ***75.6*** | **7.8** | **5.4** | **7.4** |
| *Consumption* | *58.8* | *8.4* | *7.0* | *8.1* |
| *Investment* | *16.8* | *5.8* | *0.3* | *4.2* |
| **Public Sector** | ***18.5*** | **0.0** | **-4.6** | **-2.2** |
| *Consumption* | *12.2* | *4.0* | *1.0* | *1.3* |
| *Investment* | *6.3* | *-5.9* | *-14.1* | *-7.7* |
| **Net exports of goods and services** | **7.3** | **15.5** | **15.9** | **-9.8** |
| *Exports* | *64.0* | *3.1* | *-1.4* | *-3.1* |
| *Imports* | *56.7* | *1.8* | *-3.3* | *-2.3* |
| **Change in stocks (RM billion)** | **-1.4** | **-2.0** | **-6.8** | **-2.9** |
| **Real GDP** | **100** | **4.7** | **4.4** | **3.6** |
| ***Real GDP (q-o-q growth, seasonally adjusted)*** | **-** | **1.3** | **0.9** | **0.6** |

Source: Department of Statistics, Malaysia

| Real GDP (Annual change, %) | Share[1], % (2019) | 2018 | 2019 | |
|---|---|---|---|---|
| | | 4Q | 3Q | 4Q |
| **Services** | **57.7** | **6.9** | **5.9** | **6.1** |
| **Manufacturing** | **22.3** | **4.7** | **3.6** | **3.0** |
| **Mining and Quarrying** | **7.1** | **-0.7** | **-4.3** | **-2.5** |
| **Agriculture** | **7.1** | **-0.1** | **3.7** | **-5.7** |
| **Construction** | **4.7** | **2.6** | **-1.5** | **1.0** |
| **Real GDP** | **100.0** | **4.7** | **4.4** | **3.6** |

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

# The Malaysian GDP grew by 3.6% in the fourth quarter

## Percentage point contribution to GDP growth by components

| Real GDP (Contribution, ppt) | Share, % (2019) | 2018 | 2019 | |
|---|---|---|---|---|
| | | 4Q | 3Q | 4Q |
| **Domestic demand (excluding stocks)** | **94.1** | **5.2** | **3.3** | **4.5** |
| **Private Sector** | ***75.6*** | **5.2** | **4.2** | **5.1** |
| *Consumption* | *58.8* | *4.5* | *4.1* | *4.5* |
| *Investment* | *16.8* | *0.8* | *0.1* | *0.6* |
| **Public Sector** | *18.5* | **0.0** | **-0.9** | **-0.5** |
| *Consumption* | *12.2* | *0.6* | *0.1* | *0.2* |
| *Investment* | *6.3* | *-0.6* | *-1.0* | *-0.7* |
| **Net exports of goods and services** | **7.3** | **1.0** | **1.0** | **-0.7** |
| *Exports* | *64.0* | *2.1* | *-0.9* | *-2.1* |
| *Imports* | *56.7* | *1.1* | *-2.0* | *-1.4* |
| **Change in stocks (RM billion)** | **-1.4** | **-1.5** | **0.0** | **-0.2** |
| **Real GDP** | **100** | **4.7** | **4.4** | **3.6** |

| Real GDP (Contribution, ppt) | Share[1], % (2019) | 2018 | 2019 | |
|---|---|---|---|---|
| | | 4Q | 3Q | 4Q |
| **Services** | **57.7** | **3.9** | **3.3** | **3.5** |
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| **Agriculture** | **7.1** | **0.0** | **0.3** | **-0.4** |
| **Construction** | **4.7** | **0.1** | **-0.1** | **0.0** |
| **Real GDP** | **100.0** | **4.7** | **4.4** | **3.6** |
| *Import duties* | *1.1* | *-0.2* | *0.3* | *0.0* |

Note: Numbers do not add up due to rounding
Source: Department of Statistics Malaysia