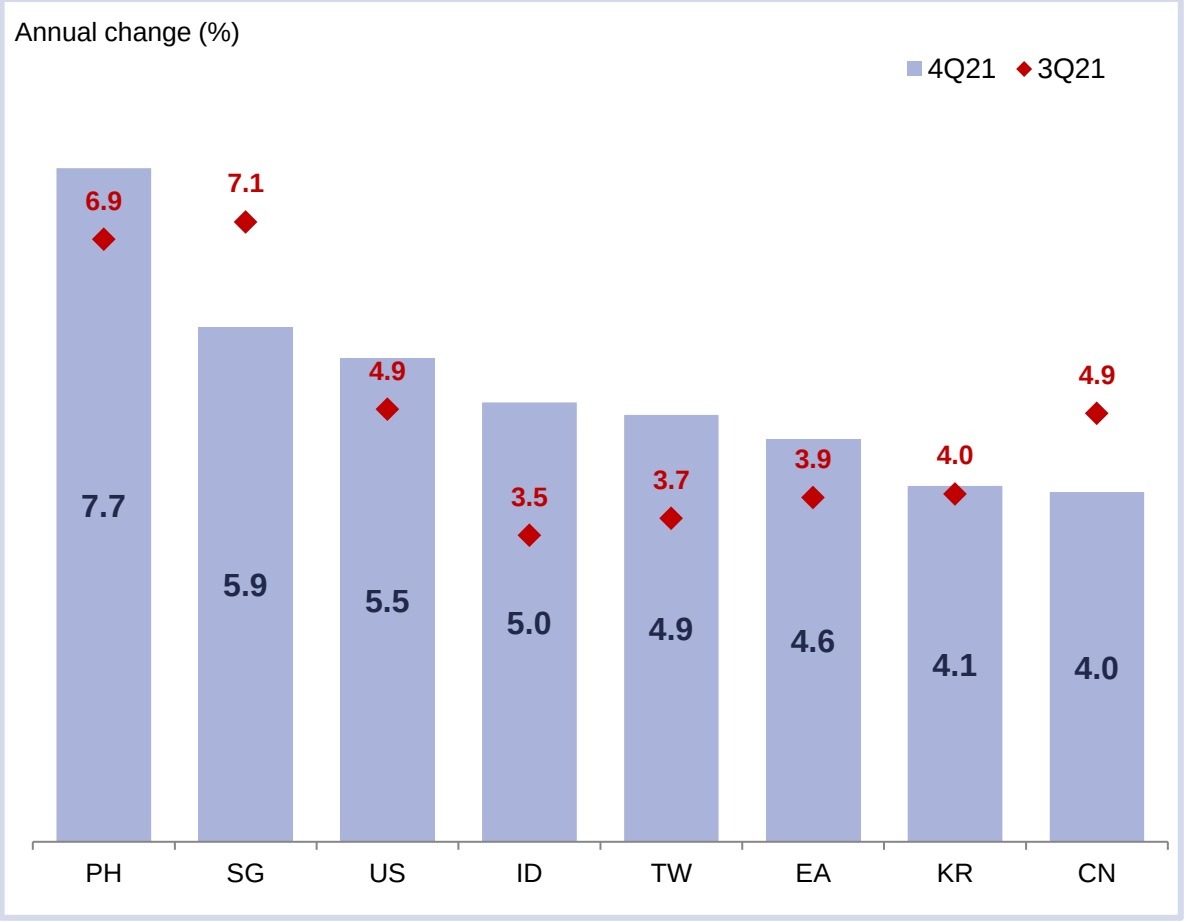
Sidang Akhbar

Prestasi Ekonomi Suku Keempat Tahun 2021

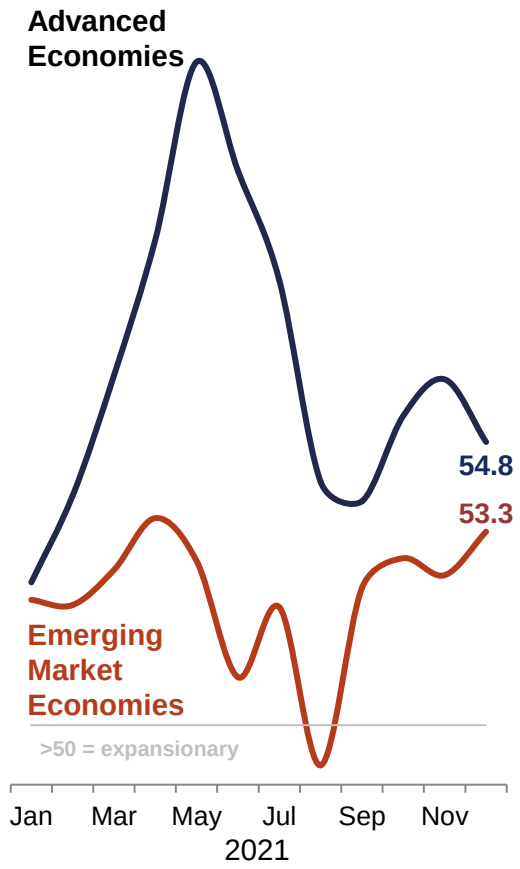
11 Februari 2022

Global growth continued to recover in the fourth quarter of 2021

Real GDP Growth



Composite PMI



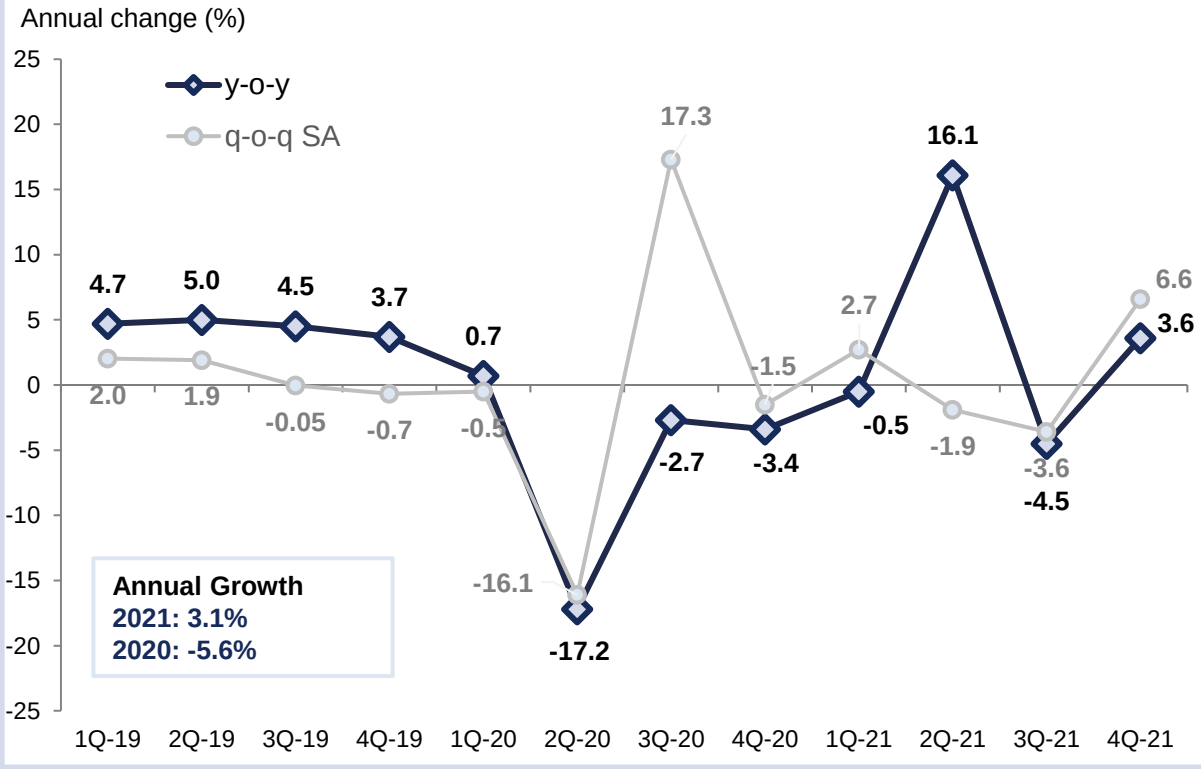
Global Growth Developments

- Growth recovery supported by economic re-openings in the beginning of the quarter
- Manufacturing and trade activity continued to expand, amid early signs of easing in supply disruptions
- However, measures to contain a resurgence of the Omicron variant and weaker consumer sentiments towards the end of the quarter affected services activity
- Inflation in major economies remained elevated amid supply disruptions and demand recovery

Note: GDP for the fourth quarter of 2021 are advanced or preliminary estimates except for China, the Philippines, and Indonesia.
Source: CEIC, National authorities, IHS Markit

Malaysia's GDP rebounded to 3.6% in 4Q 2021, bringing full year growth to 3.1%

Real GDP Growth



Real GDP Growth (2021)

Month	% yoy
July	-7.6
August	-4.7
September	-1.1
October	2.7
November	5.4
December	2.6

Key Factors:

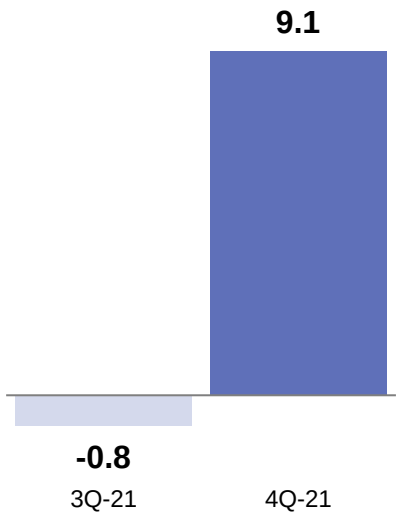
- Continued growth in external demand
- Easing of containment measures
- Recovery in the labour market
- Continued policy support

Source: Department of Statistics Malaysia

All economic sectors recorded improvement

Manufacturing

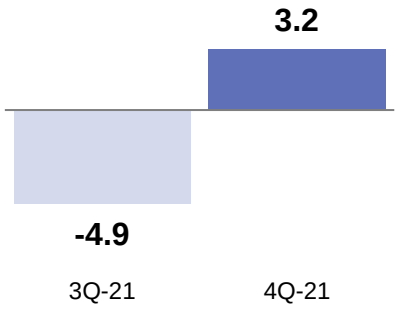
GDP, Annual change (%)



Strong external demand and recovery in consumer activity

Services

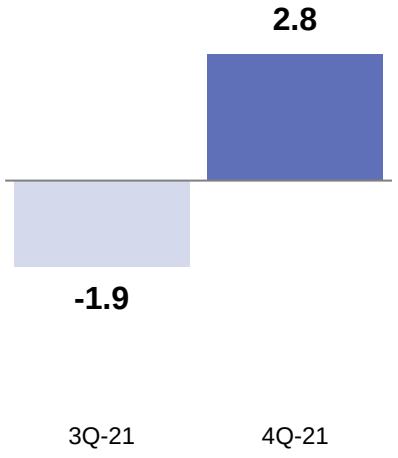
GDP, Annual change (%)



Higher consumer spending amid easing of containment measures

Agriculture

GDP, Annual change (%)



Improved oil palm yields benefitting from higher rainfall in early 2021

Mining

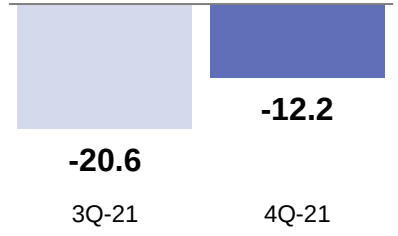
GDP, Annual change (%)



Higher production in oil and gas fields including PFLNG2

Construction

GDP, Annual change (%)



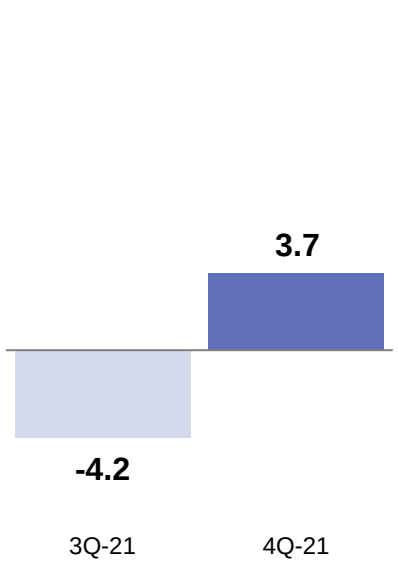
Gradual improvement in construction works following re-opening of the economy

Source: Department of Statistics Malaysia

Improvement in household spending and trade activity

Private Consumption

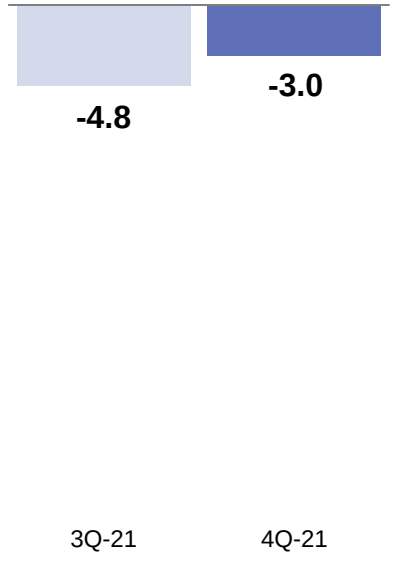
GDP, Annual change (%)



Improvement in household spending amid relaxation of containment measures

Private Investment

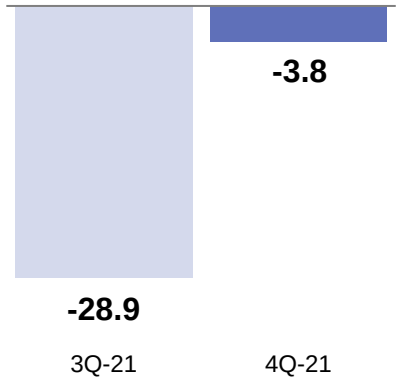
GDP, Annual change (%)



Faster expansion in M&E investments

Public Investment

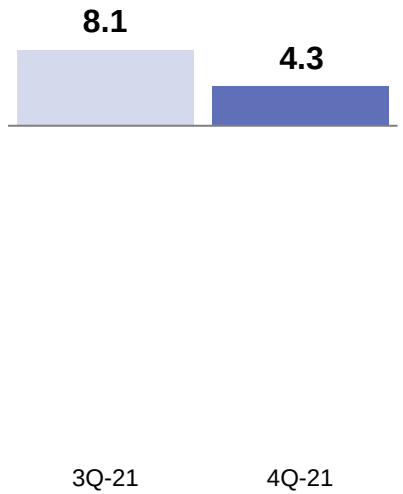
GDP, Annual change (%)



Improvement in capital expenditure by public corporations and General Government

Public Consumption

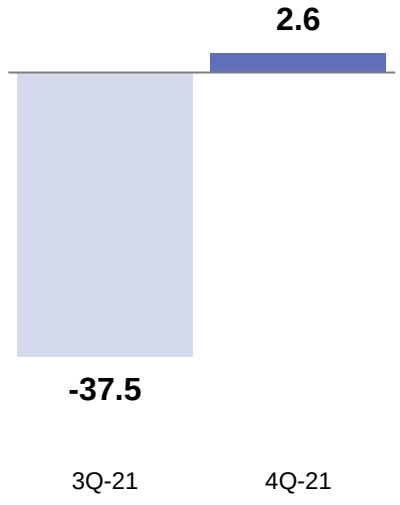
GDP, Annual change (%)



Slower growth in supplies & services

Net exports

GDP, Annual change (%)

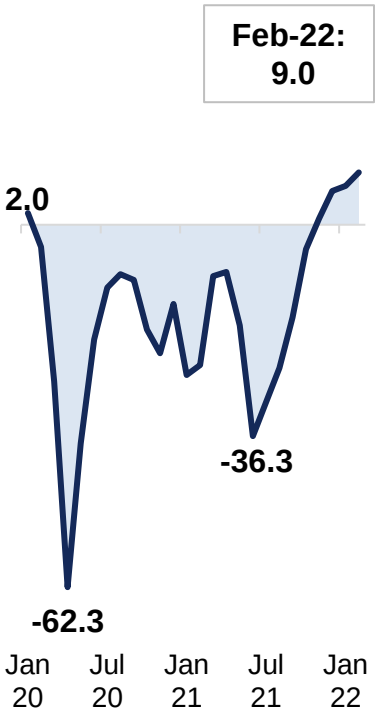


Higher export growth

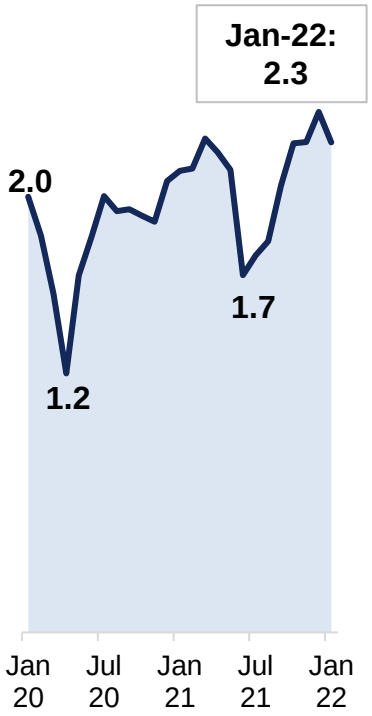
Source: Department of Statistics Malaysia

High-frequency indicators suggest continued recovery path ahead

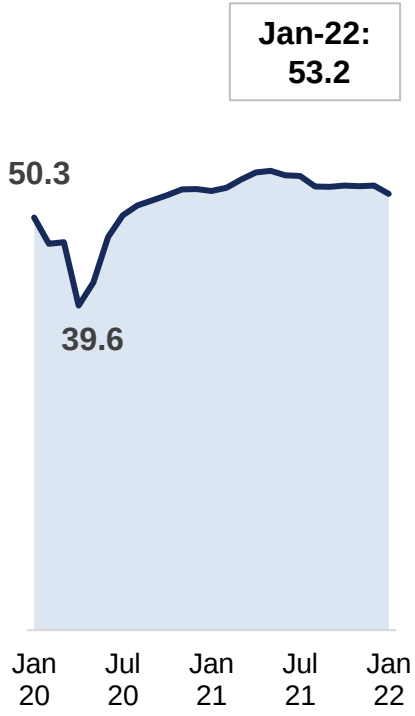
Mobility Report on Retail, Recreation & Grocery*
(% diff. from baseline)[3]



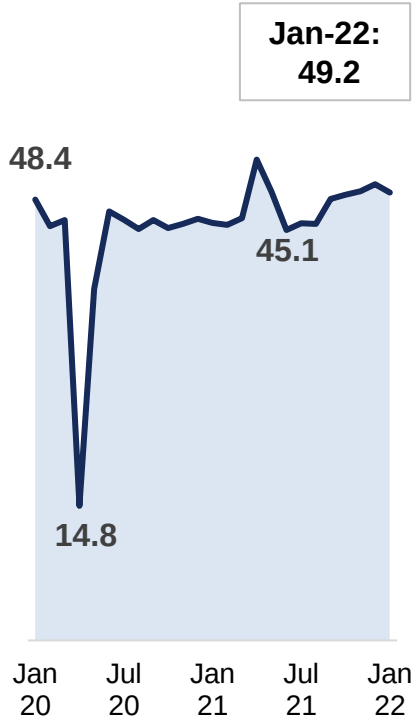
Average total daily transactions**
(RM billion)



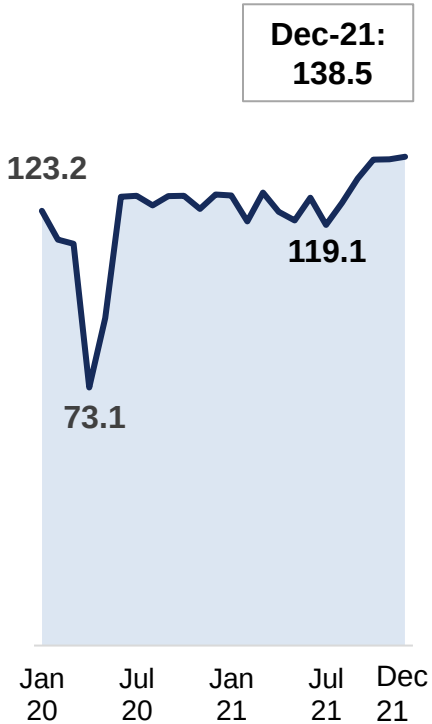
Global Purchaser Manufacturing Index



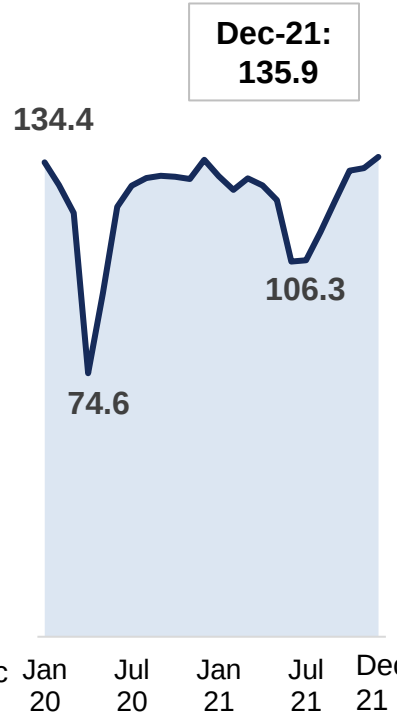
Malaysia's New Export Order



IPI for manufacturing



IOWRT



*As at 3 Feb 2022

**As at 29 Jan 2022. The average total daily transactions, averaged monthly, include transactions based on physical and online credit/debit card payments, JOMPAY and FPX transactions between consumer and businesses.

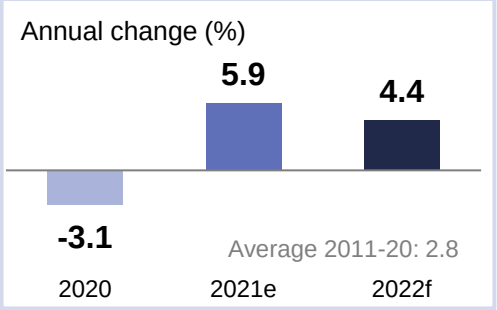
[3] Baseline refers to median value in Jan – Feb 2020

Source: IHS Markit, DOSM, Google, Bank Negara Malaysia

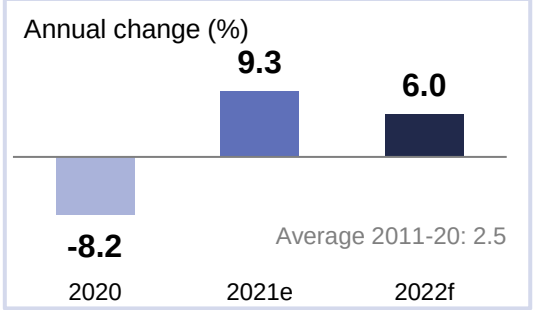
Recovery momentum into 2022 will be supported by continued expansion in global and domestic demand

Continued expansion in global demand and trade albeit at a more moderate pace

Global GDP growth

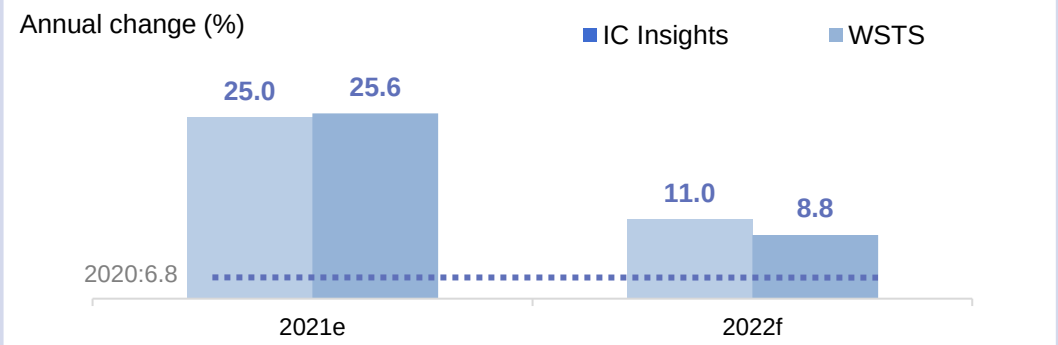


Global Trade of Goods & Services Growth



… with support from global tech upcycle

Global Semiconductor Sales Forecast Growth



Source: IMF World Economic Outlook (Jan 2022), IC Insights and WSTS

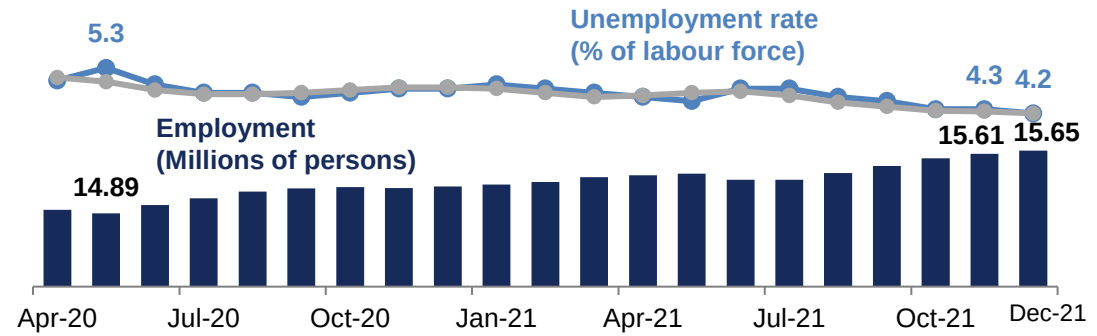
The recovery will also be underpinned by resumption of domestic economic activities

- **Continued normalisation of economic activity**
- **Improving labour market conditions**
- **Acceleration in production and continued progress in large infrastructure projects**
  (e.g. ECRL, Pan Borneo Highways, LRT3, JENDELA)
- **Various targeted policy support**
  (e.g. 2022 Budget, financial & cash assistance, labour policy measures)

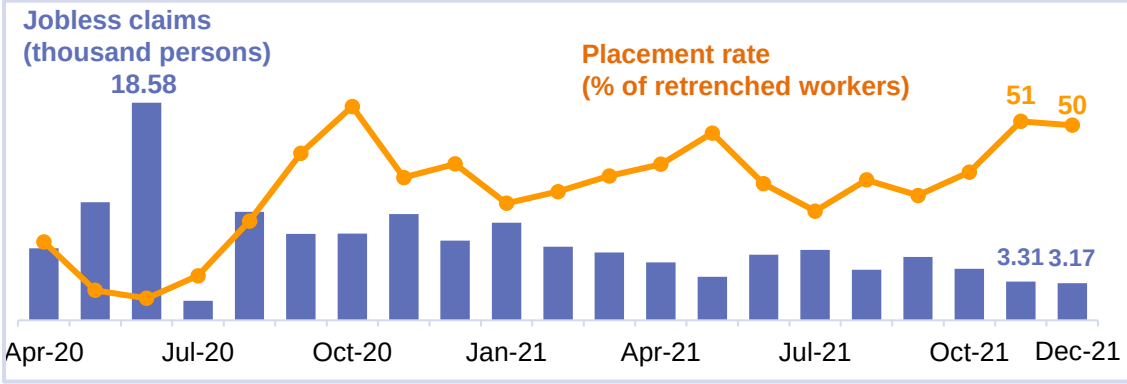
Improvement in the labour market is critical to sustain the economic recovery

Employment improved amid lower jobless claims and higher placement rates in 4Q 2021

Labour market indicators



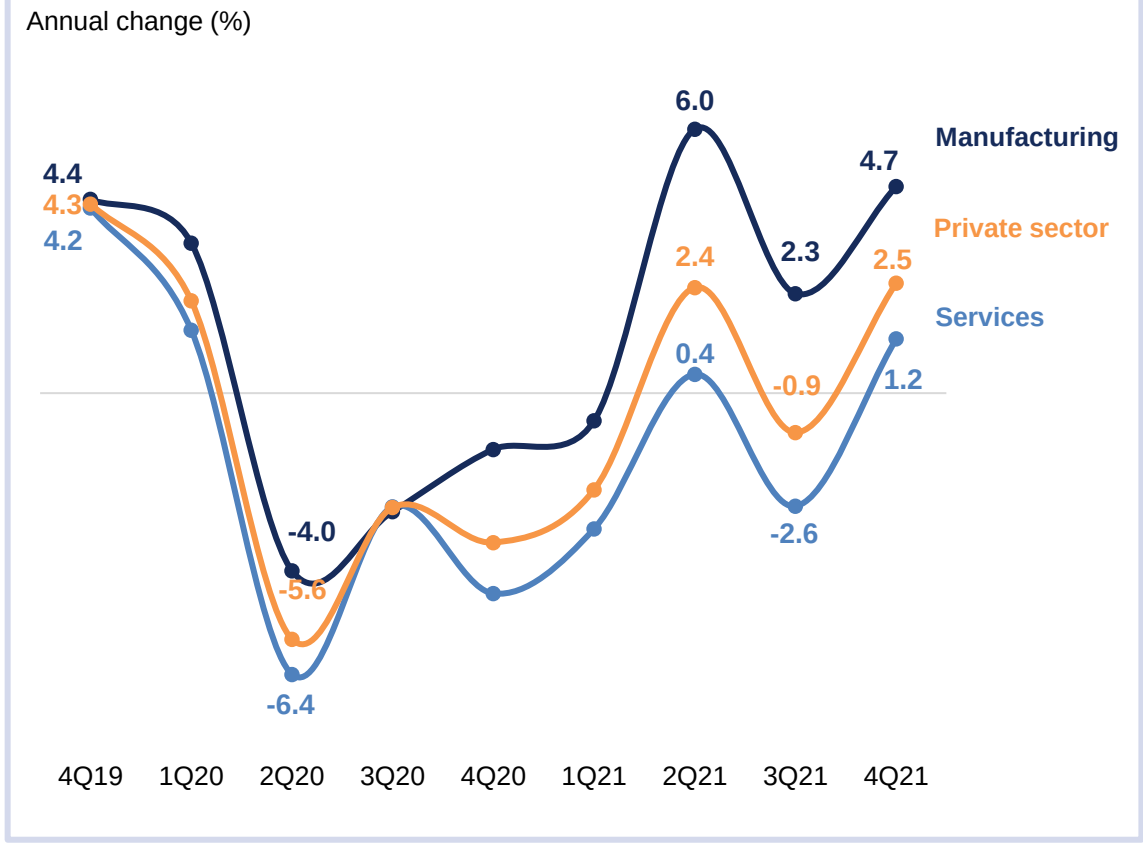
Jobless claims and placement rates



Source: Department of Statistics Malaysia and the Social Security Organisation

Wages in the manufacturing and services sectors resumed its recovery trajectory

Private sector wages

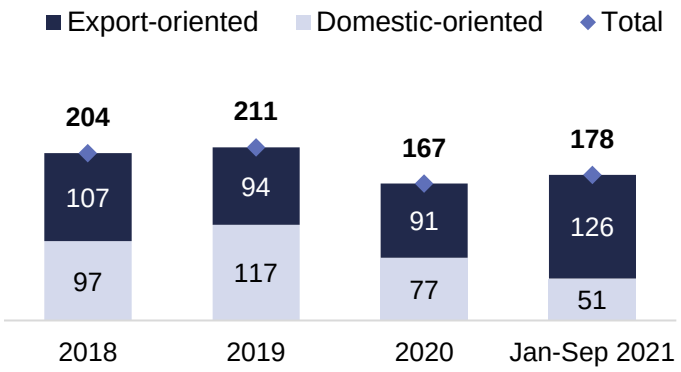


Note: Private sector wages refer to wages of workers in the manufacturing and services sectors.
Source: Department of Statistics Malaysia and Bank Negara Malaysia estimates

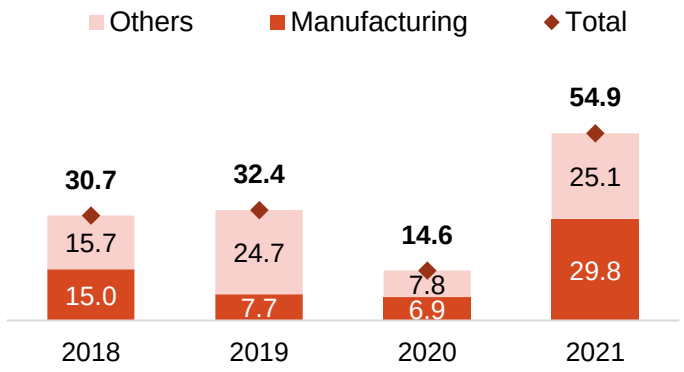
Private investment to benefit from positive external demand amid emerging opportunities in post-pandemic era

Continued investment intentions and improving sentiment will provide support to investment activity in 2022

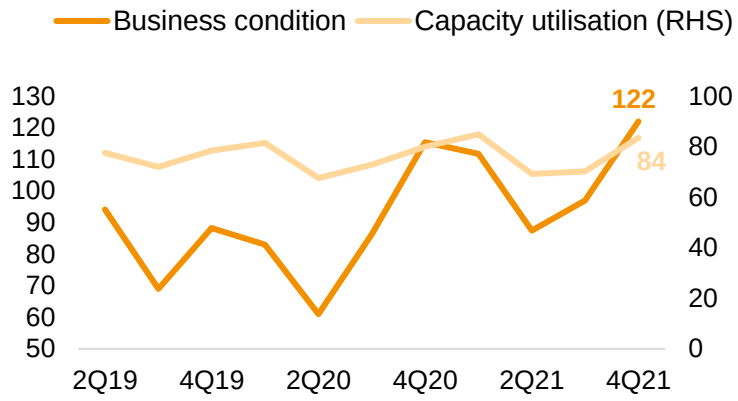
Total Approved Investments *(RM billion)*



Net Foreign Direct Investments *(RM billion)*



MIER Business Condition Index and Capacity Utilisation Rate *(Index, %)*



In the medium to long-term, global trends and structural reforms will transform the investment landscape and contribute towards a more sustainable recovery

Re-orientation of supply chain to primarily support export-oriented manufacturing investment such as E&E and chemicals

Shift towards investment in automation, digitalisation, and ESG-based activities, especially with support from Government's ongoing grants and incentives

Implementation of investment reforms under New Investment Policy would secure and accelerate quality investments in the future

Source: MIDA, MIER, Department of Statistics Malaysia

However, risks remain tilted towards the downside, especially from COVID-19 related factors



Upside Risks

External

- **Acceleration in global vaccination progress and better endemic management**
- **Stronger global growth prospects**
  Faster reopening of economies and labour market recovery

Domestic

- **Better endemic management** *with faster primary vaccination coverage amongst children as well as accelerated pace of booster coverage*
- **Faster implementation of policies and projects** *under Budget 2022 and RMK-12 to boost investments*

Downside Risks

External

- **Sharper moderation in global demand** *following Omicron resurgence and other severe VOCs and prolonged supply chain disruption*
- **Heightened global financial market volatility** *amid faster-than-expected monetary policy normalisation in advanced economies*
- **Higher commodity and energy prices** *leading to pervasive price pressures and slower growth*

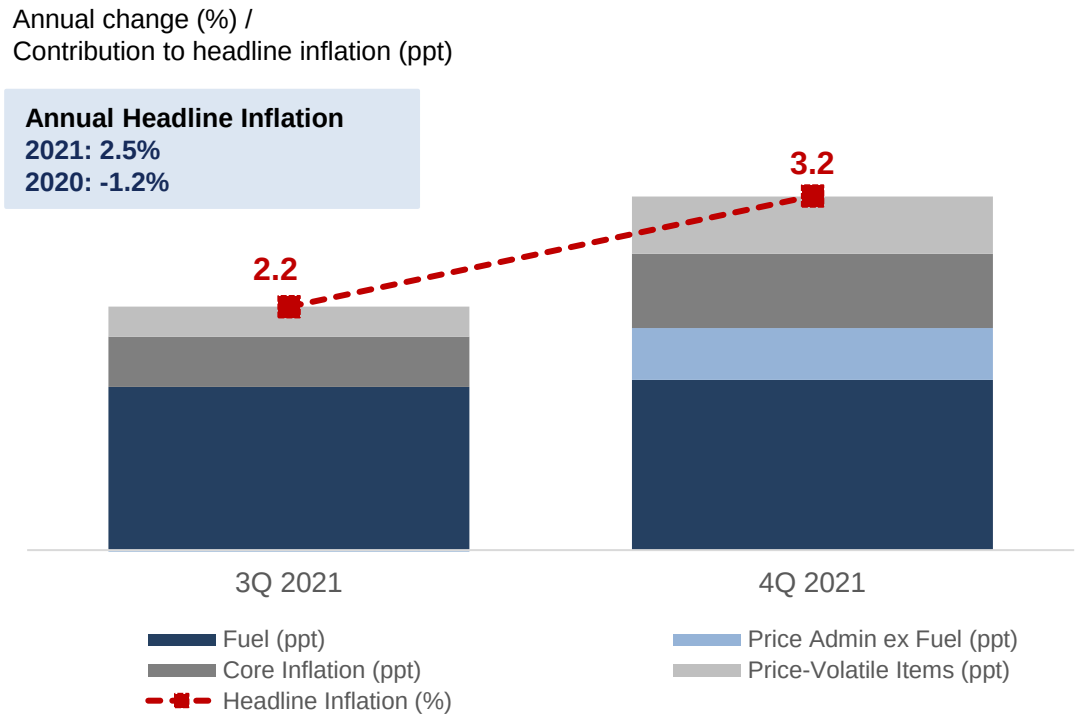
Domestic

- **Tightening of COVID-19 restrictions domestically** *following an unmanageable surge in hospital capacity utilisation*
- **Slower recovery in the labour market** *given skills mismatch, structural adjustments from digitalisation and uneven sectoral recovery*
- **Prolonged supply chain disruptions** *to impact production and contribute to persistent inflationary pressures*
- **Weaker consumer and business sentiments** *due to elevated cost of living*

Headline inflation increased in 4Q 2021

Inflation increased in 4Q 2021, driven mainly by the lapse in electricity bill discounts

Annual Change in Inflation and Contribution to Headline Inflation

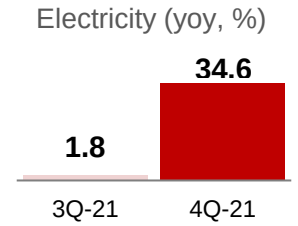


Price pressures were also more evident in some fresh food and core items

Key Drivers of Higher Inflation in 4Q 2021

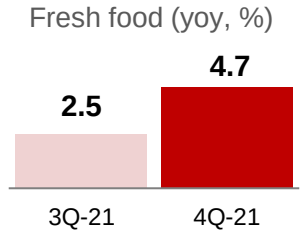
Price admin ex fuel (weight: 8.5%)

Electricity prices following lapse of electricity bill discounts



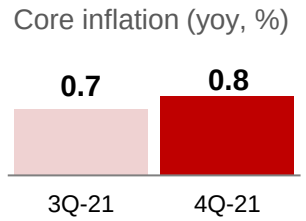
Price volatile (weight: 9.3%)

Fresh food driven by higher input costs



Core items (weight: 73.8%)

Uptick in core inflation due to improvement in demand conditions amid high costs



[1]Core inflation is computed by excluding price-volatile and price-administered items.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Headline inflation is projected to remain moderate in 2022 as the base effect from fuel prices in 2021 dissipates

Core inflation would edge upwards as economic activity normalises amid high cost environment

Key drivers of headline inflation in 2022

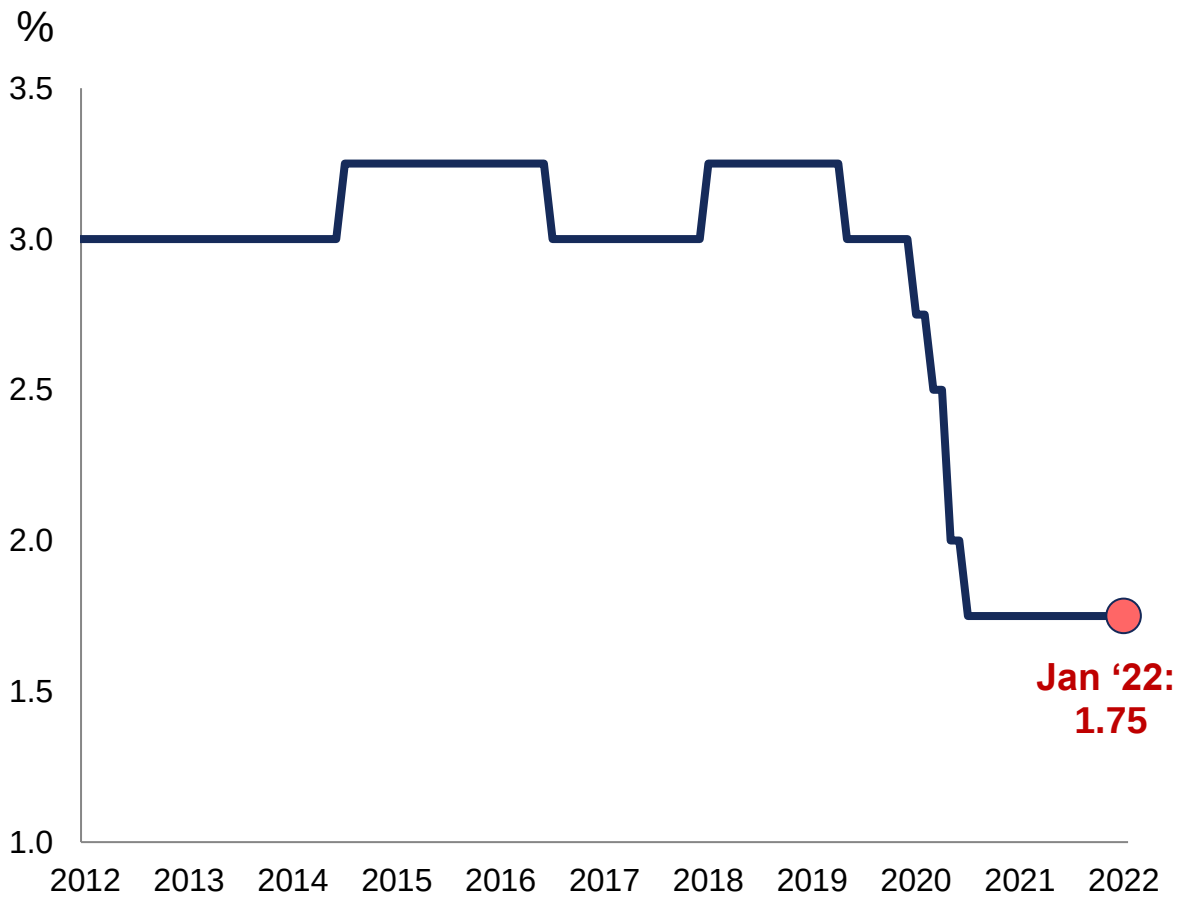


- **Recovery in demand conditions** amid the reopening of economic sectors
- **Cost pressures** from high global commodity prices and supply-related disruptions
- **Moderation in fuel inflation** amid dissipation of base effects
- **Continued slack** in the economy and labour markets would limit upward price adjustments
- **Administered prices**, such as festive price controls on selected fresh food items

Outlook remains subject to global commodity price developments amid risks from prolonged supply-related disruptions

Monetary policy remains accommodative

Overnight Policy Rate (OPR)



Source: Bank Negara Malaysia

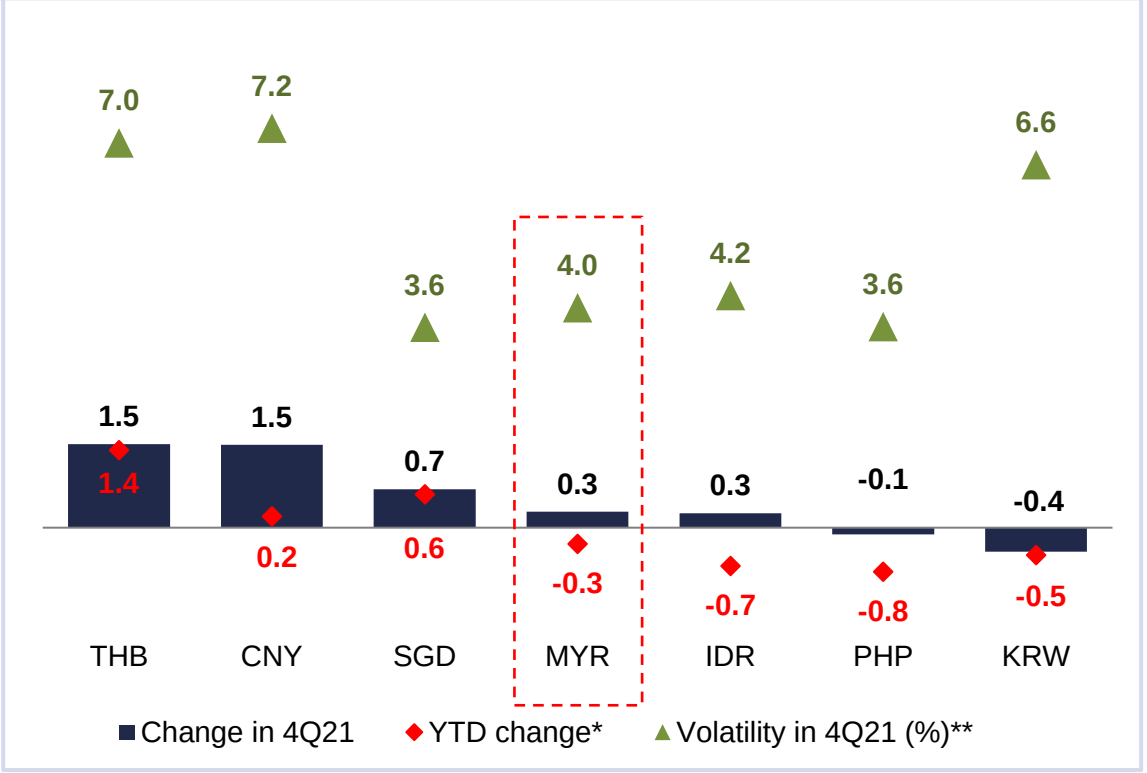
- OPR maintained at **1.75%** at the January 2022 MPC meeting
- Current monetary policy (MP) is **appropriate and accommodative**
- MP stance to be **determined by new data** and their implications on the overall outlook for inflation and domestic growth.

Domestic financial market conditions were broadly stable and supportive of the economic recovery

In 4Q 2021, the ringgit appreciated marginally due to the improved outlook and was trading with relatively low volatility compared to the region.

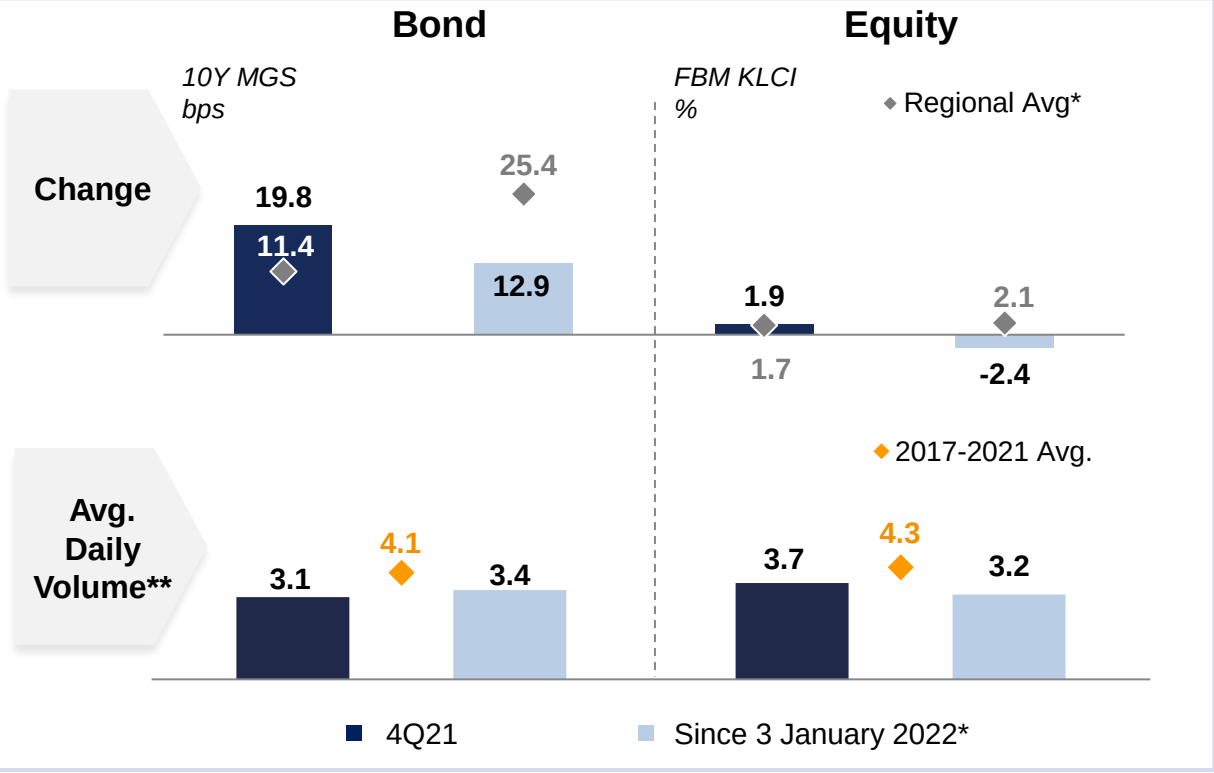
Domestic equities were supported by the economic reopening, while bond yields rose in tandem with global developments.

Movement of Exchange Rate against the US Dollar (%)



*Change in exchange rate against the US dollar from 3 January to 8 February 2022
**3M Implied Volatility Onshore
Source: Bank Negara Malaysia, Reuters

10-Year Sovereign Bond Yields and Equity Prices

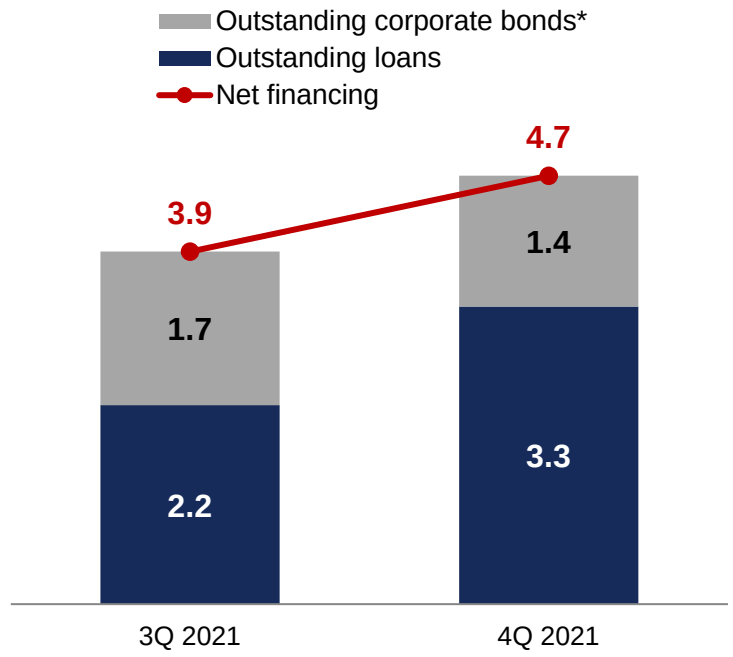


*Regional economies includes Singapore, Indonesia, Thailand, Philippines and Korea
**Average Daily Total Bond and Equity Volume, respectively, (Bond: RM billion, Equity: billion unit)
Note: YTD data as at 8 February 2022
Source: Bank Negara Malaysia, Bursa Malaysia, Bloomberg

Higher growth in bank financing amid pickup in economic activity

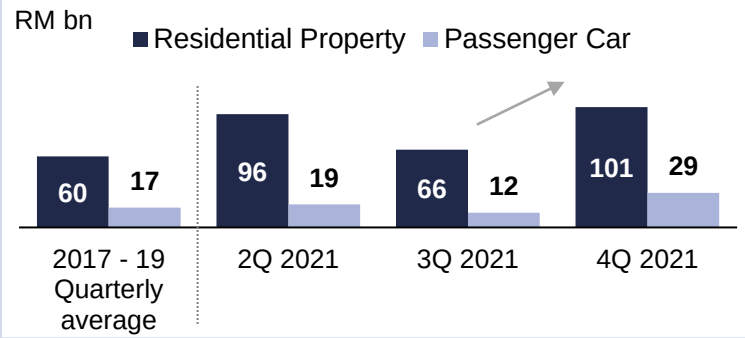
Net financing growth expanded by 4.7%, supported by higher outstanding loan growth

Net Financing

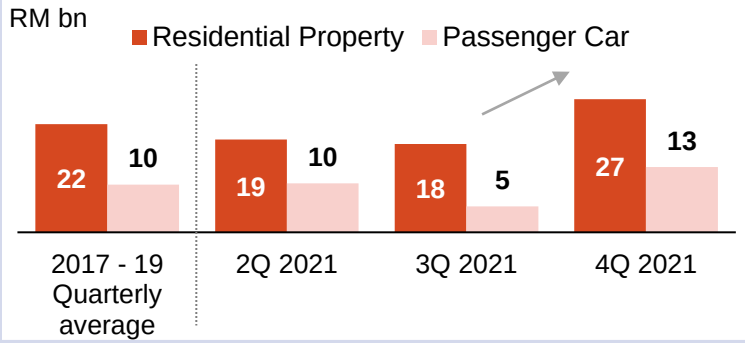


Credit flows to households increased, especially for loans for the purchase of residential properties and passenger cars

Household Loan Applications

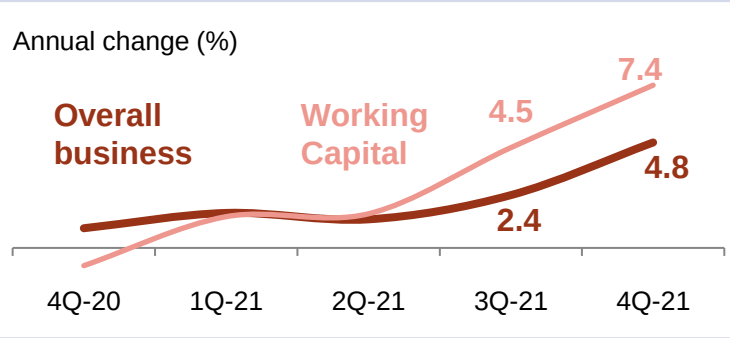


Household Loan Disbursements

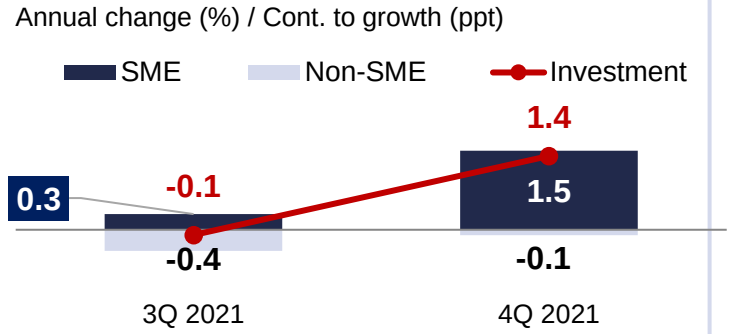


Working capital loans continued to drive business loan growth, with some increase in loans for investment among SMEs

Outstanding Business Loan Growth



Outstanding Investment Loan Growth

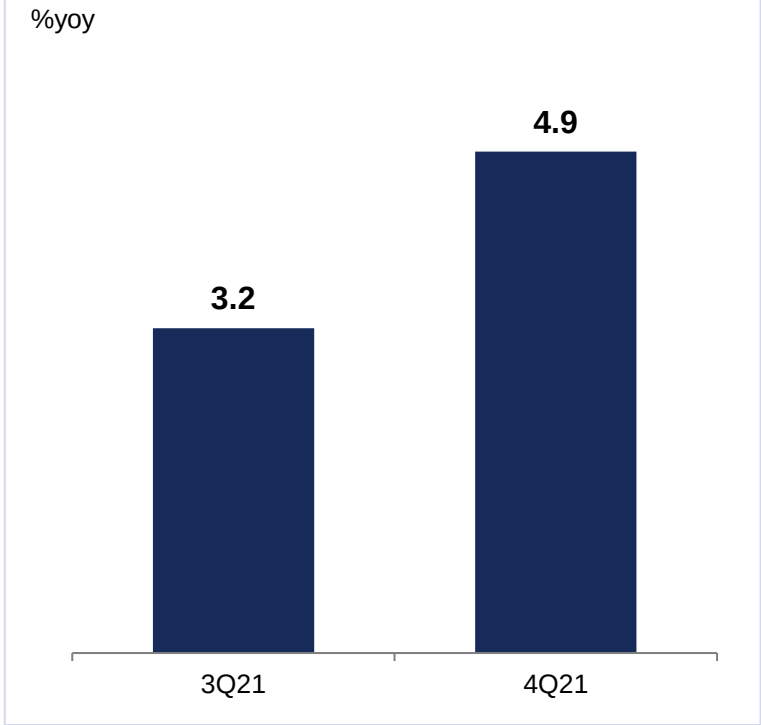


Note: Data refer to loans from the banking system and development financial institutions (DFIs), except for loan applications, which only include banking system data. Numbers may not add up due to rounding.
* Excludes issuances by Cagamas and non-residents.
Source: Bank Negara Malaysia

Banks continue to support financing needs of SMEs, facilitating recovery amidst the pandemic

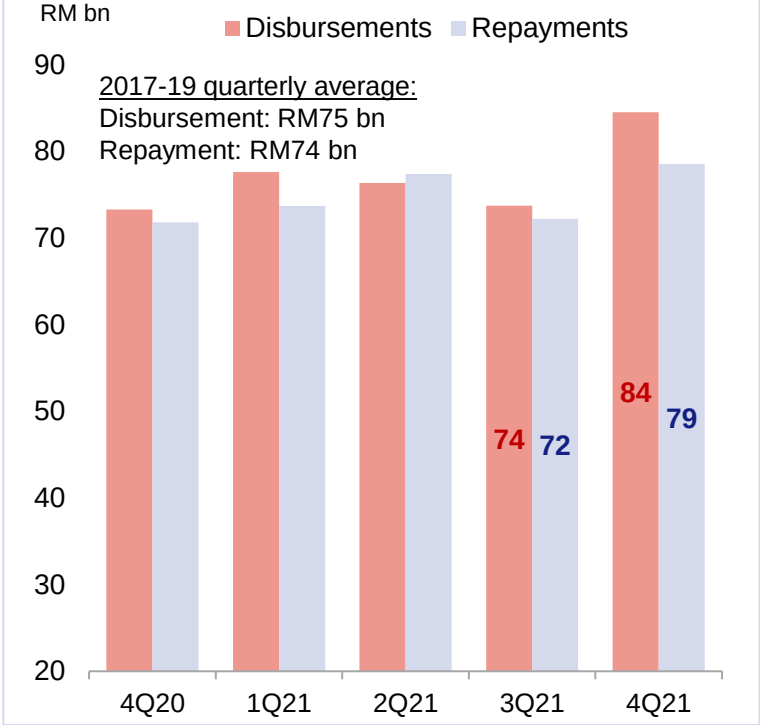
Financing to SMEs expanded by 4.9%

Outstanding SME Financing



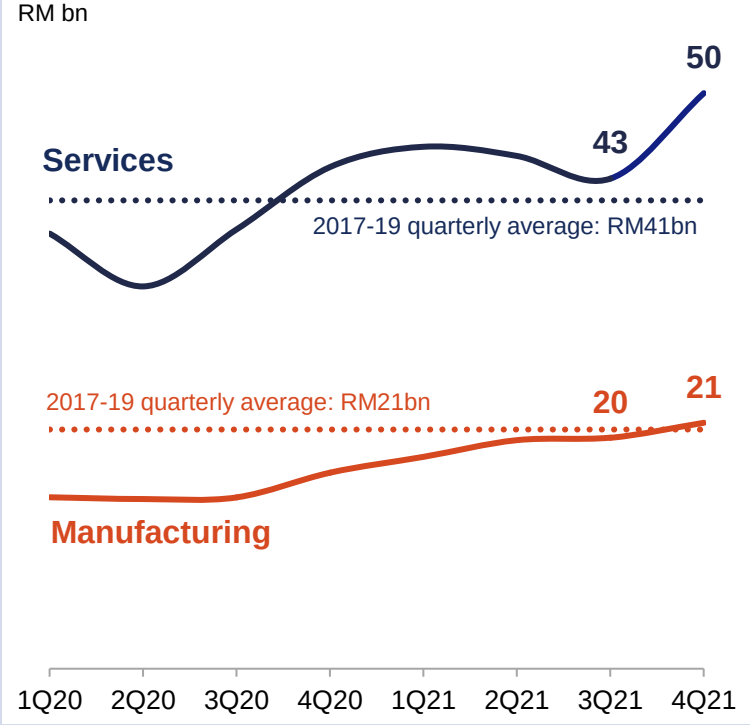
. . .with a strong rebound in disbursements and repayments

SME Financing Disbursements & Repayments



. . . supporting the recovery and growth of SMEs, particularly in the services and manufacturing sectors amid the reopening of the economy

SME Financing Disbursements by Sector

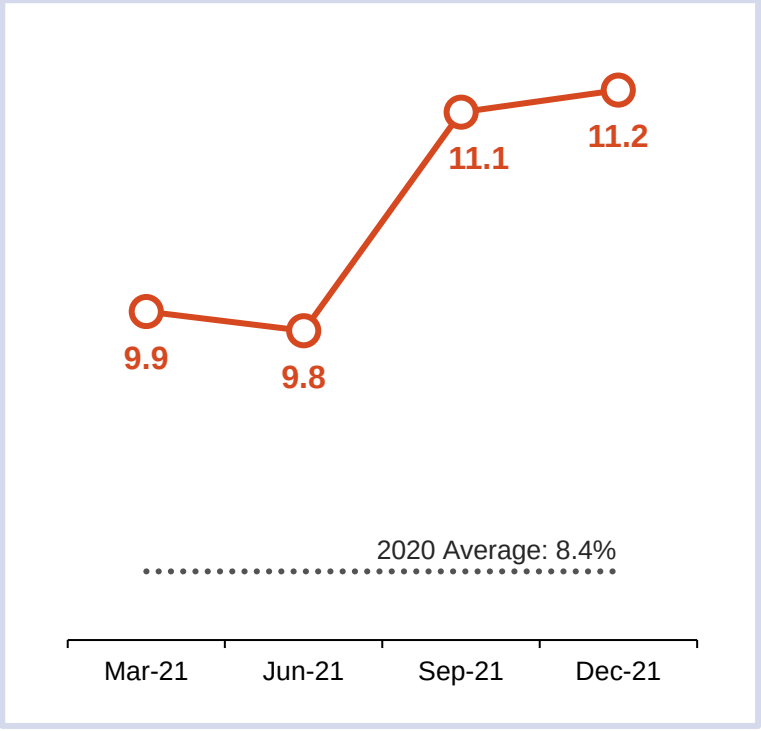


Note: Banking system and DFIs
Source: Bank Negara Malaysia

Banks remain resilient and well-positioned to support ongoing economic recovery

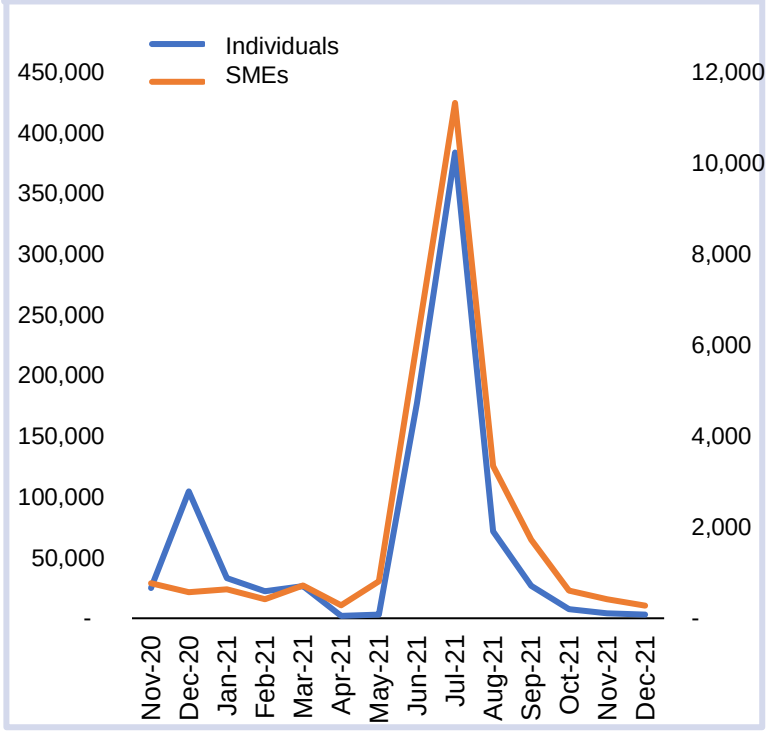
While credit risk levels remain elevated…

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



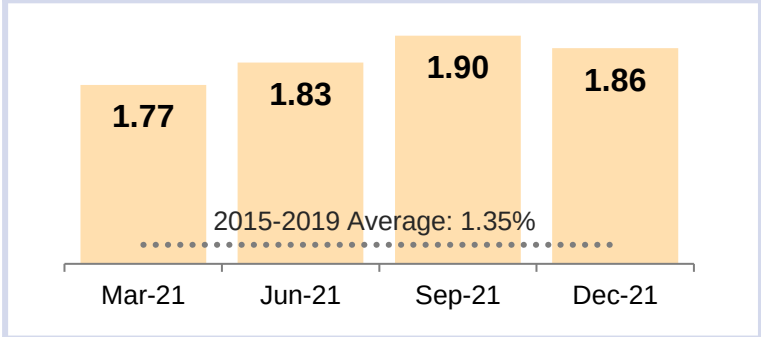
…the number of borrowers seeking repayment assistance has come down significantly

Average Weekly Applications Approved

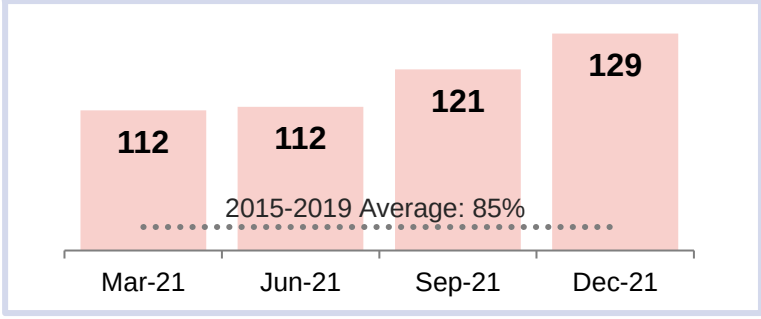


Banks also maintained high provision levels to absorb potential credit losses

Total Provisions, as % of loans



Loan Loss Coverage 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

Financial Sector Blueprint 2022-2026: Key priorities for the next one to two years

Three Broad Themes

Finance for all

- Diverse financial choices
- Strong financial safety nets
- Confident consumers

Finance for transformation

- Grow alternative finance
- Deeper global integration
- Vibrant financial landscape

Finance for sustainability

- Wider adoption of value-based intermediation
- Greening finance and financing green

Five Strategic Thrusts

Priorities for 2022-2023*

1 Fund Malaysia's economic transformation

- ✓ Operationalise a dedicated **alternative finance collaboration mechanism** to advance market development and growth
- ✓ Review of the **funding ecosystem for mSMEs,** including strengthening the **Skim Pembiayaan Mikro**

2 Elevate the financial well-being of households and businesses

- ✓ **Agent banks** to facilitate wider access to finance
- ✓ Advance initiatives to promote the sustainability and affordability of **medical and health insurance/takaful**
- ✓ Enactment of the **Consumer Credit Act (CCA)** and establishment of the **Consumer Credit Oversight Board (CCOB)**

3 Advance digitalisation

- ✓ Issue **digital bank licenses** and facilitate their **operational readiness**, as well as roll out **digital insurance / takaful framework**
- ✓ Enhance **RMiT guidance** on critical technology enablers such as cloud usage
- ✓ Begin work with the industry to explore **high-impact use cases** for data sharing

4 Facilitate an orderly transition to a greener economy

- ✓ Facilitate implementation of **Climate Change and Principles-based Taxonomy (CCPT)**
- ✓ Scale up **green finance** using alternative finance and specialised funding mechanisms such as the Low Carbon Transition Facility (LCTF)

5 Advance value based finance through Islamic finance leadership

- ✓ Formation of **MIFC Leadership Council (MLC)** to drive MIFC priorities
- ✓ Expansion of **social finance offerings** by Islamic financial institutions

* Priorities are non-exhaustive

Summary

- **GDP growth rebounded in 4Q 2021** supported by easing of containment measures and strong external demand conditions
- **Growth momentum to improve further in 2022** supported by private sector spending amid improvements in labour market conditions and expansion in external demand
- **The outlook, however, is subject to risks** related to emergence of severe VOCs, global financial market volatility and supply chain disruptions
- **Headline inflation to remain moderate in 2022,** while core inflation to edge higher as economic activity normalises amid the environment of high input costs
- **Targeted policy measures and assistance** will continue to provide support to vulnerable businesses and households

Additional Information

Malaysia's GDP expanded by 3.6% in 4Q 2021, bringing full year growth to 3.1%

Annual Change in GDP Growth by Component

Real GDP (% YoY)	Share[1] % (2021)	2020	2021		
		4Q	3Q	4Q	Overall
Services	**57.0**	**-4.8**	**-4.9**	**3.2**	**1.9**
Manufacturing	**24.3**	**3.0**	**-0.8**	**9.1**	**9.5**
Agriculture	**7.2**	**-1.0**	**-1.9**	**2.8**	**-0.2**
Mining and Quarrying	**6.7**	**-10.4**	**-3.6**	**-0.9**	**0.7**
Construction	**3.7**	**-13.9**	**-20.6**	**-12.2**	**-5.2**
Real GDP	**100.0**	**-3.4**	**-4.5**	**3.6**	**3.1**

Real GDP (% YoY)	Share, % (2021)	2020	2021		
		4Q	3Q	4Q	Overall
Domestic Demand (Excluding Stocks)	**92.7**	**-4.5**	**-4.1**	**2.3**	**1.9**
Private Sector	**74.3**	**-4.0**	**-4.4**	**2.4**	**2.0**
Consumption	58.8	-3.5	-4.2	3.7	1.9
Investment	15.6	-6.6	-4.8	-3.0	2.6
Public Sector	**18.3**	**-5.7**	**-2.8**	**1.9**	**1.6**
Consumption	13.8	2.4	8.1	4.3	6.6
Investment	4.5	-20.4	-28.9	-3.8	-11.4
Net Exports of Goods and Services	**6.0**	**10.0**	**-37.5**	**2.6**	**-5.8**
Exports	69.2	-2.1	5.1	13.3	15.9
Imports	63.2	-3.3	11.7	14.6	18.5
Change in stocks, RM bn	**1.3**	**-0.9**	**0.9**	**3.6**	**18.6**
Real GDP	**100.0**	**-3.4**	**-4.5**	**3.6**	**3.1**

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

Source: Department of Statistics Malaysia

Malaysia's GDP expanded by 3.6% in 4Q 2021, bringing full year growth to 3.1%

Percentage Point Contribution to GDP Growth by Component

Real GDP (Ppt contribution, %)	Share[1] % (2021)	2020	2021		
		4Q	3Q	4Q	Overall
Services	**57.0**	**-2.8**	**-2.8**	**1.8**	**1.1**
Manufacturing	**24.3**	**0.7**	**-0.2**	**2.2**	**2.2**
Agriculture	**7.2**	**-0.1**	**-0.2**	**0.2**	**0.0**
Mining and Quarrying	**6.7**	**-0.7**	**-0.2**	**-0.1**	**0.0**
Construction	**3.7**	**-0.6**	**-0.9**	**-0.5**	**-0.2**
Real GDP	**100.0**	**-3.4**	**-4.5**	**3.6**	**3.1**

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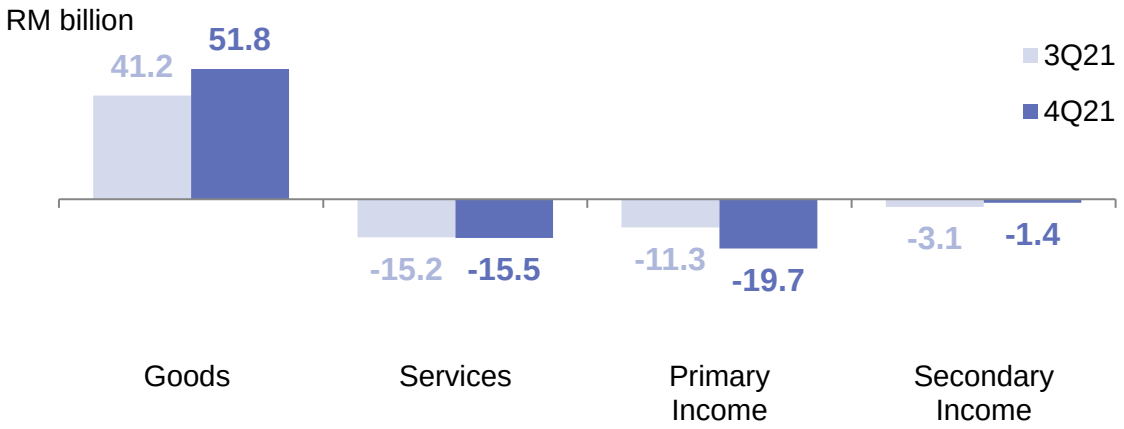
Private Sector	**74.3**	**-2.9**	**-3.3**	**1.7**	**1.5**
Consumption	58.8	-2.0	-2.6	2.1	1.1
Investment	15.6	-0.9	-0.8	-0.4	0.4
Public Sector	**18.3**	**-1.3**	**-0.5**	**0.4**	**0.3**
Consumption	13.8	0.4	1.0	0.7	0.9
Investment	4.5	-1.7	-1.5	-0.3	-0.6
Net Exports of Goods and Services	**6.0**	**0.6**	**-3.1**	**0.2**	**-0.4**
Exports	69.2	-1.3	3.1	8.4	9.8
Imports	63.2	-1.9	6.3	8.2	10.2
Change in Stocks	**1.3**	**0.2**	**2.5**	**1.3**	**1.7**
Real GDP	**100.0**	**-3.4**	**-4.5**	**3.6**	**3.1**

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

Source: Department of Statistics Malaysia

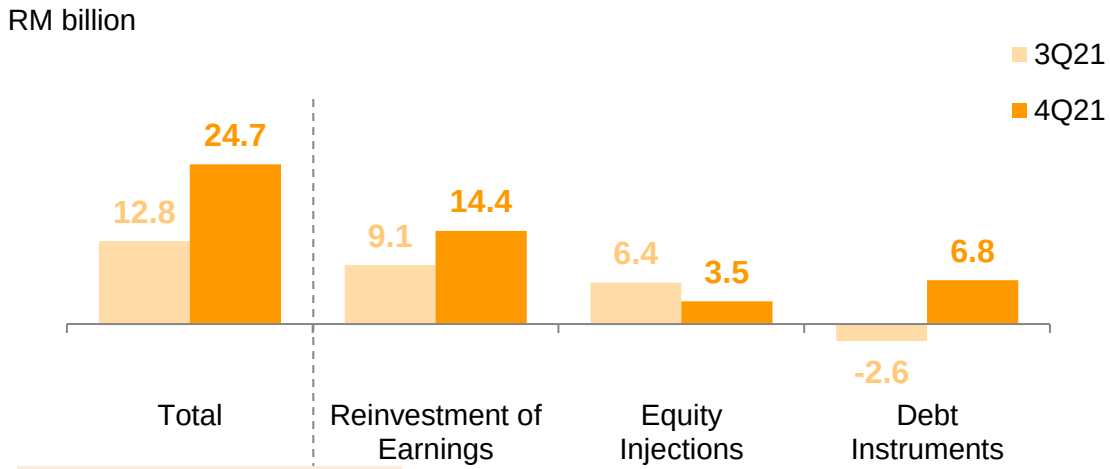
Higher current account surplus driven by the larger goods surplus, while foreign direct investment recorded strong improvement

Current Account



Current Account (RM bn, % of GDP, % of GNI)
4Q-21: 15.2, 3.6%, 3.7%
2021: 53.5, 3.5%, 3.6%
2020: 60.0, 4.2%,4.3%

Foreign Direct Investment



Annual (RM bn)
2021: 54.9
2020: 14.6

- **Higher goods surplus reflecting robust expansion in exports amid strong external demand**
- **Larger primary income deficit driven by higher investment income accrued to foreign investors in Malaysia**

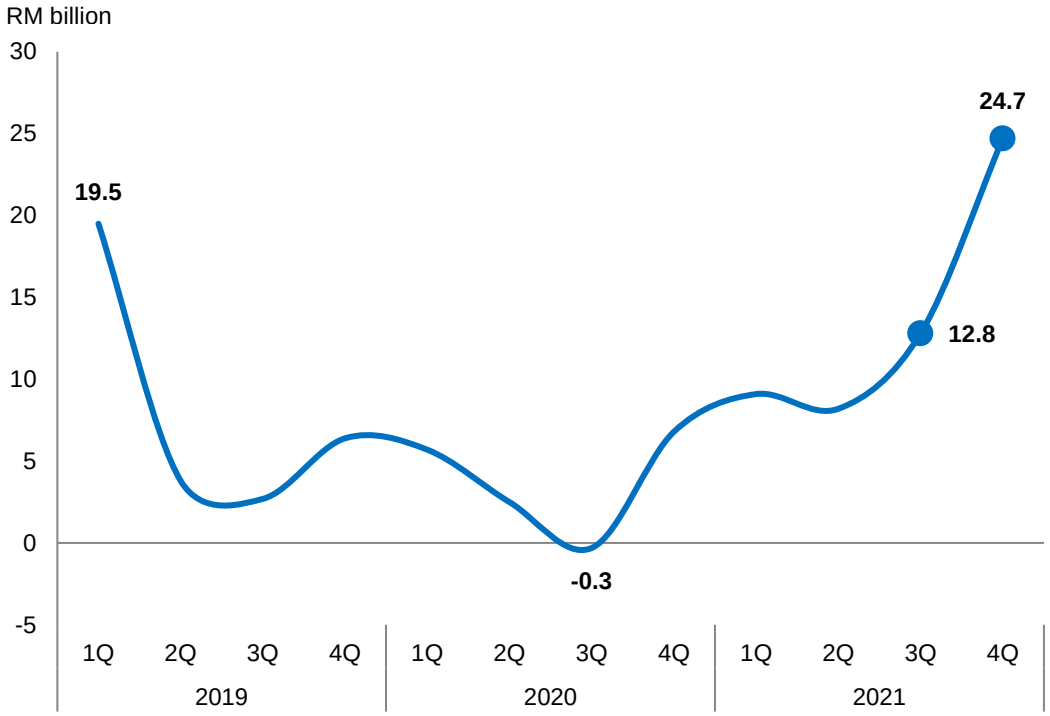
- **Higher FDI was mainly driven by larger reinvested earnings and debt instruments**
- **FDI was primarily channelled into manufacturing and mining sectors as well as financial services sub-sector**

Source: Department of Statistics Malaysia

Strong foreign direct investment in 2021 reflects continued foreign investor confidence in Malaysia's business prospects

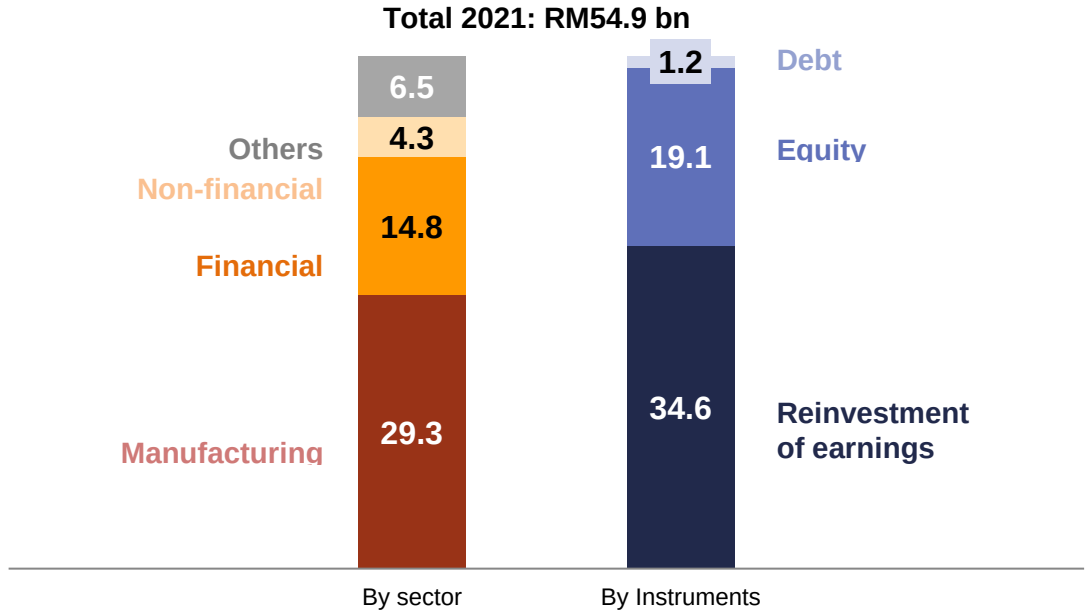
FDI into Malaysia recorded strong recovery momentum through out 2021

Quarterly Foreign Direct Investment



FDI in 2021 was primarily channeled into the manufacturing sector and driven by retained earnings

Composition of Foreign Direct Investment

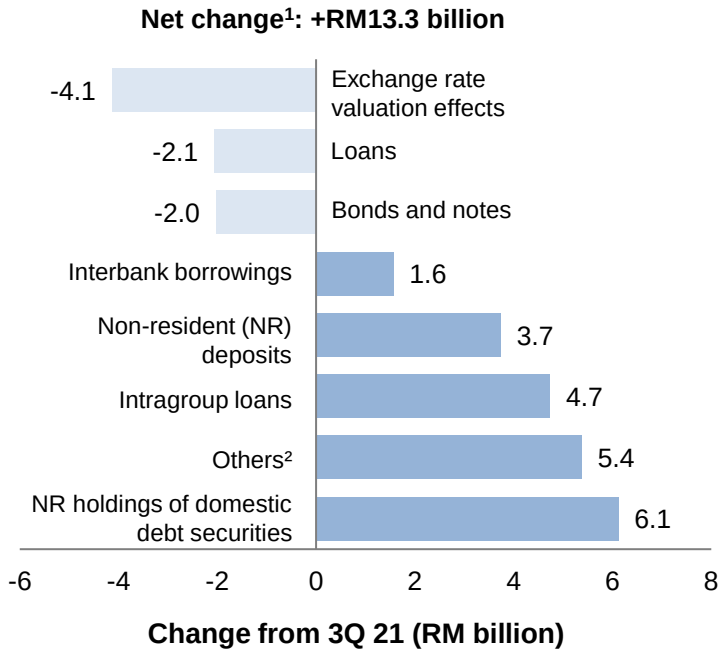


Source: Department of Statistics, Malaysia

Malaysia's external debt remains manageable

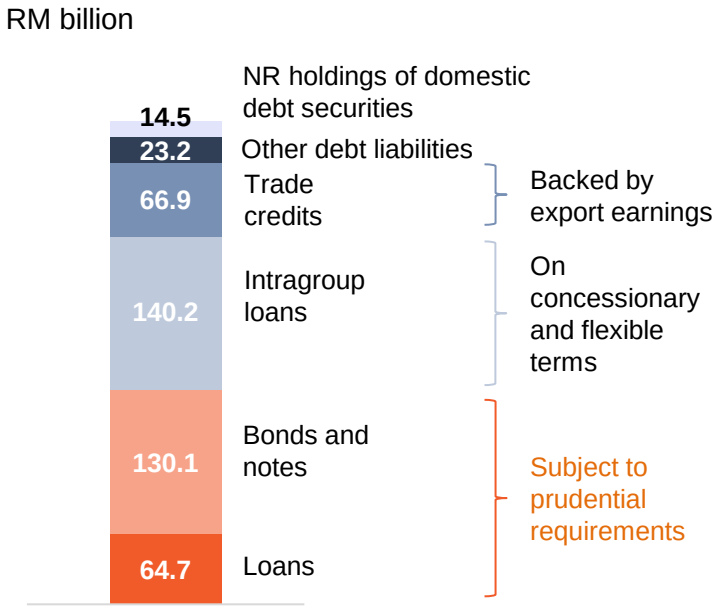
External debt amounted to 69.3% of GDP in end-4Q 2021 (3Q: 70.5%)

Changes in external debt



Corporates' external debt is mainly subject to prudential requirements

Corporate External Debt Breakdown by Instrument (as at end-4Q 2021)



Total: RM439.6 billion

Government's external debt mainly denominated in ringgit…

Government External Debt Breakdown by Currency (as at end-4Q 2021)

10% (RM25.5 billion)

Foreign currency-denominated
Comprise medium- and long-term loans and bonds and notes, suggesting limited rollover risks

90% (RM240.4 billion)

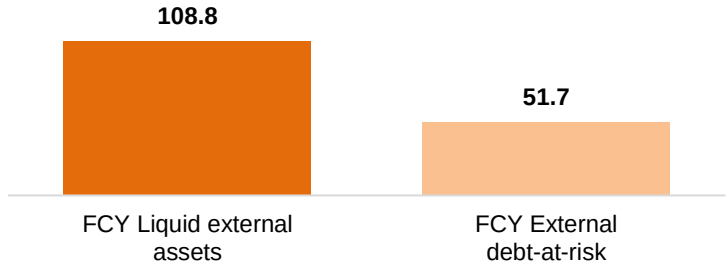
Ringgit-denominated
Not affected by ringgit exchange rate fluctuations

Total: RM265.9 billion

… and banks are resilient to face potential external shocks

Banks' FCY Liquid External Assets* and FCY External Debt-at-Risk**

RM billion



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

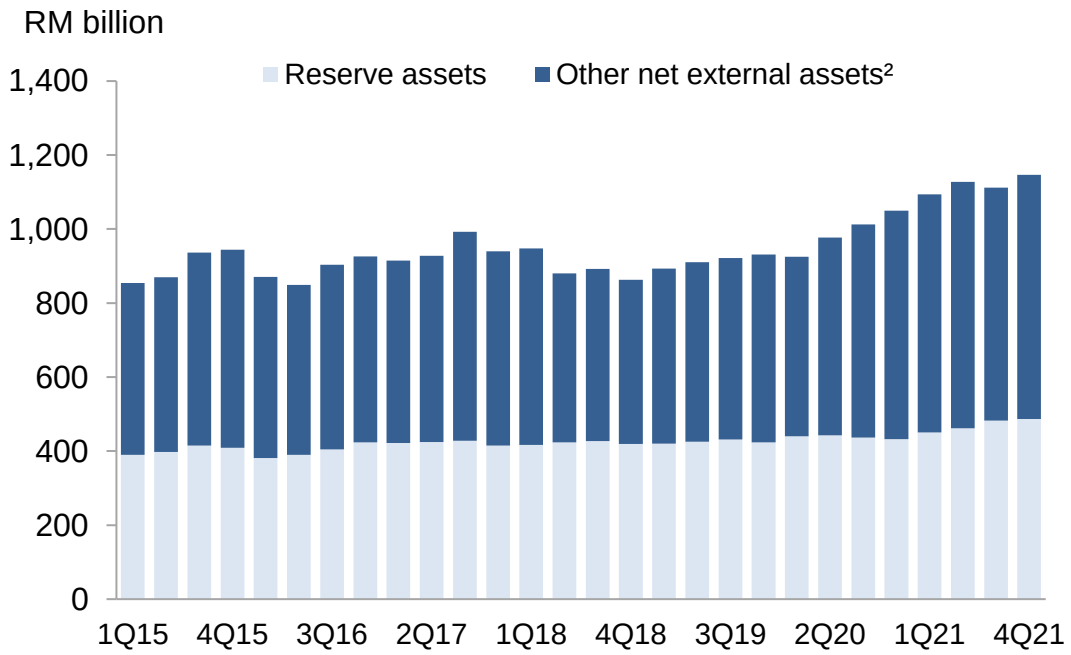
Source: Ministry of Finance Malaysia, Department of Statistics Malaysia and Bank Negara Malaysia

* Consist of deposit & interbank placements, and money market instruments.
** Consist of short-term financial institutions' deposits, interbank borrowings and loans from unrelated counterparties.

Favourable external balance sheet and sustained current account surplus as buffers against potential shocks

BNM's progressive liberalisation of the Foreign Exchange Policy[1] has promoted accumulation of external assets by banks and corporates

Net foreign-currency (FCY) external asset position (1Q 2015 – 4Q 2021)



[1] A set of prudential measures related to the foreign exchange market to promote monetary and financial stability conducive to the sustainable growth of the economy and safeguarding the balance of payments position.

[2] Includes direct, portfolio and other investments held by domestic banks & corporates.

Source: Department of Statistics Malaysia and Bank Negara Malaysia

Malaysia's external position remained strong

International reserves sufficient to finance **6.4 months of imports of goods & services*** and is **1.2 times total short-term external debt****

Healthy current account surplus of **3.6% of GDP** in 4Q 2021

Demonstrating the repayment capacity of domestic entities via strong export performance

Favourable exchange rate dynamics owing to net FCY external asset position

Depreciation in the ringgit exchange rate will further increase the net external asset position

* Or 7.5 months of retained imports, based on the previously published indicator.

** As at 31 January 2022.

Financial account registered a small net outflow

Outflows in other investment account offset inflows in direct and portfolio investment accounts

Financial Account by Component

RM billion	2020	2021		
	Year	3Q	4Q	Year
Direct Investment	**2.8**	**17.6**	**9.7**	**32.9**
*Direct Investment Abroad (DIA)**	-11.9	4.7	-15.0	-22.1
*Foreign Direct Investment (FDI)**	14.6	12.8	24.7	54.9
Portfolio Investment	**-48.2**	**-4.3**	**2.8**	**18.9**
Residents	-59.3	-5.2	-6.1	-36.2
Non-residents	11.1	0.9	8.9	55.1
Financial Derivatives	**0.4**	**0.7**	**-0.6**	**-0.2**
Other Investment	**-31.1**	**8.8**	**-14.0**	**-21.9**
Financial Account Balance	**-76.2**	**22.8**	**-2.2**	**29.7**

Higher FDI inflows amid DIA outflows

Inflows in portfolio investment

Other investment outflows

*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