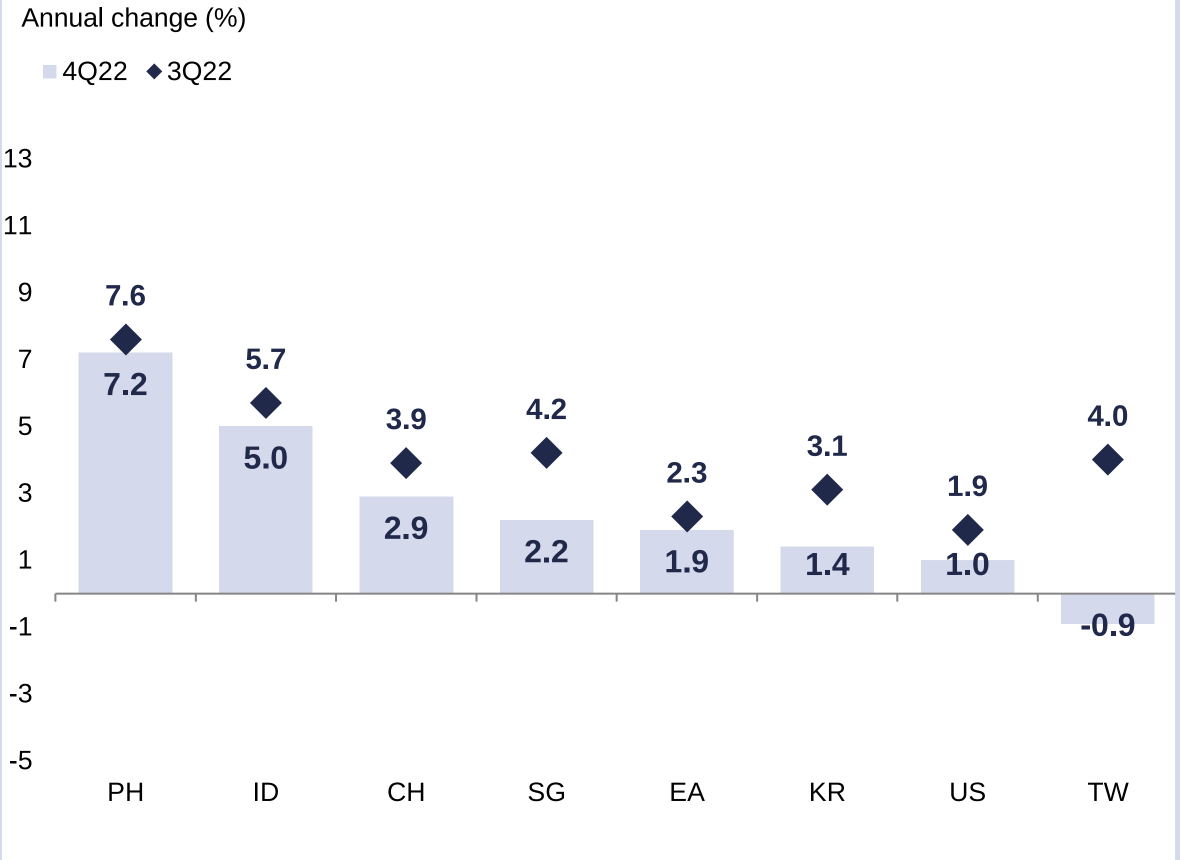
Sidang Akhbar

Prestasi Ekonomi Suku Keempat Tahun 2022

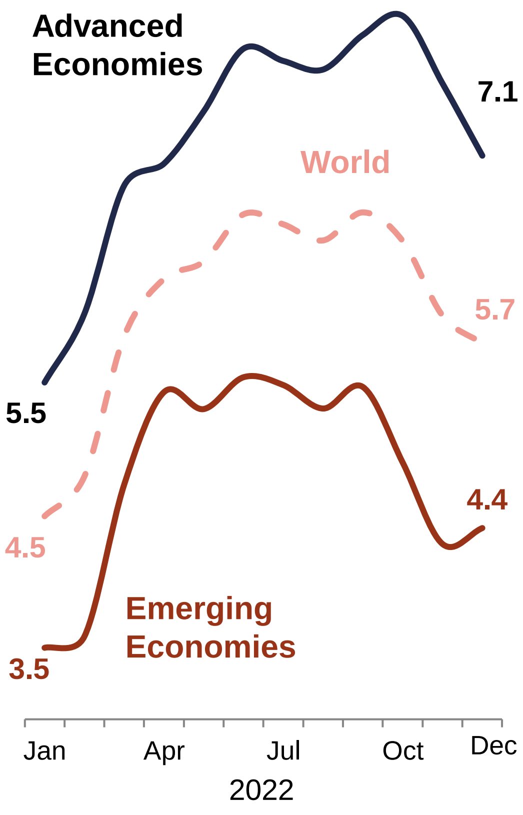
10 Februari 2023

The global economy moderated further in 4Q 2022

Real GDP Growth[1]



Inflation[2]



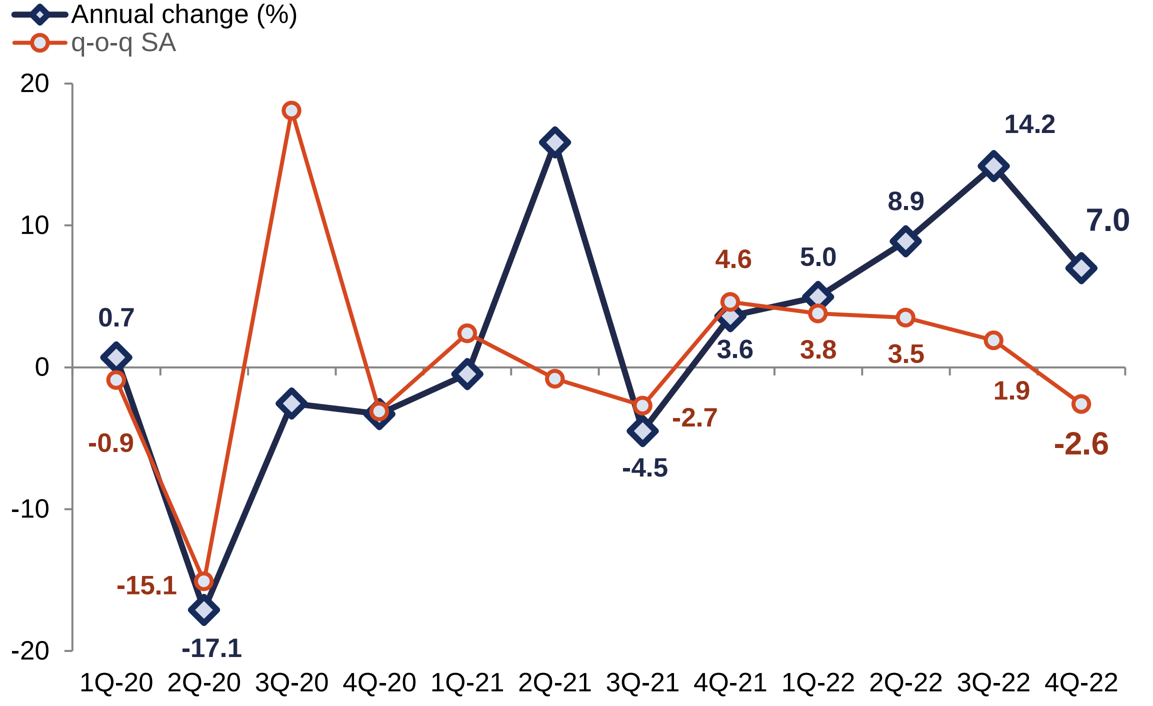
Global Growth Developments

- Further slowdown in global growth amid higher interest rate and slower trade activity
- Severe COVID-19 resurgence in China affected spending and production activity
- Headline inflation began to moderate, but remained elevated

Note:
[1] GDP for the fourth quarter of 2022 are advanced or preliminary estimates except for China, Indonesia, and Philippines.
[2] Inflation figures are aggregated across major countries based on their share of global growth. EA refers to Euro Area (EA-19).
Source: Macrobond, National authorities, International Monetary Fund, Bank Negara Malaysia estimates

Malaysia's GDP grew by 7.0% in 4Q 2022, bringing full year growth to 8.7%

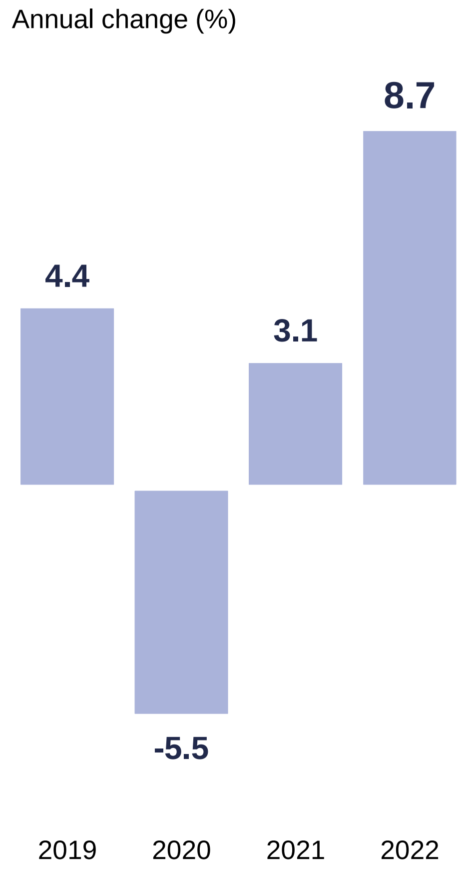
Real GDP Growth



Monthly Real GDP Growth (Annual change, %)

Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
15.8	15.3	11.6	7.0	5.7	8.3

Real GDP Growth (Yearly)



Factors Supporting Growth in 4Q 2022

Continued expansion in domestic demand

Sustained labour market recovery

Resilient demand for E&E and recovery in tourism activities

Moderation compared to 3Q 2022 due to ...

Waning support from stimulus measures and low base effect

Source: Department of Statistics Malaysia

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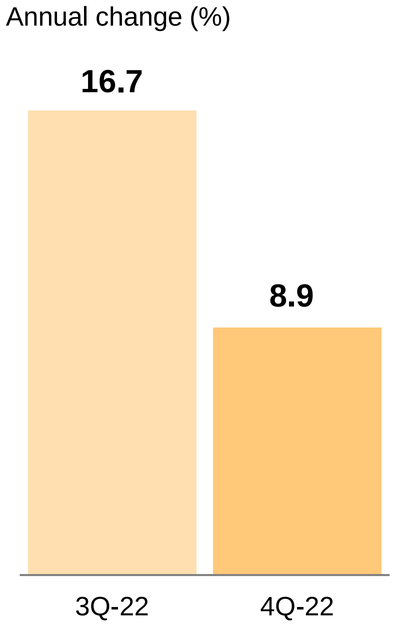
JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

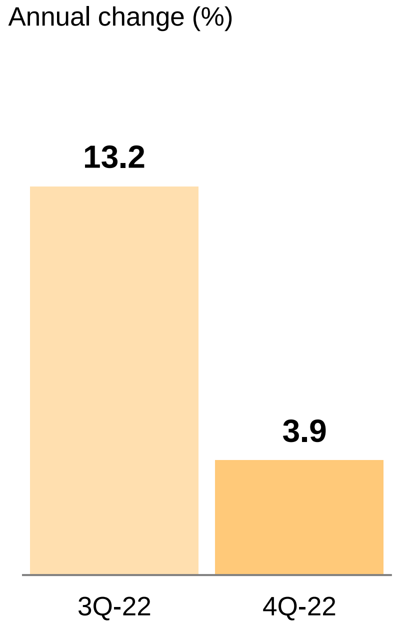
Continued expansion, albeit at a slower pace, across all economic sectors

Services



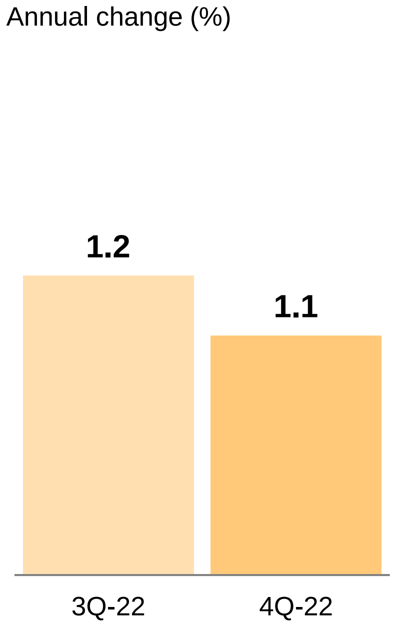
Support from both consumer and business services activities

Manufacturing



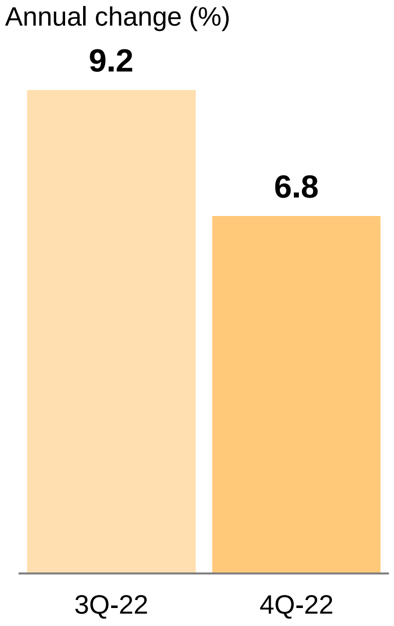
Continued expansion in E&E, primary and consumer clusters

Agriculture



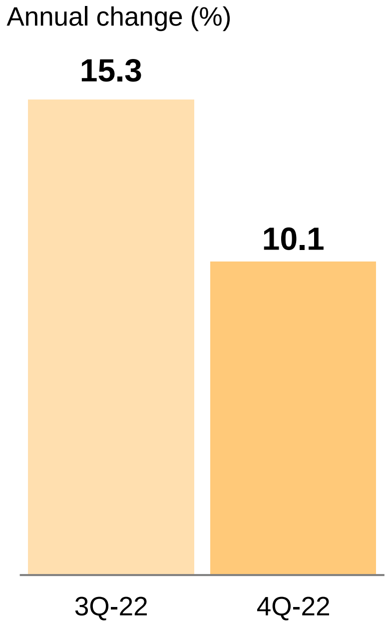
Oil palm production benefitted from higher yields and easing labour shortages

Mining



Continued improvements in oil and gas production

Construction

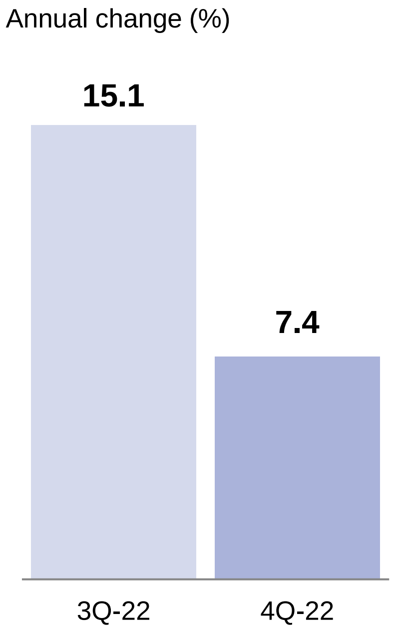


Progress of large infrastructure, commercial and industrial projects

Source: Department of Statistics Malaysia

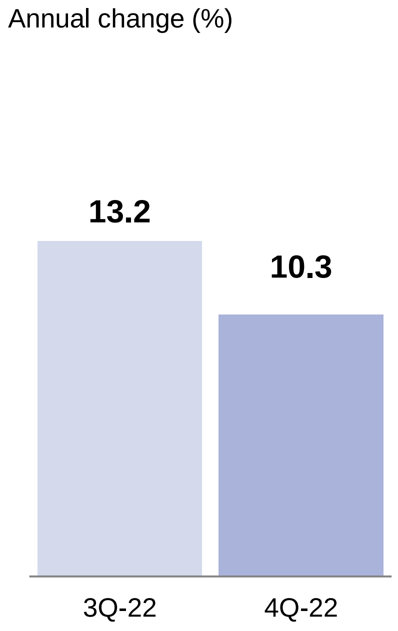
Domestic demand supported mainly by private sector expenditure

Private Consumption



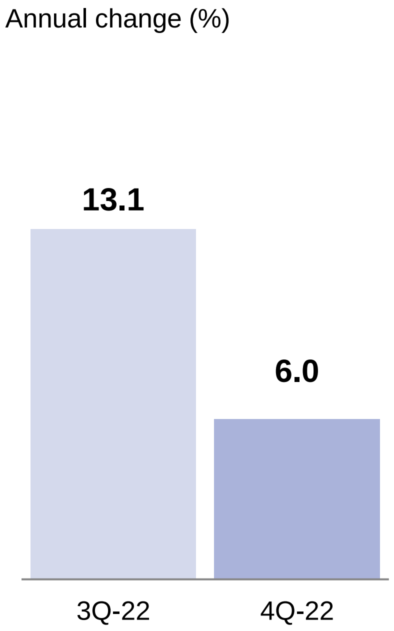
Continued growth in necessities and discretionary spending

Private Investment



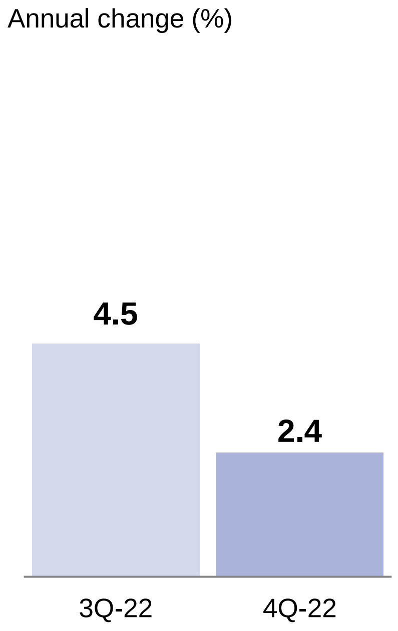
Driven by investment in both structures and M&E

Public Investment



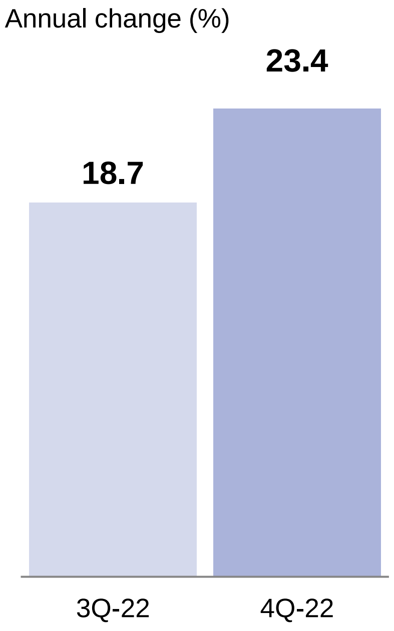
Continued capital expenditure by public corporations

Public Consumption



Supported mainly by Government supplies & services spending

Net Exports

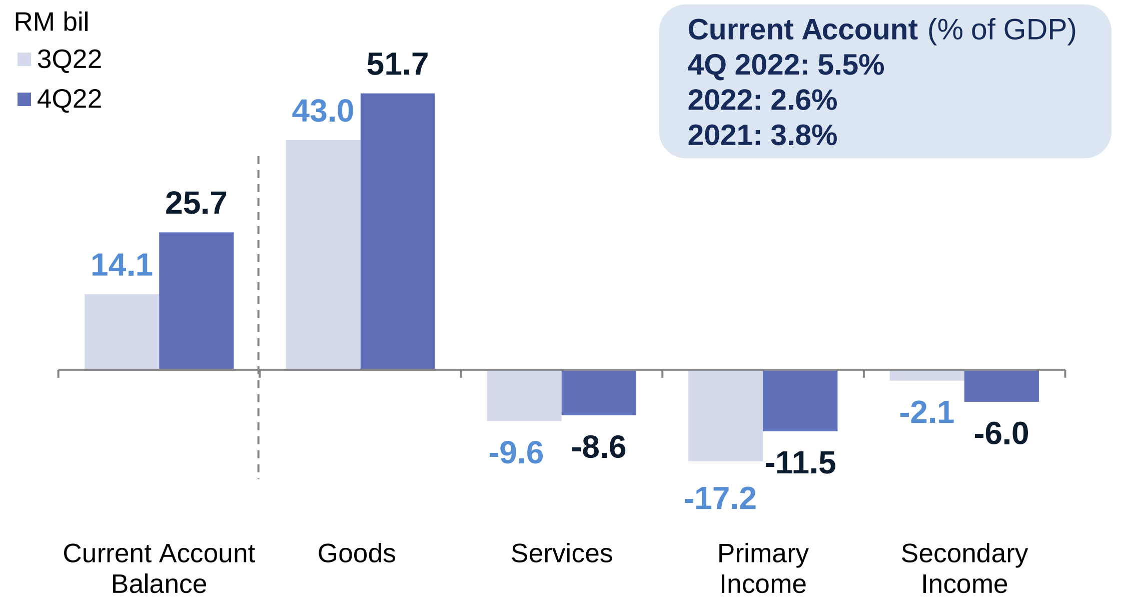


Resilient demand for E&E and further recovery in tourism activities

Source: Department of Statistics Malaysia

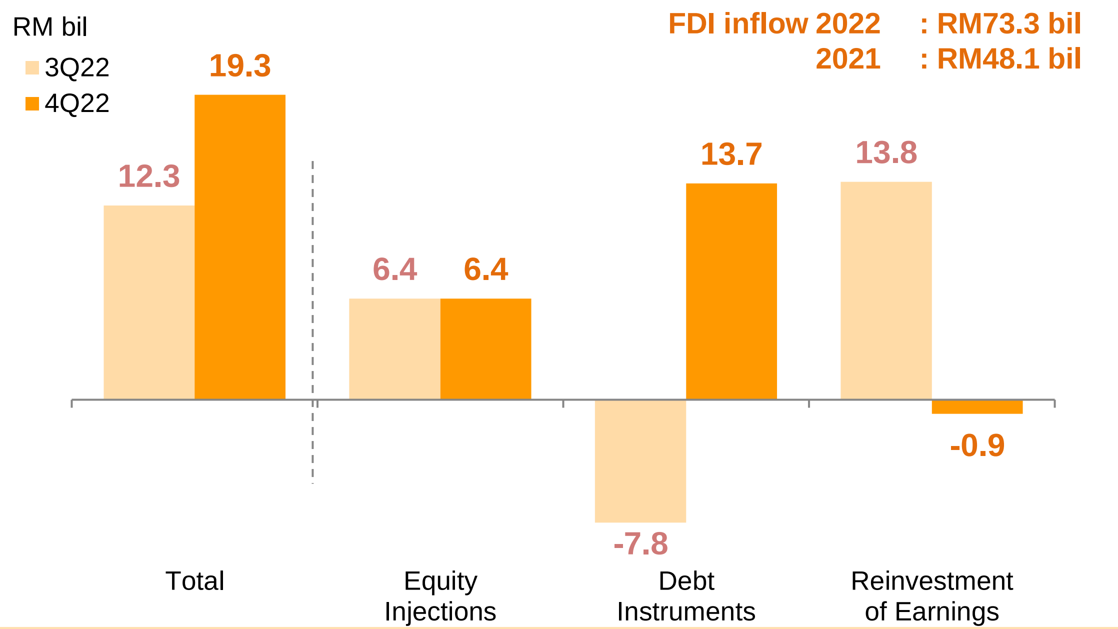
Higher current account surplus and FDI inflows

Current Account



- **Higher goods surplus due mainly to larger moderation in imports**
- **Services deficit narrowed driven by higher travel receipts**

Foreign Direct Investment



- **Higher FDI inflows supported by inflows in debt instruments and equity injections from foreign investors**
- **FDI was mainly channelled into the manufacturing sector and non-financial services subsector**

Source: Department of Statistics Malaysia

Going forward, domestic demand to remain the key driver of growth amid challenging global environment

Domestic Growth in 2023

▲ **Continued recovery in labour market**
Further improvement in employment and income prospects

▲ **Implementation of new and existing investment projects**
Realisation of approved investment to support investment activity

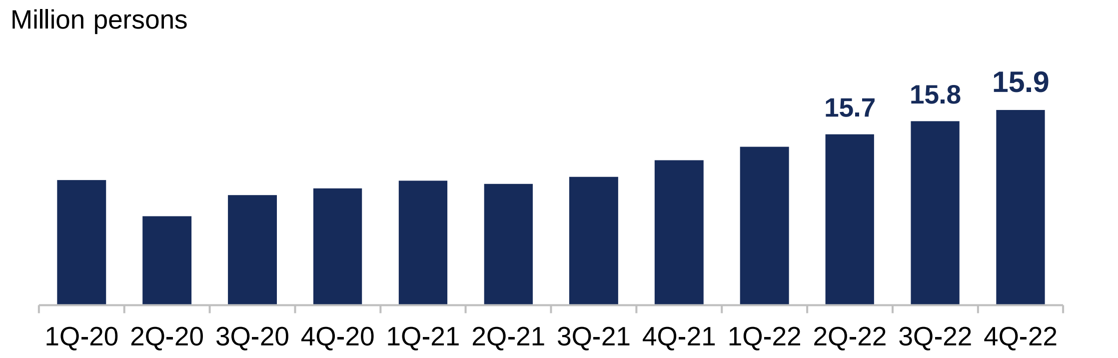
▲ **Higher tourism activity**
Further recovery in tourist arrivals amid reopening of China's international borders

▼ **Slower global growth**
Tighter monetary policy, elevated inflation and slower trade to weigh on global growth

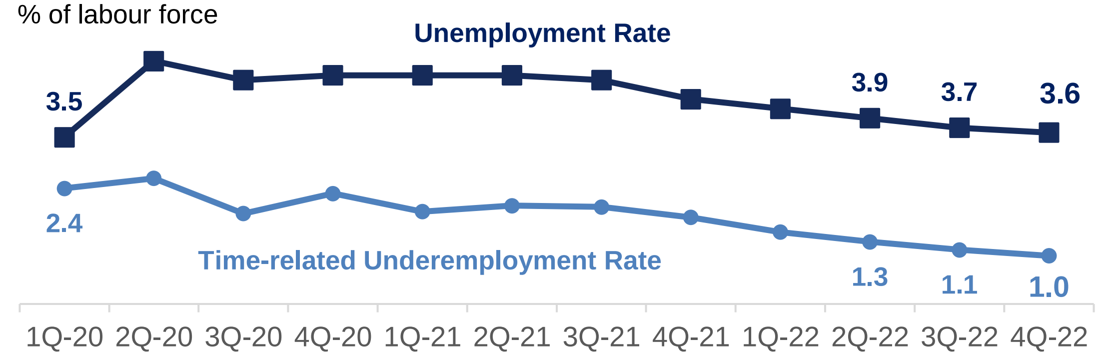
Steady increase in employment and wages to remain supportive of spending

Continued expansion in employment led to gradual decline in unemployment rate

Employment Levels

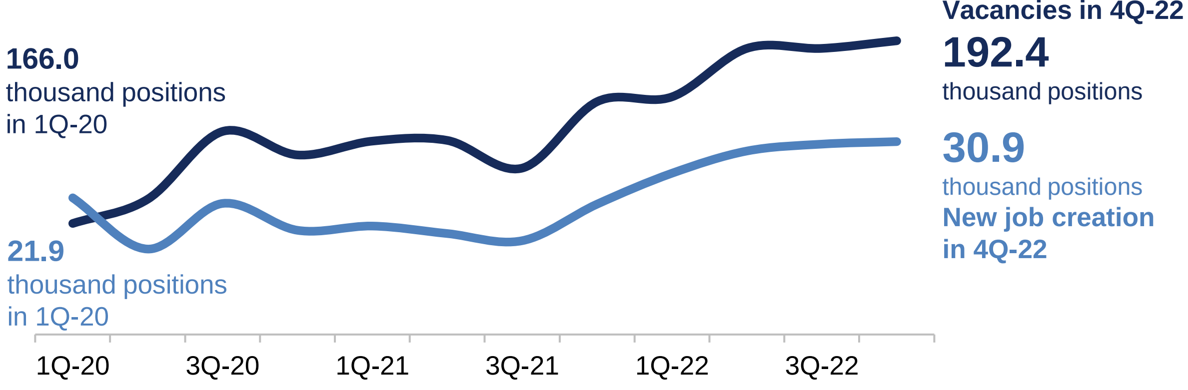


Unemployment & Time-related Underemployment Rate



Going forward, favourable demand for workers would remain supportive of wage growth

Vacancies and new job creations continue to improve …



Private Sector Wages

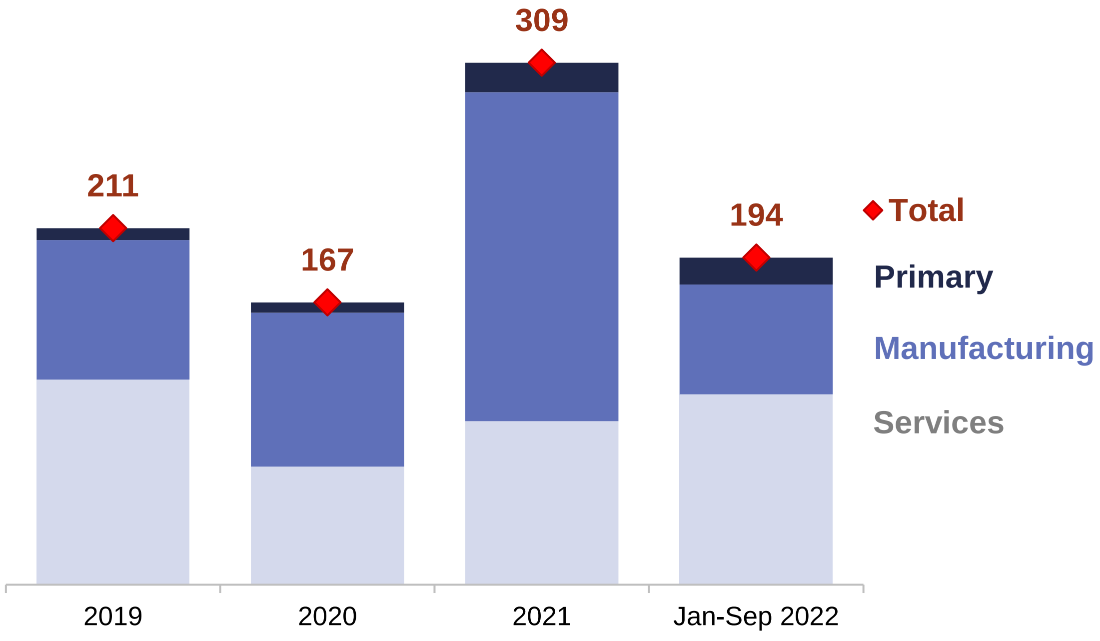
Note: Private sector wages comprise wages of workers in the manufacturing and services sectors.

Source: Department of Statistics Malaysia and Bank Negara Malaysia estimates

Continuation of new and existing investment to support growth in 2023

Realisation of approved investment to support overall investment activity

MIDA Total Investment Approvals
RM Billion



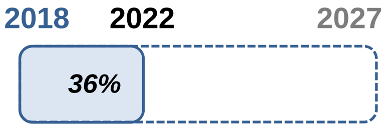
Source: MIDA, newsflows

Continued realisation of multi-year infrastructure projects to provide further lift to growth

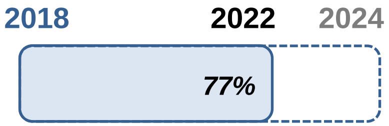
Key Infrastructure Projects

Cumulative Progress Rate

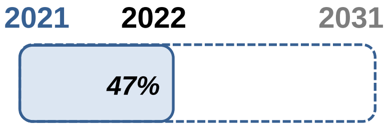
ECRL
RM50.0 billion



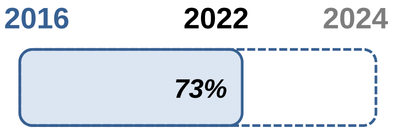
LRT3
RM16.6 billion



MyDIGITAL 5G
RM16.5 billion



Pan Borneo Highway (Sabah)
RM16.0 billion

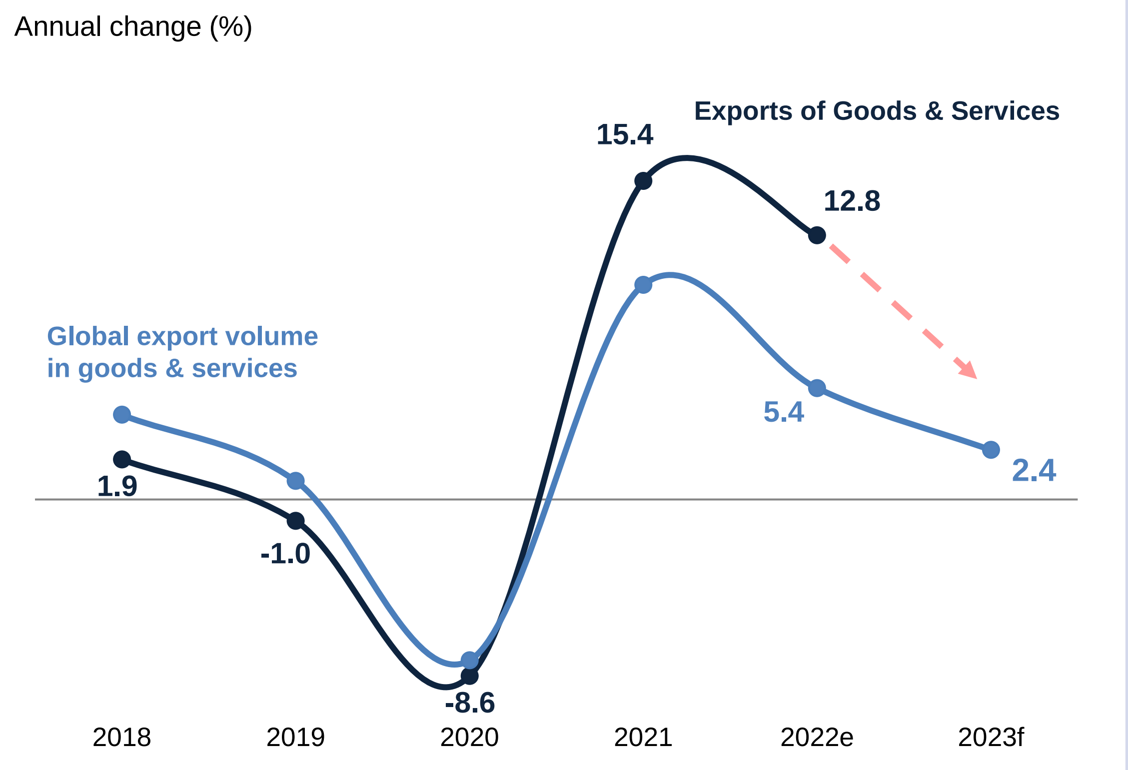


Note: Progress bars are for graphic purposes only.
Source: Newsflows, Bank Negara Malaysia estimates

Slowdown in export growth following weaker global demand to be partially cushioned by improvement in travel receipts

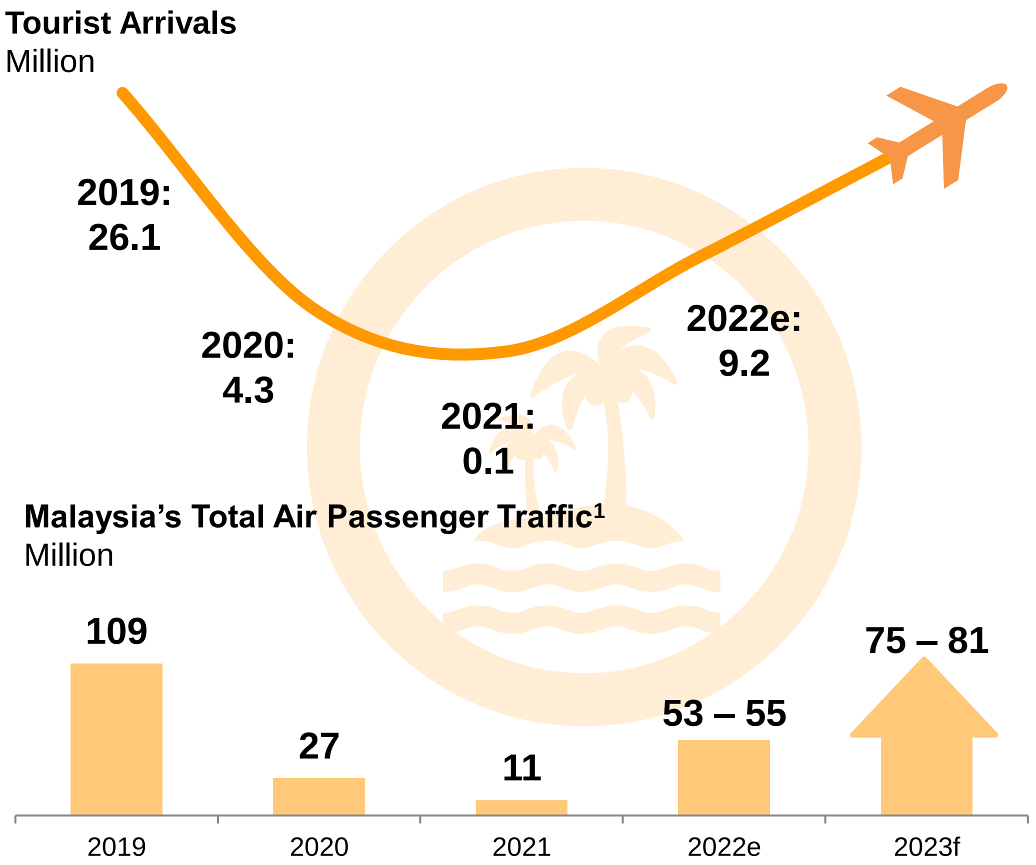
Exports growth to moderate, weighed down by weaker global demand

Malaysia's Exports and Global Trade Volume of Goods



^{e} Estimate, ^{f} forecast
Source: Department of Statistics Malaysia and International Monetary Fund

Further recovery in tourist arrivals amid reopening of China's international borders to provide support to services exports



^{e} Estimate, ^{f} forecast
[1] Includes domestic flights as well as inbound and outbound international flights. In contrast, tourist arrivals refer to international inbound tourists only.
Source: Ministry of Tourism, Arts and Culture, Malaysia, Economic Outlook and Budget 2023 (Ministry of Finance Malaysia) and Malaysian Aviation Commission

Risk to growth: Remains tilted to the downside, arising primarily from external factors

Upside risks

- ▲ Stronger-than-expected pent-up demand in major economies
- ▲ Stronger employment and income conditions
- ▲ Larger improvement in tourism sector
- ▲ Faster-than-expected implementation of investment following reforms

Downside risks

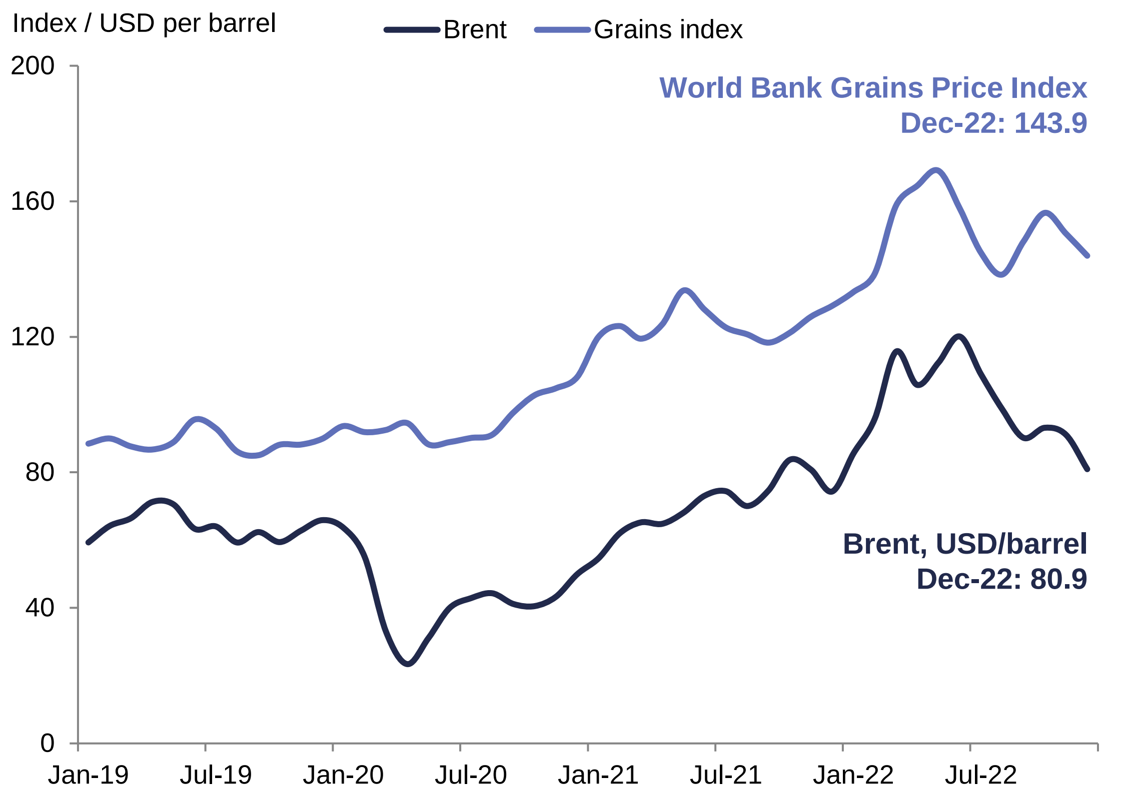
- ▼ Weaker-than-expected global growth
- ▼ Further escalation of geopolitical tension
- ▼ Re-emergence of significant supply chain disruptions including impact from climate change
- ▼ More persistent inflation necessitating tighter monetary policy
- ▼ Higher risk aversion in global financial markets

Easing trend in global commodity prices have partly translated into lower inflation in many countries

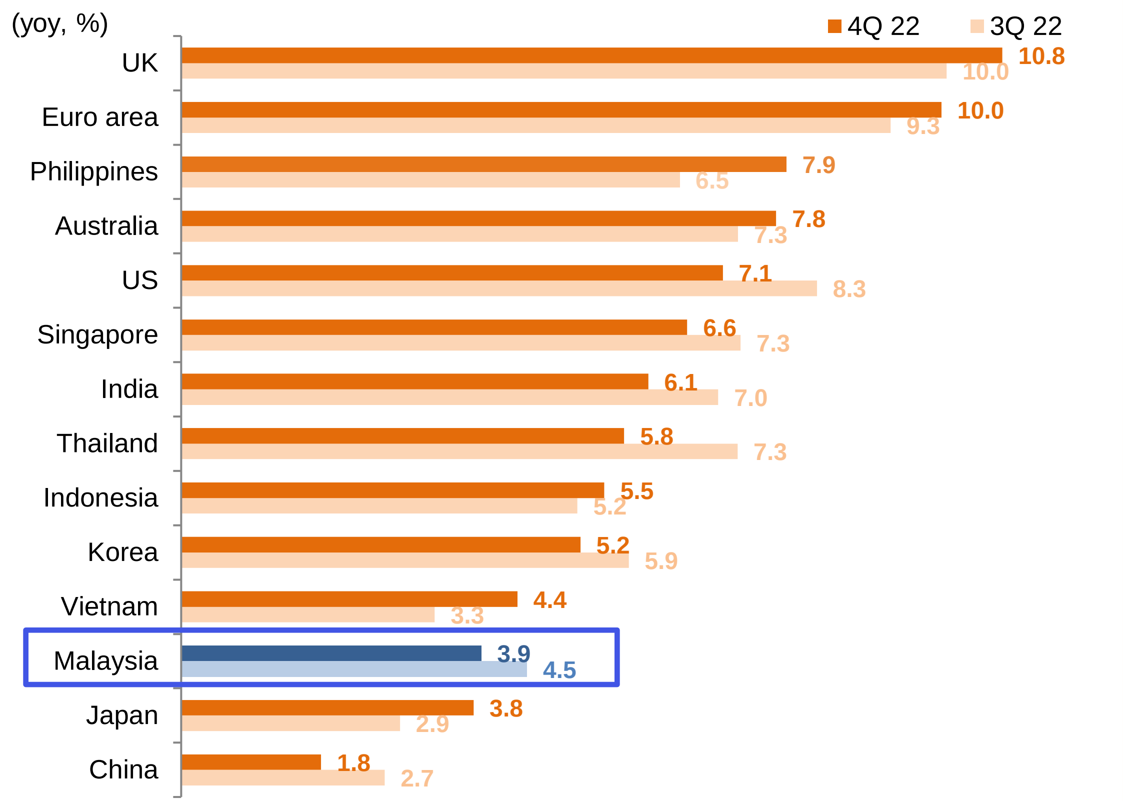
Global commodity prices beginning to ease …

… and inflation has begun to moderate in several economies, albeit remaining elevated

Key Commodity Prices



Global Inflation

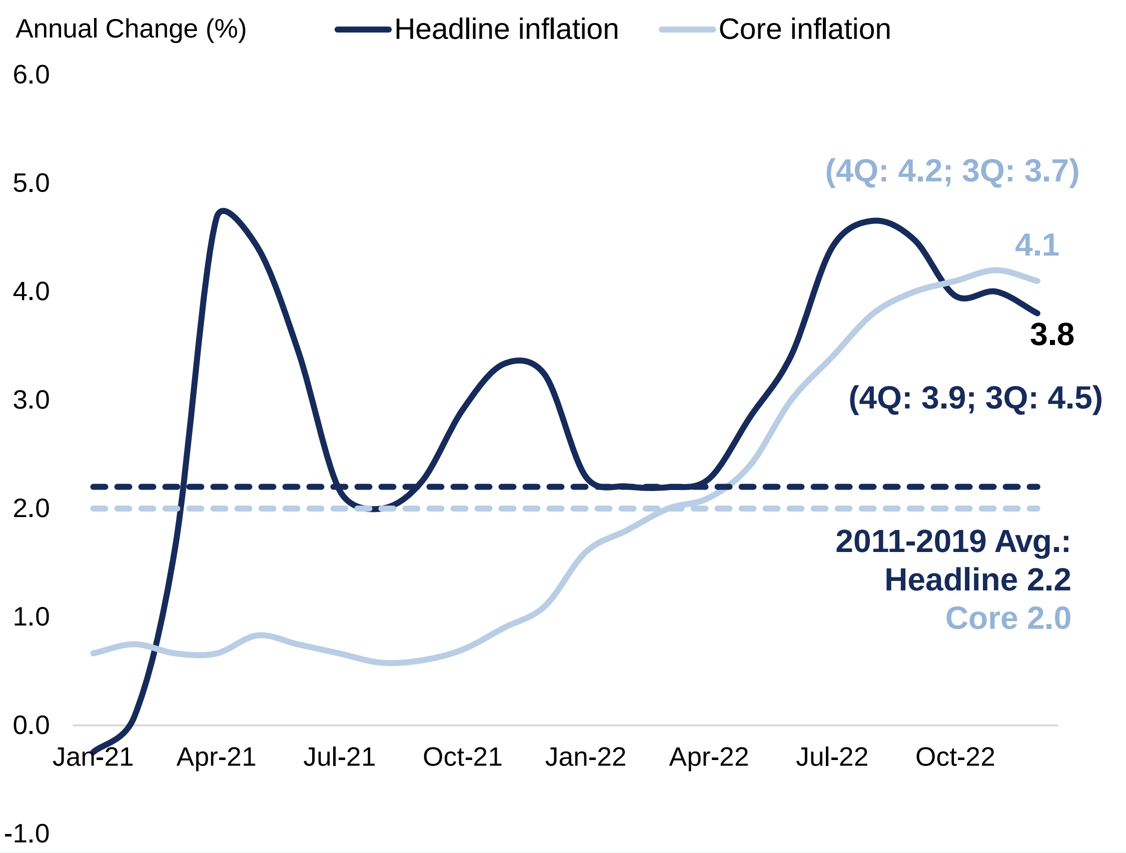


Source: World Bank, Bloomberg and Department of Statistics Malaysia.

Headline inflation has peaked, but core inflation increased further

Headline inflation peaked in 3Q 2022 while core inflation increased …

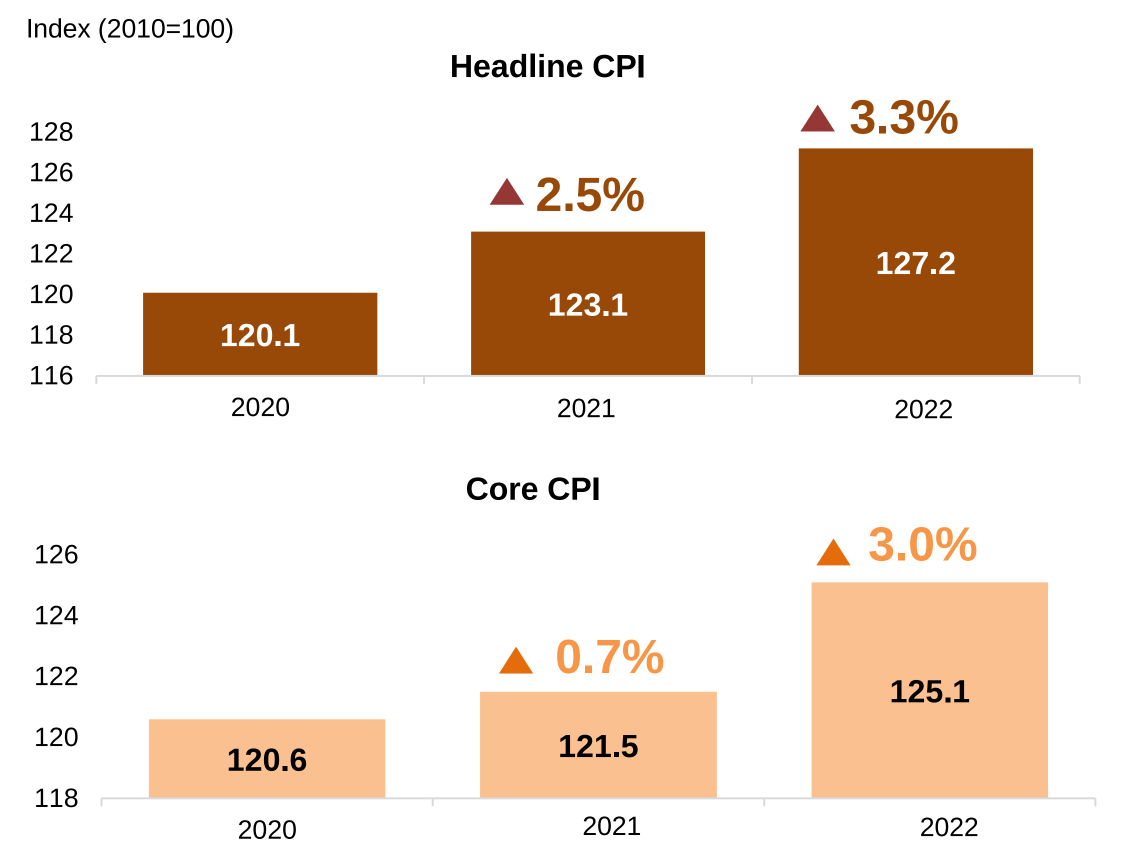
Malaysia Inflation



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

… as CPI reached an elevated level in 2022

Annual Consumer Price Index (CPI)

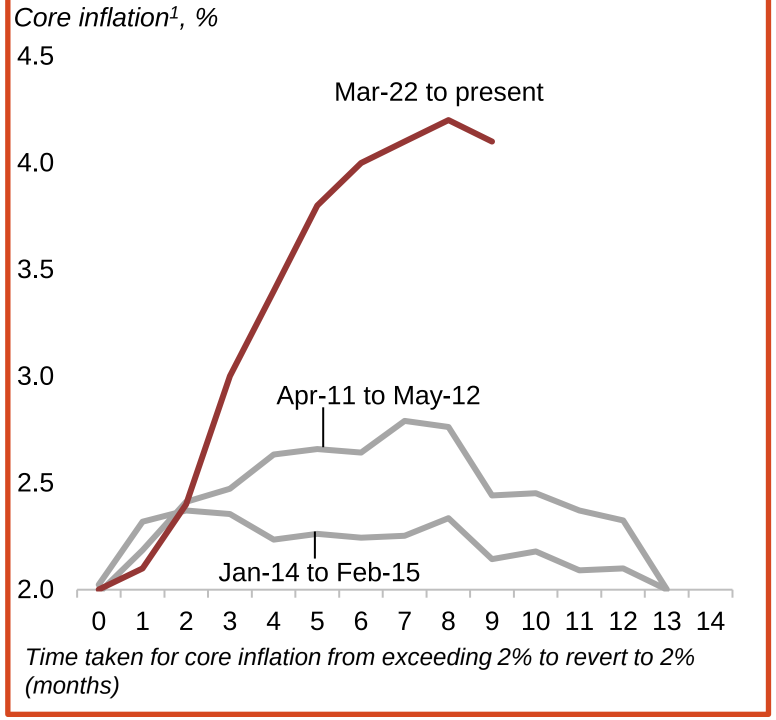


Source: Department of Statistics, Malaysia.
Note: Figures above the bars refer to annual inflation rate.

Underlying inflation continued to be partly driven by demand factors

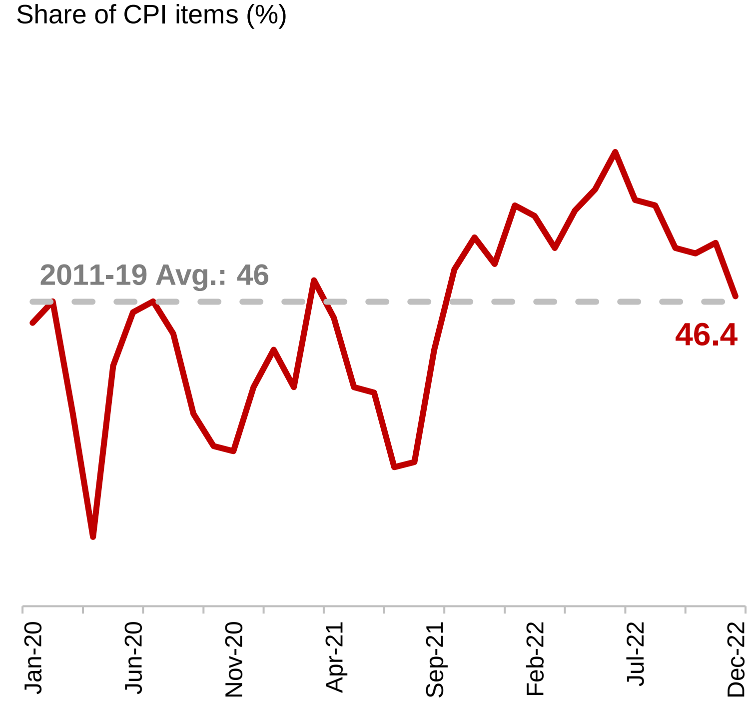
Underlying inflationary pressures have been more persistent

Selected Episodes of Core Inflation[1] Exceeding 2%



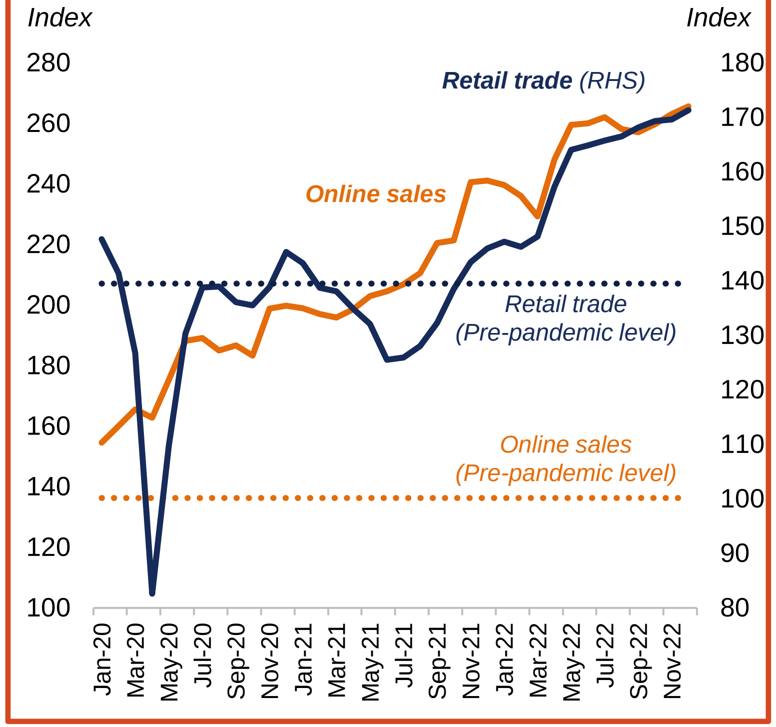
But pervasiveness of price increases has gradually normalised

Share of CPI Items Recording Month-on-Month Price Increase (%)



Sustained underlying inflation in part reflecting demand factors

Online Sales and Retail Trade



[1] Core inflation excludes price-administered, price-volatile items and estimated direct impact from consumption tax policy changes.
Source: Department of Statistics Malaysia and Bank Negara Malaysia estimates.

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Over the course of 2023, headline and core inflation to moderate but remain elevated

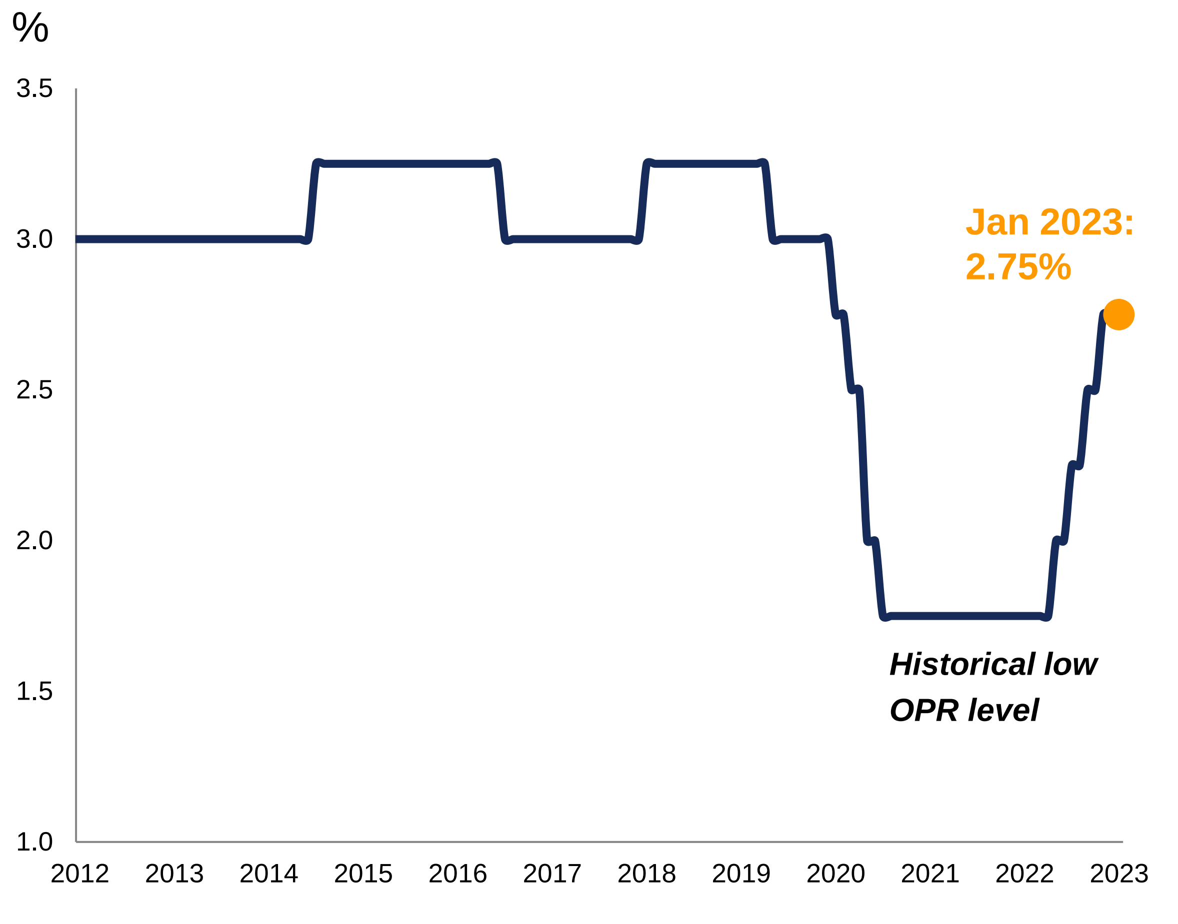
Key drivers of headline inflation in 2023

- **Elevated core inflation in the near term**
- **Lingering cost pressures**
- **Easing of supply-related factors** and lower global commodity prices
- **Continued slack** in the economy and labour markets would limit upward price adjustments
- **Existing subsidies and price controls** to partly contain inflationary pressures

Outlook remains subject to changes to domestic policy, global commodity price developments and supply-related disruptions

The OPR was maintained at 2.75% at the recent MPC meeting in January 2023

Overnight Policy Rate, OPR



Source: Bank Negara Malaysia

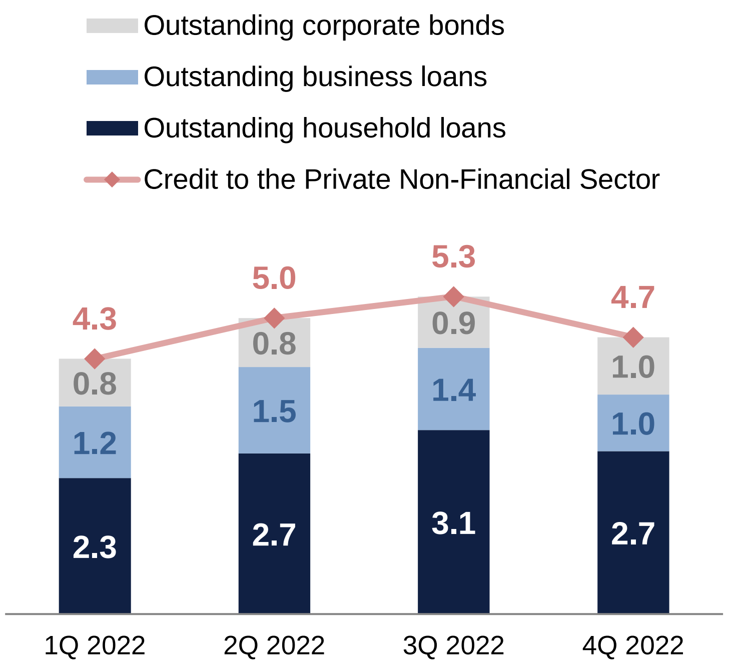
- This allows the MPC to **assess the impact of the cumulative past OPR adjustments,** given the lag effects of monetary policy on the economy
- Monetary policy **continues to be accommodative**
- Further normalisation to the degree of monetary policy accommodation **would be informed by the evolving conditions and their implications to the domestic inflation and growth outlook**

Credit growth moderated as loan repayments outpaced disbursements

Credit to the private non-financial sector grew by 4.7% as at end of 4Q 2022

Credit to the Private Non-Financial Sector*

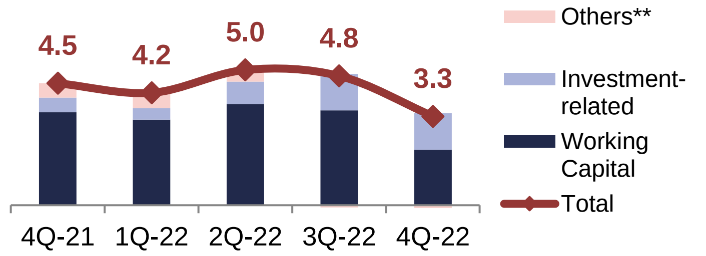
Annual change (%) / Cont. to growth (ppt)



For both businesses and households, loan repayment growth outpaced that of disbursements

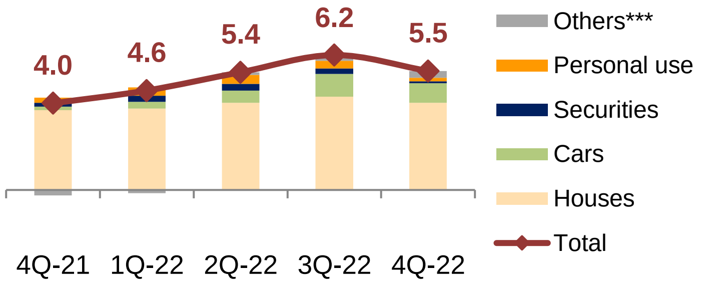
Outstanding Business Loan Growth

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



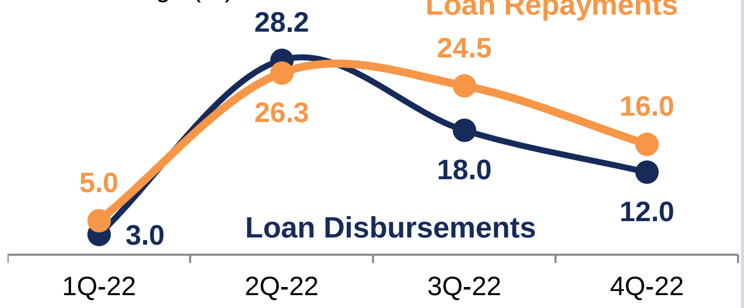
Outstanding Household Loan Growth

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



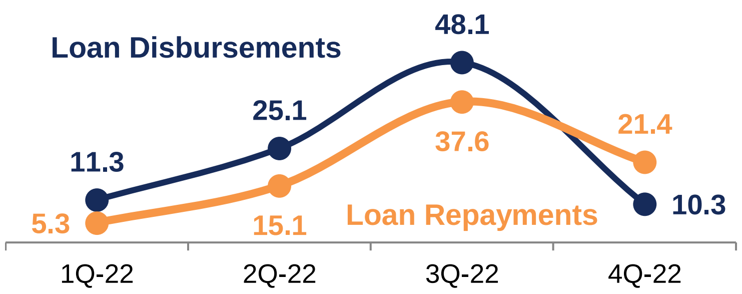
Business Loan Disbursements and Repayments

Annual change (%)



Household Loan Disbursements and Repayments

Annual change (%)



* Comprises loans to households and non-financial corporations by the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers). Starting with the 4Q 2022 Quarterly Bulletin, this series is introduced to enhance the quality of data on financing channelled towards the generation of domestic economic activity. ** Includes loans for the purchase of consumer durable goods, credit cards and other purposes. *** Includes loans for the purchase of non-residential property, consumer durable goods, credit cards and other purposes.
Note: Numbers may not add up due to rounding.
Source: Bank Negara Malaysia

Financing remains accessible to SMEs in 4Q 2022

SME financing continued to expand, growing 5.0% on an annual basis

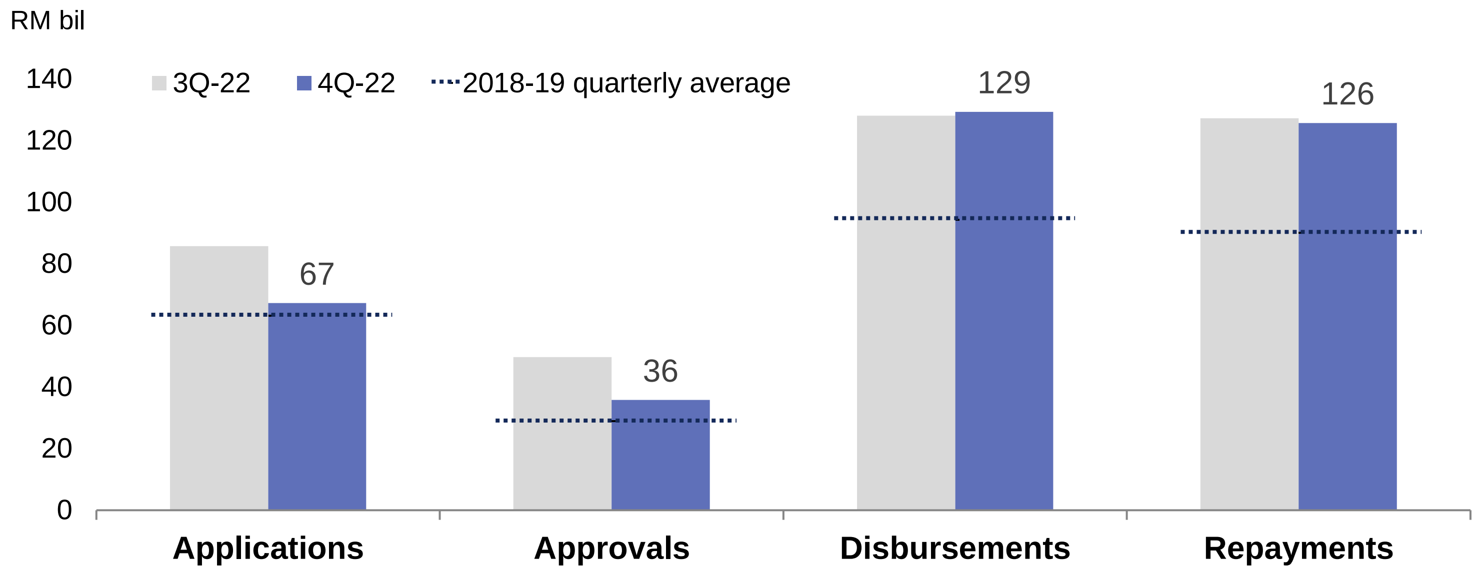
Outstanding SME Financing

% yoy

4Q 2022	5.0%
3Q 2022	6.4%
4Q 2021	5.7%

Financing flows to SMEs remained robust in 4Q 2022 surpassing 2021 and pre-pandemic levels, with repayment capacity remaining intact

SME Financing Indicators



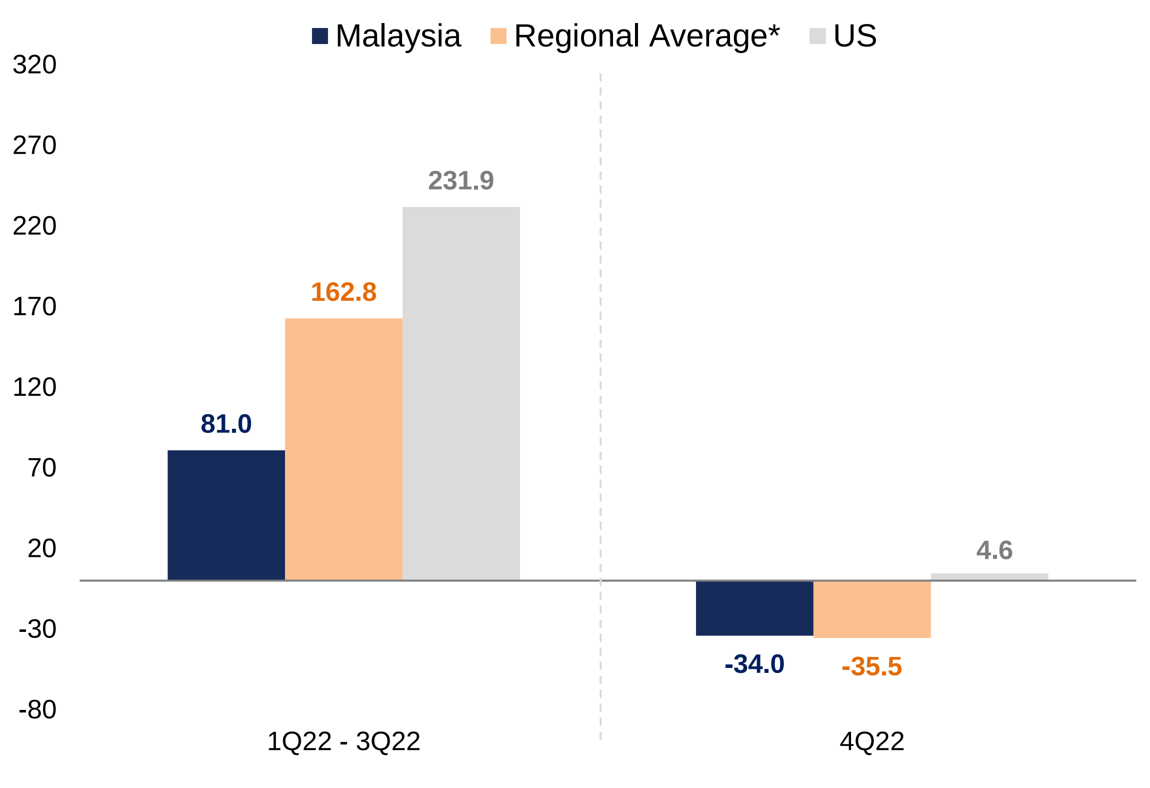
	Applications	Approvals	Disbursements	Repayments
Annual change in 4Q 2022	0.3%	12.6%	12.1%	14.6%

Note: Reflects loans from the banking system and development financial institutions (DFIs)
Source: Bank Negara Malaysia

Domestic financial conditions eased, driven by slower tightening of global monetary policy and positive sentiments over the reopening of China

The decline in domestic bond yields towards year end partially reversed the earlier losses in the bond market

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

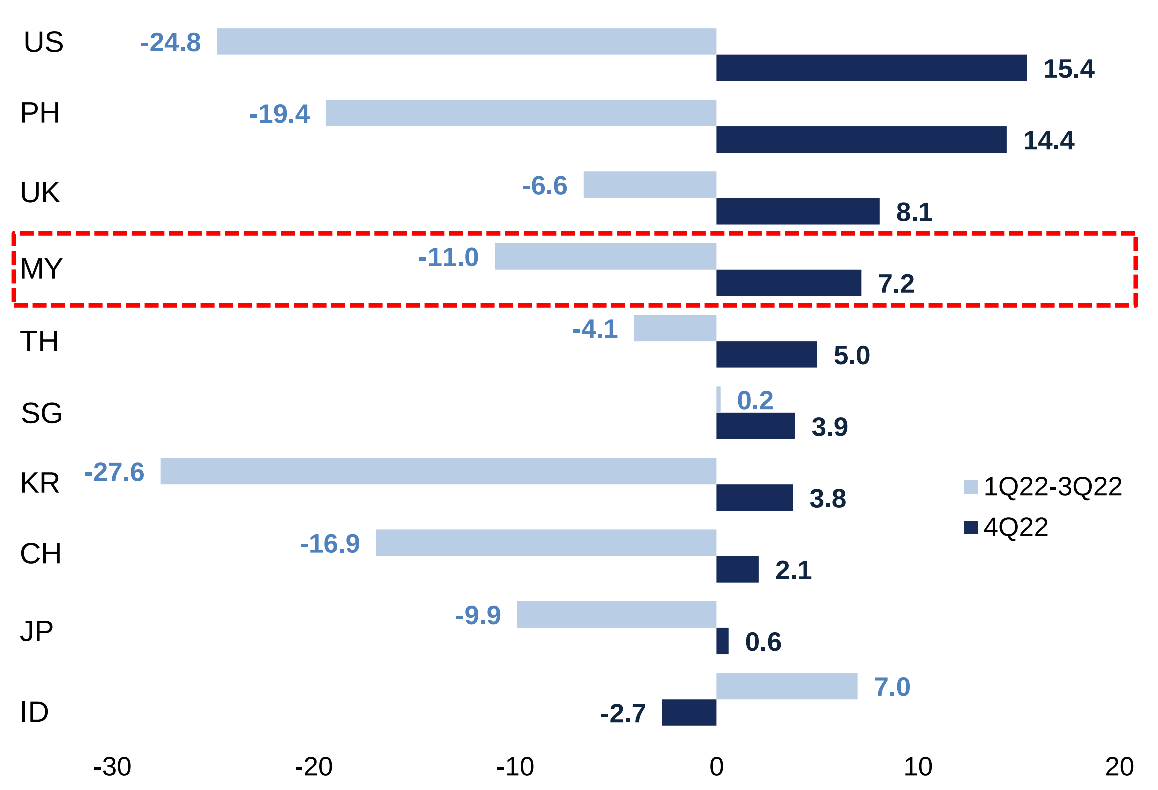


*Regional countries include Indonesia, the Philippines, Singapore, South Korea and Thailand.

Source: Bank Negara Malaysia and ETP

Equity markets improved, reflecting better investor risk appetite

Performance of Equity Indices (% Change)



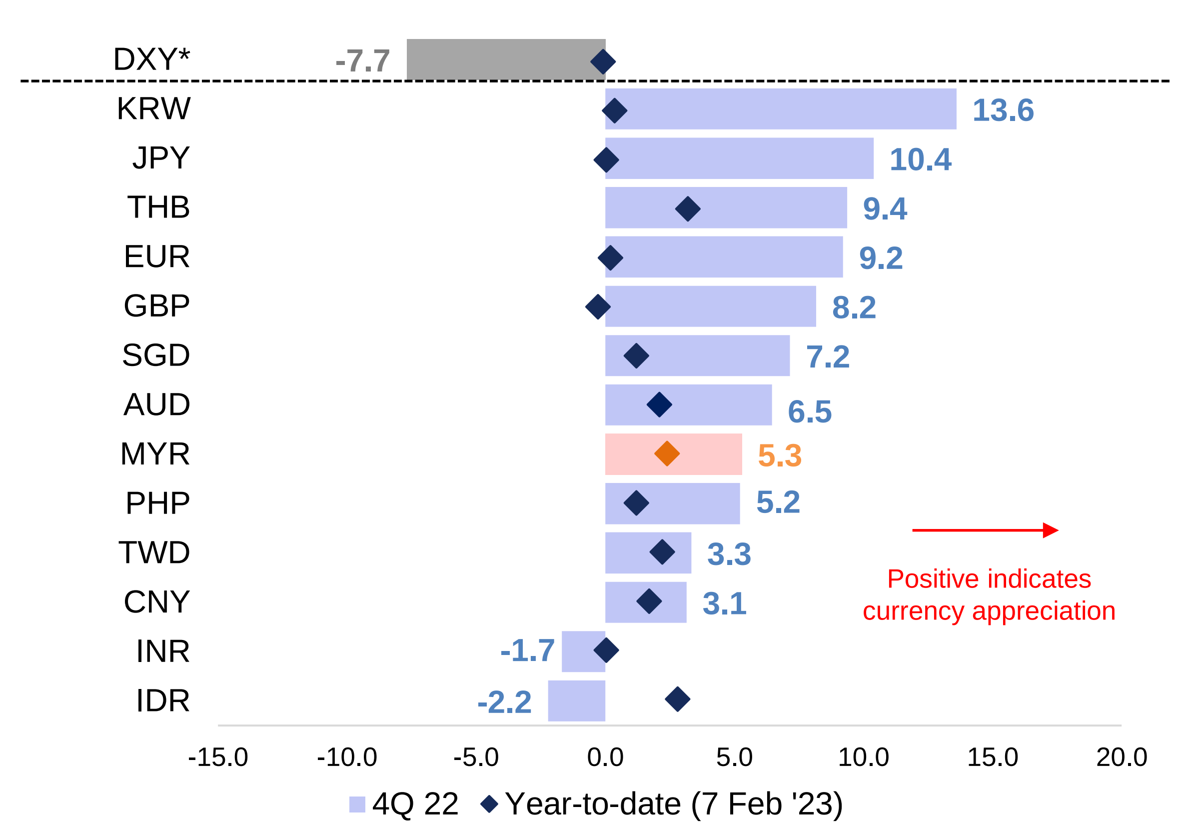
US: United States; PH: the Philippines; UK: United Kingdom; MY: Malaysia; TH: Thailand; SG: Singapore; KR: South Korea; CH: China; JP: Japan; ID: Indonesia.

Source: Bloomberg and Bursa Malaysia

The ringgit appreciated towards end-2022

Broad-based appreciation of major and regional currencies was driven by weakening of the US dollar

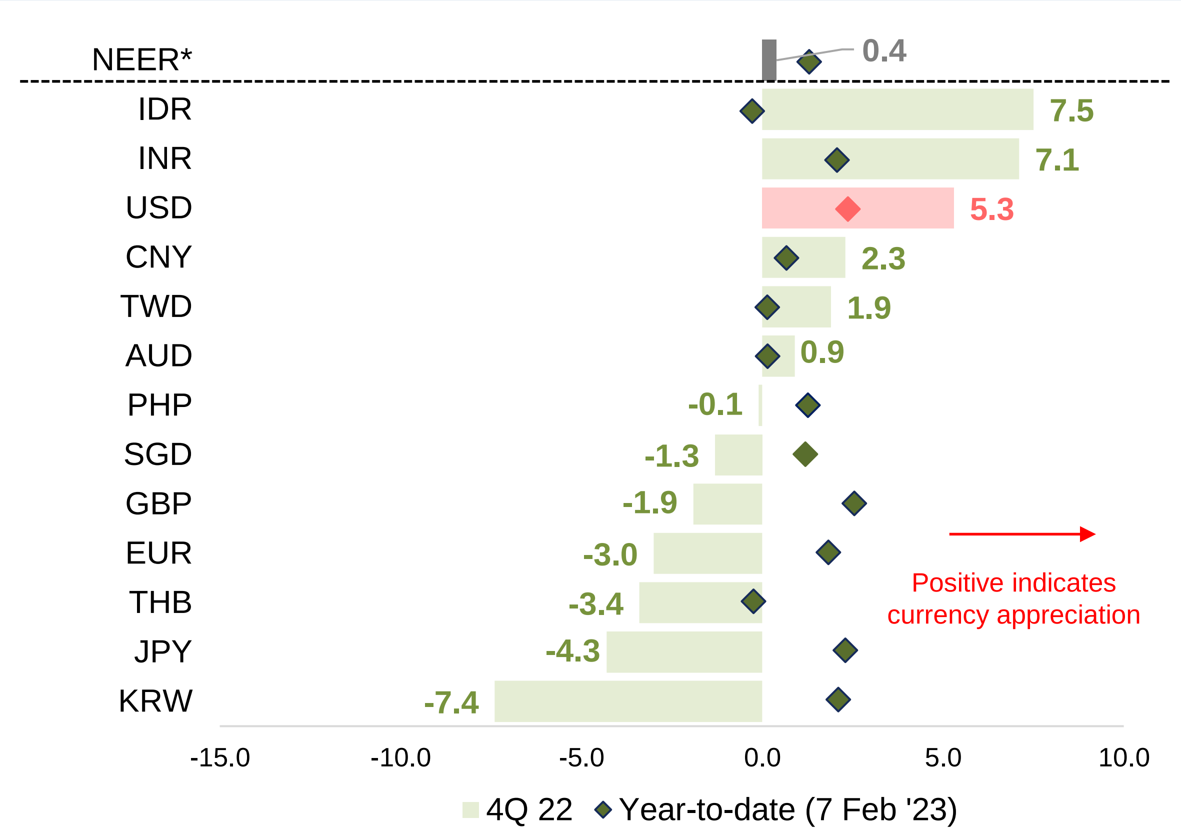
US Dollar Index (DXY) and Selected Currencies against the US Dollar (%)



* 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: Bloomberg

The ringgit also strengthened against the currencies of some major trade partners

Performance of the Ringgit against Selected Currencies (%)



* NEER refers to the ringgit nominal effective exchange rate, an index measuring ringgit's performance against currencies of Malaysia's major trading partners.
Source: Bank Negara Malaysia and Bloomberg

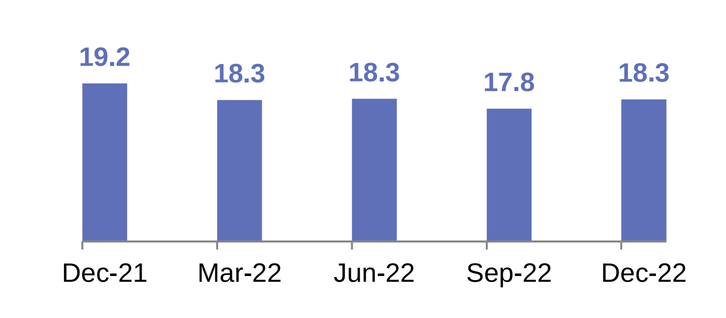
Banks remain well-positioned to support financial intermediation needs

The financial position of banks remains strong, lending support to financial intermediation activities

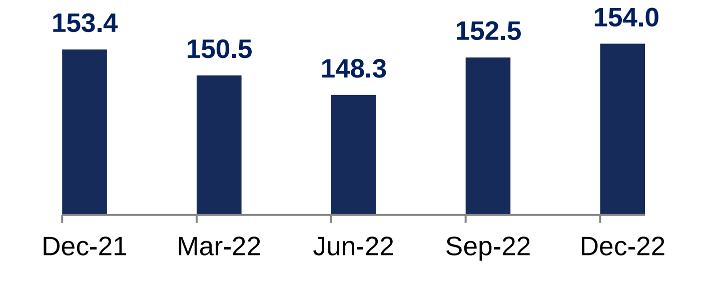
Banks continue to maintain sufficient loan loss provisions …

… to buffer against potential credit losses

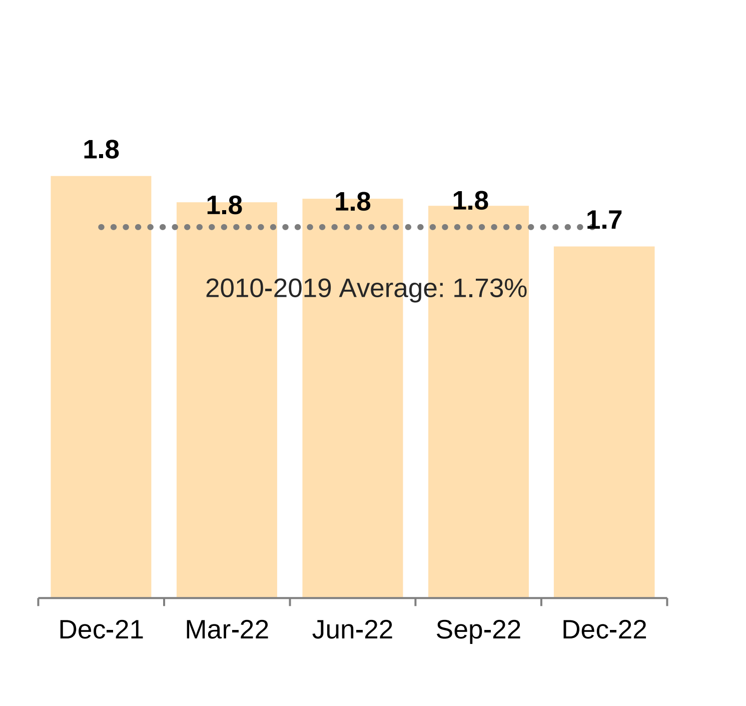
Total Capital Ratio, %



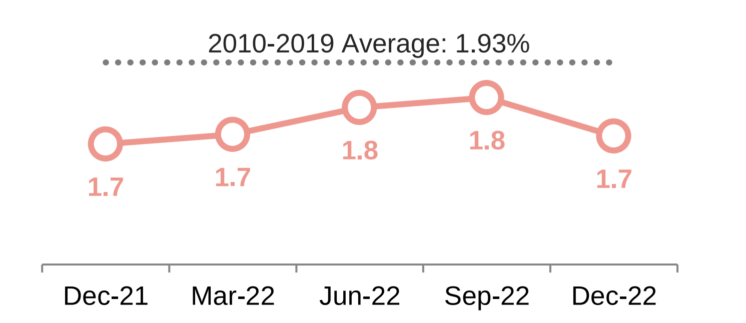
Liquidity Coverage Ratio, %



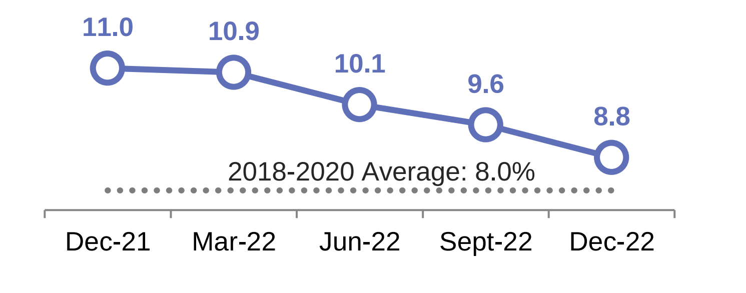
Total Provisions, as % of loans



Gross Impaired Loans Ratio (%)



MFRS 9* Stage 2 Loans[1] Ratio (%)

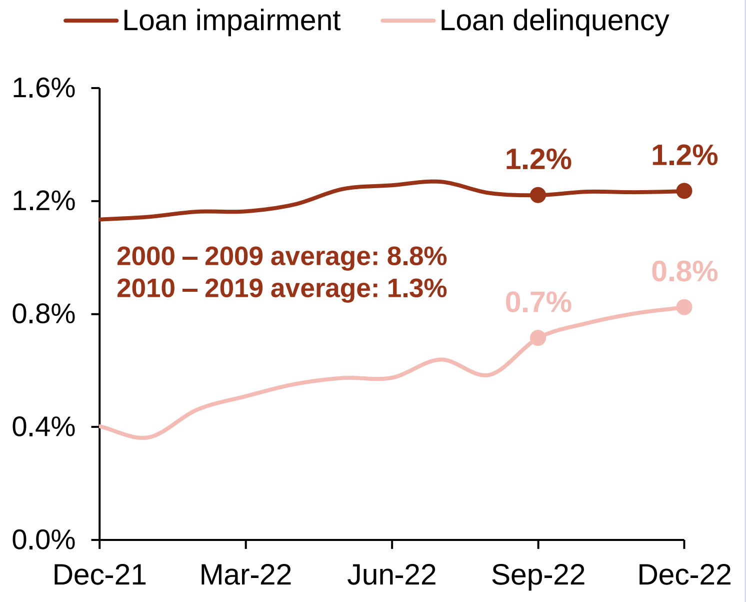


[1] Refers to the share of loans that have exhibited deterioration in credit risk, for which banks are required to set aside provisions based on lifetime expected losses.
* MFRS 9 - Malaysian Financial Reporting Standard 9.
Source: Bank Negara Malaysia

Households are generally resilient to increases in borrowing costs amid improving labour market conditions and continued availability of assistance

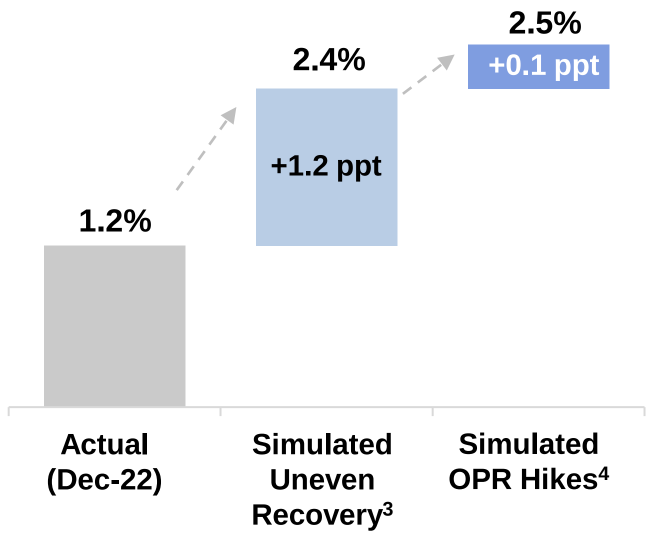
The quality of household borrowings remains sound amid improving labour market conditions

Household Sector Loan Impairment and Delinquency Ratios
(ratio, % of total household loans in banking system[1])



The increase in household impairments from a conservative simulation of further increases in borrowing costs is expected to be modest

Simulated Household Impairments by end-2023
(ratio, % of total household loans in banking system[2])



Household debt servicing capacity continues to be supported by:

1. **Improving income and employment conditions**
2. **Healthy loan servicing buffers**

   37% median debt service ratio of outstanding loans
3. **Continued availability of assistance**

   1.9% household exposures[5] remain under repayment assistance

[1] Impairment ratio based on Stage 3 loans under MFRS 9 while delinquency ratio is based on loans with 2 months-in-arrears.
[2] The equivalent ratios as proportion of overall banking system loans are 0.73%, 1.41% and 1.44% respectively.
[3] Assumes some borrowers would still experience unemployment and income shocks due to uneven nature of recovery. No change in OPR.
[4] Assumes OPR rises to its highest level since the GFC resulting in increased borrowing costs.
[5] As a share of total bank and DFI loans.

Source: Bank Negara Malaysia estimates

Summary

In 4Q 2022, the Malaysian economy grew by 7.0% underpinned by continued expansion in domestic demand and resilient demand for E&E goods.
For 2022, the economy grew by 8.7%.

Headline and core inflation averaged 3.3% and 3.0% respectively in 2022.

Growth in 2023 to be supported by domestic demand amid global slowdown.
Malaysia will not go into a recession.

The outlook, however, is subject to risks related to weaker-than-expected global growth, further escalation of geopolitical tensions, re-emergence of significant supply chain disruptions, more persistent inflation necessitating tighter monetary policy and higher risk aversion in global financial markets.

End of Presentation

Q&A

Additional Information

Breakdown of 4Q GDP (% yoy)

Annual Change in GDP Growth by Component

Real GDP (% YoY)	Share[1], % (2022)	2021	2022		
		4Q	3Q	4Q	Overall
Services	**58.2**	**3.2**	**16.7**	**8.9**	**10.9**
Manufacturing	**24.2**	**9.1**	**13.2**	**3.9**	**8.1**
Agriculture	**6.6**	**2.8**	**1.2**	**1.1**	**0.1**
Mining and Quarrying	**6.4**	**-0.6**	**9.2**	**6.8**	**3.4**
Construction	**3.5**	**-12.2**	**15.3**	**10.1**	**5.0**
Real GDP	**100.0**	**3.6**	**14.2**	**7.0**	**8.7**

Real GDP (% YoY)	Share, % (2022)	2021	2022		
		4Q	3Q	4Q	Overall
Domestic Demand (Excluding Stocks)	**93.1**	**1.9**	**13.1**	**6.8**	**9.2**
Private Sector	**75.6**	**2.5**	**14.7**	**7.9**	**10.4**
Consumption	60.2	3.7	15.1	7.4	11.3
Investment	15.4	-2.8	13.2	10.3	7.2
Public Sector	**17.5**	**0.1**	**6.3**	**3.5**	**4.3**
Consumption	13.2	1.6	4.5	2.4	3.9
Investment	4.4	-3.4	13.1	6.0	5.3
Net Exports of Goods and Services	**5.4**	**0.8**	**18.7**	**23.4**	**-1.8**
Exports	71.7	13.0	23.9	9.6	12.8
Imports	66.3	14.5	24.4	8.1	14.2
Change in stocks, RM bil.	**1.5**	**3.8**	**3.9**	**0.4**	**21.9**
Real GDP	**100.0**	**3.6**	**14.2**	**7.0**	**8.7**

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

Source: Department of Statistics, Malaysia

Breakdown of 4Q GDP (ppt contribution)

Percentage Point Contribution to GDP Growth by Component

Real GDP (Ppt contribution, %)	Share[1], % (2022)	2021	2022		
		4Q	3Q	4Q	Overall
Services	**58.2**	**1.9**	**9.5**	**5.1**	**6.2**
Manufacturing	**24.2**	**2.1**	**3.2**	**1.0**	**2.0**
Agriculture	**6.6**	**0.2**	**0.1**	**0.1**	**0.0**
Mining and Quarrying	**6.4**	**0.0**	**0.6**	**0.4**	**0.2**
Construction	**3.5**	**-0.5**	**0.5**	**0.3**	**0.2**
Real GDP	**100.0**	**3.6**	**14.2**	**7.0**	**8.7**

Real GDP (Ppt contribution, %)	Share, % (2022)	2021	2022		
		4Q	3Q	4Q	Overall
Domestic Demand (Excluding Stocks)	**93.1**	**1.8**	**12.3**	**6.3**	**8.5**
Private Sector	**75.6**	**1.8**	**11.2**	**5.5**	**7.8**
Consumption	60.2	2.1	9.2	4.3	6.6
Investment	15.4	-0.4	2.0	1.3	1.1
Public Sector	**17.5**	**0.0**	**1.1**	**0.8**	**0.8**
Consumption	13.2	0.3	0.6	0.4	0.5
Investment	4.4	-0.2	0.5	0.4	0.2
Net Exports of Goods and Services	**5.4**	**0.1**	**1.0**	**1.6**	**-0.1**
Exports	71.7	8.2	16.3	6.6	8.9
Imports	66.3	8.2	15.2	5.0	9.0
Change in Stocks	**1.5**	**1.8**	**0.8**	**-0.9**	**0.3**
Real GDP	**100.0**	**3.6**	**14.2**	**7.0**	**8.7**

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

Financial account recorded a smaller net outflow in the quarter

Outflows from portfolio and direct investment accounts were partially offset by net inflows in other investment account

RM bil	2021	2022		
	Year	3Q	4Q	Year
Direct Investment	**28.5**	**2.0**	**-9.4**	**16.0**
*Direct Investment Abroad (DIA)**	-19.7	-10.3	-28.7	-57.3
*Foreign Direct Investment (FDI)**	48.1	12.3	19.3	73.3
Portfolio Investment	**18.8**	**0.1**	**-26.7**	**-51.3**
Residents	-35.8	2.6	-15.0	-30.6
Non-residents	54.6	-2.5	-11.7	-20.7
Financial Derivatives	**-2.3**	**-0.4**	**-1.7**	**-2.2**
Other Investment	**-32.0**	**-16.6**	**36.8**	**52.3**
Financial Account Balance	**13.0**	**-14.9**	**-1.0**	**14.8**

*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

Continued FDI inflows amid higher DIA outflows

Net outflows in portfolio investment

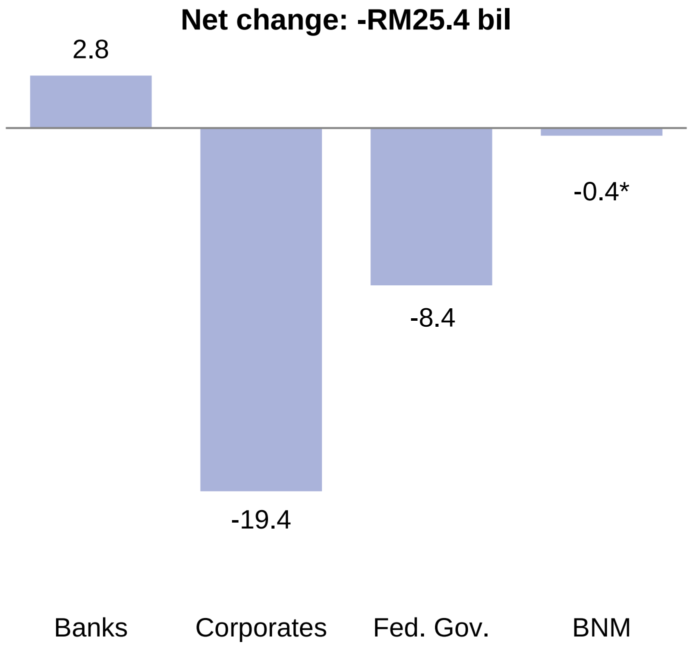
Net inflows in other investment

Overall, financial account recorded a net inflow in 2022. Inflows from other investment and direct investment accounts more than offset net outflows from portfolio investment account

Malaysia's external debt remains manageable

External debt amounted to 64.0% of GDP as at end-4Q 2022

Changes in External Debt by Institution (from 3Q 2022) (RM bil)

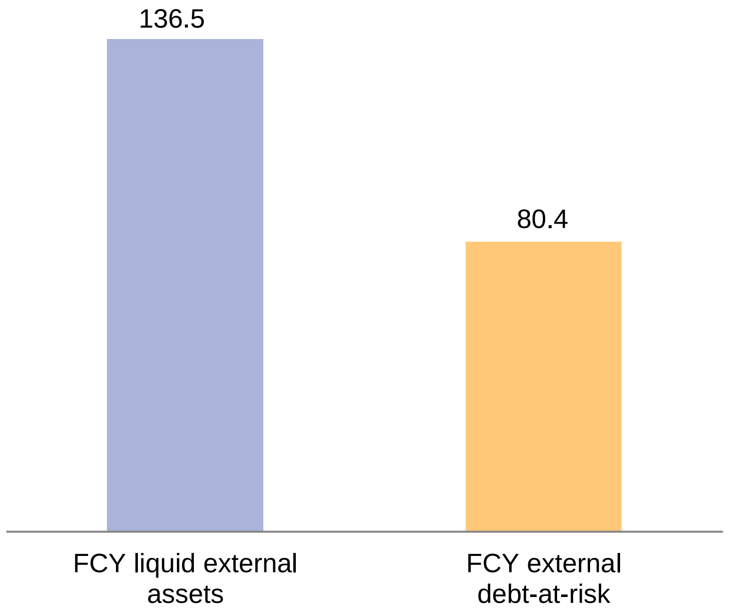


* Reflecting exchange rate valuation changes on the allocation of SDR held by BNM.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Banks are resilient to face potential external shocks

Banks' FCY Liquid External Assets* and FCY External Debt-at-Risk** (RM bil)

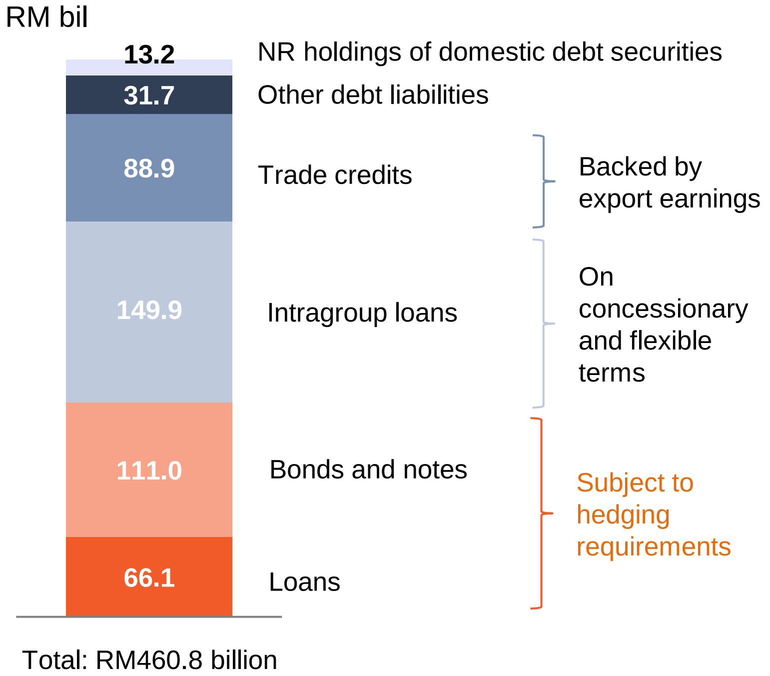


* Consist of deposit & interbank placements, bonds and notes, and money market instruments.

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

Corporates' external debt is largely subject to prudential safeguards

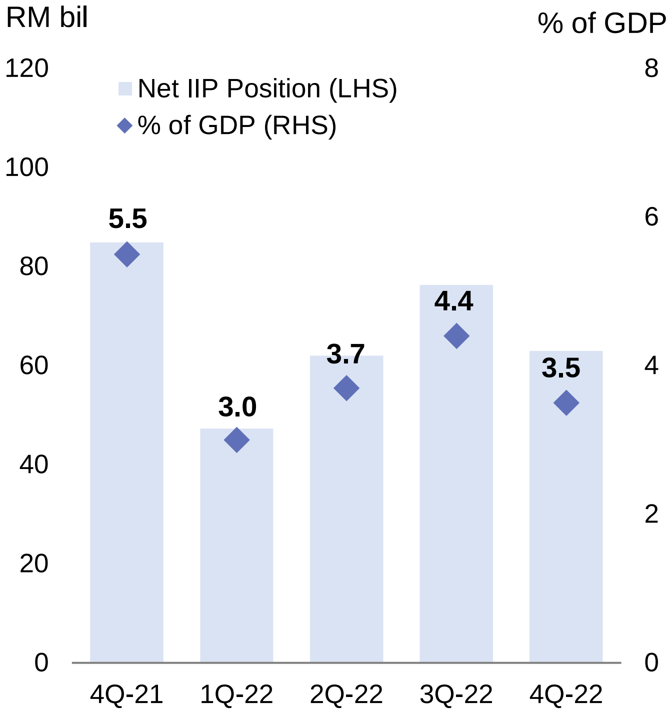
Corporate External Debt Breakdown by Instrument (as at 4Q 2022)



Adequate buffers to weather external shocks

Sustained net creditor position …

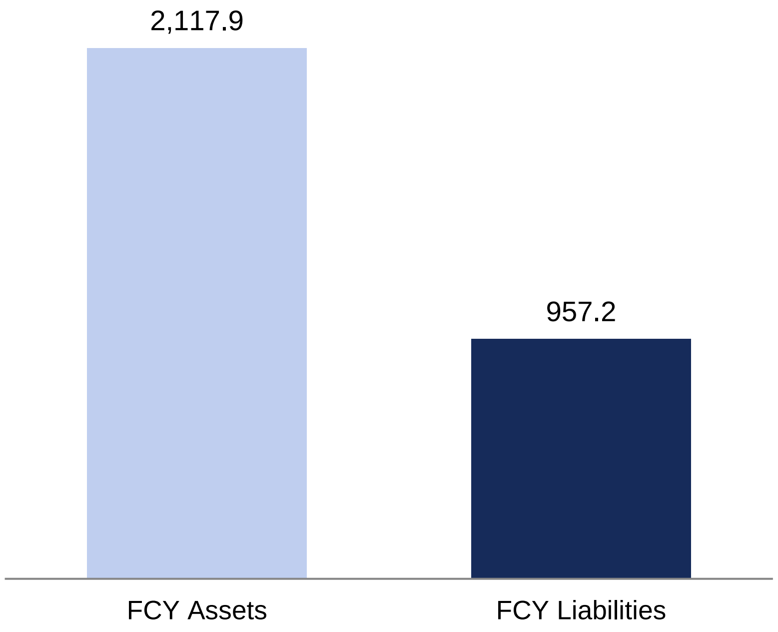
External Assets Minus External Liabilities (4Q 21 – 4Q 22)



Source: Department of Statistics, Malaysia and Bank Negara Malaysia

… with large net foreign-currency assets …

FCY Denominated External Assets & Liabilities (End-4Q 2022) (RM bil)



… and further supported by

Sustained foreign income

Continued current account surplus reduces external financing requirements

Sufficient international reserves to facilitate international transactions

*… to finance 5.1 months of imports of goods & services and is 1.1 times total short-term external debt as at 31 January 2023**

* Note: The reserves adequacy ratios differ from those published in the press statement on international reserves as at 31 January 2023 as they reflect the latest 4Q 2022 data on imports of goods & services and short-term external debt.