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Sidang Akhbar

Prestasi Ekonomi pada Suku Ketiga Tahun 2015

Gabenor
Bank Negara Malaysia

13 November 2015

Sidang akhbar akan meliputi:

- **Prestasi ekonomi pada suku ketiga tahun 2015**
- **Perkembangan monetari dan kewangan**

Moderate global growth in 3Q 2015

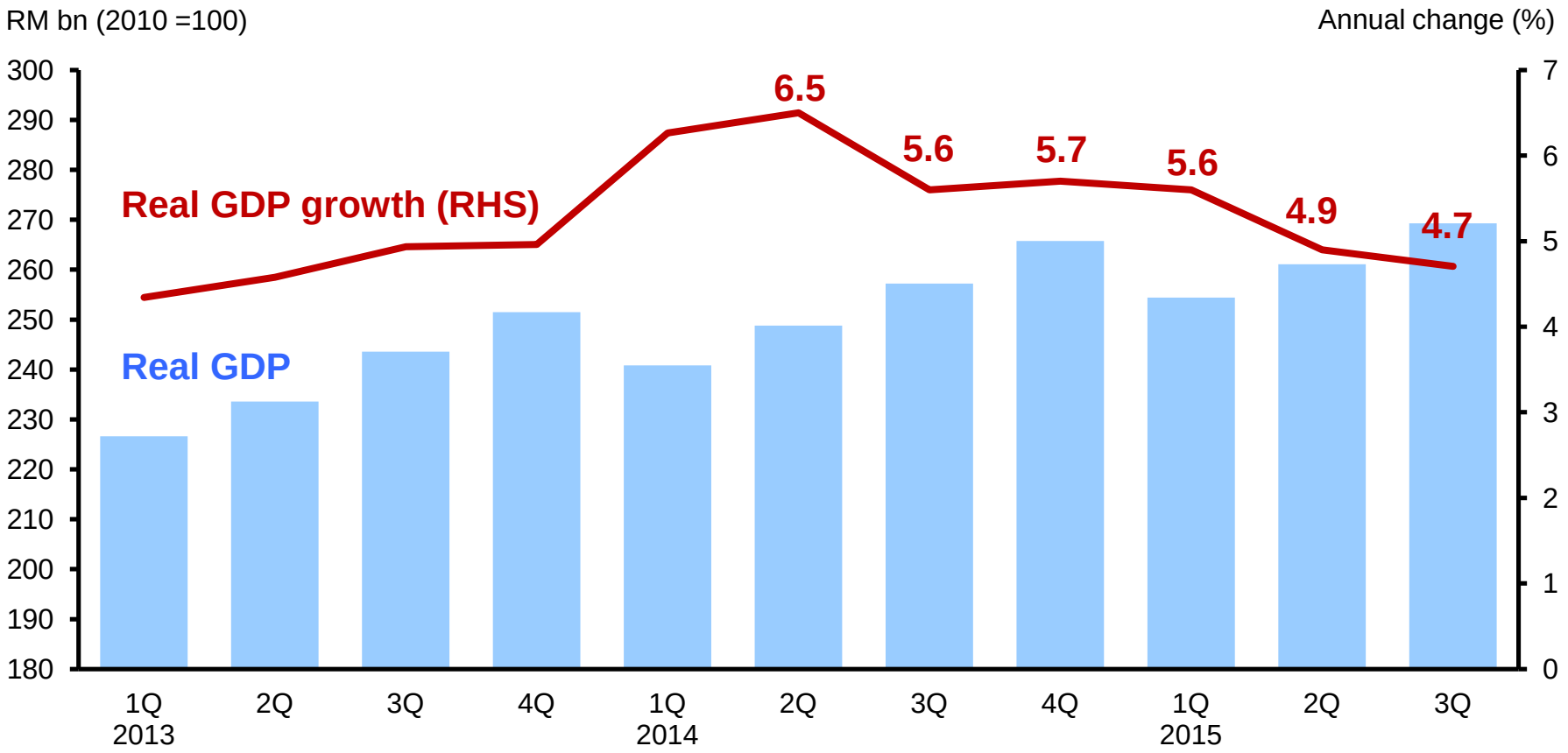
Global Growth

	2014	2015		
		1Q	2Q	3Q
	Annual change (yoy, %)			
Advanced economies				
US	2.4	2.9	2.7	2.0[a]
UK	2.9	2.7	2.4	2.3[p]
Euro area	0.9	1.2	1.5	*n.a.*
Japan	-0.1	-0.8[r]	0.8	*n.a.*
Asian economies				
PR China	7.4	7.0	7.0	6.9
Chinese Taipei	3.8	3.8[r]	0.5[p]	-1.0[a]
Indonesia	5.0	4.7	4.7	4.7
Korea	3.3	2.5	2.2[p]	2.6[a]
Singapore	2.9	2.6[r]	2.0[r]	1.4[a]

[p] Preliminary estimate [a] Advanced estimate [r] Revised
Source: National authorities

- Diverging growth momentum across major economies
- Continued economic recovery in the US and the UK
- Modest improvement in economic activity in the euro area and Japan
- Growth in Asia continues to be supported by the expansion in domestic demand

The Malaysian economy expanded by 4.7% in 3Q 2015



Source: Department of Statistics, Malaysia

Continued expansion across all economic sectors

Real GDP (Annual change, %)	Share, % (2014)	2014		2015		
		3Q	4Q	1Q	2Q	3Q
Services	53.5	6.5	6.6	6.4	5.0	4.4
Manufacturing	23.0	5.3	5.4	5.6	4.2	4.8
Agriculture	9.2	3.4	-3.7	-4.7	4.6	2.4
Mining	9.0	1.4	9.5	9.6	6.0	5.3
Construction	4.3	9.7	8.8	9.7	5.6	9.9
GDP	**100.0[1]**	**5.6**	**5.7**	**5.6**	**4.9**	**4.7**

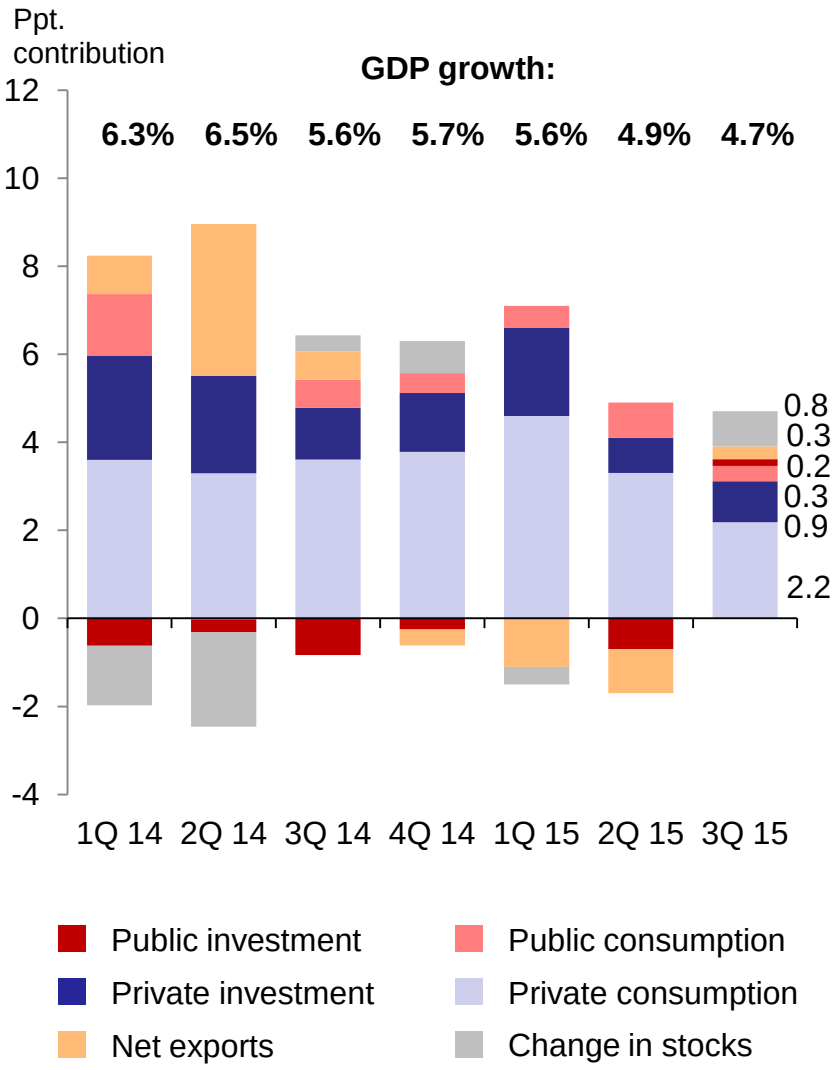
[1] Numbers do not add up due to rounding and exclusion of import duties component

Source: Department of Statistics, Malaysia

- **Services:** Slower growth, due to moderate growth in consumption-related sub-sectors and a contraction in finance & insurance
- **Manufacturing:** Higher growth, mainly supported by the export-oriented industries
- **Agriculture:** Growth affected by lower palm oil production
- **Mining:** Slower growth due to moderation in crude oil production
- **Construction:** Improvement in performance, supported by the civil engineering and specialised construction activities sub-sectors

Private sector remained the anchor of growth

Real GDP (Annual change, %)	Share, % (2014)	2014	2015		
		3Q	1Q	2Q	3Q
Domestic demand (excluding stocks)	**91.5**	**5.0**	**7.9**	**4.6**	**4.0**
Private Sector	**68.5**	**6.8**	**9.6**	**5.7**	**4.4**
Consumption	*51.8*	*6.8*	*8.8*	*6.4*	*4.1*
Investment	*16.6*	*7.0*	*11.7*	*3.9*	*5.5*
Public Sector	**23.0**	**-0.9**	**2.5**	**0.9**	**2.8**
Consumption	*13.6*	*5.2*	*4.1*	*6.8*	*3.5*
Investment	*9.5*	*-8.5*	*0.5*	*-8.0*	*1.8*
Net exports of goods and services	**9.3**	**7.4**	**-10.2**	**-10.5**	**3.3**
Exports	*76.1*	*2.6*	*-0.6*	*-3.7*	*3.2*
Imports	*66.8*	*2.0*	*1.0*	*-2.8*	*3.2*
Change in stocks (RM billion)	**-0.8**	**-2.2**	**-2.5**	**2.2**	**-0.1**
GDP (y-o-y)	**100.0**	**5.6**	**5.6**	**4.9**	**4.7**
GDP (q-o-q growth, seasonally adjusted)	**-**	**0.8**	**1.2**	**1.1**	**0.7**

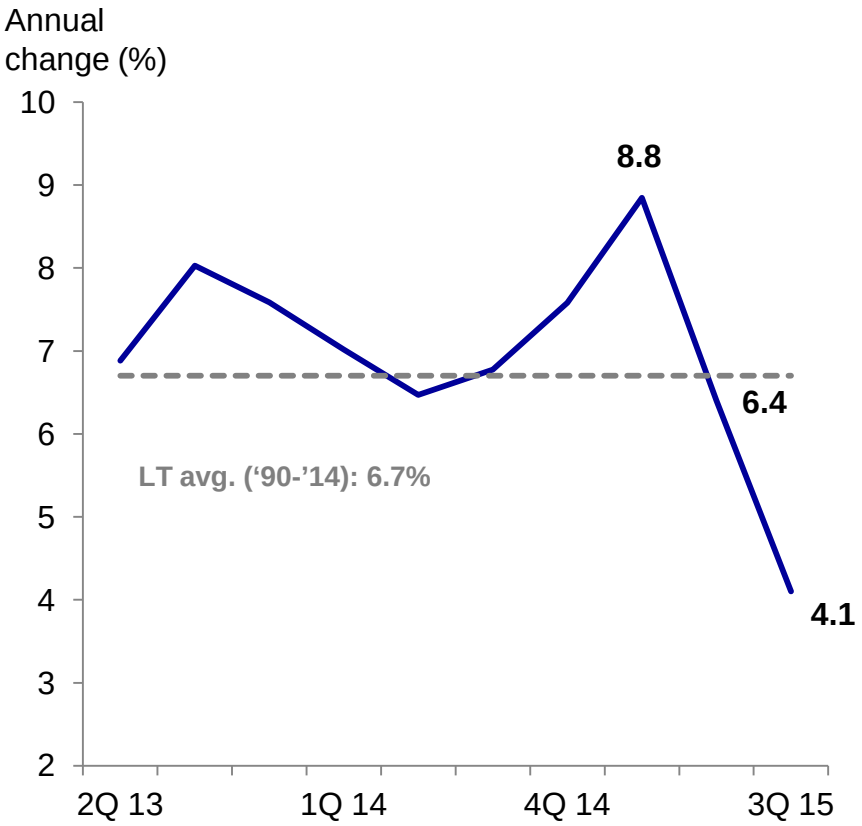


Source: Department of Statistics, Malaysia

Private consumption recorded a moderate growth of 4.1%

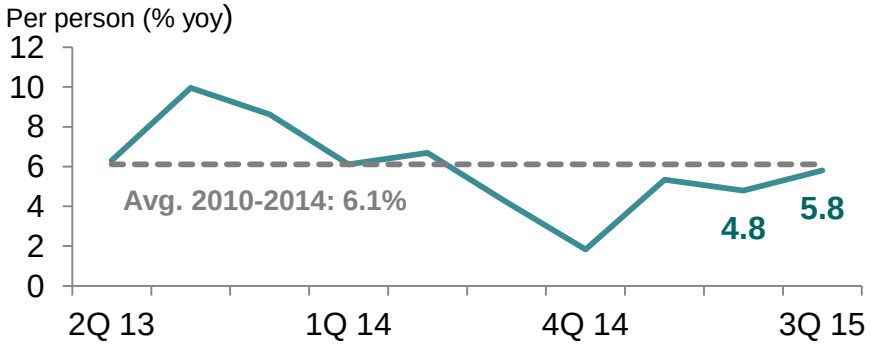
Moderate private consumption growth…

Real Private Consumption Growth

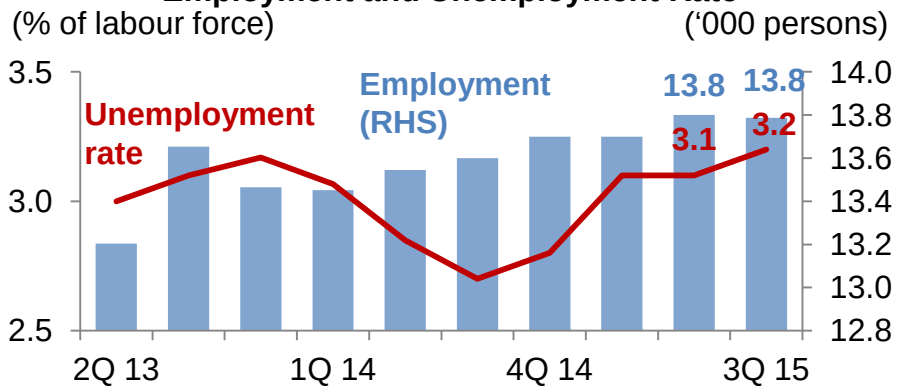


…amid support from stable labour market conditions

Average Wages in the Manufacturing Sector



Employment and Unemployment Rate



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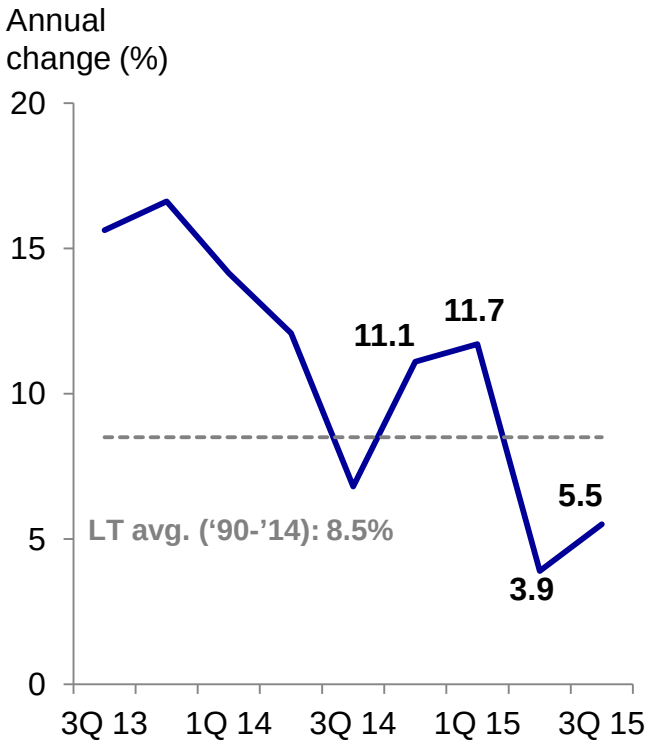
Source: Department of Statistics, Malaysia; Ministry of Human Resources

Private investment grew by 5.5%

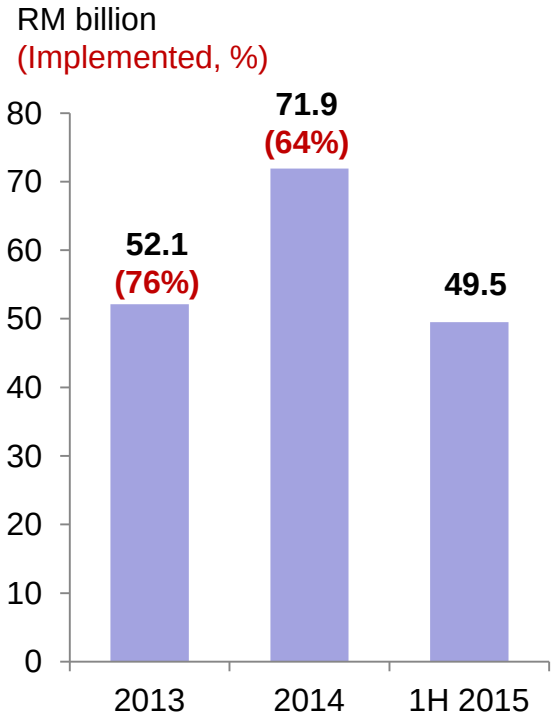
Private investment improved

Real Private Investment Growth

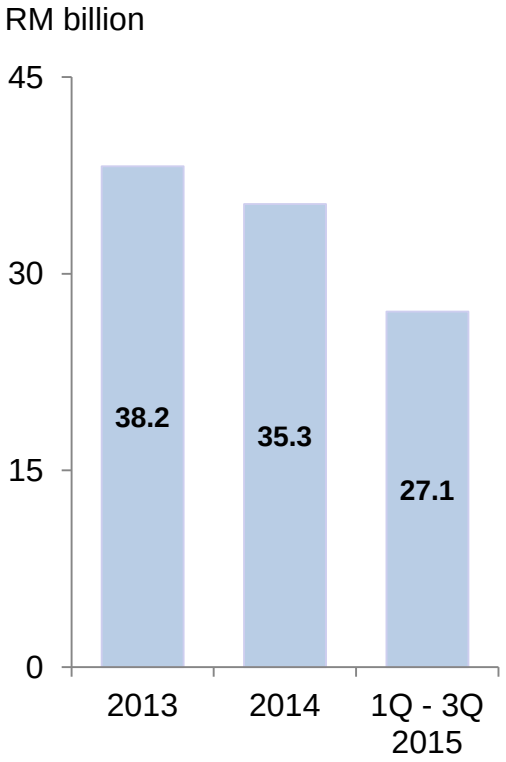


Investment outlook remains positive

Approved and Implemented Manufacturing Investment by MIDA



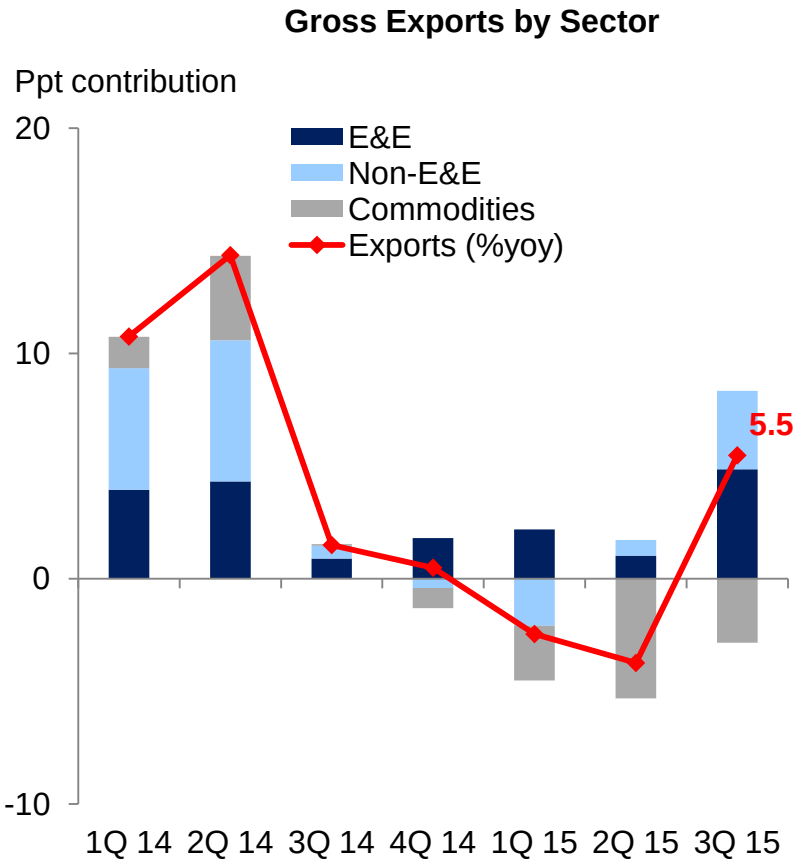
Foreign Direct Investment in Malaysia



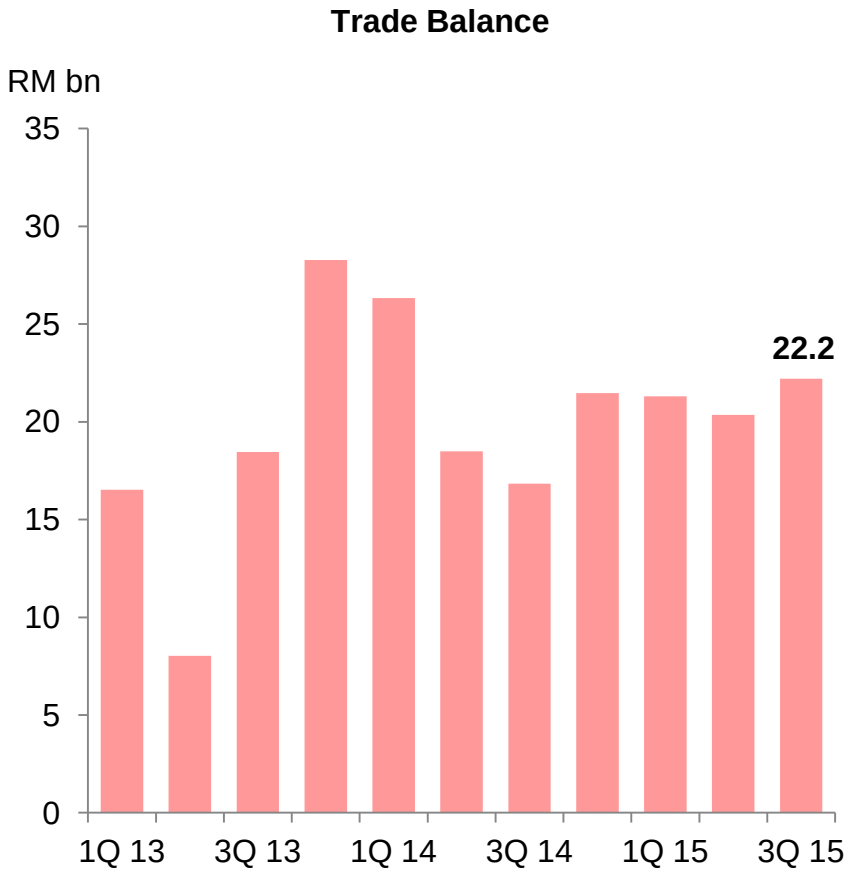
Source: Department of Statistics, Malaysia, MIDA and Bank Negara Malaysia

Higher trade surplus amid signs of improvement in exports

Exports expanded in 3Q, driven mainly by manufactured exports



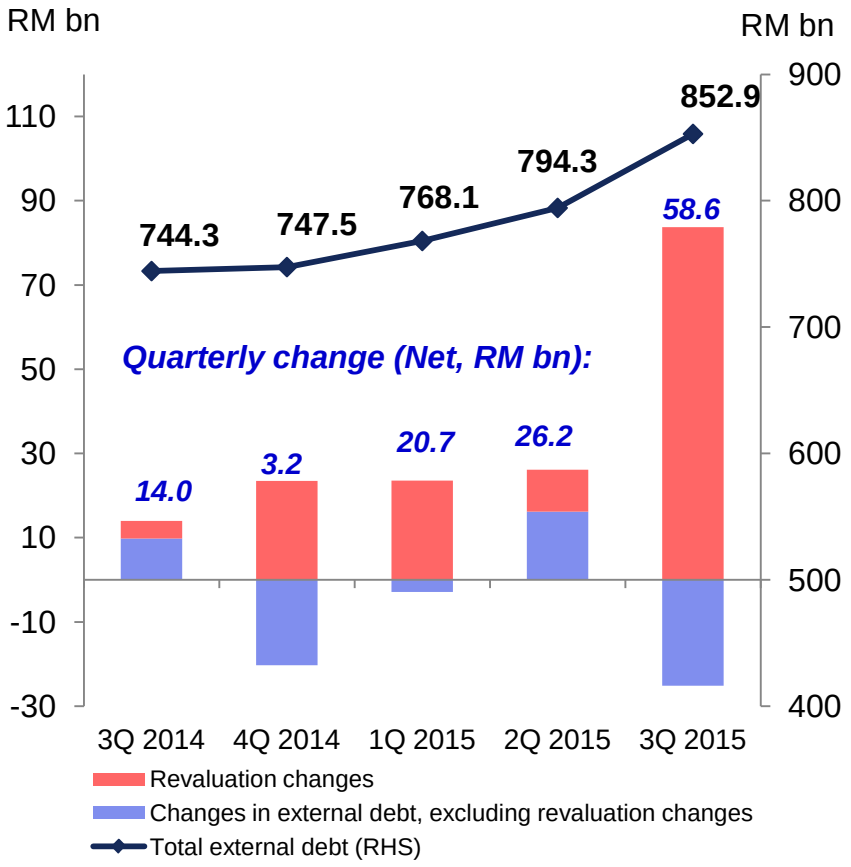
Higher trade surplus during the quarter



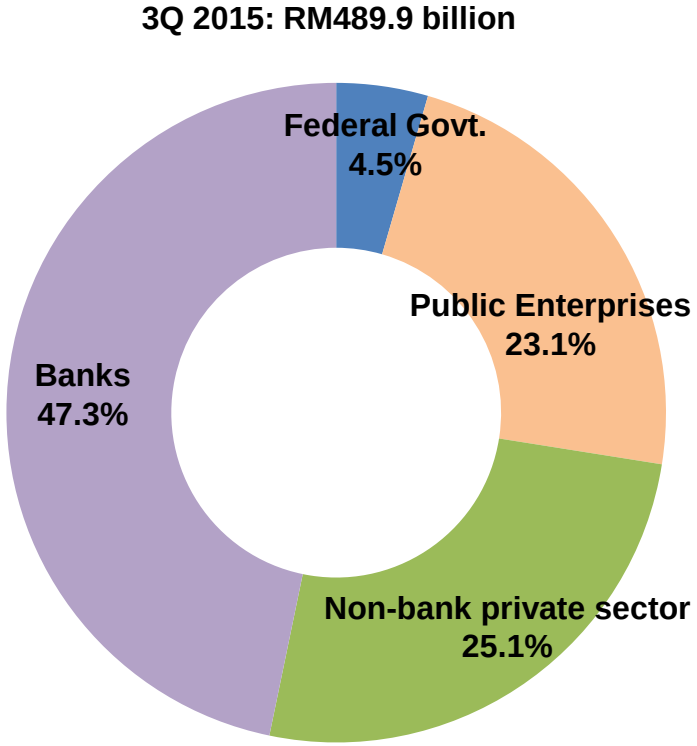
Source: MATRADE

Higher external debt in 3Q 2015 due to valuation effects

Higher valuation effects in recent quarter



47% of offshore borrowings are accounted by banks partly due to their regional operations

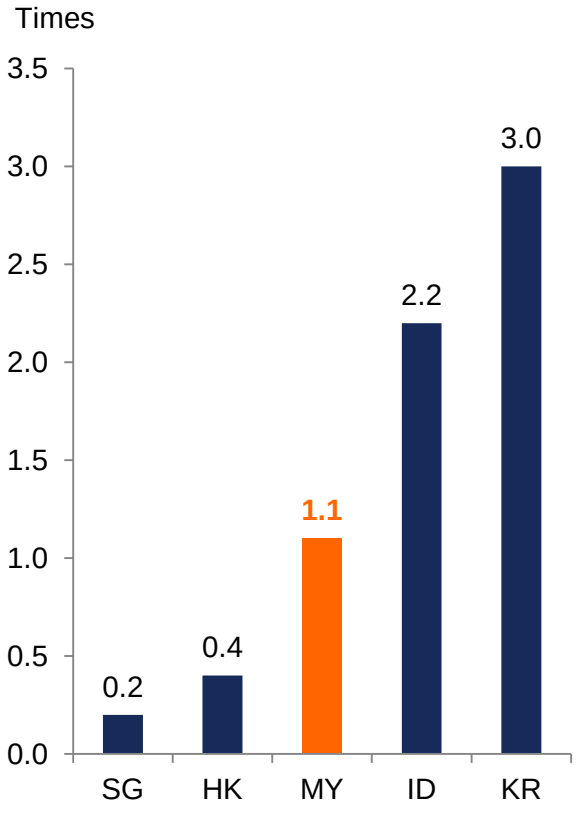


Source: Bank Negara Malaysia

Ample reserves to meet external debt obligations given external assets of debt holders, especially banks

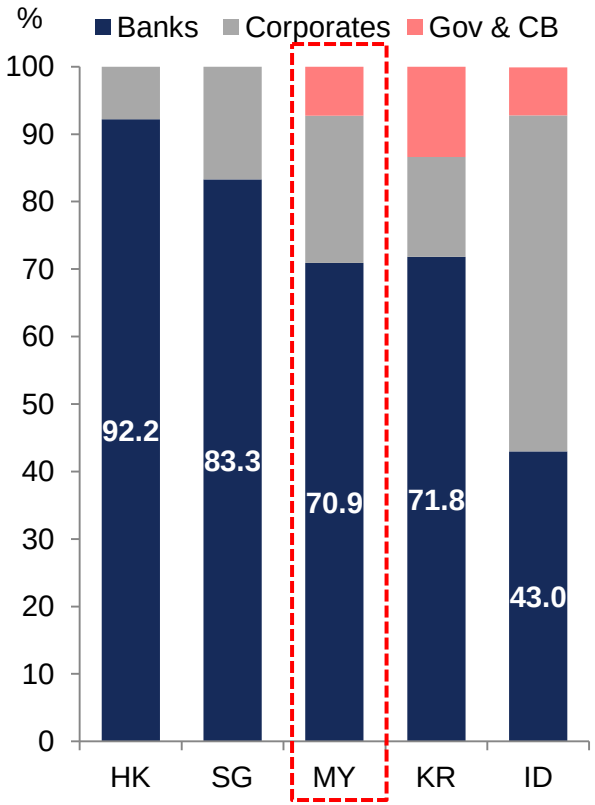
Reserves remain sufficient to meet Malaysia's short-term external debt,…

Reserves to Short-Term External Debt



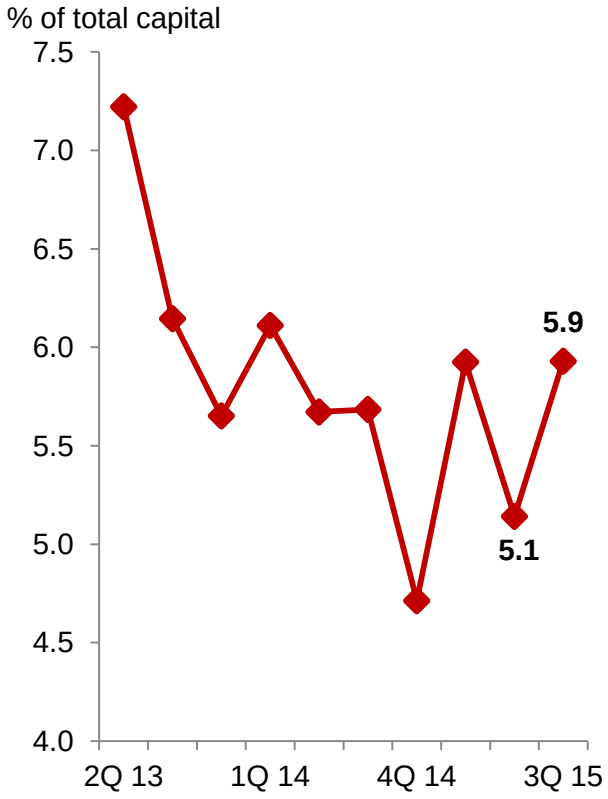
…as almost three quarters of short-term ext. debt is attributable to banks,…

Share of ST External Debt by Sector



…and banks' foreign exchange risk exposure remains manageable

Net Open Position



Note: All country comparisons show external debt positions as at 2Q 2015, except for Malaysia (3Q 2015)
Source: Bank Negara Malaysia, Staff estimates, World Bank SDDS, Haver Analytics

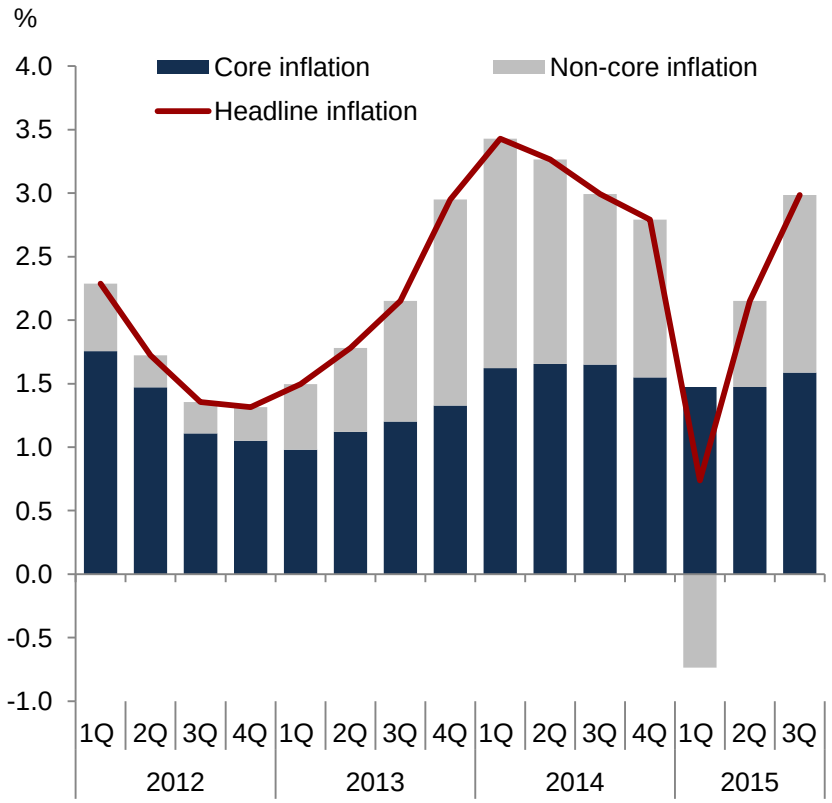
Inflation was higher at 3.0% in 3Q

Increase in inflation was due mainly to higher fuel and food prices

Category	Weight	2Q '15	3Q '15
		Annual growth, %	
Headline inflation	**100.0**	**2.2**	**3.0**
Food and non-alcoholic beverages	30.3	3.3	4.1
Housing, water, electricity, gas and other fuels	22.6	2.5	2.6
Transport	14.9	-3.6	-1.1
Communication	5.6	2.5	3.0
Recreation services and culture	4.6	1.6	2.1
Furnishings and household equipment & maintenance	4.1	2.7	3.8
Others	17.9	4.7	5.1

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

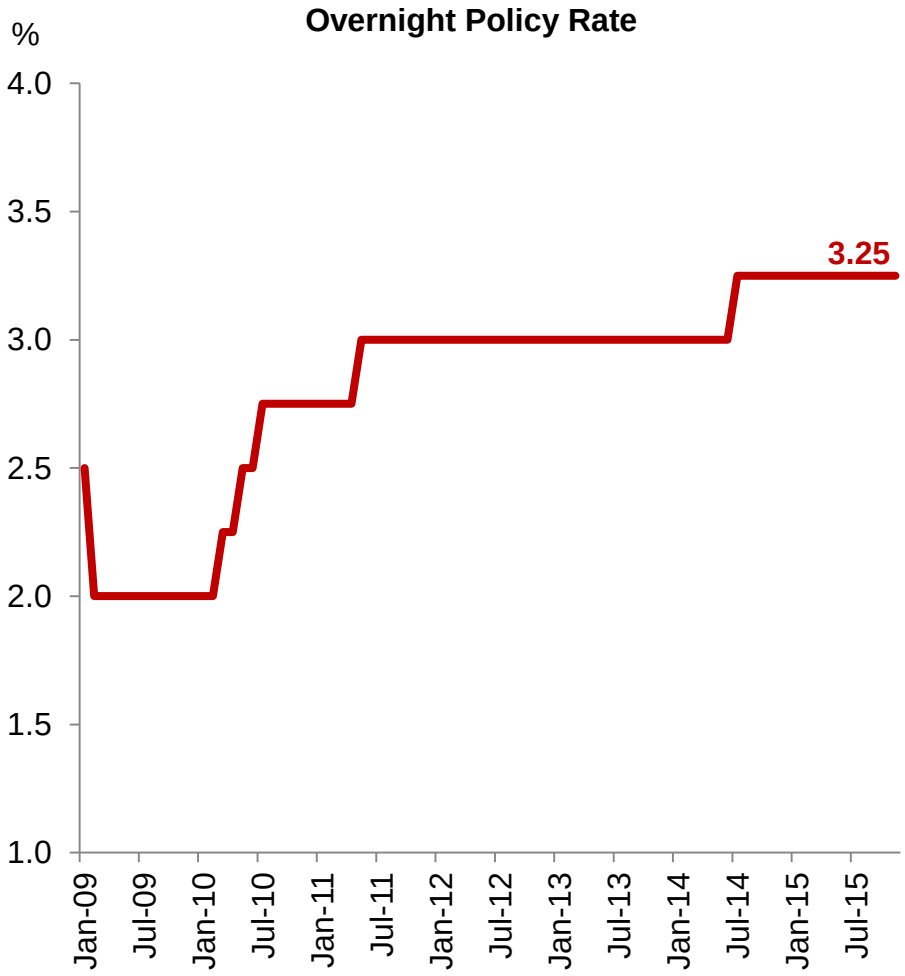
Nevertheless, underlying inflation remained stable



Note: Core inflation excludes price-administered and price volatile items. It also excludes the impact of GST.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

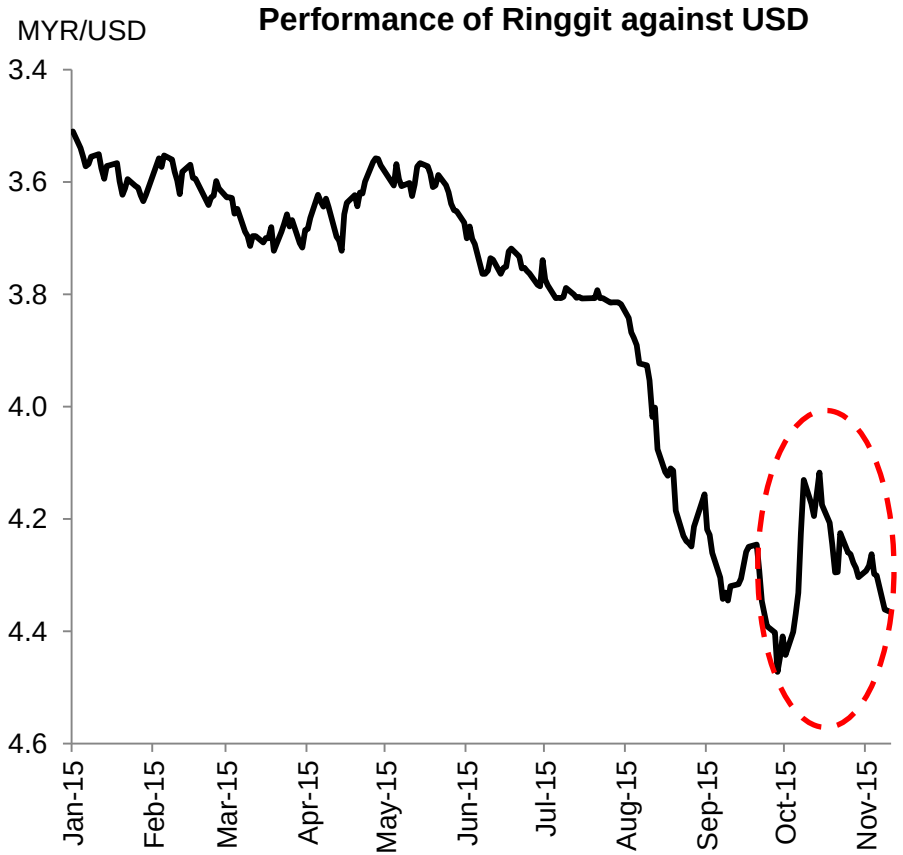
Monetary policy focused on supporting growth amid contained risks to inflation



- Economic growth is expected to expand within the region of 4% - 5% in 2016
- Inflation is projected to peak in the first quarter of 2016 and moderate thereafter
- The financial system remains sound, with a healthy growth in financing
- The stance of monetary policy remains accommodative and supportive of economic activity

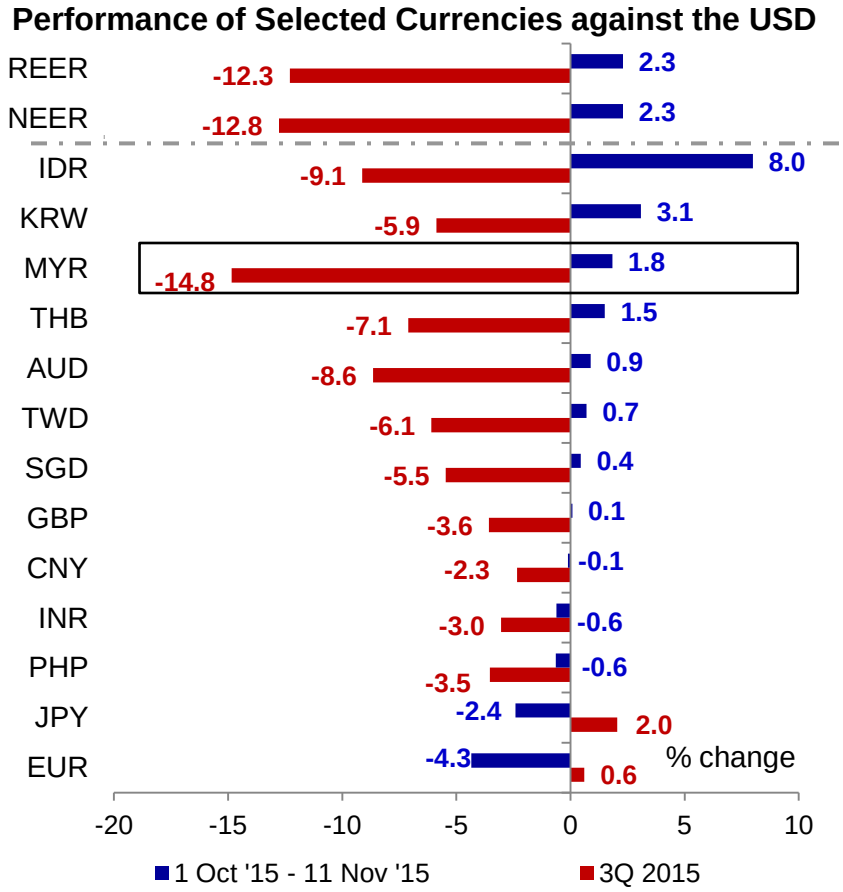
Ringgit depreciated in the third quarter

Ringgit depreciated in 3Q but appreciated 3.3% against the US dollar in October



Source: Bank Negara Malaysia

Since 3Q 2015, ringgit also appreciated against all major and most regional currencies

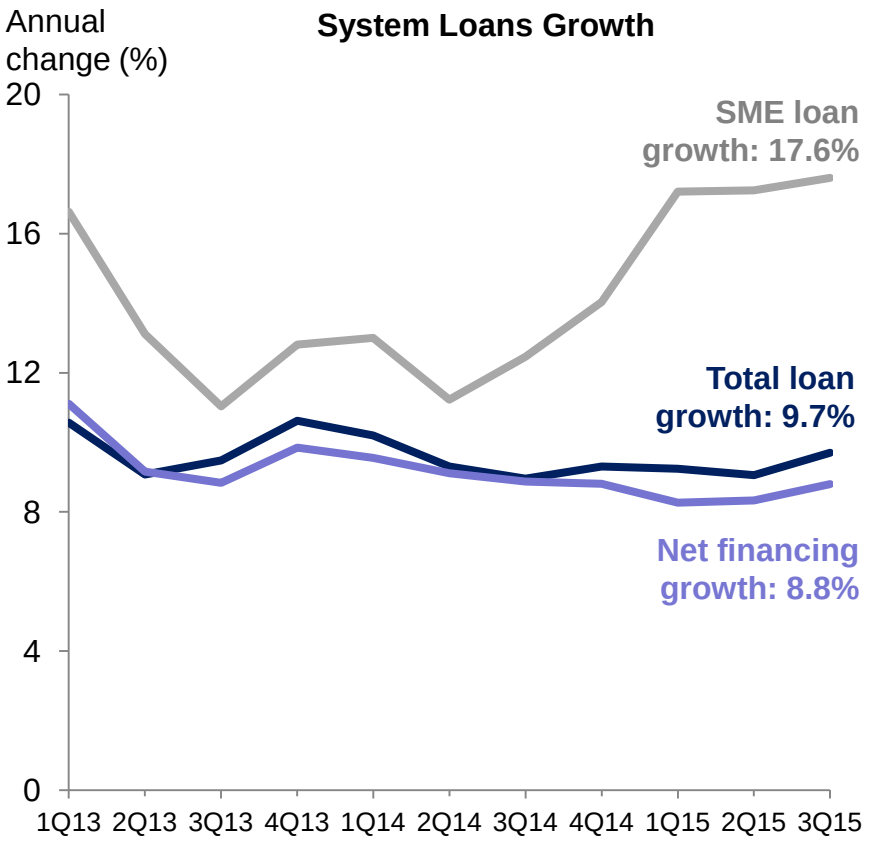


Source: Bank Negara Malaysia

Financing remained supportive of economic activity

Stable growth in net financing amidst continued strong growth in SME loans …

Net Financing[1] and Outstanding Banking System Loans Growth

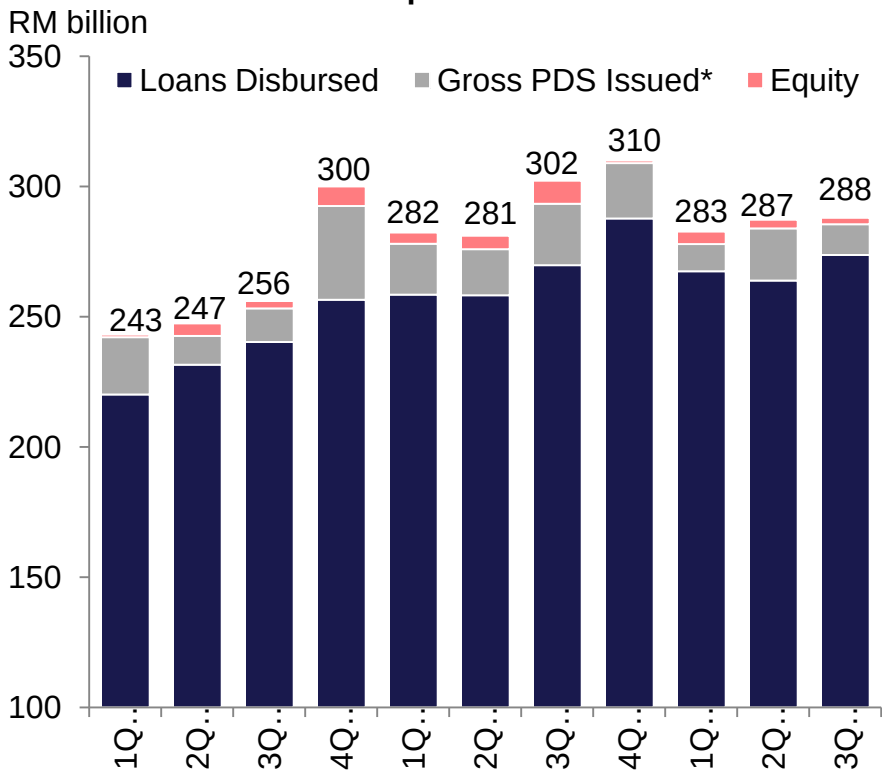


[1]Outstanding loans of the banking system and PDS outstanding

Source: Bank Negara Malaysia

… with sustained gross financing to the private sector

Gross Financing through the Banking System and Capital Market



*Excludes issuances by Cagamas

Domestic financial stability preserved despite heightened financial market volatility

Banking sector	2Q 15	3Q 15
Common equity tier 1 capital ratio (%)	**12.4**	**12.1**
Tier 1 capital ratio (%)	**13.2**	**12.8**
Total capital ratio (%)	**15.3**	**14.8**
Capital buffer (RM bil)	**102.2**	**100.2**
Net impaired loans ratio (%)	**1.2**	**1.2**
ROE (annualised)	**12.7**	**12.6**
Liquidity Coverage Ratio (%)	**119**	**124***
Insurance/Takaful sector	**2Q 15**	**3Q 15**
Capital adequacy ratio (%) - Insurance	**239.0**	**243.8**
Capital adequacy ratio (%) - Takaful	**187.6**	**190.5**
Capital buffer (RM bil)	**31.4**	**31.8**
Profit YTD (RM bil)	**8.6**	**8.8**

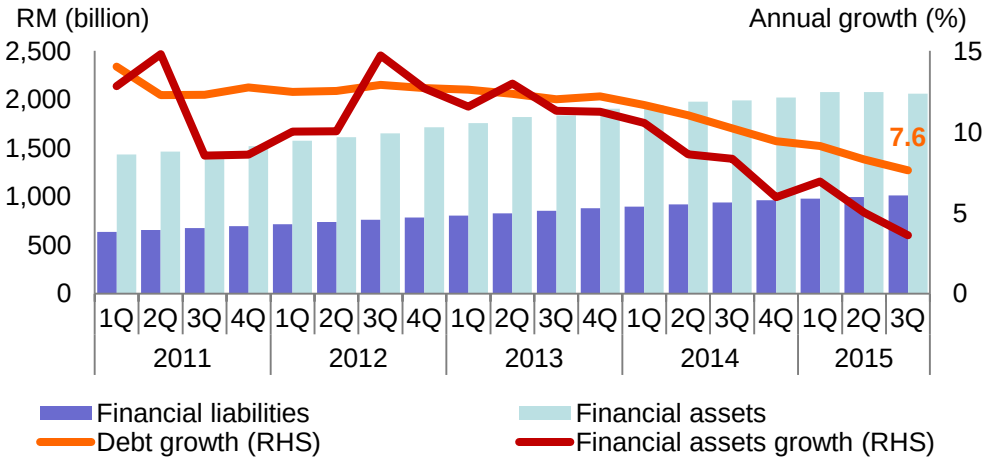
*As at Aug-2015

Source: Bank Negara Malaysia

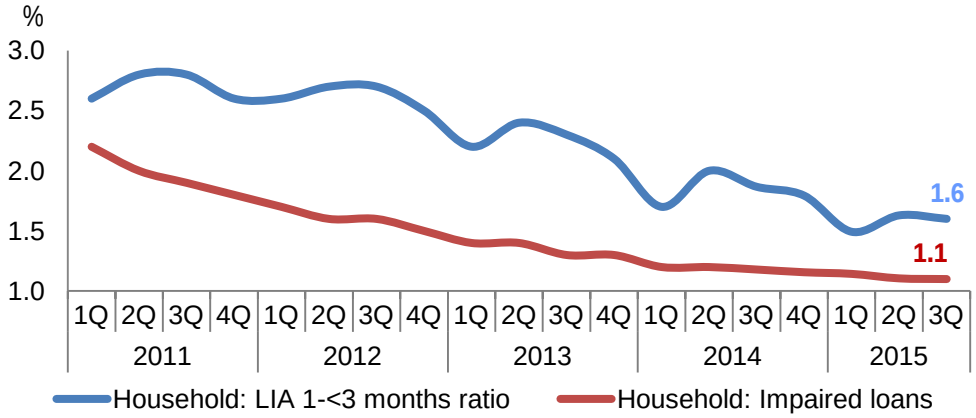
- Financial intermediation continued to be supported by sound financial institutions, ample liquidity and orderly market conditions
- Capital buffers sufficient to cushion against adverse market and financial conditions

Growth in household debt moderated further to 7.6%

Household Sector: Debt and Financial Assets



Banking System: Impaired Loans and Loans-in-arrears (LIA) Ratios

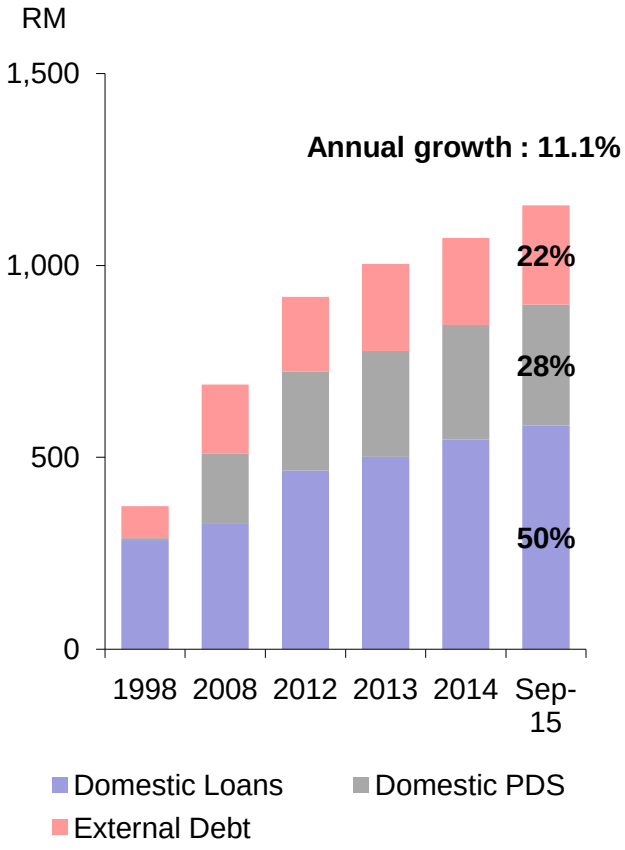


Source: Bank Negara Malaysia

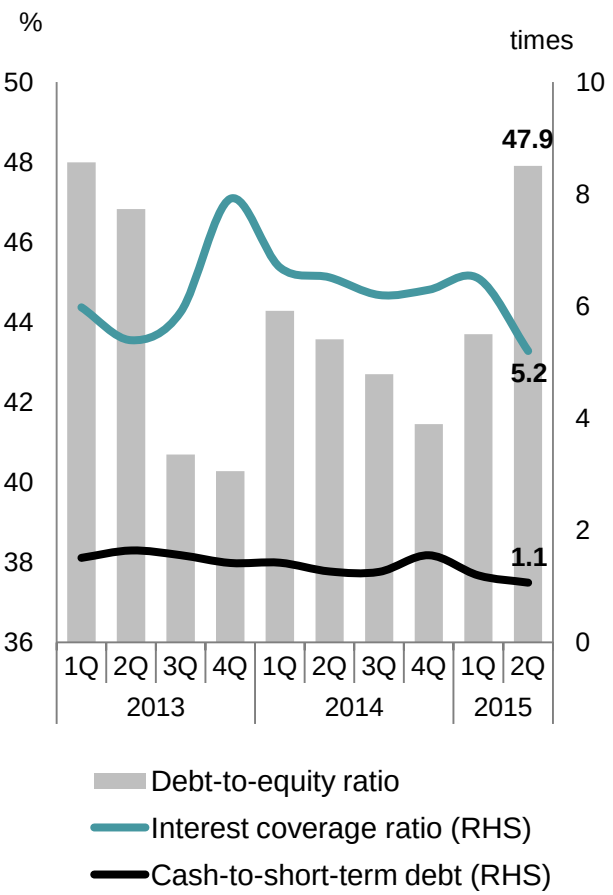
- Financial assets sustained at two times of debt
  - Higher costs of living beginning to affect some highly leveraged borrowers
  - Delinquencies remained low
- Housing loans continue to account for largest share of debt
  - Housing loans by banks grew 12.1%
  - Demand for affordable housing continues to outstrip supply
  - Low growth in personal financing and credit cards

Debt servicing capacity of businesses remain generally sound

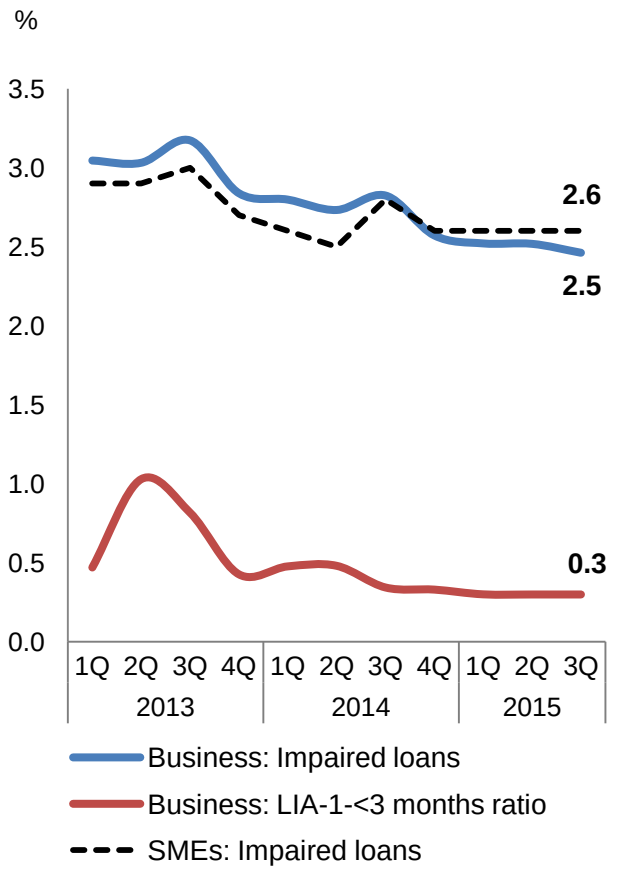
About 78% of Malaysian business borrowings funded domestically



Debt servicing capacity remain sound under simulated foreign exchange and earnings shocks



Delinquencies and impairment are low



Source: Bank Negara Malaysia

The Malaysian economy to remain resilient amid increasingly challenging environment

- **Global growth is expected to remain moderate amid increased uncertainties**
  - Uneven growth in major economies
  - Continuous volatility in financial markets
  - Potential divergence in monetary policy
- **In Asia, domestic demand will remain the key driver of growth**

- **The Malaysian economy to remain resilient in the face of the challenging environment**
  - Strong domestic fundamentals and external buffers to withstand potential shocks
    - § Diversified economy to mitigate shocks to growth
    - § Private investment to continue to be positive
    - § Stable and resilient financial system to support private investment and consumption

Questions