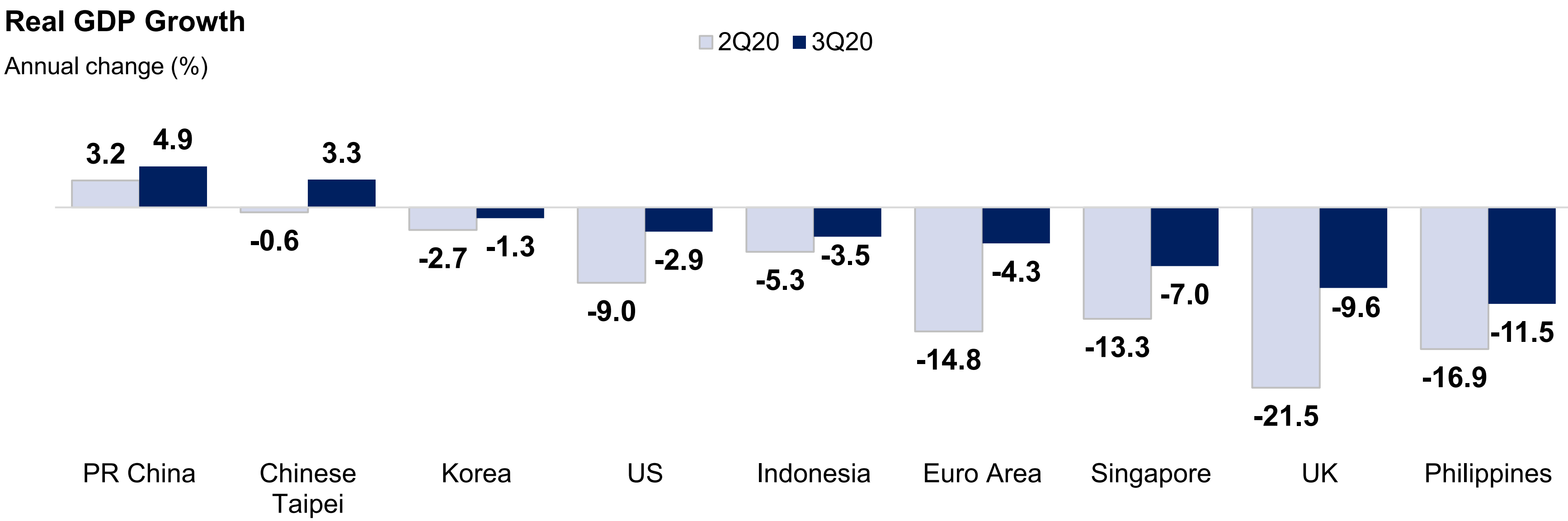
Sidang Akhbar
Prestasi Ekonomi Suku Ketiga Tahun 2020

13 November 2020

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

Global growth improved in 3Q 2020 as most economies eased COVID-19 containment measures

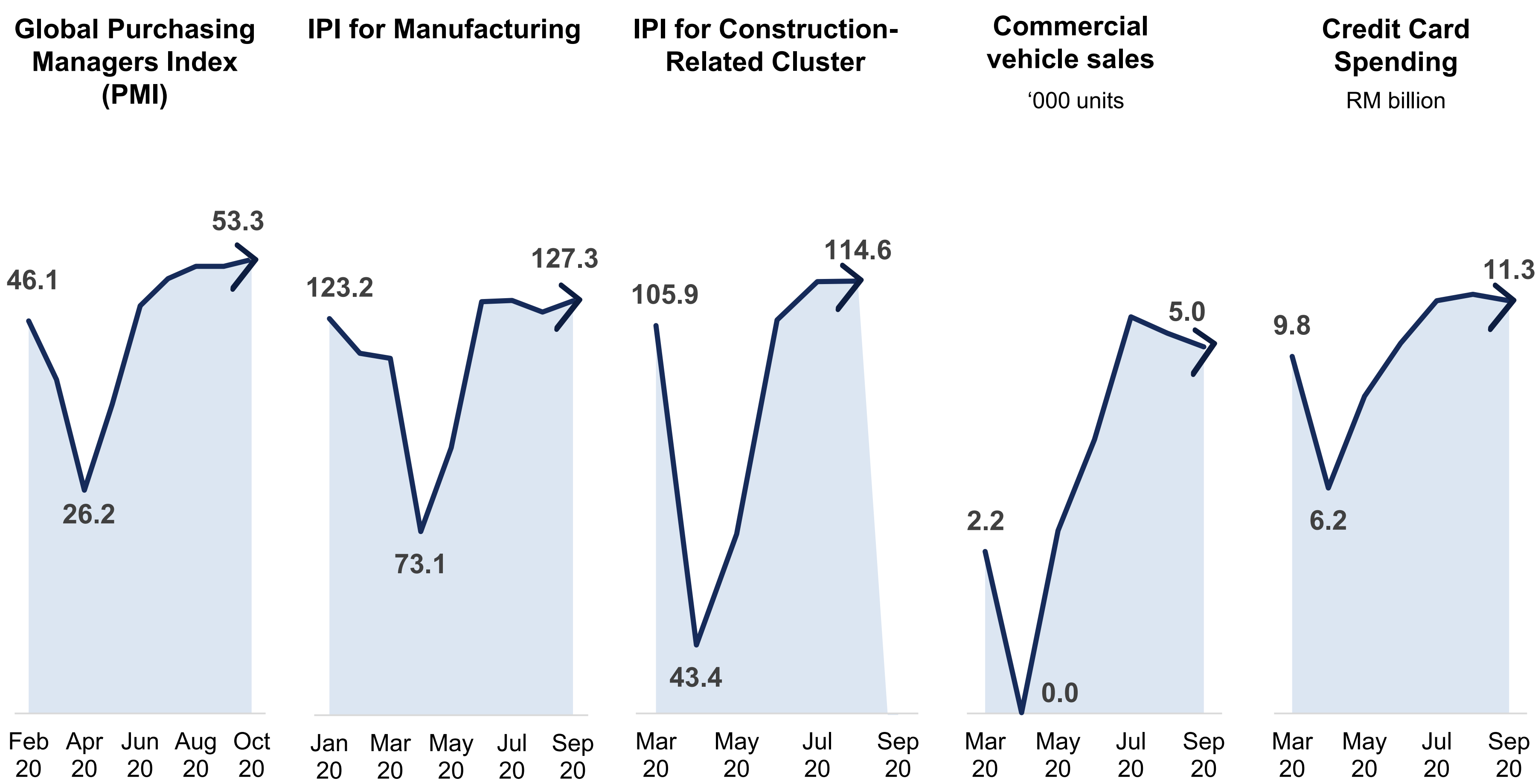


Global Growth

- PR China expanded amid stronger consumer demand.
- Rebound in regional exports.
- Financial market volatility moderated amid the resumption of economic activity.
- Labour market weaknesses in major EMEs weighed on private sector expenditure.
- Resurgence in COVID-19 cases necessitates proactive policy support amidst renewed containment measures.

Source: CEIC, national authorities

Indicators suggest underlying domestic economic activity was on a recovery path from the trough in April

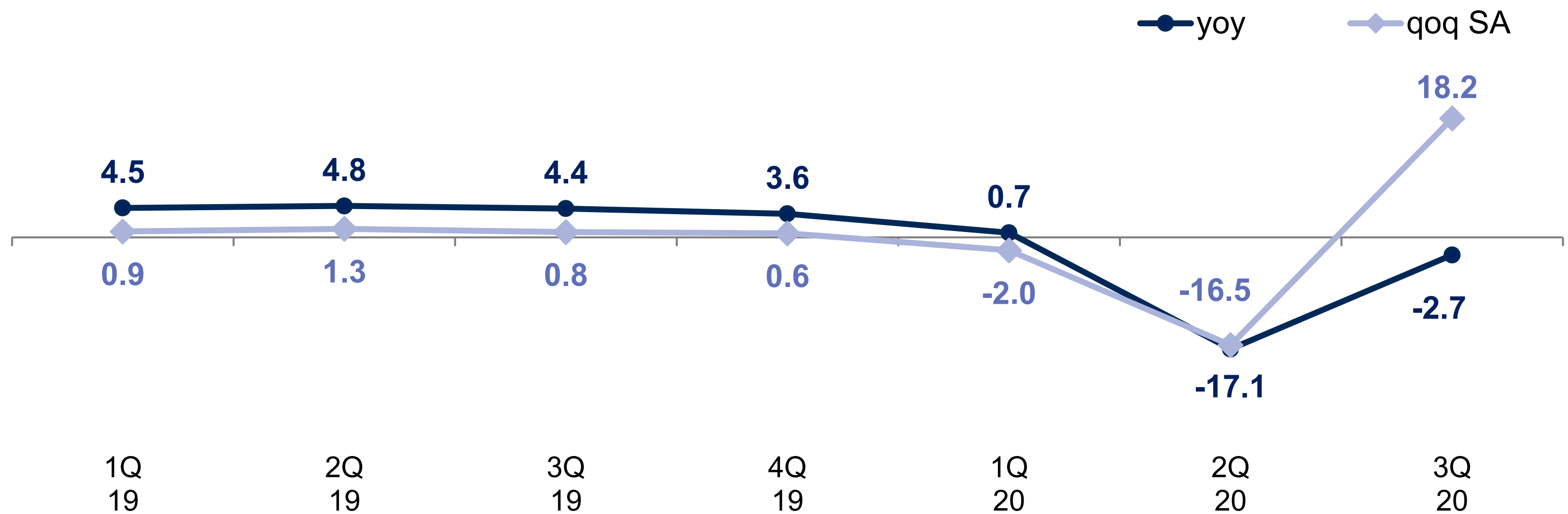


Source: IHS Markit, Department of Statistics Malaysia, Bank Negara Malaysia

In the third quarter, Malaysia's GDP growth rebounded significantly

Real GDP Growth (Quarterly)

Period-on-period change (%)



Key supporting factors:

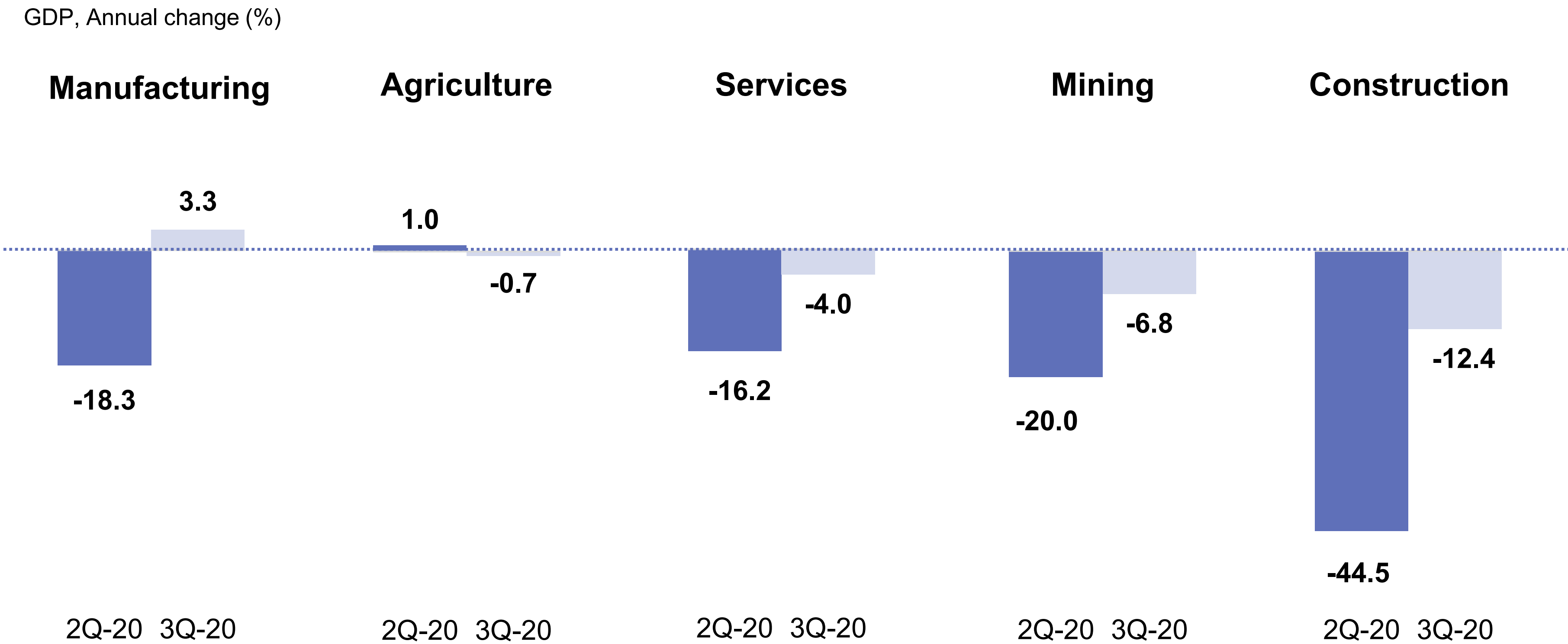
Improving external demand

Relaxation of movement restrictions

Stimulus measures

Source: Department of Statistics Malaysia

Improvements registered across major sectors

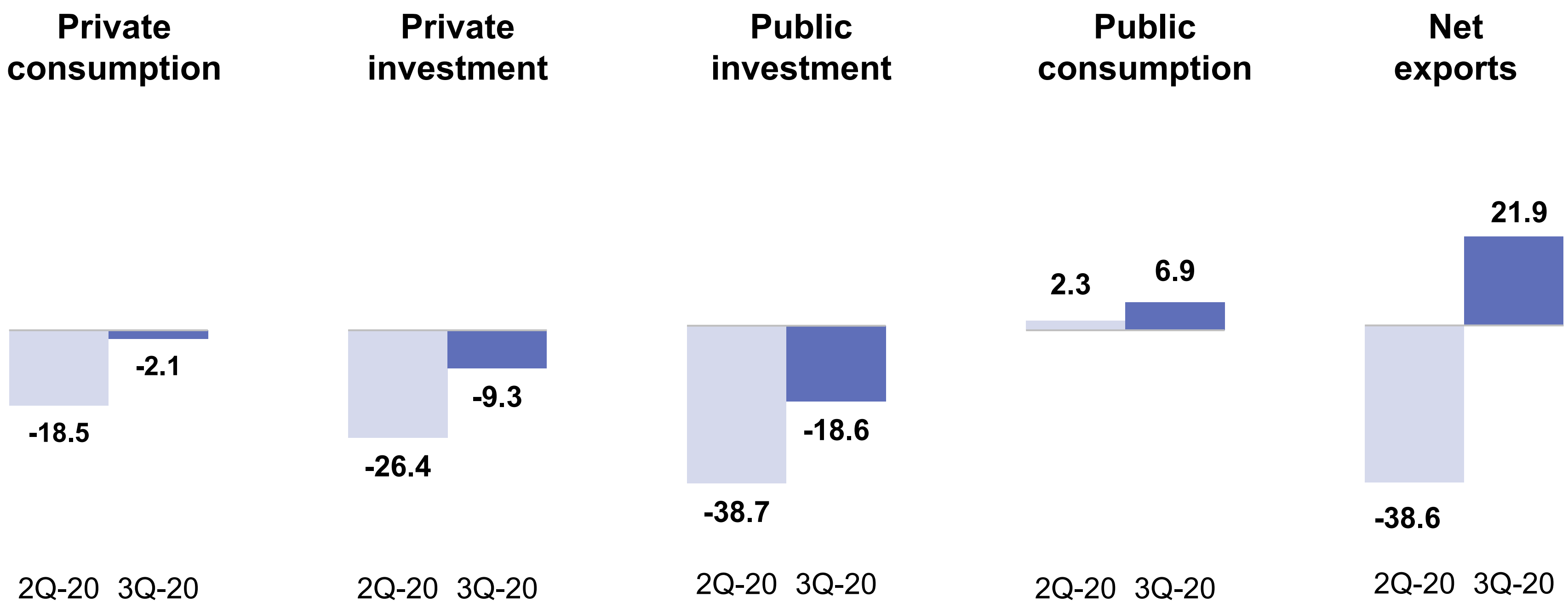


Manufacturing	Agriculture	Services	Mining	Construction
Stronger external demand	Lower oil palm harvesting activity	Continued recovery across all sub-sectors post-MCO	Improving oil & gas demand	Resumption of more projects across all sub sectors

Source: Department of Statistics Malaysia

All demand components recorded a significant recovery

GDP, Annual change (%)



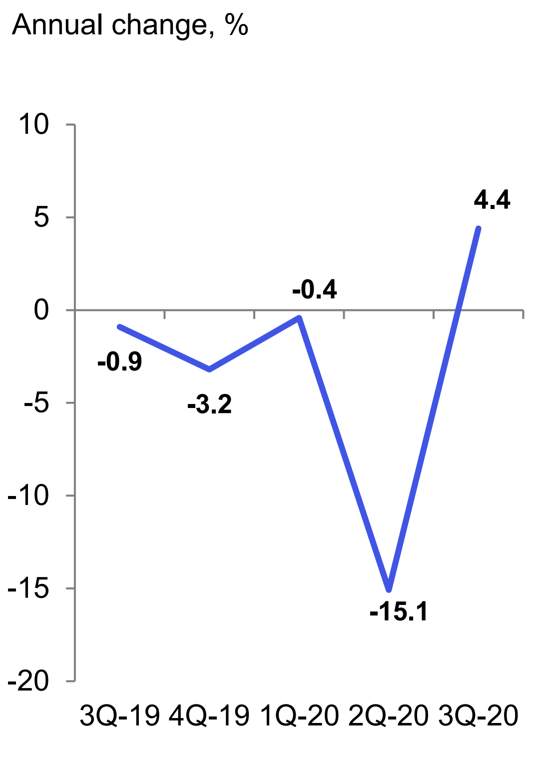
Private consumption	Private investment	Public investment	Public consumption	Net exports
Improvement in income conditions and support from stimulus measures	Better structures investment amid resumption of construction activity	Improvement in capital spending mainly by the general Government	Higher Govt. spending on emoluments and supplies & services	Faster recovery in exports

Source: Department of Statistics Malaysia

Recovery in trade activity amid higher external demand

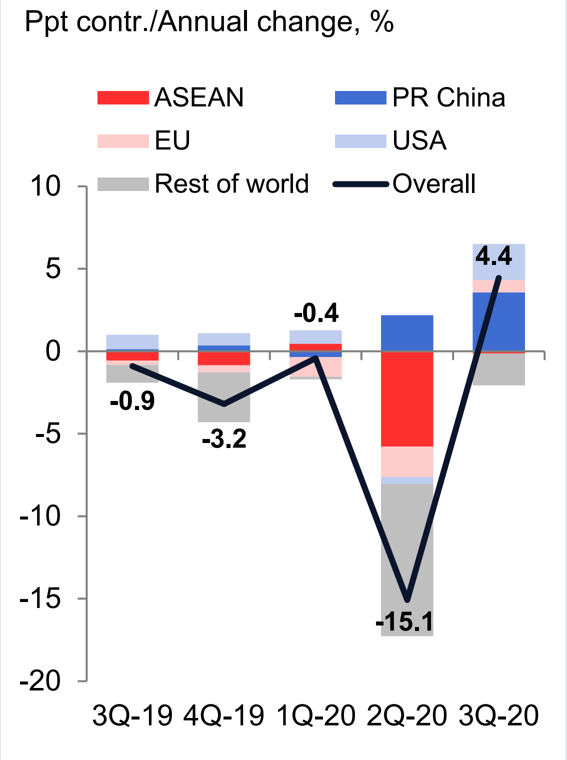
Positive turnaround in exports…

Gross Export Growth



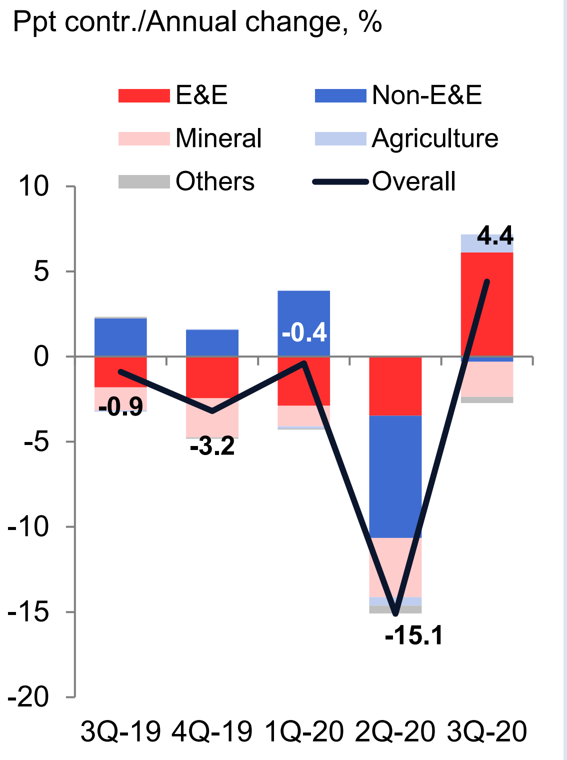
…supported by higher demand from key trade partners…

Gross Exports by Destination



…and rebound in E&E exports

Gross Exports by Product



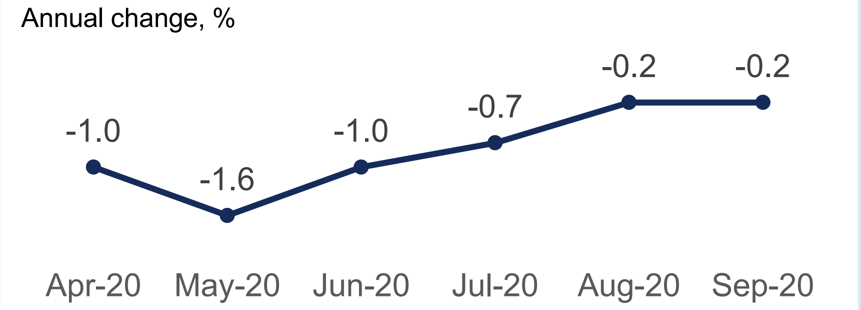
Current account of the balance of payments registered a surplus of RM26.1 billion or 7.1% of GDP

Source: Department of Statistics Malaysia

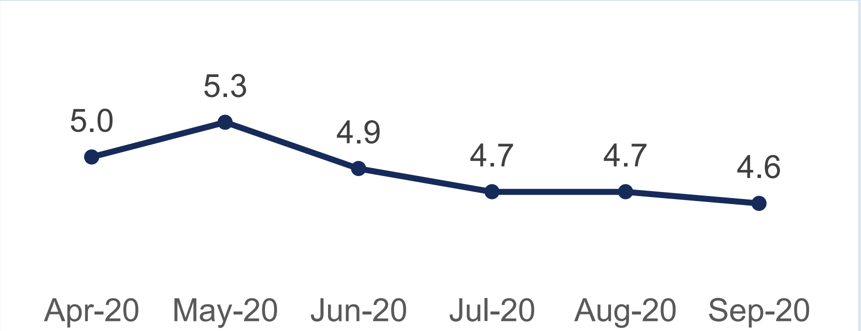
As mobility restrictions were eased and economic activity resumed, labour market conditions improved

Smaller contraction in employment while the unemployment rate eased further

Employment growth



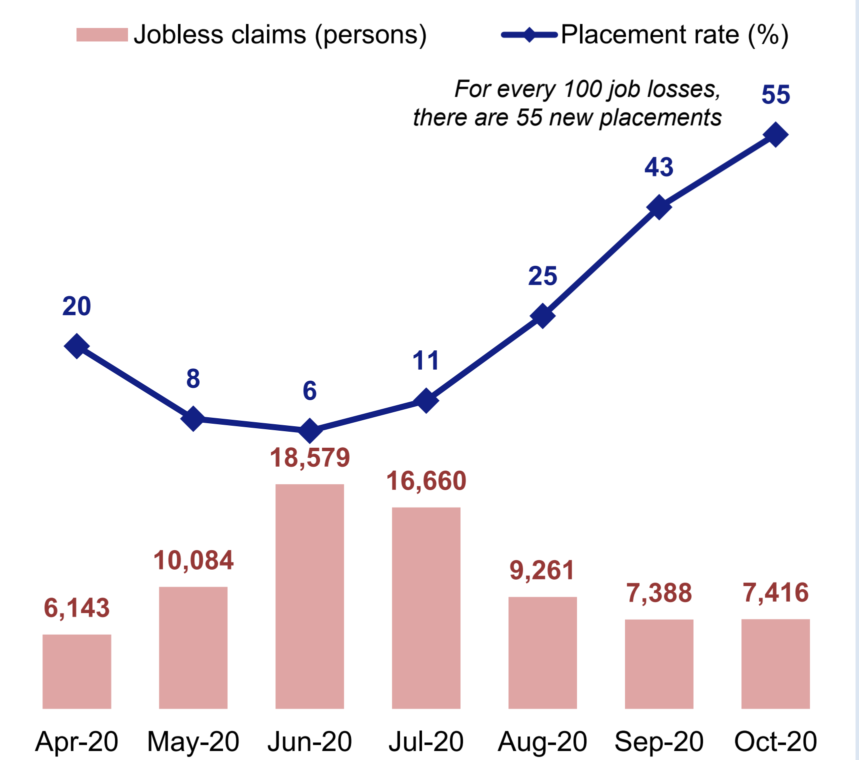
Unemployment rate (%)



Source: Department of Statistics Malaysia

Decline in unemployment rate was supported by positive re-hiring activity

Placement rates and jobless claims

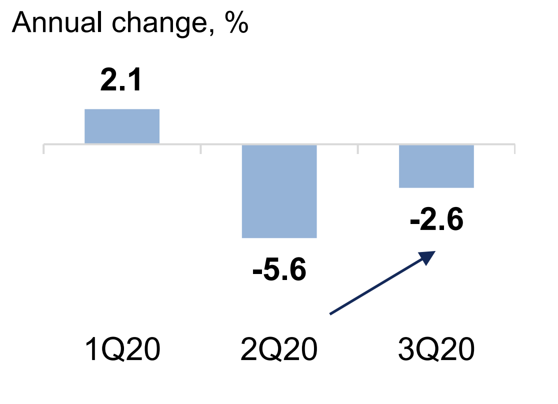


Source: Employment Insurance System, Social Security Organisation

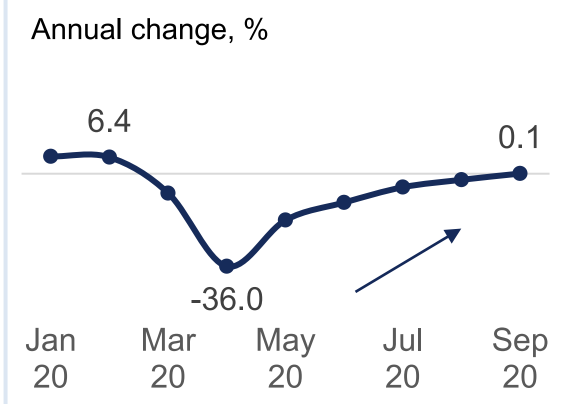
Recovery in private consumption remains broadly intact

Latest indicators suggest household spending rebounded from its trough in 2Q20 amid improving income conditions

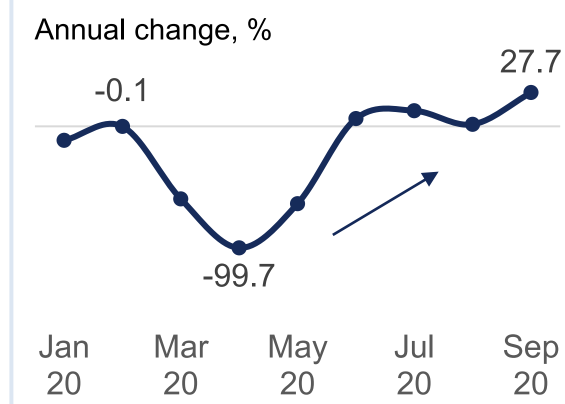
Private sector wages



Index of Retail Trade



Passenger car sales



Factors supporting private consumption going forward:

Gradual improvement in broad income conditions

Less stringent containment measures relative to 1H 2020

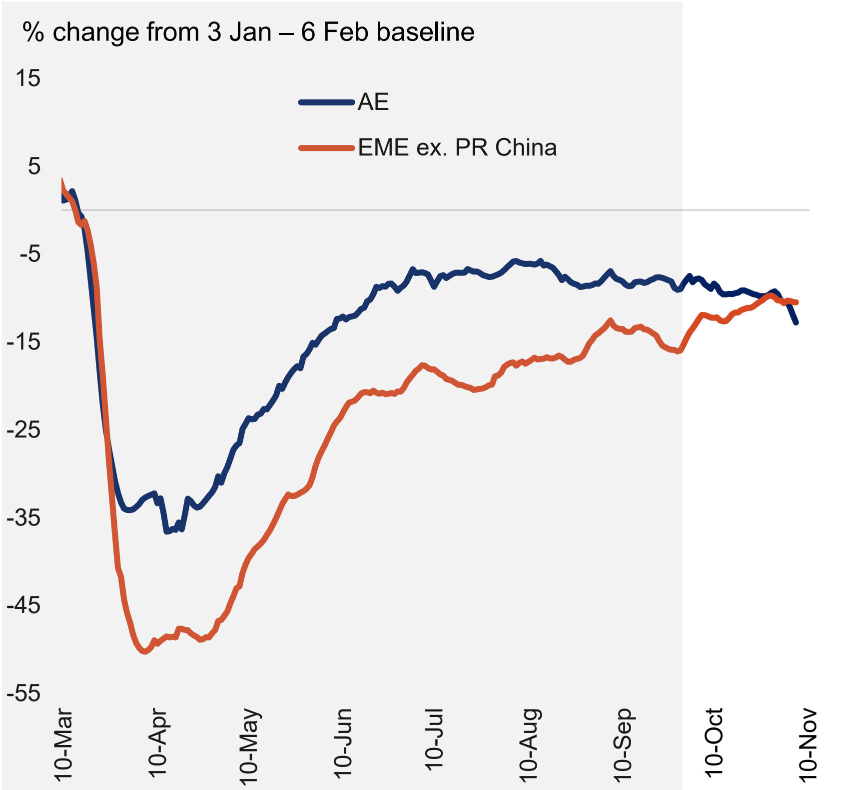
Continued policy assistance going into 2021

Source: Department of Statistics Malaysia

Recent resurgence of COVID-19 cases in major economies pose a downside risk to growth

Mobility has stagnated after rebounding from the second quarter trough, and may worsen…

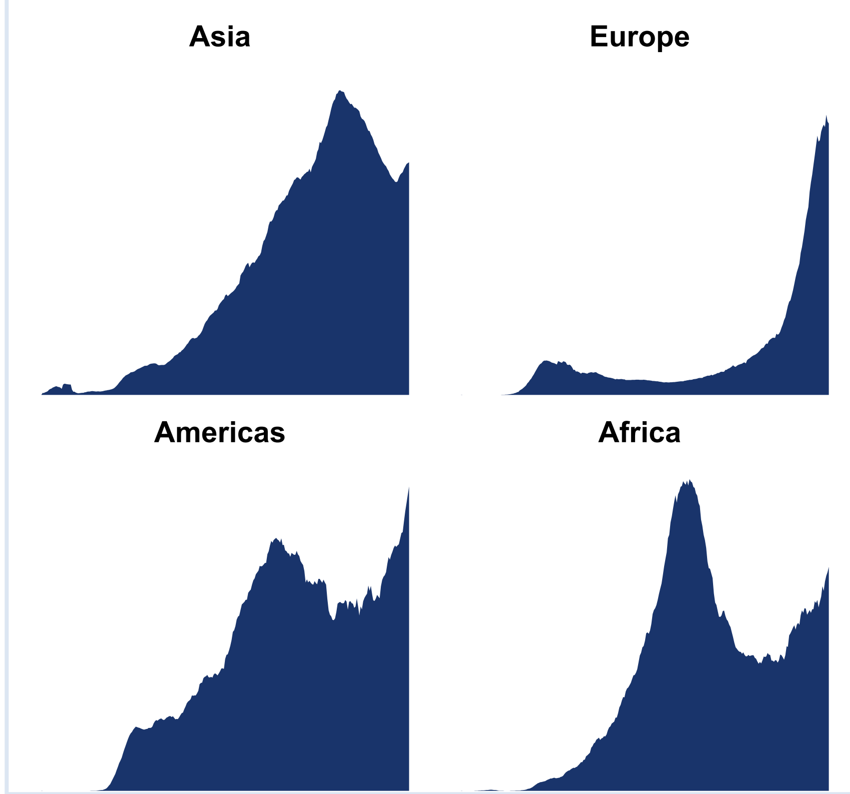
Global Mobility Indicators



Note: Chart shows 7-day moving average of retail and recreation category
Source: Google Community Mobility Report, BNM estimates

…amid still-unresolved pandemic outbreaks

Daily COVID-19 Cases between 22-Jan and 10-Nov



Note: Charts show 7-day moving average of daily COVID-19 cases
Source: John Hopkins University, BNM estimates

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Domestically, while targeted containment measures could weigh on growth, the impact will be less severe than in 2Q20

Most economic sectors allowed to operate, subject to SOPs

The current targeted mobility restriction primarily aimed to minimise social interactions

The nation is more prepared to adapt to SOPs

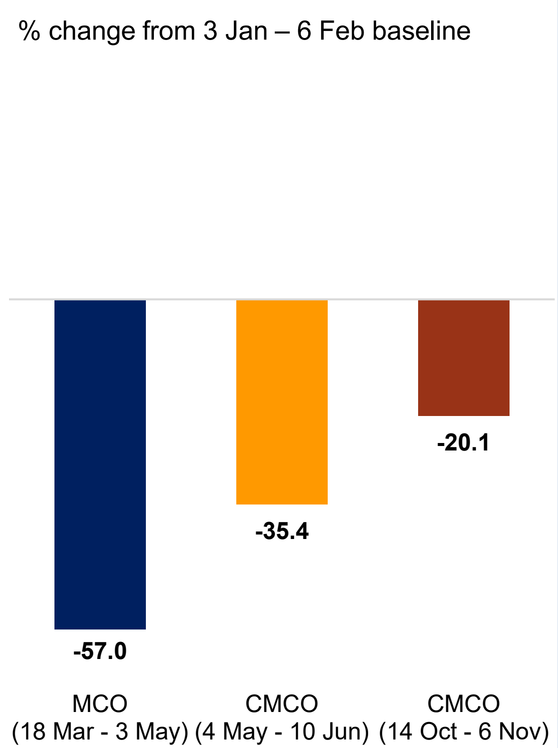
Households and businesses able to adjust more quickly to recent mobility restrictions

Policy responses in place to support the economy

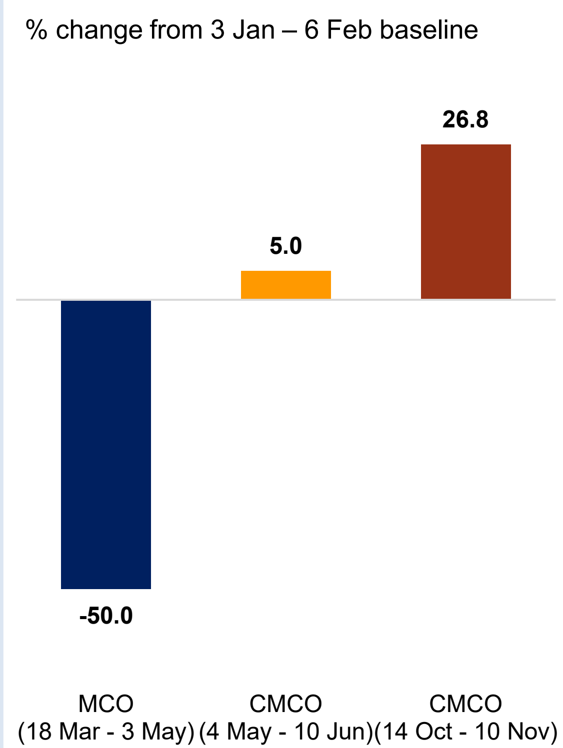
Accommodative monetary policy, continued assistance to vulnerable segments, cash transfers to affected households are gaining traction in supporting the economy

Thus far, consumer spending has not been affected as much in the current CMCO compared to the MCO in 2Q20

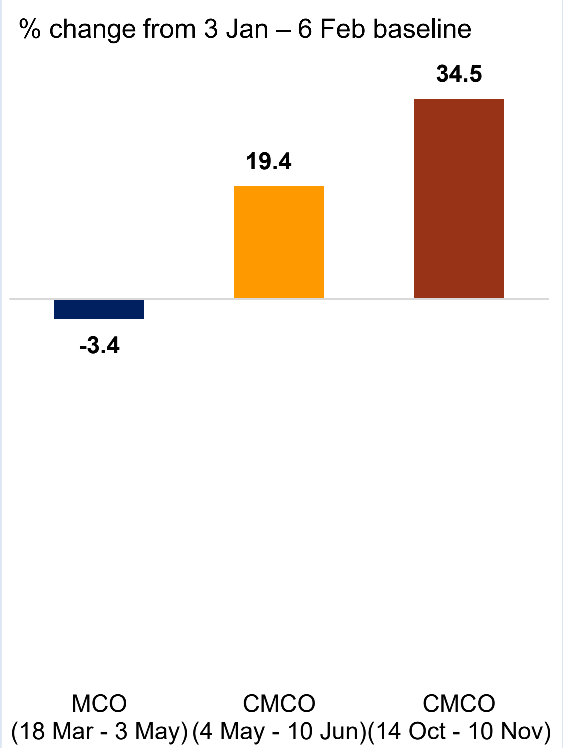
Mobility (retail, recreation, grocery)



Physical debit card spending**



Online spending**



The impact of the recent CMCOs on 2020 GDP is about half of the impact of the MCO in 2Q20

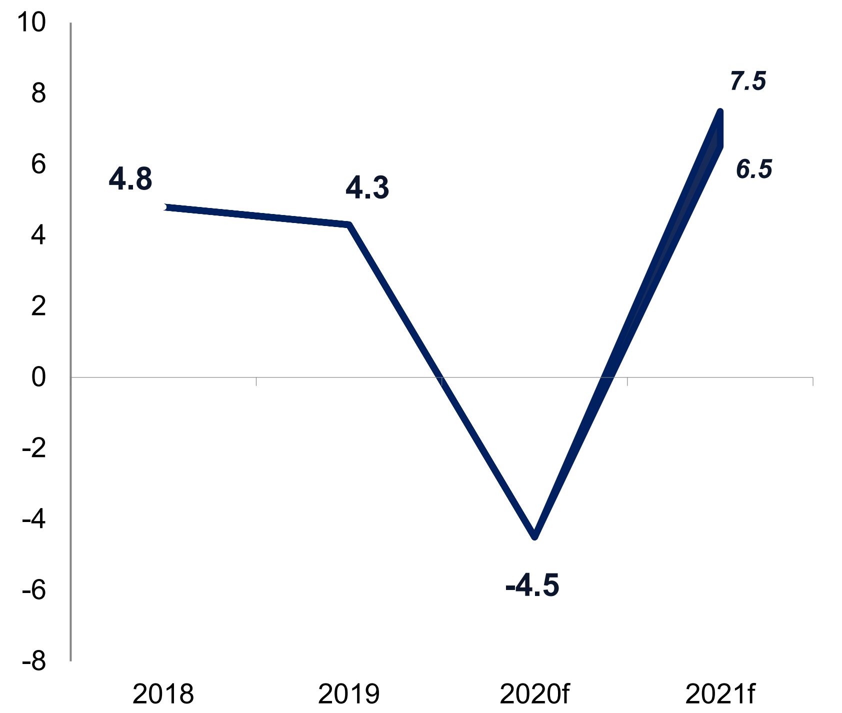
**The positive growth during the CMCO period could be attributable to an increase in (i) merchants using cashless terminals; (ii) use of cashless spending; and (iii) recovery in consumer spending, given the improvement in labour market conditions.

Source: Google Mobility, BNM estimate

Going into 2021, Malaysia's GDP is projected to grow within the range of 6.5% to 7.5%

Path to recovery to continue going into 2021

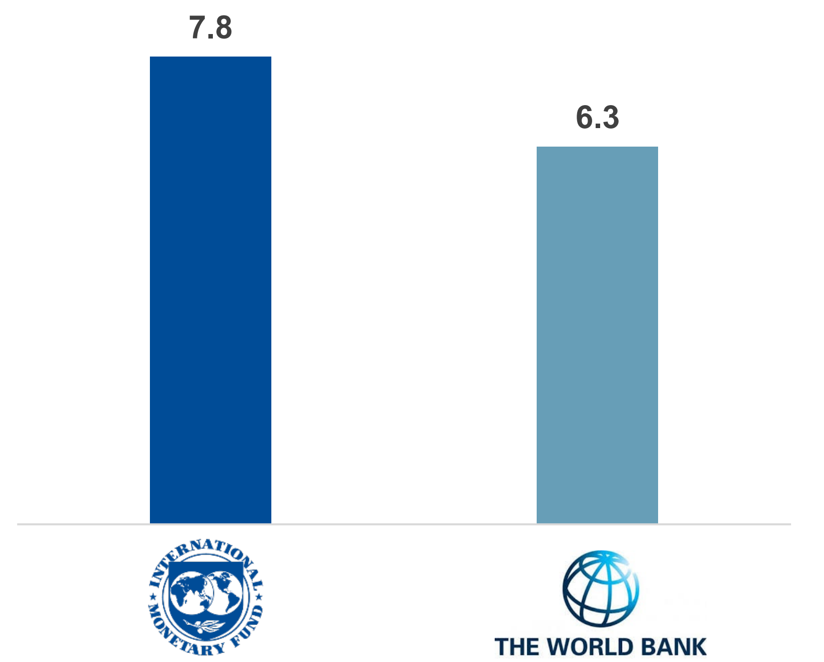
Malaysia's Real GDP Growth
Annual change (%)



Source: Department of Statistics Malaysia, Ministry of Finance

Multilateral institutions are also projecting strong recovery for Malaysia

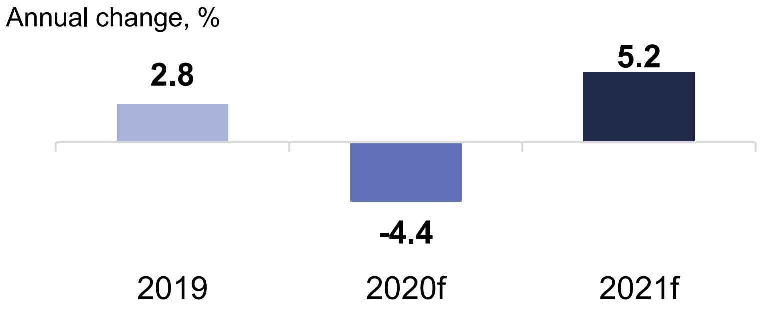
Forecast of Malaysia's 2021 growth
Annual change (%)



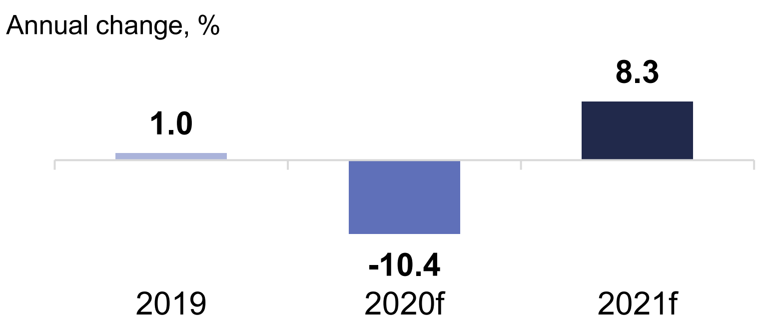
Growth will be driven by a rebound in global demand

Global growth and trade are projected to improve

Global growth

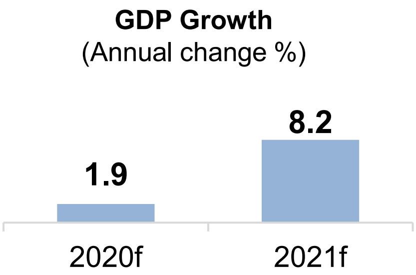


Global trade

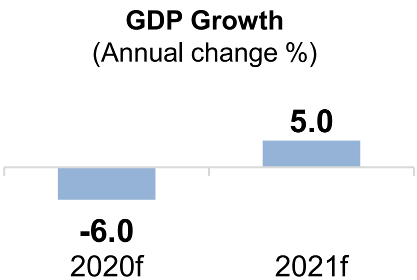


Better prospects for Malaysia's key trading partners

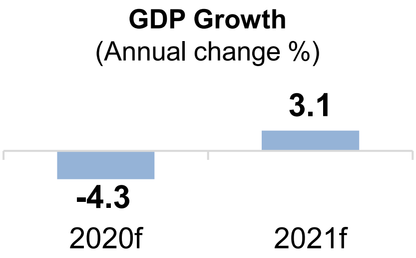
14.2%* of Malaysia's exports



13.8%* of Malaysia's exports



9.7%* of Malaysia's exports



Source: IMF WEO (Oct 2020), Department of Statistics Malaysia

* share of 2019 Malaysia's exports

The pick-up in investment and production activities would also provide support to growth in 2021

Gradual normalisation in economic activities

- Better **manufacturing production**
- Continued **rehiring activities** and **better income prospects**
- Gradual improvement in **consumer spending**

Improving investment activities

- Firm investments in **rubber and medical-related sectors**[1]
- Further progress of **large infrastructure projects**[2]
- Roll-out of **new catalytic investment / high multiplier projects**[3]

Ramp up in existing and new production facilities

- Restart of **RAPID** refinery complex
- Ramp up in new **E&E facilities**[4] to meet higher demand
- Commencement of **PFLNG2** facility

[1] Include RM10bn committed investment in rubber products

[2] Including MRT2, ECRL, West Coast Expressway

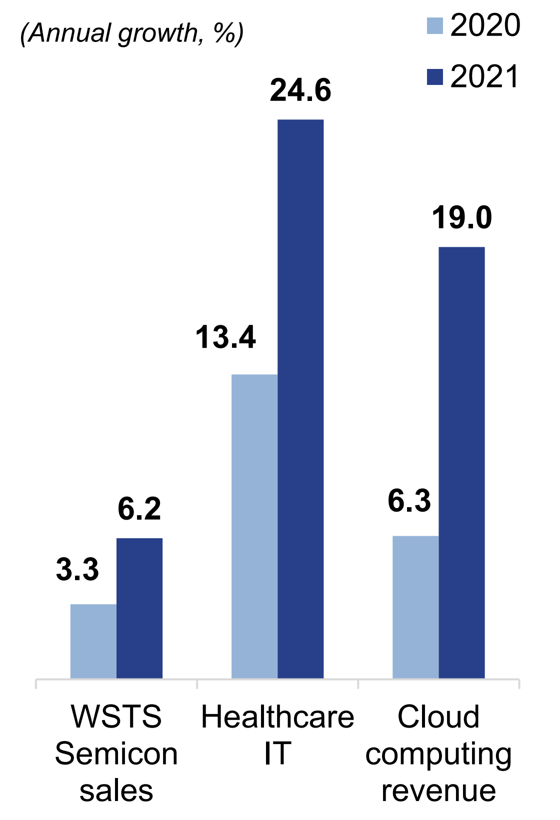
[3] JENDELA, JB-Singapore RTS, investment approved under PENJANA incentives for E&E and healthcare subsectors

[4] For data storage and servers and high-end consumer products

Forward looking indicators suggest firm support for recovery in trade and business activity

Rising demand for technology and healthcare products

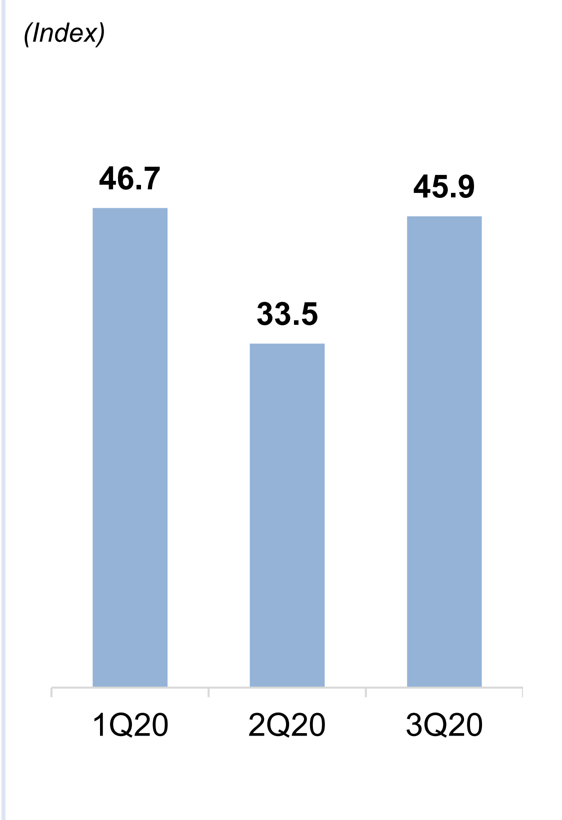
Industry Forecast for Global E&E Products



Source: World Semiconductor Trade Statistics, Markets and Markets, Gartner

Rebound in external demand

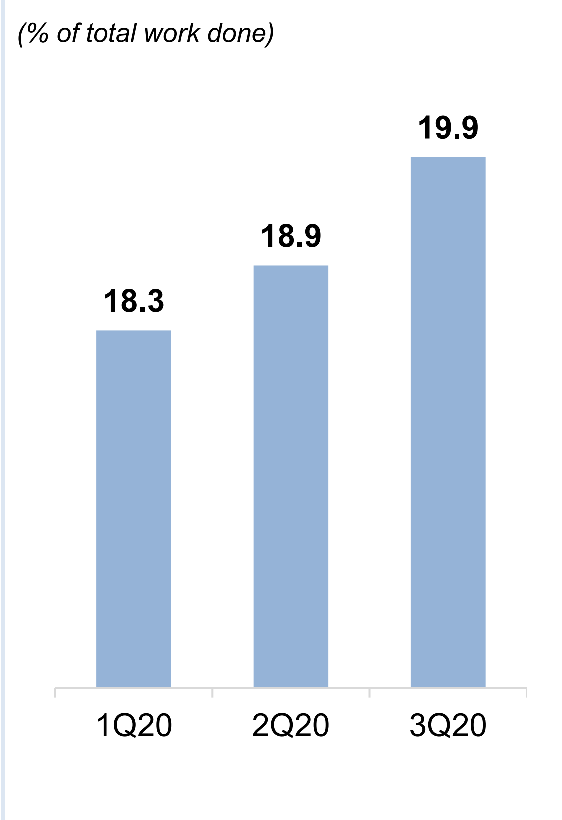
Malaysia's New Export Orders, PMI



Source: IHS Markit

Pick up in early stage structures investment

Early Stage[1] Construction Work Done



[1] Refers to 0 – 30% construction work done
Source: Department of Statistics Malaysia

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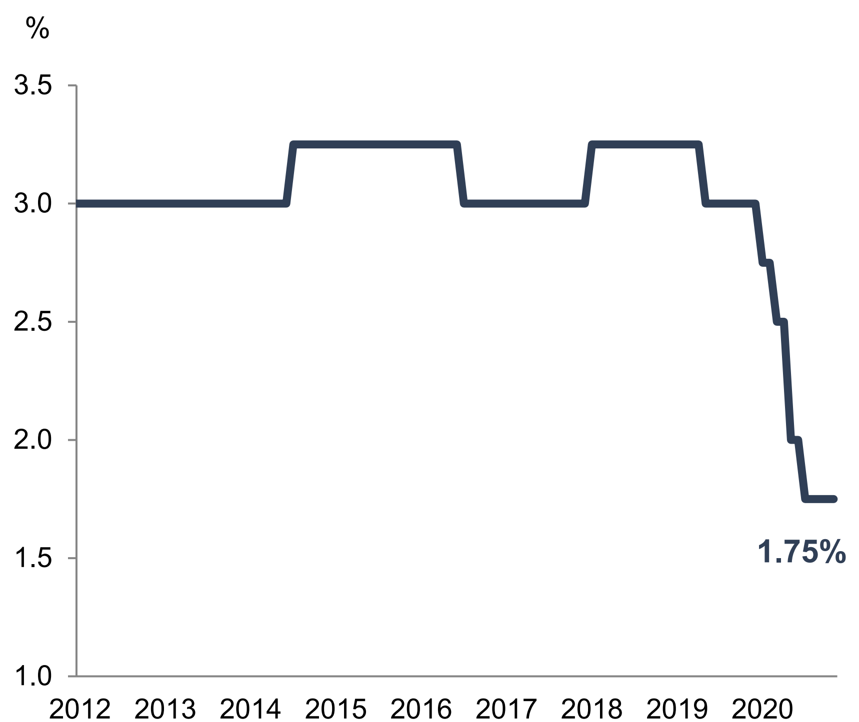
The reductions in the OPR this year will continue to provide stimulus to the economy

Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia

- Overnight Policy Rate (OPR) has been reduced by a total of 125 basis points from 3.00% to 1.75% this year
- Going forward, the MPC will be guided by evolving conditions and their implications on the outlook for inflation and growth

Further support to growth from continued policy measures, particularly for the vulnerable segments

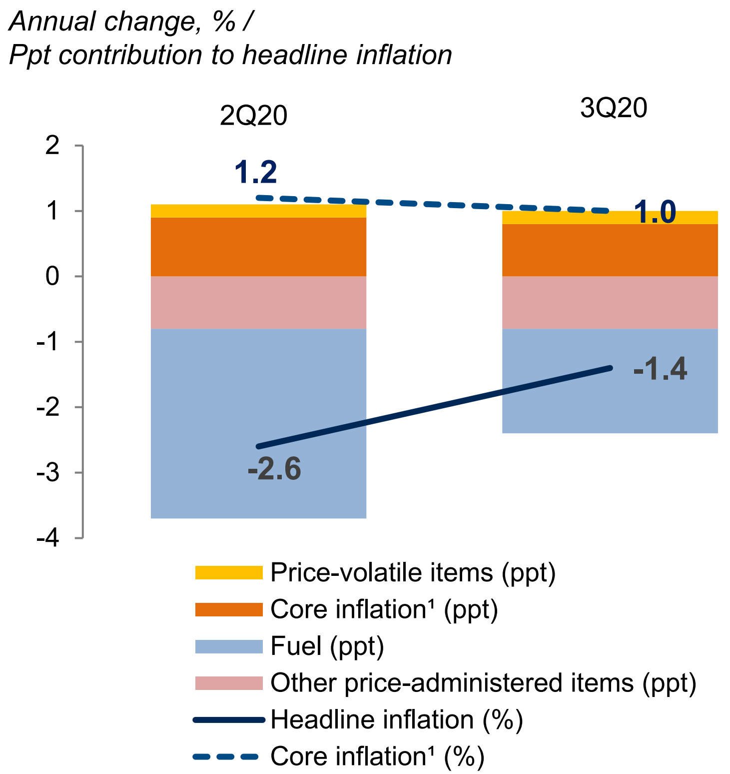
1H20	2H20	1H21	2H21

Segments	Measures
Labour market To preserve and create jobs	Wage Subsidy Program → Targeted Wage Subsidy Program Hiring and training assistance for businesses → Enhanced hiring incentives (PenjanaKerjaya), and re-skilling and up-skilling initiatives
Households For cash flow relief and spending support	Various cash transfers (e.g. BPR and BPN) Blanket loan moratorium for HHs → Targeted loan moratorium and other repayment assistance EPF withdrawals and reduction in employees EPF contribution
Businesses For cash flow relief and business continuity	Various financing schemes (e.g. PENJANA Tourism Financing, Targeted Relief and Recovery Facility, High Tech Facility) Tax relief and other cost reduction measures Blanket loan moratorium for SMEs → Targeted loan moratorium and other repayment assistance

Inflationary pressures to remain muted

Smaller negative headline inflation in 3Q 2020 amid the recovery in global oil prices

Contribution to Headline Inflation by Component



In 2021, headline inflation is expected to be higher, while core inflation would remain subdued

Assessments for 2021

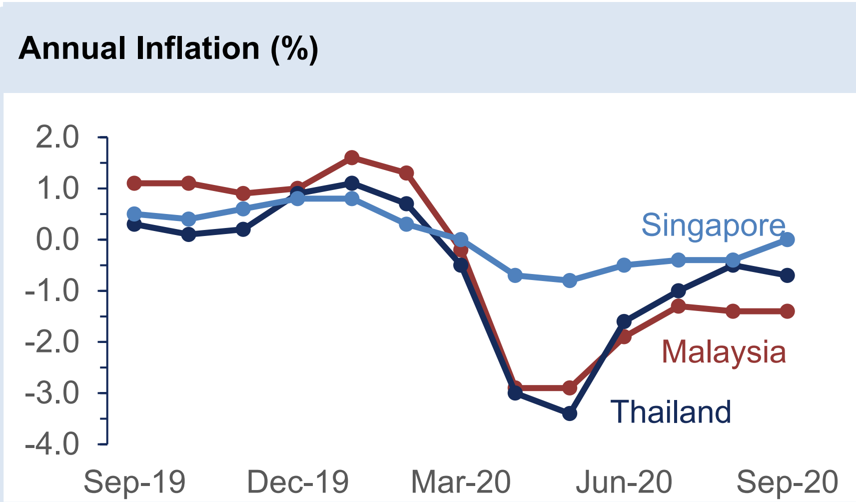
1. **Headline inflation is expected to average higher at between 1 to 3%,** mainly reflecting higher projected global oil prices

2. **Core inflation would remain subdued** amid spare capacity in the economy

3. **Uncertainties in the 2021 outlook**
   - Trajectory mainly depends on global oil and commodity prices

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

Deflation is the persistent and broad-based decline in prices, distinct from a temporary period of negative inflation



Source: Department of Statistics Malaysia and Bloomberg

Negative inflation due to lower global oil prices is not unique to Malaysia

Some countries in the region have also had similar experiences

Current assessments

Inflation dynamics

- Price declines in the CPI basket is not pervasive (3Q 2020: 16% of items; 2010-2018 average: 22%)

Inflation expectations

- Short- to medium-term inflation expectations are well anchored
- No unusual inflation uncertainty

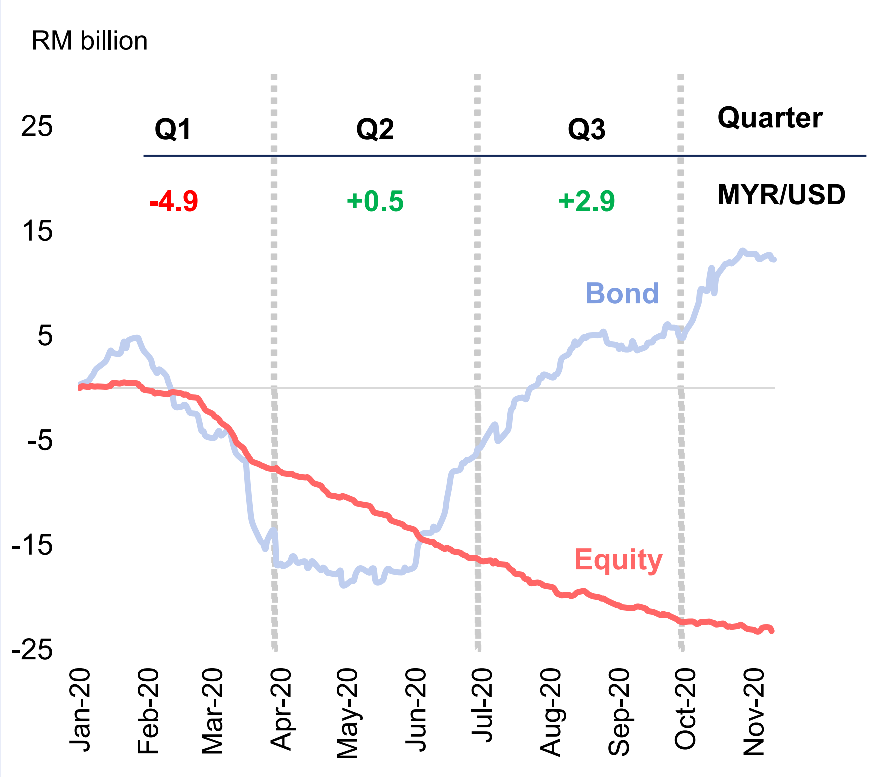
Contained pressures from wider economic environment

- Sustained credit intermediation
- Relief measures help to contain defaults and adverse feedback

Domestic bond market experienced continued non-resident portfolio inflows amid signs of recovery in global economic activity

Further inflows into the domestic bond market…

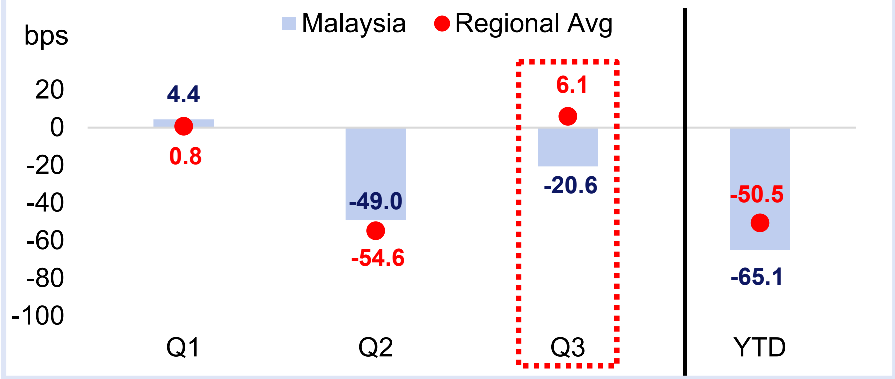
Cumulative Non-resident Portfolio Flows and MYR/USD change



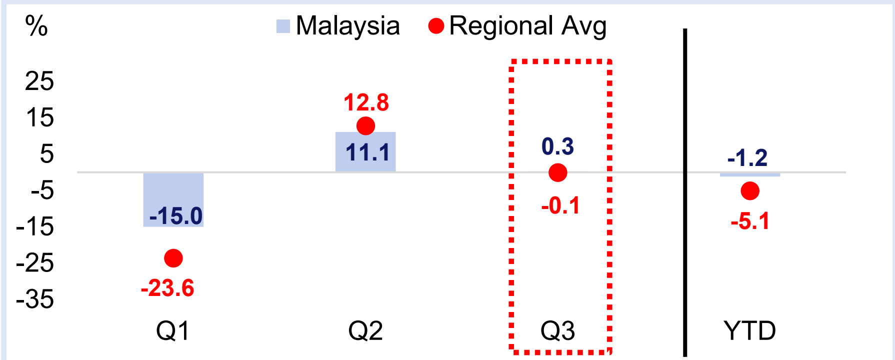
Source: Bank Negara Malaysia, Bursa Malaysia

… partly contributing to an improvement in bond yields

Movement of 10-Year Sovereign Bond Yields



Movement of Equity Prices



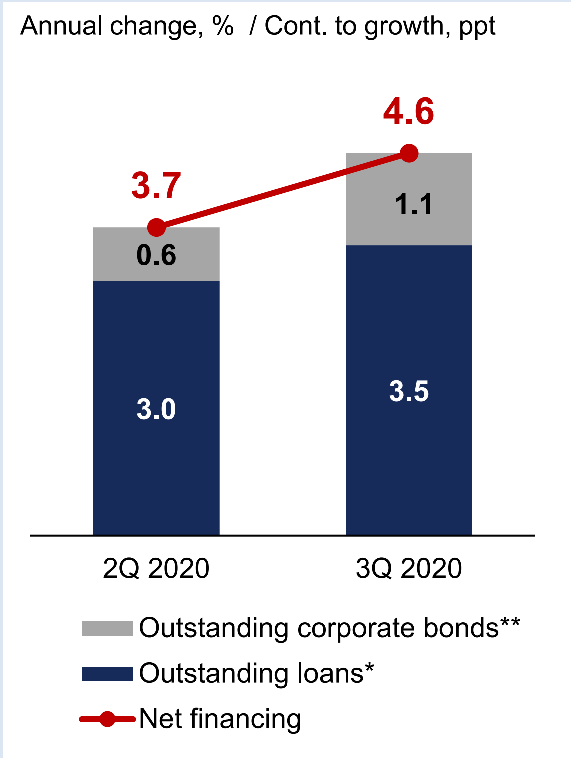
*Regional countries include Indonesia, the Philippines, PR China, Singapore, South Korea and Thailand. YTD as at 11 November 2020.

Source: Bank Negara Malaysia, Bloomberg

Higher financing growth, especially to households

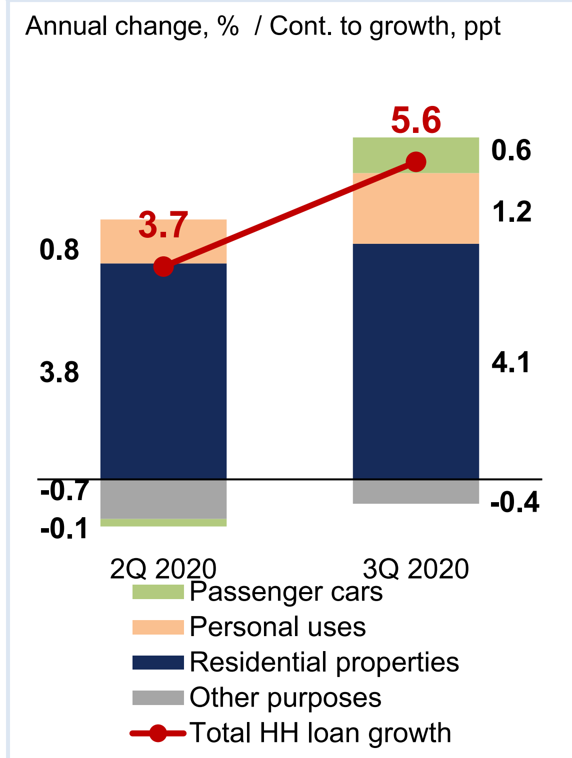
Expansion in both loans and corporate bonds

Net Financing*



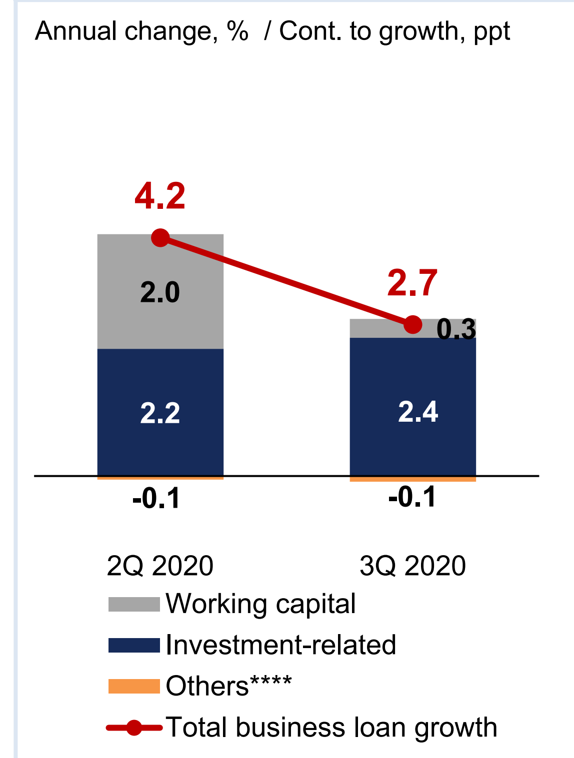
Higher household loan growth

Outstanding Household Loans*



Business loans moderated amid lower working capital loan growth

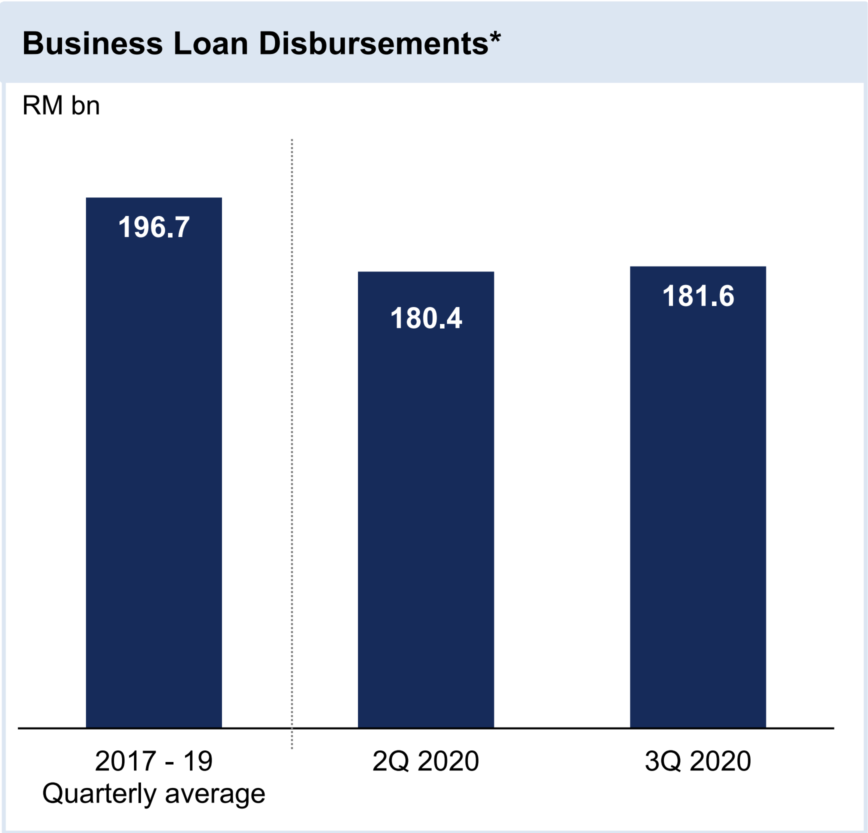
Outstanding Business Loans***



*Loans from banking system and development financial institutions (DFIs), **Excludes issuances by Cagamas and non-residents, ***Loans from banking system only
****Others include loans for the purchase of residential properties and mergers and acquisitions
Note: Numbers may not add up due to rounding
Source: Bank Negara Malaysia

Banking system continues to support business financing, supplemented by various funds targeted for SMEs

Sustained business loans disbursements



*Loans from banking system and development financial institutions (DFIs)
Source: Bank Negara Malaysia

BNM funds for SMEs have been upsized to further support economic recovery

Financing Facilities for SMEs^
(% of fund utilised as at 2 Oct 2020)

Total allocation: RM20.7 bn

SRF
RM10 bn
(100%)
Alleviate short term cash flow

ADF
RM300 mn
(21%)
Incentivise automation & digitalisation

AES
RM5 bn
(86%)
Enhance access to financing

AF
RM1.5 bn
(64%)
Increase food production

PTF
RM1 bn
(2%)
Aid SMEs in the tourism sector

MEF
RM410 mn (+RM110 mn)
(49%)
Collateral-free financing for micro-enterprises

TRRF
RM2 bn
(New)
Aid SMEs affected by movement restrictions

HTF
RM500 mn
(New)
Aid SMEs in high-tech sectors

^ Special Relief Facility (SRF); All Economic Sector (AES); PENJANA Tourism Financing (PTF); Automation and Digitalisation Facility (ADF); Agrofood Facility (AF); Micro Enterprise Fund (MEF); Targeted Relief and Recovery Facility (TRRF); High Tech Facility (HTF)

Ample space and flexibility to inject liquidity via monetary operations to ensure effective financial intermediation

RM59 billion worth of total liquidity have been released to banking institutions since March 2020 with total liquidity stable around RM146 bn as at end-Sep

	Liquidity released
SRR reduction by 1.0% and flexibility for banks to use MGS and MGII to fully meet SRR compliance	**+RM46 bn**
Outright purchase of Government securities *(Orderly price adjustments with peak of 10-yr MGS yield at 3.60% in March vs current at 2.59%)*	**+RM9.3 bn**
Reverse repo operations up to 6 months *(Peak of RM15.7bn outstanding in March vs current at RM10.0 bn)*	**+RM3.2 bn**

Source: Bank Negara Malaysia

Banks' assistance for affected SMEs and households remain widely available

Recent Budget 2021 measures provide further targeted assistance to microenterprise and B40 households…

3-month extended loan moratorium

or

50% reduction in monthly repayment for 6 months

…with simplified application process leveraging on Bantuan Prihatin Nasional database

B40	**Documentation is not required** (for BSH* and BPR* recipients)
M40	**Self-declaration** (for BPN recipients)

* BSH: Bantuan Sara Hidup;
BPR: Bantuan Prihatin Rakyat

Non-affected and less affected borrowers are resuming their loan repayments

81% — **Repayment values**[1] end-Sep vs 1Q 2020

85% — **Borrowers resuming repayment**[2] as at Oct 2020

of which **43%** — **Borrowers earning < RM5,000** i.e. including B40

All banks also continue to provide loan repayment assistance that are tailored to the circumstances of borrowers

[1] Refers to SME and individual loans, excluding credit cards

[2] Refers to number of individual borrowers

Source: Bank Negara Malaysia

8 Misconceptions about Targeted Repayment Assistance (TRA)

Misconception #1
Targeted Repayment Assistance

"Without a blanket moratorium, borrowers in difficulty will not get help"

- Transition from automatic mora to targeted does not mean help is being taken away
- Help remains for those who need it
- Now borrowers have the choice of a more tailored solution to suit their financial needs

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Misconception #2
Targeted Repayment Assistance

"Targeted repayment assistance is only for B40"

There's help for everyone who has been affected* by the pandemic

- Moratorium
- Reduce instalments & extend loan tenure
- Convert into other facilities (e.g. credit card to term loan)

*T&C apply

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Misconception #3
Targeted Repayment Assistance

"Banks require too many documents"

B40*	Not required for BSH or BPR recipients
Microenterprise Facilities up to RM150,000	Not required
M40*	Self-declaration for BPN recipients
SME	Minimal documents

*Banks will refer to BSH / BPR / BPN database

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Misconception #4
Targeted Repayment Assistance

"Banks are slow"

Banks processing time :

BSH recipient & Microenterprise	24 Hours
BPN recipient	5 Days
SME	14 Days

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Misconception #5
Targeted Repayment Assistance

"I can't apply due to EMCO and CMCO"

- Banks remain open
- You can apply via various channels such as phone, e-mail and online

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Misconception #6
Targeted Repayment Assistance

"Repayment assistance is unaffordable"

- You can discuss options with your banks
  - Moratorium
  - Reduce instalments & extend loan tenure
  - Convert into other facilities (e.g. credit card to term loan)
- Contact AKPK for further assistance

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Misconception #7
Targeted Repayment Assistance

"Targeted repayment assistance comes with no additional cost"

- Interest will continue on instalments amount
- Evaluate your options carefully
- Continue to repay your loans if you can afford to do so

BANK NEGARA MALAYSIA

Misconception #8
Targeted Repayment Assistance

"My CCRIS record will be affected"

Application for all Targeted Repayment Assistance before 30 June 2021 will not appear on your CCRIS record

BANK NEGARA MALAYSIA

Targeted assistance under BNM's Fund for SMEs to further support SMEs and micro entrepreneurs amid the pandemic

	Targeted Relief and Recovery Facility (TRRF)	High Tech Facility (HTF)	Micro Enterprises Facility (MEF)
Allocation	Allocation of **RM2 billion**	Allocation of **RM500 mn**	Increase available allocation to **RM200 mn**
Key objectives	**Provide relief** and **support recovery** for services sector SMEs affected by movement restrictions	Sustain **competitive positioning** in global value chains Preserve **supply chain** ecosystem Safeguard **high-skilled jobs**	Improve **access to credit** for micro enterprises Encourage **entrepreneurship**, including for gig workers and the self-employed
Targeted beneficiaries	**SMEs in services sector*** that are adversely affected by re-imposition of containment measures since June 2020	Affected SMEs in **high-tech sectors** that fulfil National Investment Aspirations (NIAs)	**Micro enterprises** and the **self-employed,** including **gig workers** on digital platforms and via **iTEKAD programme**

*Except tourism and tourism-related services subsectors which are supported by the existing PENJANA Tourism Facility

In a nutshell…

- Malaysia's GDP growth **improved significantly** in the third quarter.
- While the targeted CMCO could weigh on growth, the **impact will be less severe**
- Going into 2021, growth will **rebound** supported by **a pick up in global demand and normalisation in domestic economic activities**
- **Downside risks to growth remain**, with the pace and strength of recovery subject to developments surrounding the COVID-19 pandemic globally and domestically.
- **Policy measures and assistance** will continue to support both businesses and households

End of Presentation

Additional Information

Malaysian GDP improved to -2.7% in 3Q 2020

GDP growth by component

Real GDP (Annual change %)	Share[1] % (2019)	2019	2020	
		3Q	2Q	3Q
Services	**57.7**	**5.8**	**-16.2**	**-4.0**
Manufacturing	**22.3**	**3.6**	**-18.3**	**3.3**
Mining and Quarrying	**7.1**	**-4.1**	**-20.0**	**-6.8**
Agriculture	**7.1**	**4.0**	**1.0**	**-0.7**
Construction	**4.7**	**-1.4**	**-44.5**	**-12.4**
Real GDP	**100.0**	**4.4**	**-17.1**	**-2.7**

Real GDP (Annual change, %)	Share[1], % (2019)	2019	2020	
		3Q	2Q	3Q
Domestic demand (excluding stocks)	**94.0**	**3.5**	**-18.7**	**-3.3**
Private Sector	**75.6**	**5.5**	**-20.5**	**-3.6**
Consumption	*58.7*	*7.0*	*-18.5*	*-2.1*
Investment	*16.8*	*0.5*	*-26.4*	*-9.3*
Public Sector	**18.5**	**-4.8**	**-10.6**	**-1.6**
Consumption	*12.2*	*1.0*	*2.3*	*6.9*
Investment	*6.3*	*-14.6*	*-38.7*	*-18.6*
Net exports of goods and services	**7.0**	**12.1**	**-38.6**	**21.9**
Exports	*63.7*	*-2.1*	*-21.7*	*-4.7*
Imports	*56.7*	*-3.5*	*-19.7*	*-7.8*
Change in stocks (RM billion)	**-1.0**	**-4.3**	**7.2**	**-7.9**
Real GDP	**100**	**4.4**	**-17.1**	**-2.7**
Real GDP *(Q-o-Q SA)*	**-**	**0.8**	**-16.5**	**18.2**

[1] Numbers do not add up due to rounding and exclusion of import duties component
Source: Department of Statistics Malaysia

The improvement in growth was broad-based across most sectors and components

Percentage point contribution to GDP growth by components

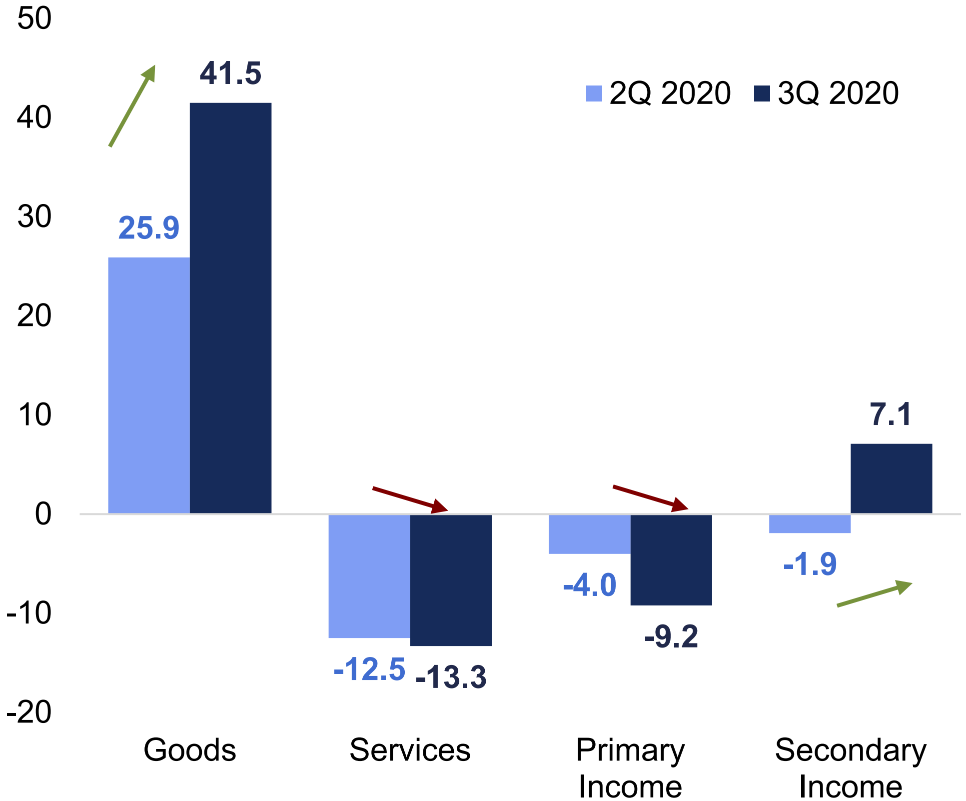
Real GDP (Contribution, ppt)	Share[1], % (2019)	2019	2020[f]	
		3Q	2Q	3Q
Services	57.7	3.3	-9.3	-2.3
Manufacturing	22.3	0.8	-4.2	0.7
Mining and Quarrying	7.1	-0.3	-1.5	-0.4
Agriculture	7.1	0.3	0.1	-0.1
Construction	4.7	-0.1	-2.0	-0.6
Real GDP	100.0	4.4	-17.1	-2.7

Real GDP (Contribution, ppt)	Share[1], % (2019)	2019	2020[f]	
		3Q	2Q	3Q
Domestic demand (excluding stocks)	94.0	3.3	-17.7	-3.1
Private Sector	75.6	4.2	-15.9	-2.8
Consumption	*58.7*	*4.1*	*-10.8*	*-1.2*
Investment	*16.8*	*0.1*	*-5.2*	*-1.6*
Public Sector	18.5	-0.9	-1.7	-0.3
Consumption	*12.2*	*0.1*	*0.3*	*0.8*
Investment	*6.3*	*-1.0*	*-2.0*	*-1.0*
Net exports of goods and services	7.0	0.7	-2.7	1.5
Exports	*63.7*	*-1.4*	*-13.9*	*-2.9*
Imports	*56.7*	*-2.1*	*-11.3*	*-4.4*
Change in stocks (RM billion)	-1.0	0.3	3.2	-1.0
Real GDP	100	4.4	-17.1	-2.7

[1] Numbers do not add up due to rounding and exclusion of import duties component
Source: Department of Statistics, Malaysia

Current account of the balance of payments registered a surplus of RM26.1 billion or 7.1% of GDP

Breakdown of Current Account Balance (RM billion)



Higher goods surplus

- Improvement in external demand and commodity prices

Larger services deficit

- Higher payment for transportation services amid higher trade activity
- Low travel receipts from extended travel restrictions

Lower income deficit

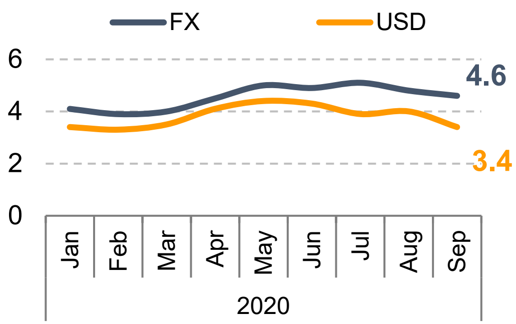
- Lower receipts from Malaysian investments abroad, offset by
- Transfers received as part of settlement

Source: Department of Statistics Malaysia

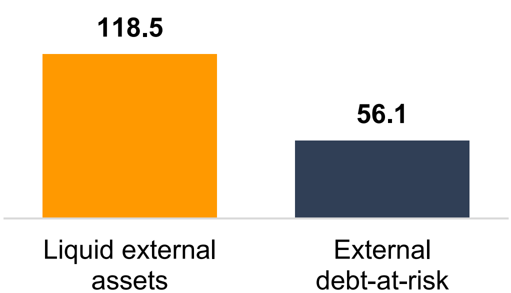
Malaysia's external debt remains manageable

Banks are resilient to face potential external shocks …

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

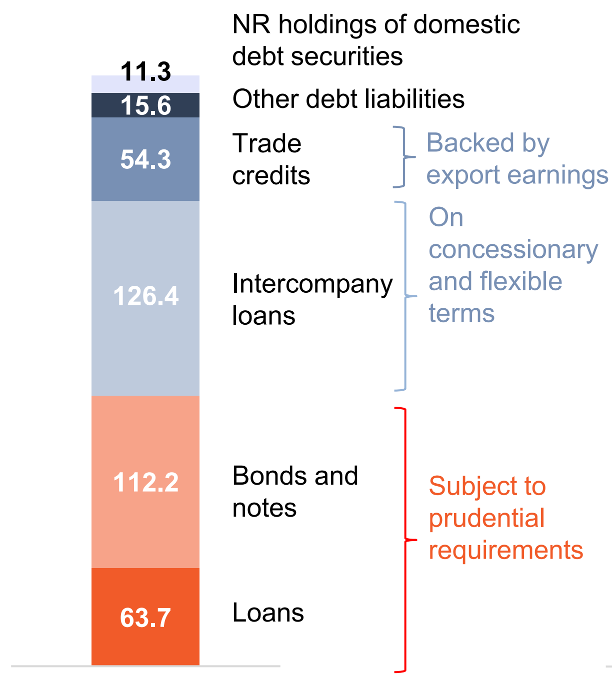


Banks' Liquid External Assets* and External Debt-at-Risk**
RM billion



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

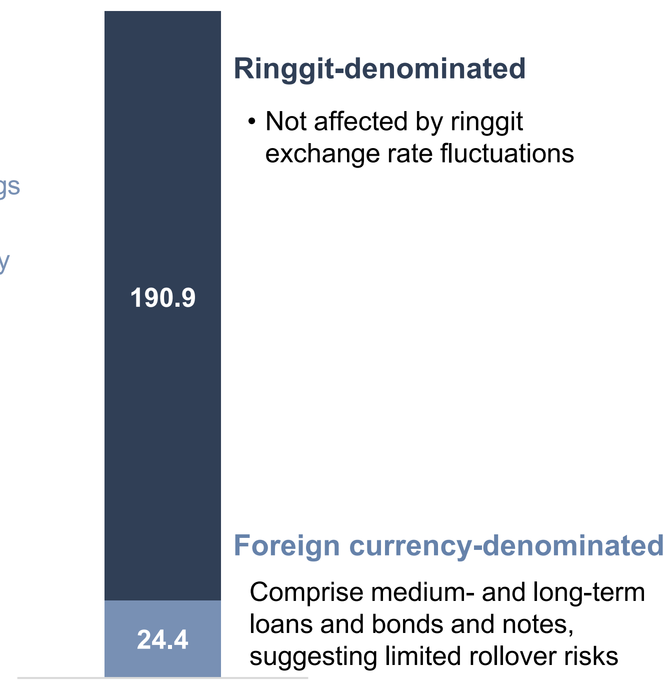
Corporate External Debt Breakdown by Instrument (as at end-3Q 2020)
RM billion



Total: RM383.5 billion

Government's external debt mainly in ringgit

Government External Debt Breakdown by Currency (as at end-3Q 2020)
RM billion



Total: RM215.2 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

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

High Tech Facility: Sustaining Malaysia's competitive position, preserve supply chain ecosystem and safeguard high-skilled jobs

SMEs in high-tech manufacturing subsectors for the HTF

Targeted sub-sectors:

a) Air and Spacecraft
b) Basic chemicals, fertilisers and synthetic rubber
c) Commercial vehicles*
d) Refined petroleum products
e) Biotech pharmaceuticals
f) Manufacture of general machineries
g) Optical instruments and photographic equipment

These sectors/subsectors are identified based on the following:

1. Their fulfilment of the **National Investment Aspirations (NIAs)**
2. Have been **adversely impacted by COVID-19**

National Investment Aspirations

1 Increase economic complexity

- Development of sophisticated products and services
- High local R&D and innovation intensity

2 Create high-value jobs

- High-skilled, high-income employment for locals

3 Extend domestic linkages

- High use of domestic inputs
- Increase breadth and depth of domestic supply chain

4 Develop new and existing clusters

- Development of high-productivity sectors and new products and services locally

- *Refers to targeted SME segments that are involved in global value chains or transitioning towards future mobility and green technology*