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Sidang Akhbar

Prestasi Ekonomi pada Suku Kedua Tahun 2016

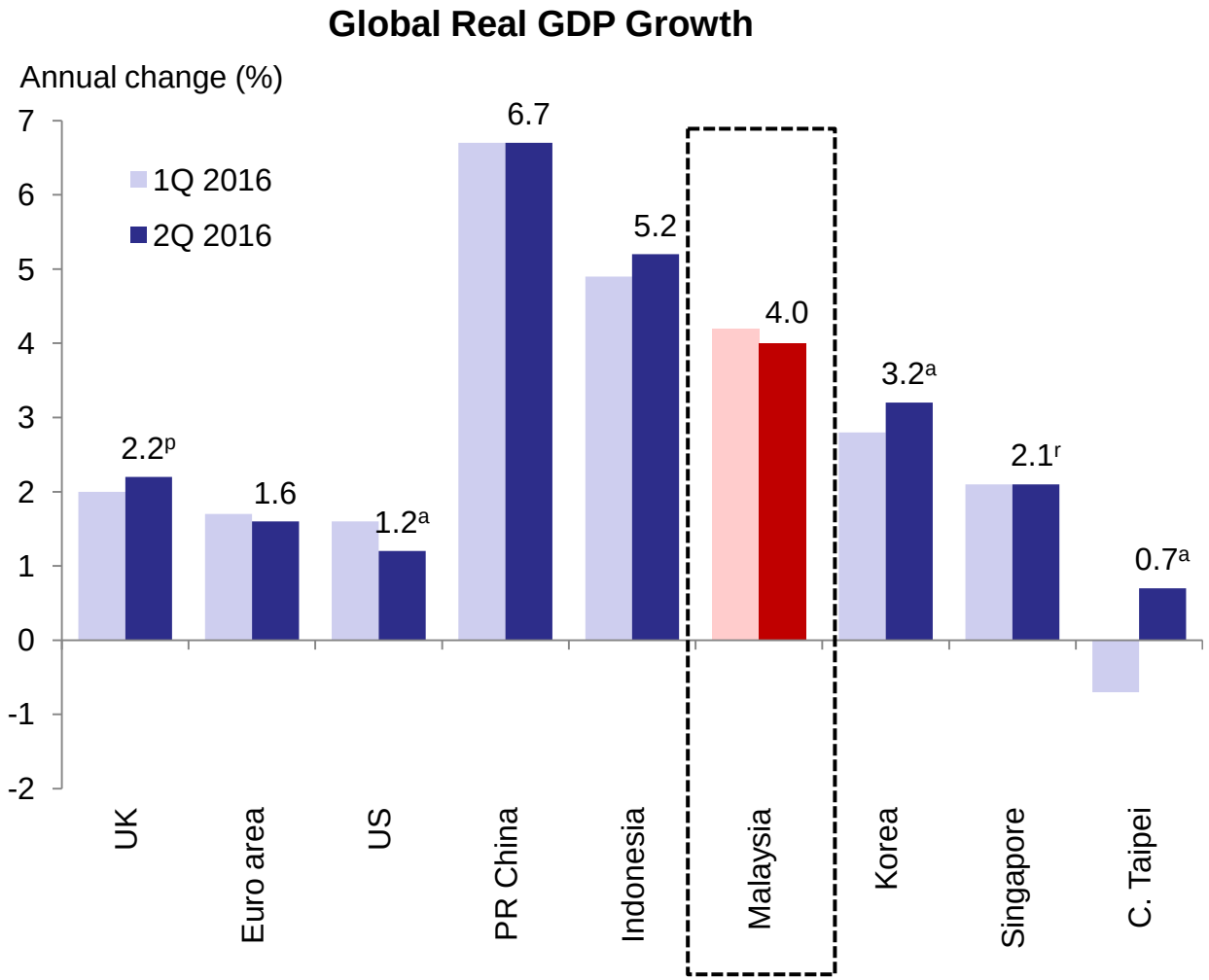
Gabenor
Bank Negara Malaysia

12 Ogos 2016

Sidang akhbar akan meliputi:

- **Prestasi ekonomi pada suku kedua tahun 2016**
- **Perkembangan monetari dan kewangan**
- **Sesi soal jawab**

Moderate global economic expansion in 2Q 2016



Modest growth in the advanced economies amid continued cyclical and structural weaknesses

Moderate growth in Asia, underpinned by domestic demand

p Preliminary estimate a Advance estimate r Revised
Source: National authorities

The Malaysian economy expanded by 4.0% in 2Q 2016

Contribution to GDP Growth

Contribution to Growth (percentage point)	2015	1Q 2016	2Q 2016
Real GDP	**5.0**	**4.2**	**4.0**
Domestic demand*	**4.7**	**3.3**	**5.7**
Private consumption	3.1	2.8	3.3
Private investment	1.1	0.4	1.1
Public sector	0.5	0.1	1.4
Change in stocks	**0.6**	**2.0**	**-1.2**
Net exports of G&S	**-0.4**	**-1.2**	**-0.6**

*Excluding stocks
Note: Figures do not necessarily add-up due to rounding
Source: Department of Statistics, Malaysia

Domestic demand registered a stronger growth in 2Q 2016

- Higher growth contribution from private consumption and private investment

However, growth was set back by the continued decline in net exports and a drawdown in stocks

- Import growth exceeded exports following stronger investment activity
- Drawdown in stocks was due to lower production of palm oil and manufactured products

Growth supported by key economic sectors

Real GDP (Annual change, %)	Share, % (2015)	2015		2016		
		2Q	1H	1Q	2Q	1H
Services	53.5	5.0	5.7	5.1	5.7	5.4
Manufacturing	23.0	4.2	4.9	4.5	4.1	4.3
Mining	9.0	6.0	7.8	0.3	2.6	1.4
Agriculture	8.9	4.6	0.3	-3.8	-7.9	-6.0
Construction	4.4	5.6	7.6	7.9	8.8	8.4
GDP	**100.0**[1]	**4.9**	**5.3**	**4.2**	**4.0**	**4.1**

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

- **Services:** Faster pace of growth, driven mainly by consumption-related services
- **Manufacturing:** Growth supported mainly by E&E and primary-related clusters
- **Construction:** Stronger growth, underpinned by the civil engineering sub-sector
- **Mining:** Higher growth driven by stronger oil and gas production
- **Agriculture:** Sharper growth contraction, due mainly to lagged impact of El Niño on CPO production

Private sector remained the anchor for growth

Real GDP (Annual change, %)	Share, % (2015)	2015		2016		
		2Q	1H	1Q	2Q	1H
Domestic demand (excluding stocks)	**91.6**	**4.6**	**6.3**	**3.6**	**6.3**	**5.0**
Private Sector	**69.2**	**5.7**	**7.6**	**4.5**	**6.1**	**5.4**
Consumption	*52.4*	6.4	7.7	5.3	6.3	5.8
Investment	*16.9*	3.9	7.4	2.2	5.6	4.0
Public Sector	**22.4**	**0.9**	**1.8**	**0.4**	**6.9**	**3.6**
Consumption	*13.5*	6.9	5.6	3.8	6.5	5.2
Investment	*8.9*	-8.1	-3.7	-4.5	7.5	1.1
Net exports of goods and services	**8.6**	**-11.1**	**-10.5**	**-12.4**	**-7.0**	**-9.8**
Exports	*72.9*	-4.0	-2.4	-0.5	1.0	0.2
Imports	*64.3*	-3.1	-1.1	1.3	2.0	1.6
Change in stocks (RM billion)	**-0.2**	**2.1**	**-0.6**	**2.4**	**-1.1**	**1.3**
GDP (y-o-y)	**100.0**[1]	**4.9**	**5.3**	**4.2**	**4.0**	**4.1**
GDP (q-o-q growth, seasonally adjusted)	**-**	**0.9**	**-**	**1.0**	**0.7**	**-**

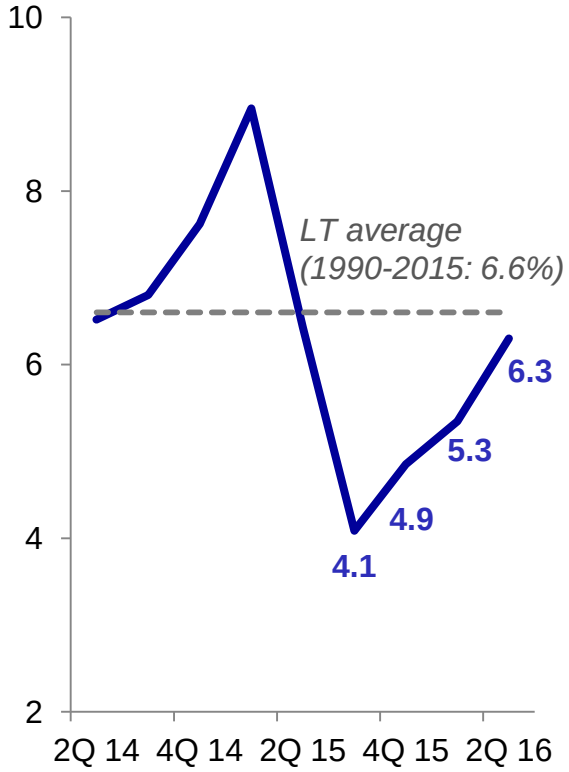
[1] Numbers do not add up due to rounding
Source: Department of Statistics, Malaysia

- Higher **domestic demand**, driven by improvements in both the private and public sectors
- **Private consumption** supported by continued wage and income growth, and additional disposable income from Government measures
- **Private investment** driven by continued capital spending in services and manufacturing sectors
- **Net exports** registered a decline as real imports grew faster than exports

Strong growth in private consumption

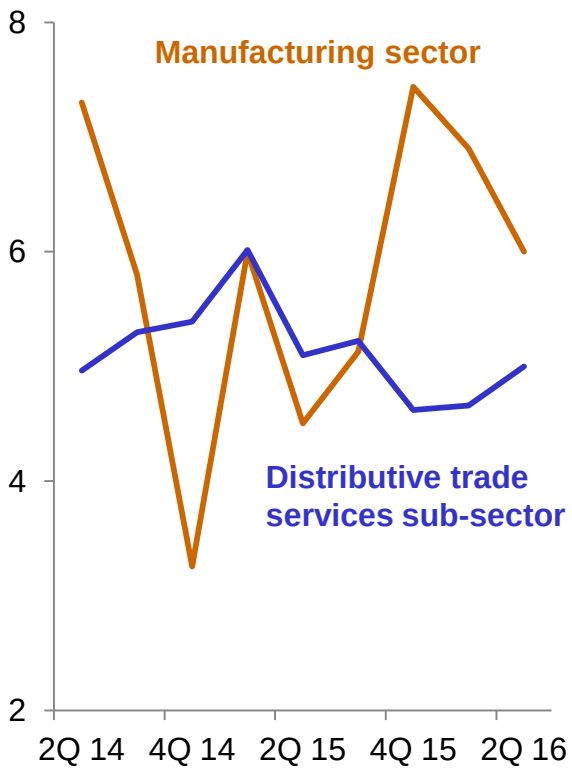
Household spending expanded further…

Real Private Consumption Growth
Annual change (%)



…supported by favourable wage growth…

Wage Growth in Key Sectors
Annual change (%)



…and additional disposable income from Govt. measures

Government measures

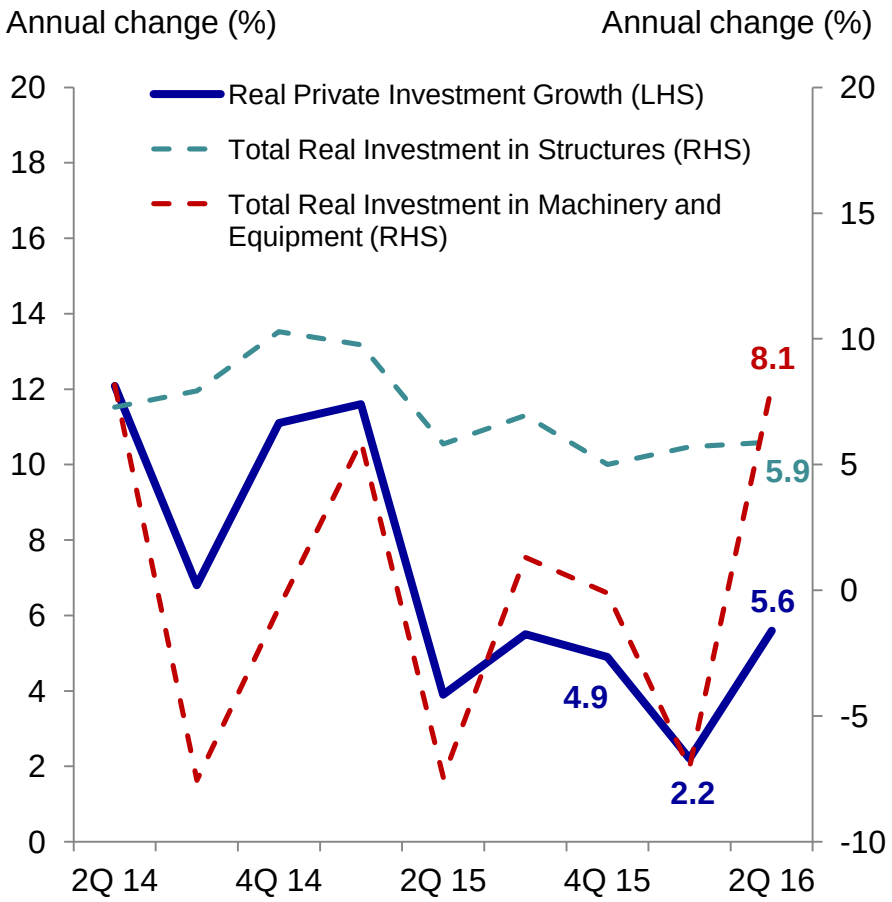
- Aidilfitri special assistance to civil servants and pensioners
- Reduction in employees' EPF contribution rate (11% to 8%)
- BR1M disbursement (end-April and mid-June)

Source: Department of Statistics, Malaysia and Ministry of Human Resources

Private investment grew at a faster pace of 5.6%

Higher growth in capital expenditure by the private sector

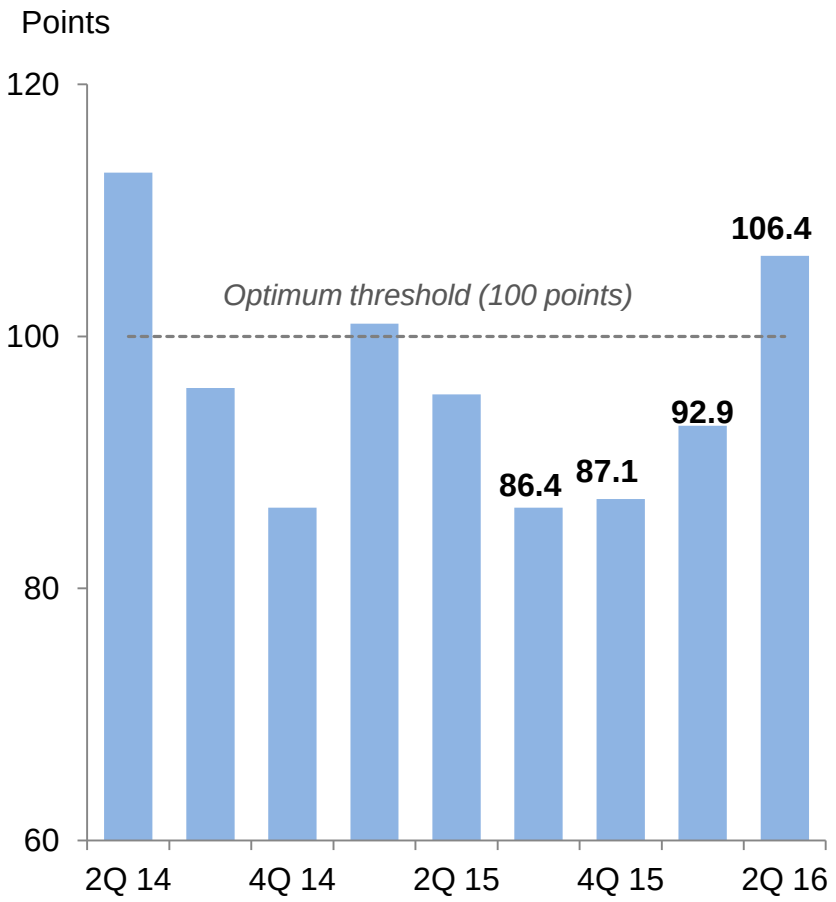
Real Private Investment Growth



Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Business sentiments have improved

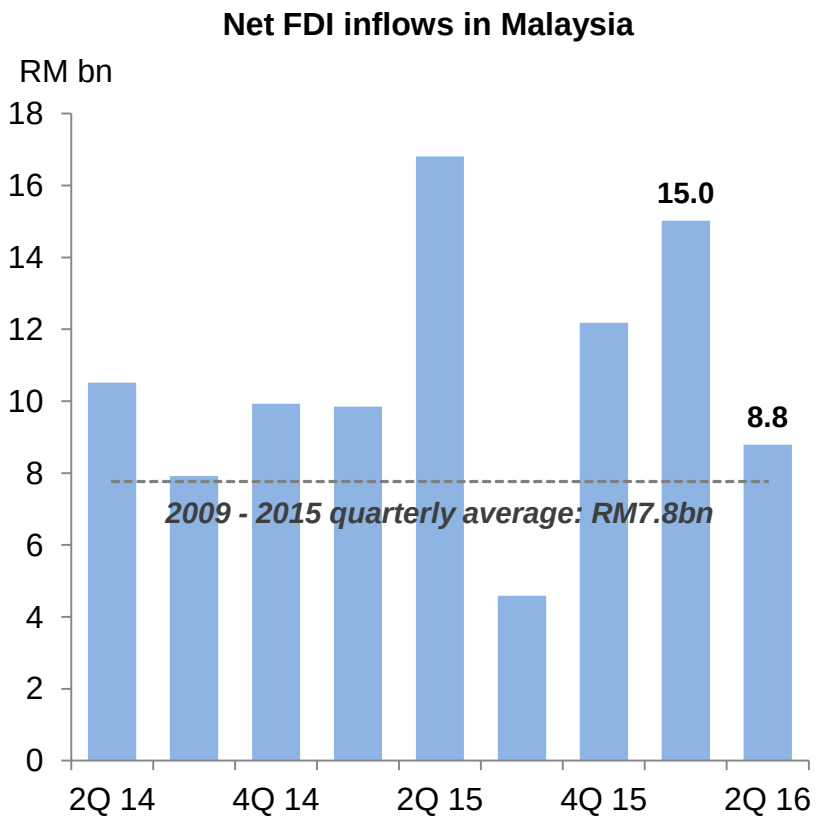
MIER Business Conditions Index (BCI)



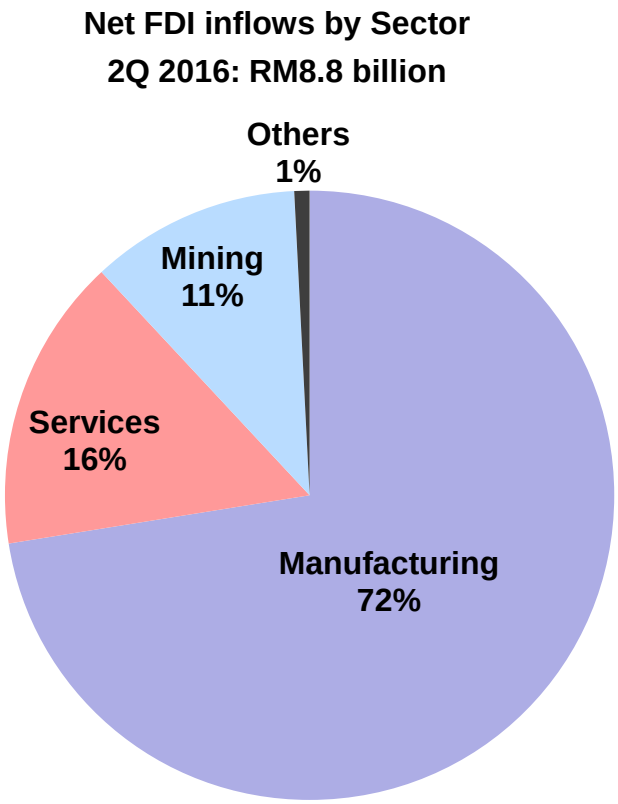
Source: MIER

Steady inflows of foreign direct investment

Recent FDI inflows remain above post-GFC averages



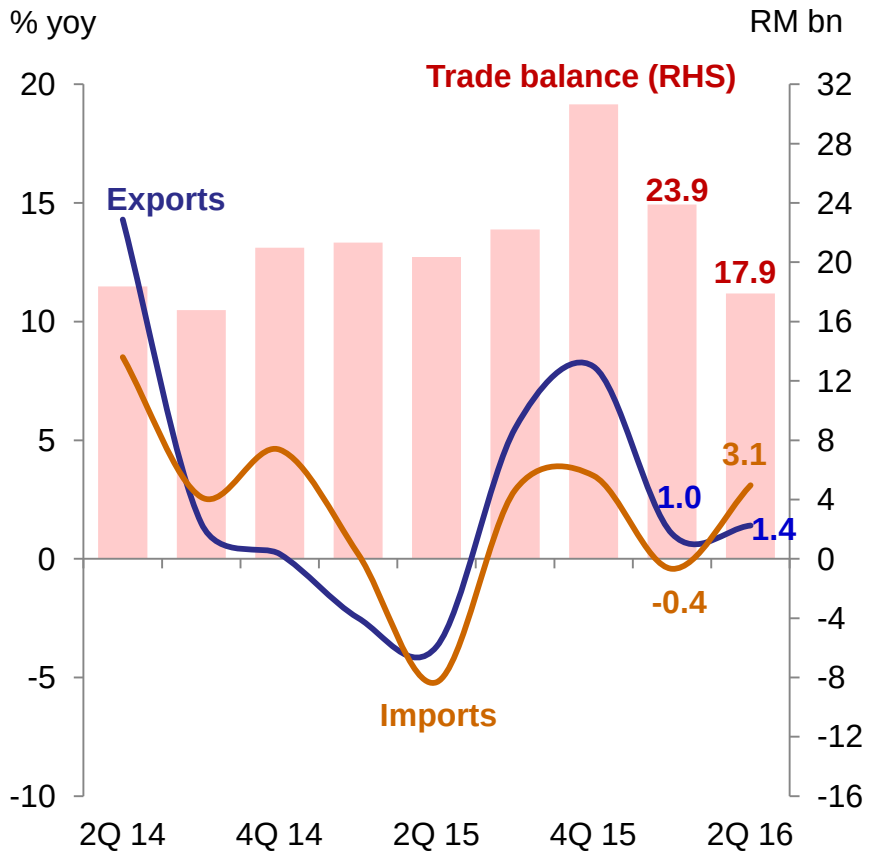
Bulk of FDI channelled into the manufacturing and services sector



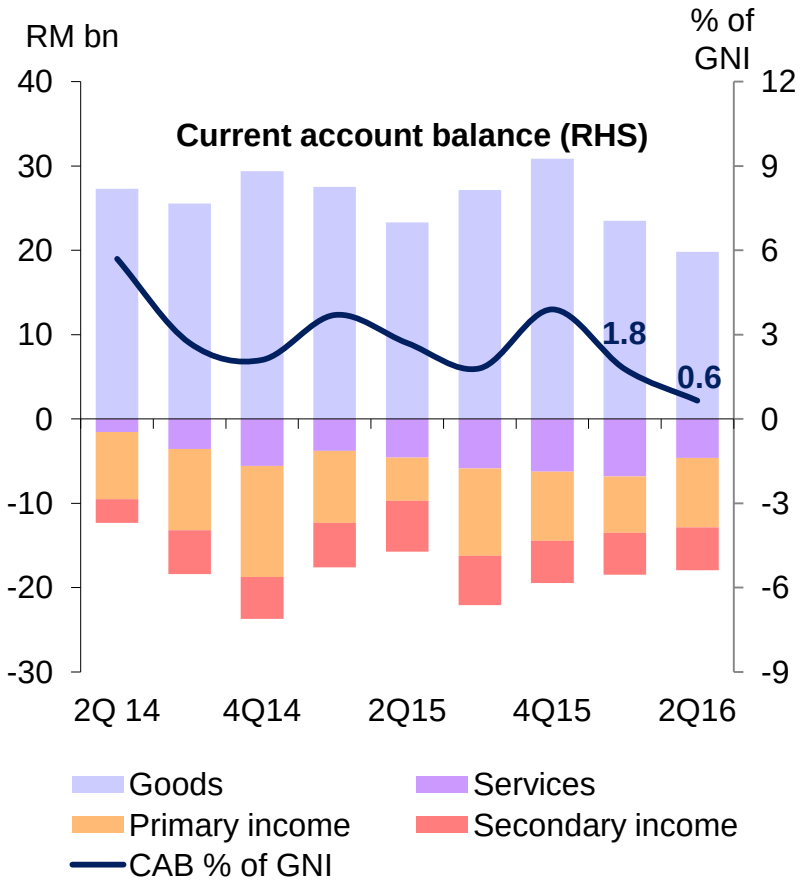
Note: Others comprises of agriculture and construction sector
Source: Department of Statistics, Malaysia

Smaller current account surplus due mainly to lower trade surplus and higher investment income

Lower trade surplus due mainly to higher imports for investment and production…



… and higher net income payments contributed to smaller current account surplus

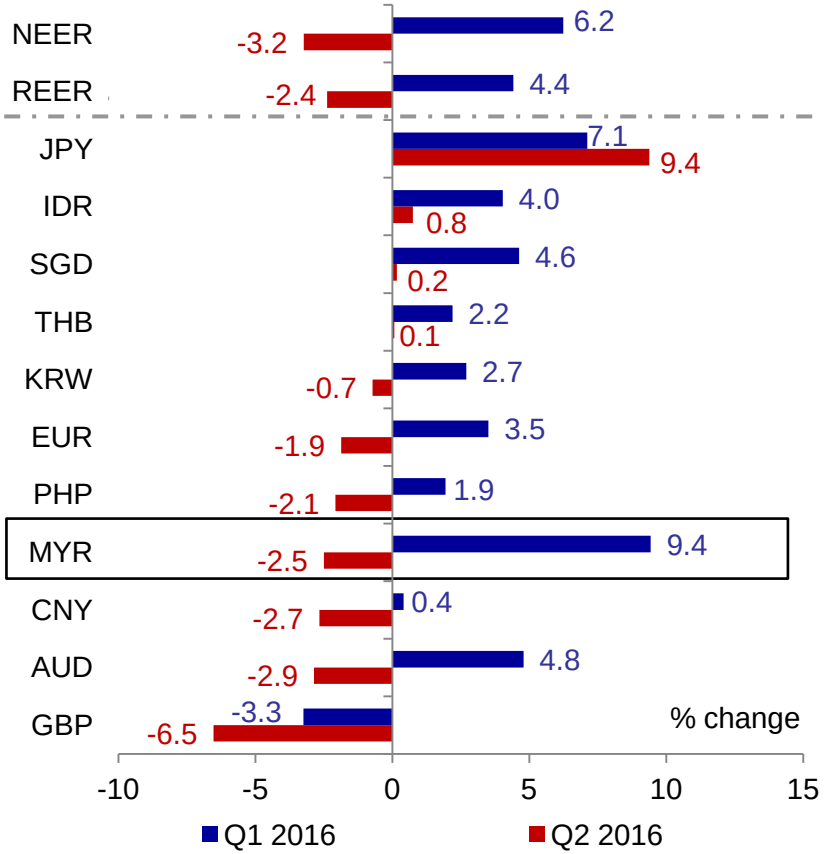


Source: Department of Statistics, Malaysia

Ringgit depreciated against most major and regional currencies in 2Q 2016

Following the strong appreciation in 1Q 2016, the ringgit retraced some of the gains in 2Q 2016

Performance of Selected Currencies against the USD



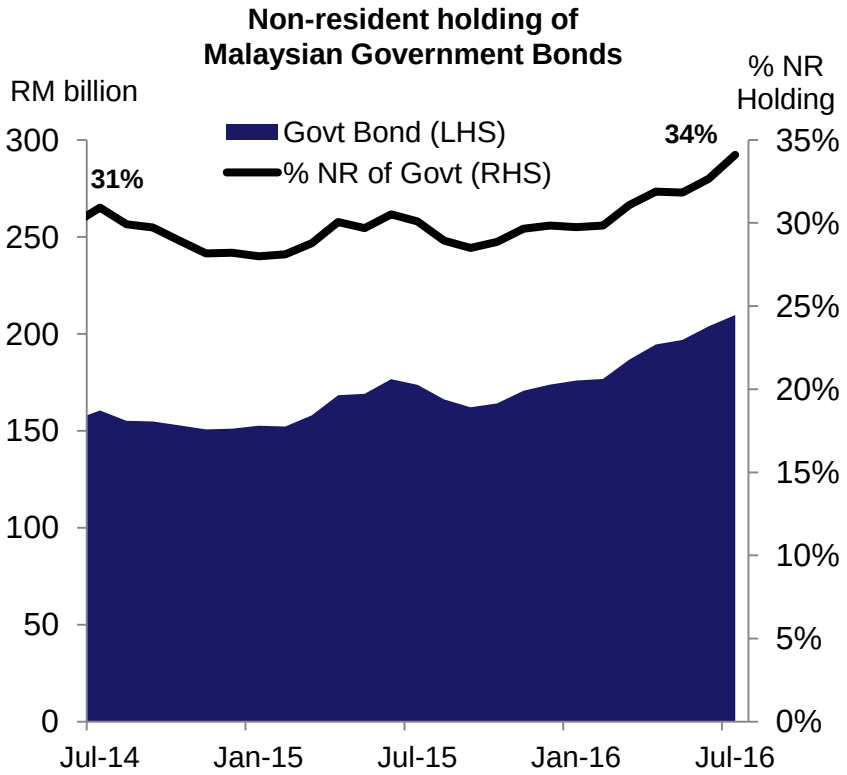
Source: Bank Negara Malaysia

The ringgit will continue to face volatility, due mainly to uncertainties in the external environment

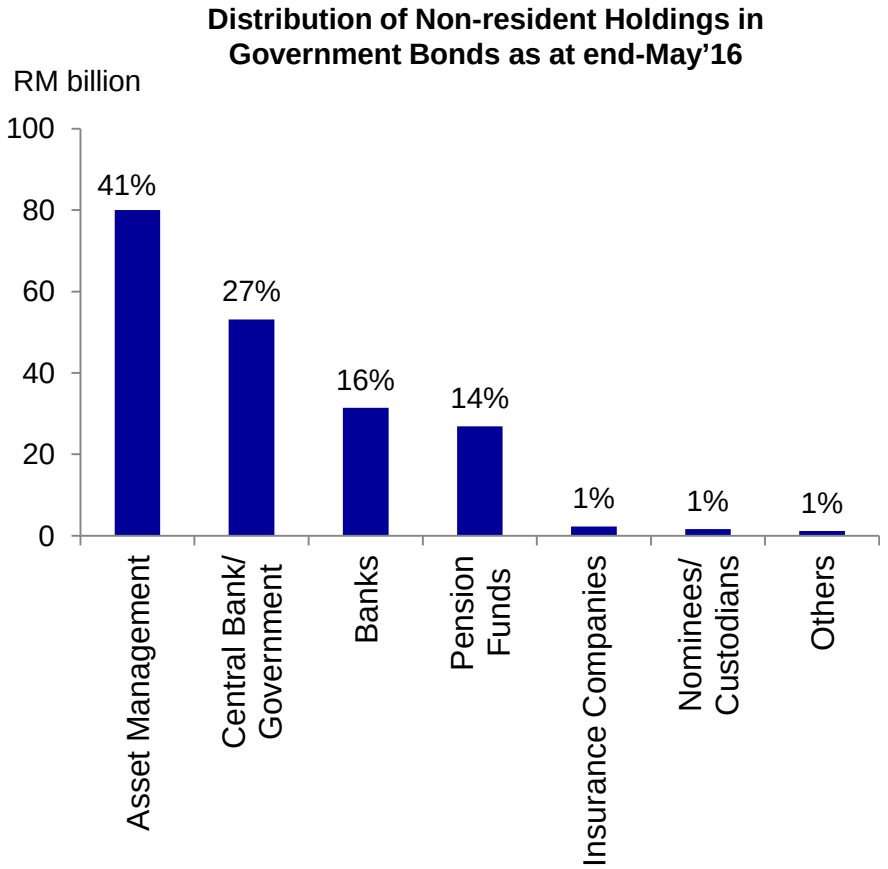
- Despite expectations of a slower pace of interest rate increase by the Fed, these **expectations can shift swiftly**
- Global crude oil prices are **expected to remain volatile** due to uncertain supply and demand conditions
- Uncertainty surrounding the United Kingdom's EU referendum and its aftermath
- Malaysia's sound economic fundamentals will provide support for the ringgit over the medium term

Non-resident holdings of Malaysian government bonds have been stable, underpinned by long-term investors

Non-resident holdings of Malaysian government bonds increased to 34% as of July 2016



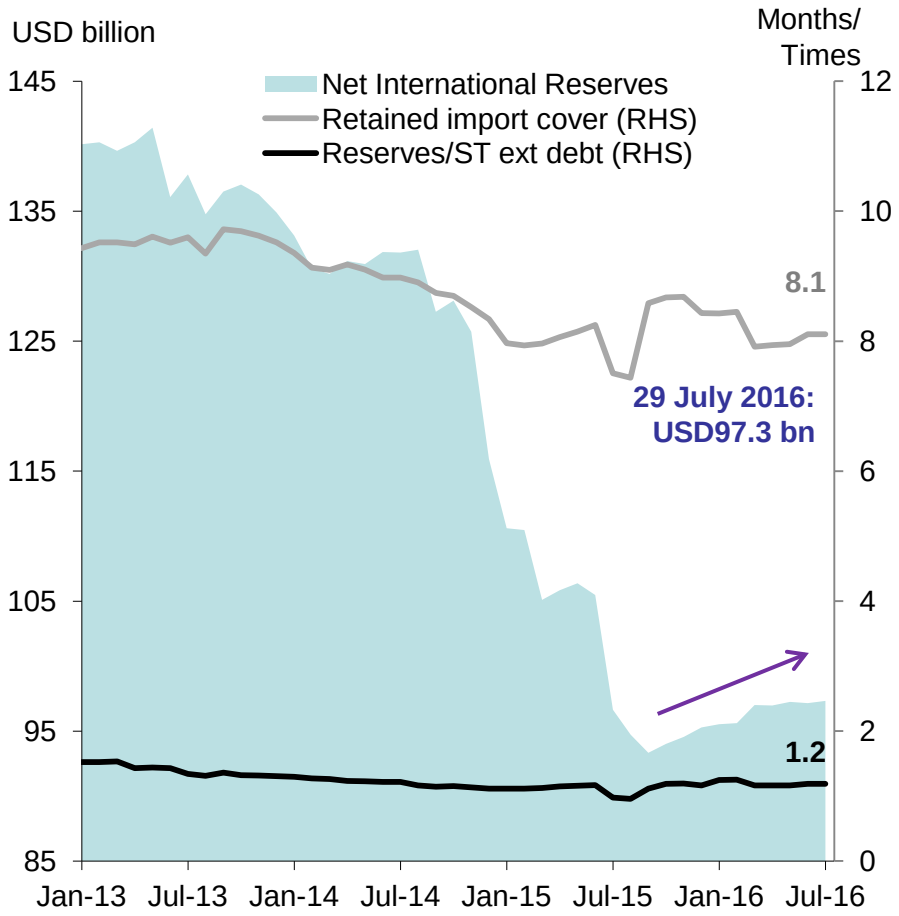
Majority of non-residents are long-term investors



Note: 'Others' include individuals, non-financial corporations and unidentified sectors
Source: Bank Negara Malaysia

Reserves remain ample while external debt is manageable

International reserves have increased since fourth quarter of 2015

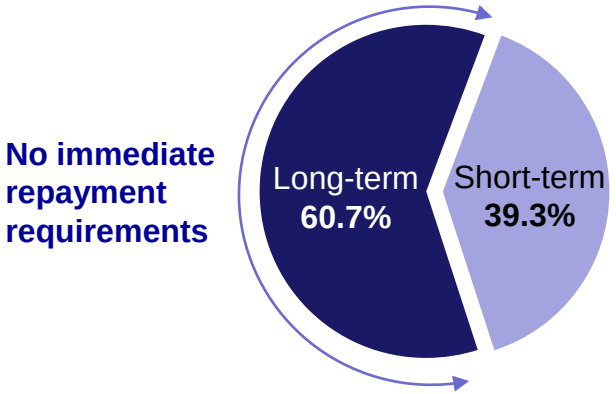


Source: Bank Negara Malaysia

External debt is mostly long-term, while foreign-currency exposure is manageable

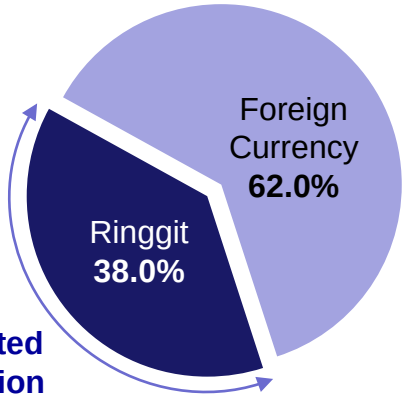
Total external debt: RM842.2 billion (69.0% of GDP)

By Tenure



No immediate repayment requirements

By Currency Composition

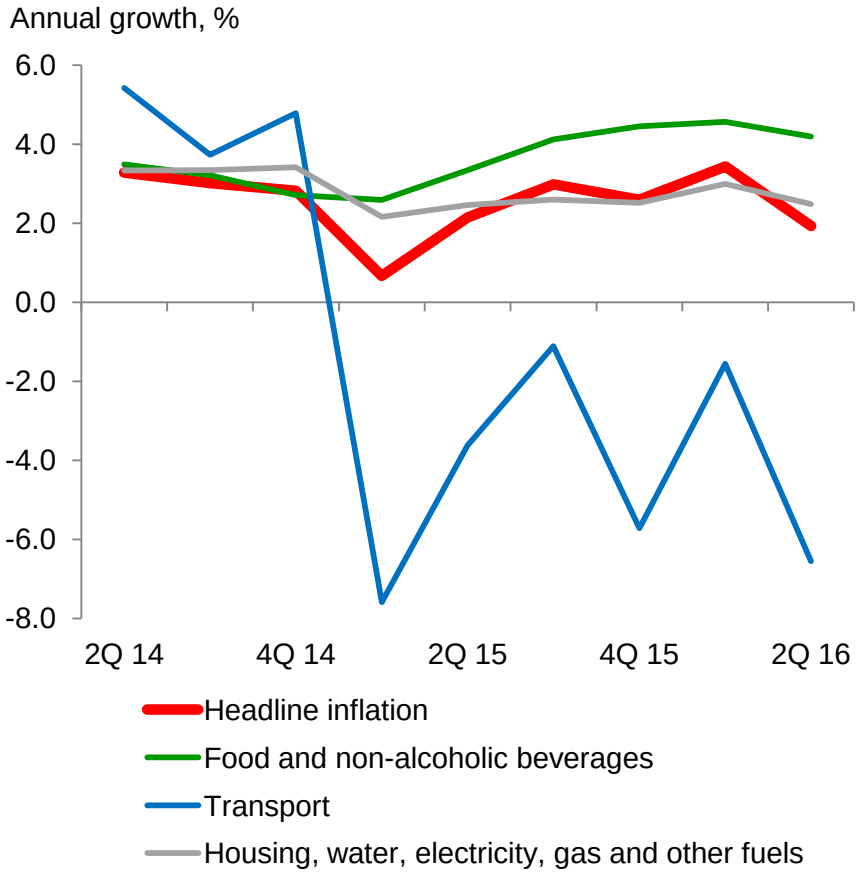


Largely hedged and backed by external assets

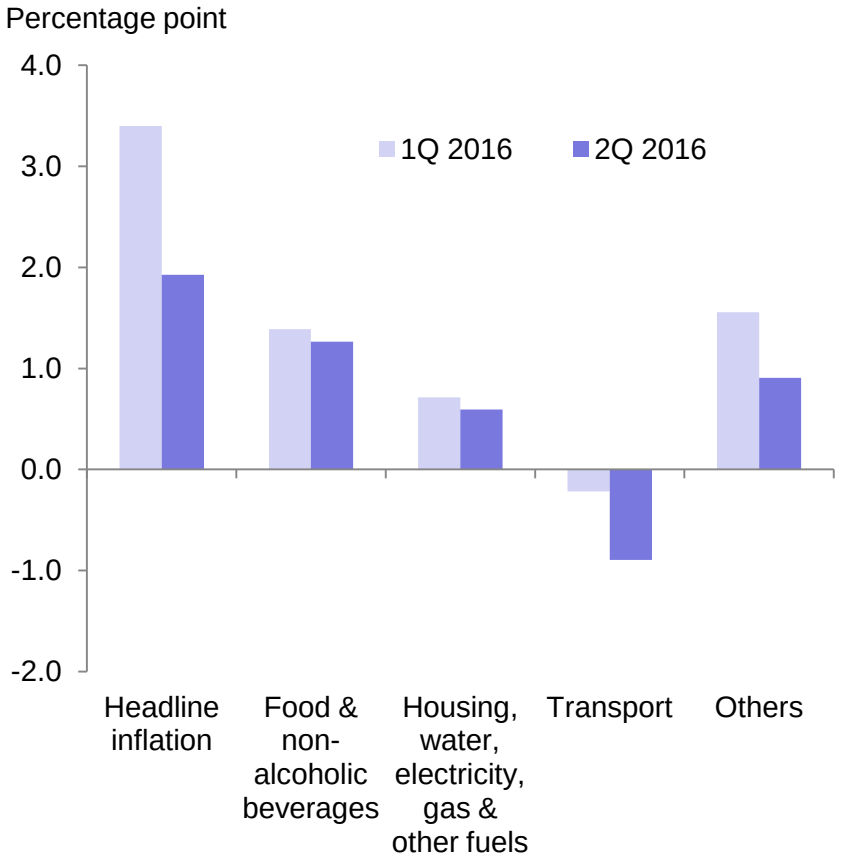
Not affected by valuation

Headline inflation declined to 1.9% in 2Q 2016

Inflation

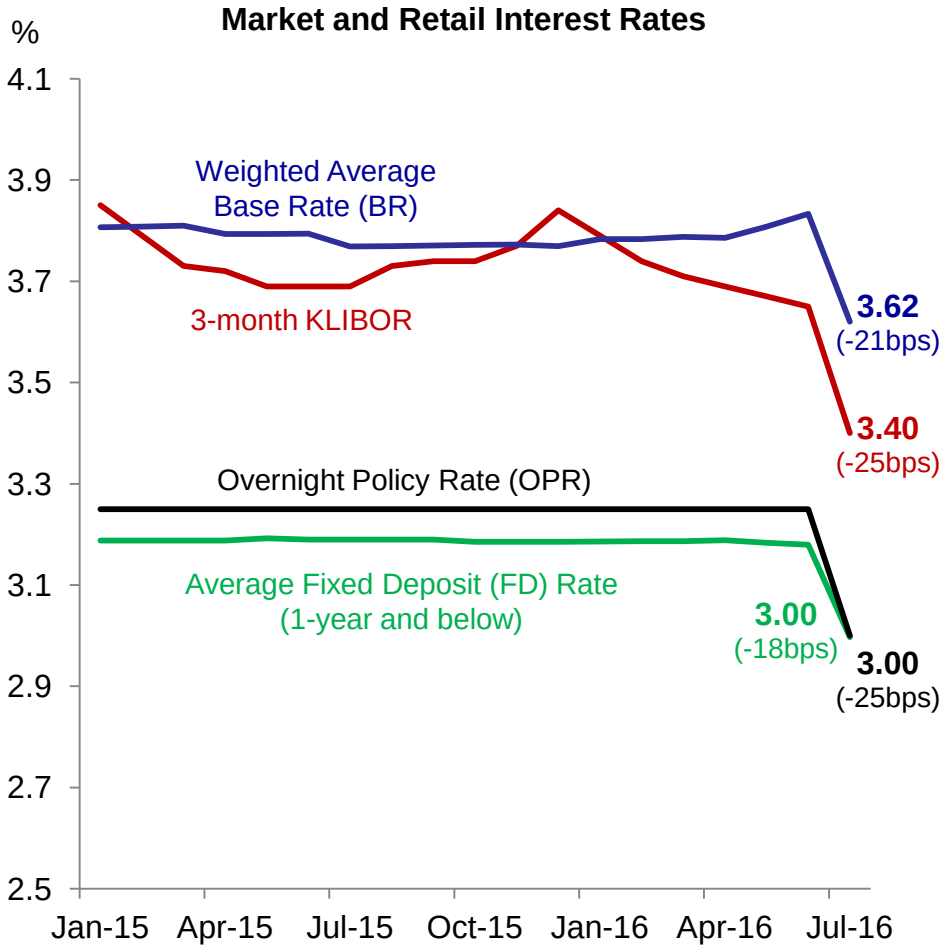


Contribution to Headline Inflation



Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Reduction in OPR has started to impact market and retail interest rates



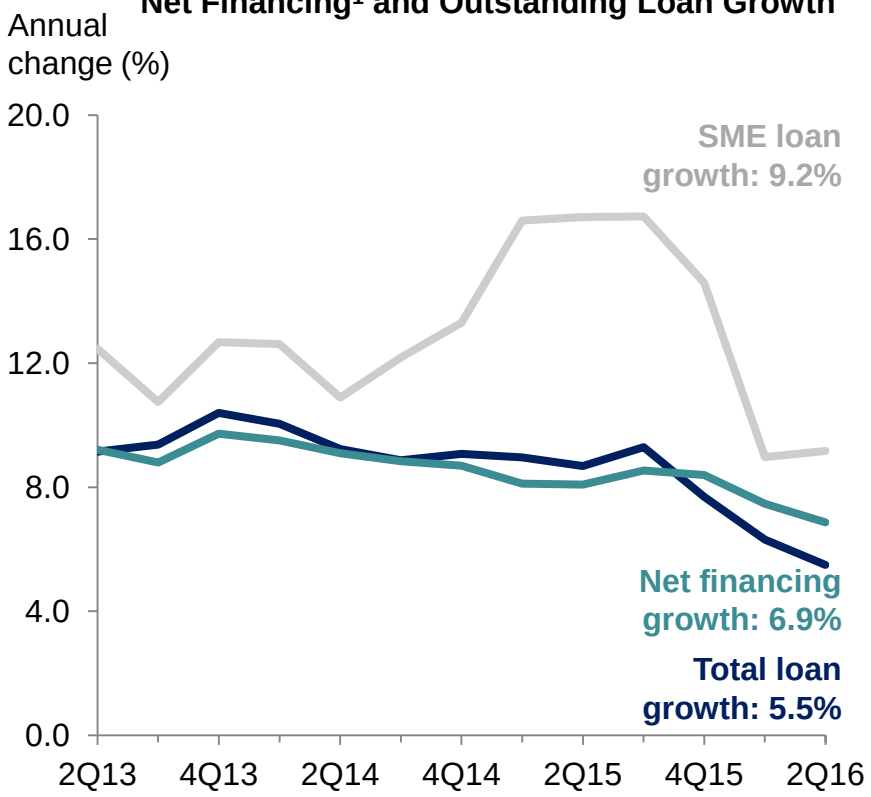
Source: Bank Negara Malaysia

- The OPR was reduced by 25 basis points to 3.00% at the July MPC meeting
- The adjustment is to ensure that the domestic economy continues on a steady growth path amid stable inflation
- KLIBOR, Base Rate and fixed deposit rates have declined

Financing continued to be channelled to the private sector

While outstanding loan growth moderated, with slower growth across segments…

Net Financing[1] and Outstanding Loan Growth

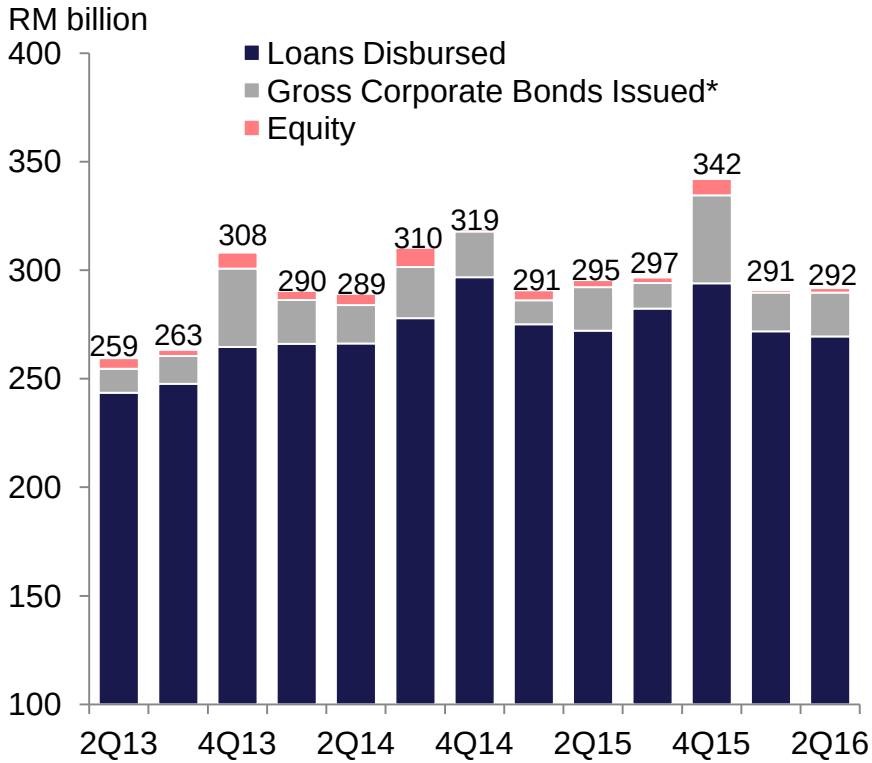


[1]Outstanding loan of the banking system (BS), development financial institutions (DFIs) and outstanding corporate bonds (CB)

Source: Bank Negara Malaysia

… gross financing to the private sector was relatively sustained in 2Q 2016

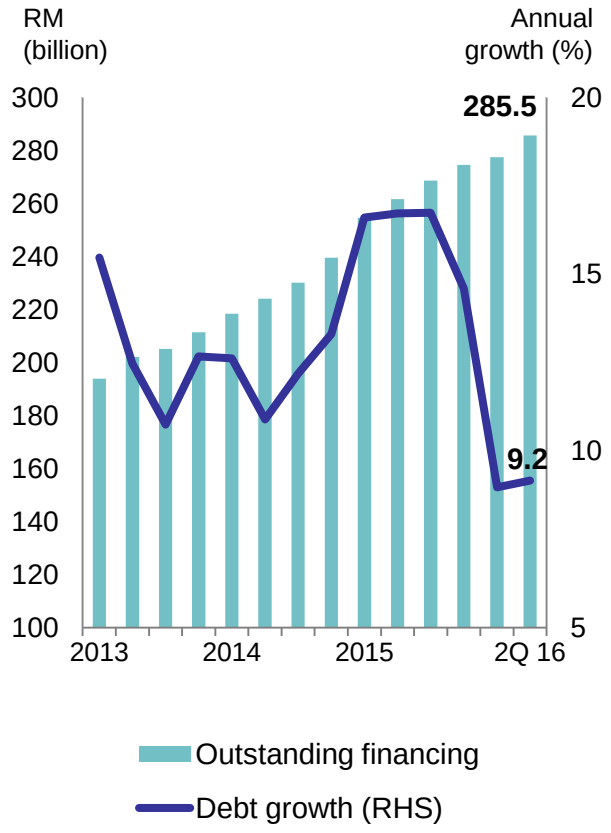
Gross Financing through the BS, DFIs and Capital Market



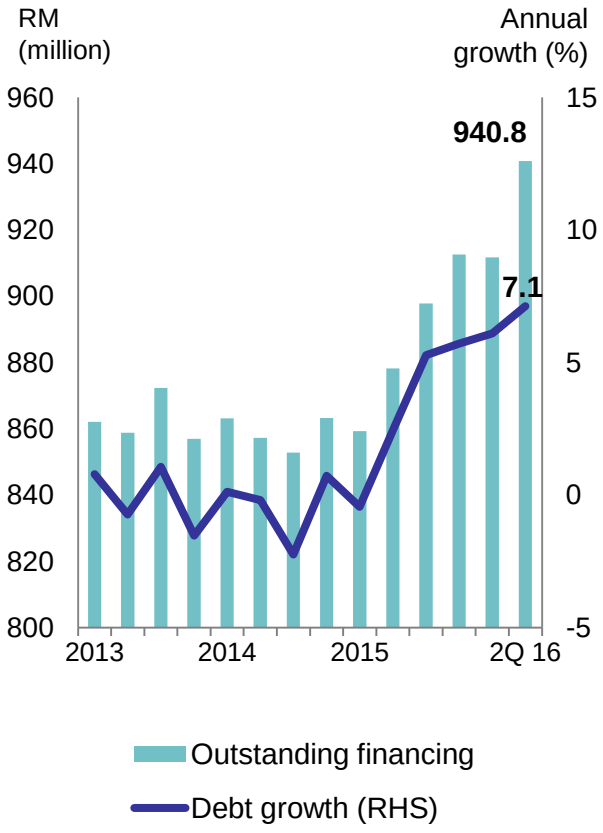
*Excludes issuances by Cagamas

Continued access to financing for households and SMEs (including micro enterprises)

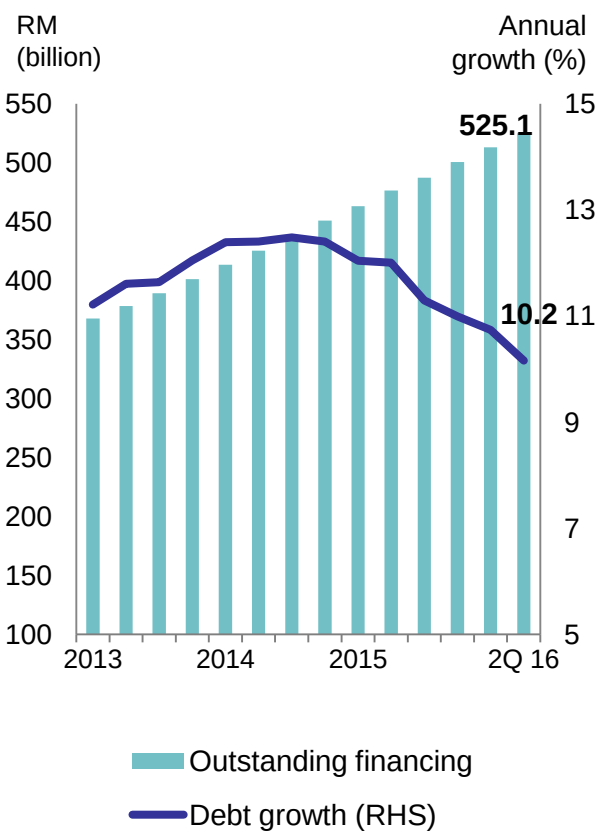
SMEs



Micro-enterprises[1]



Residential properties



Source: Bank Negara Malaysia

[1]Under Skim Pembiayaan Mikro

Financial stability preserved amid continued global uncertainties

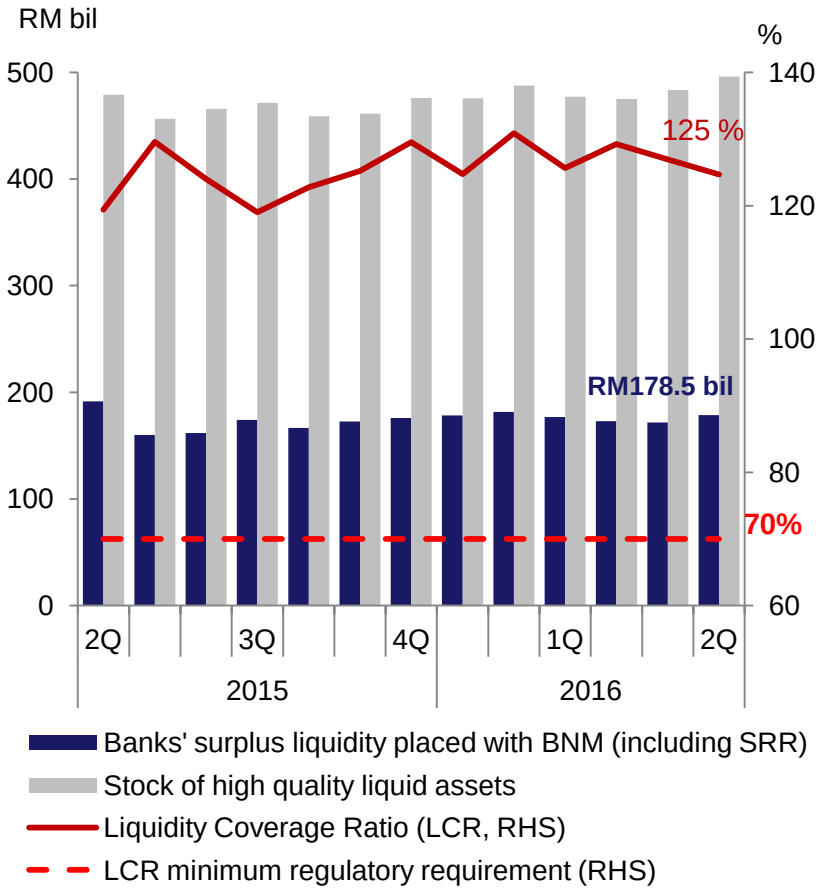
Banking sector	1Q 2016	2Q 2016
Common equity tier 1 capital ratio (%)	**13.0**	**12.9**
Tier 1 capital ratio (%)	**13.9**	**13.9**
Total capital ratio (%)	**16.5**	**16.4**
Capital buffer (RM bil)	**121.3**	**120.8**
Net impaired loans ratio (%)	**1.2**	**1.3**
ROE (annualised)	**12.4**	**13.2**
Liquidity Coverage Ratio (%)	**126**	**125**
Insurance/Takaful sector	**1Q 2016**	**2Q 2016**
Capital adequacy ratio (%) - Insurance	**249.2**	**234.9**
Capital adequacy ratio (%) - Takaful	**186.2**	**187.3**
Capital buffer (RM bil)	**48.5**	**33.0**
Profit YTD (RM bil)	**5.4**	**9.0**

- Limited risk from EU referendum
  - Low direct exposures of Malaysian banks to UK counterparties
  - Transient market volatility
- Impact from more challenging business conditions and rising costs expected to be modest
- Strong level and quality of capitalisation continues to provide a buffer against adverse developments

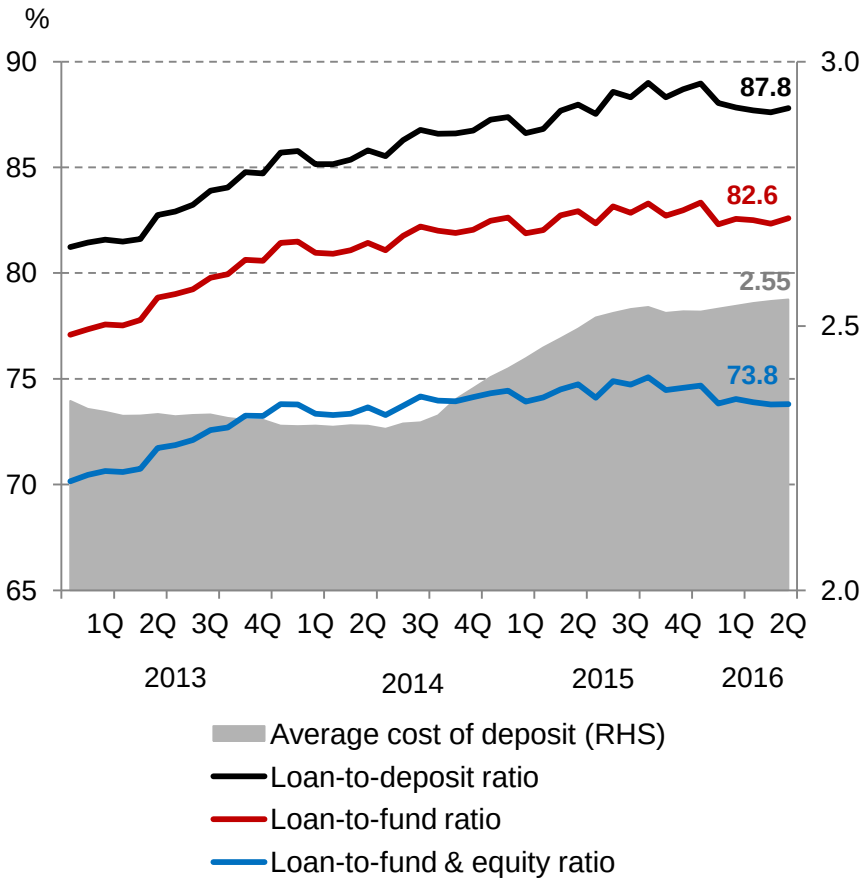
Source: Bank Negara Malaysia

Ample liquidity in the banking system

Banking system surplus liquidity remained high at RM178.5 billion



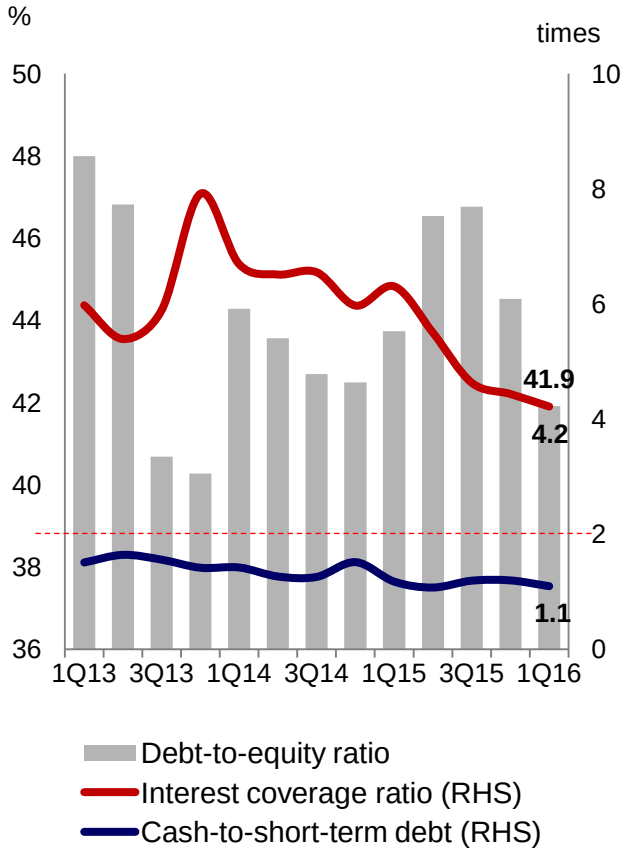
Banks' funding structure continued to be supportive of financing activities



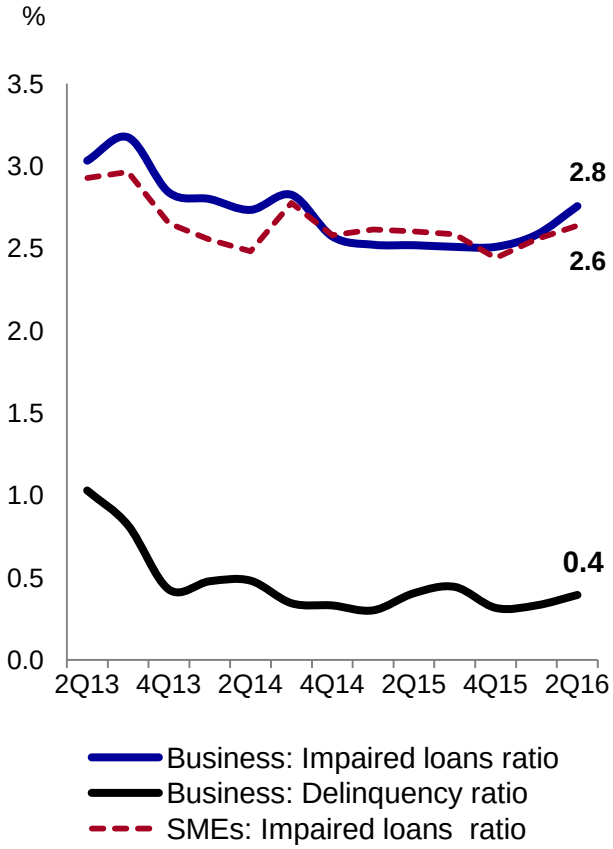
Source: Bank Negara Malaysia

Manageable credit risk exposures to businesses

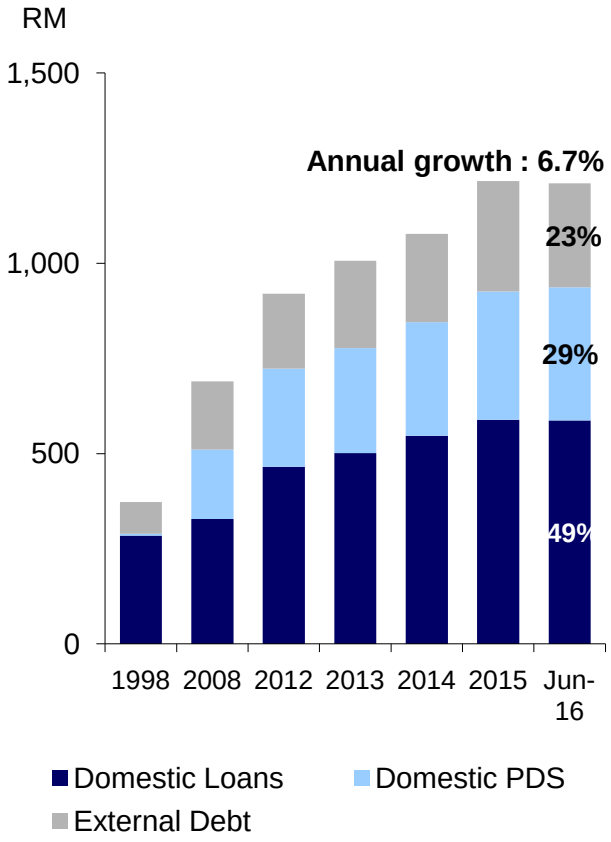
Overall debt servicing capacity sustained



Delinquencies and impairment remained stable



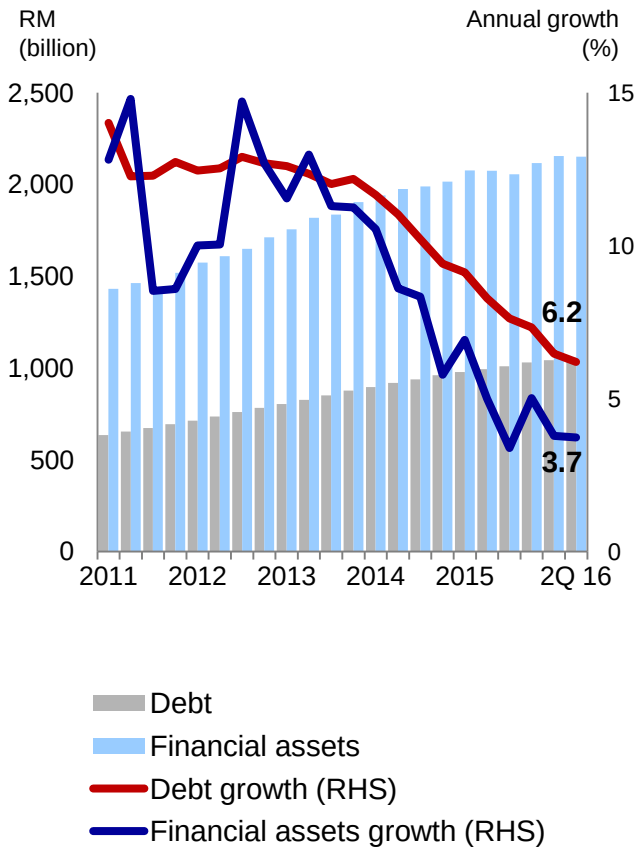
Businesses, including SMEs, have continued access to financing



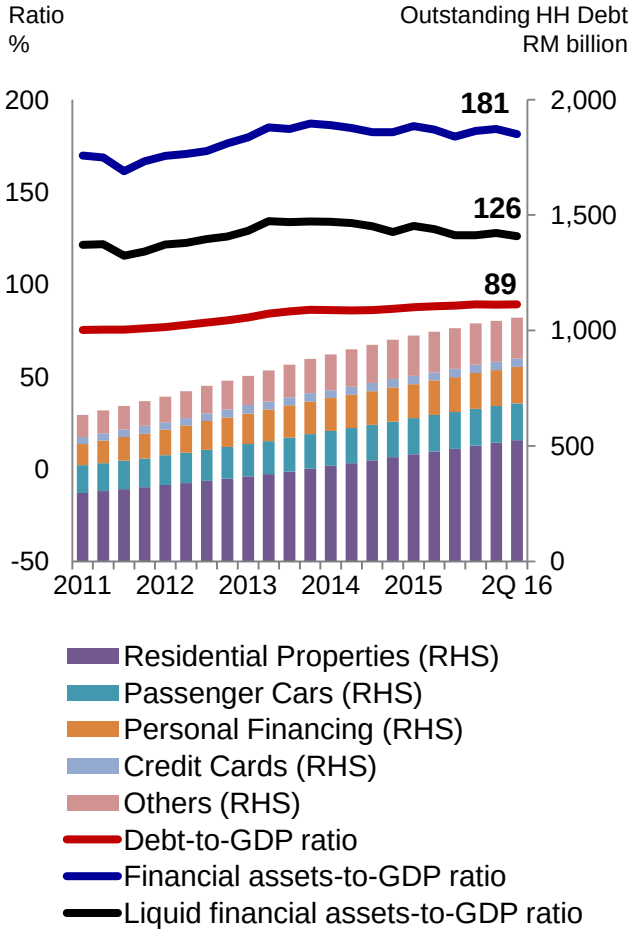
Source: Bank Negara Malaysia

Household debt servicing capacity remains intact

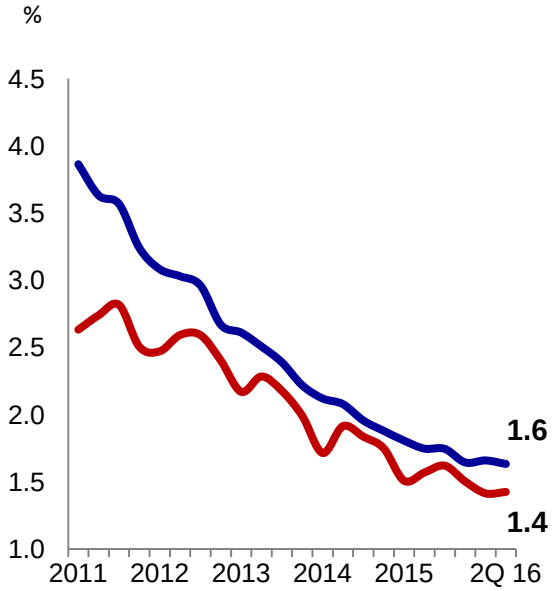
Growth in household debt continued to moderate



Aggregate household financial assets remained at two times of debt



Quality of household loans remained strong



Source: Bank Negara Malaysia

Agensi Kaunseling dan Pengurusan Kredit (AKPK) has helped individuals manage financial obligations

Number of Individuals Assisted by AKPK

	2015	Jan.-Jun. 2016
No. of borrowers benefitted from AKPK's financial advice and credit counselling	84,664	**55,507**
Of which, enrolled into Debt Management Programme (DMP)	*22,208*	*11,444*

- Since its establishment in 2006, AKPK has assisted over 450,000 borrowers through its financial advice and credit counselling

DMP Cases by Type of Financing (2015 - Jun. 2016)

Insurance/Takaful sector	Composition (%)
Credit Card	65.3
Personal Loan	25.8
Hire Purchase	1.8
Housing loan	2.0
Others	5.1
Total	**100**

- Of these, more than 155,000 borrowers who have difficulties in repaying their loans have enrolled into Debt Management Programme (DMP)

Growth performance continued to be resilient amid a challenging environment

Despite the challenging economic environment, the Malaysian economy is expected to remain on the current growth trajectory of 4 – 4.5%, driven by domestic demand

Growth prospects supported by:

- Higher wages for civil servants and upward revision to minimum wages
- Continued implementation of infrastructure projects
- Improved commodities production from the diminishing effect of El Niño

However, the uncertainties in the global environment could weigh on Malaysia's growth in 2H 2016

Q&A Session