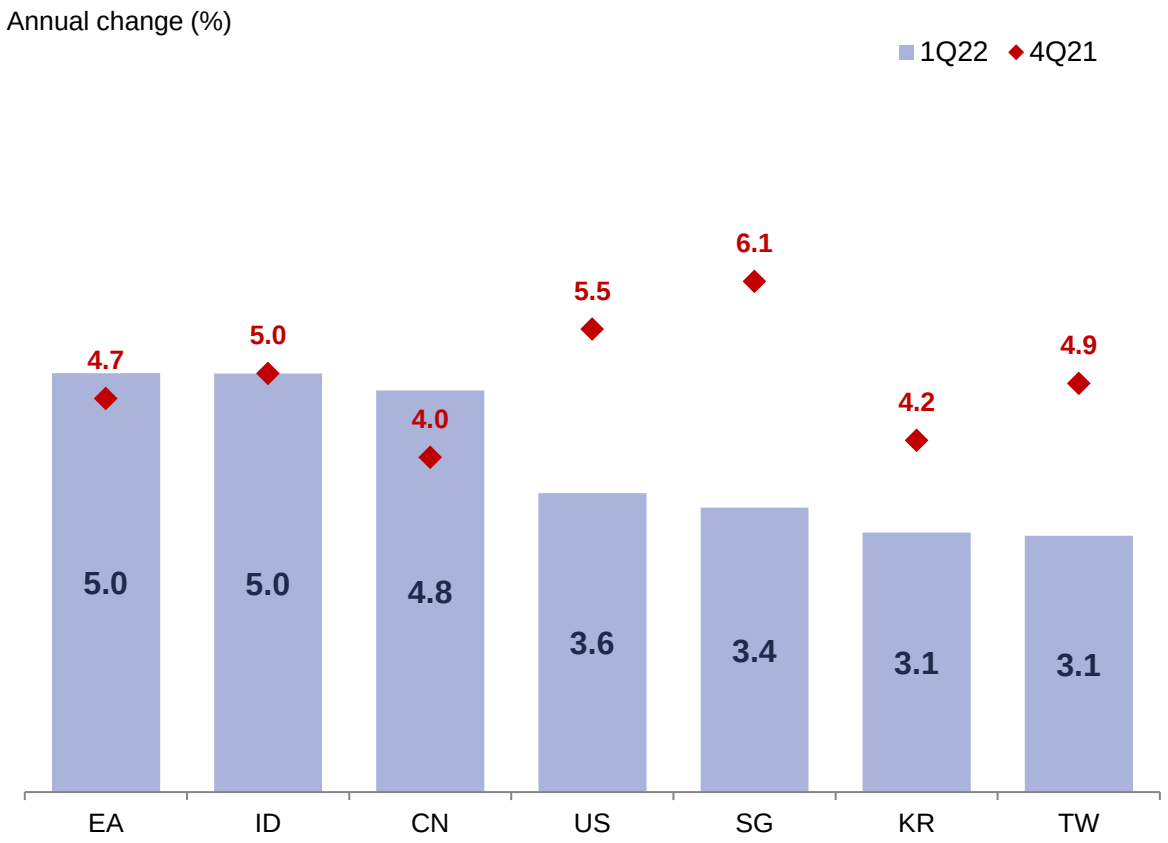
Sidang Akhbar

Prestasi Ekonomi Suku Pertama Tahun 2022

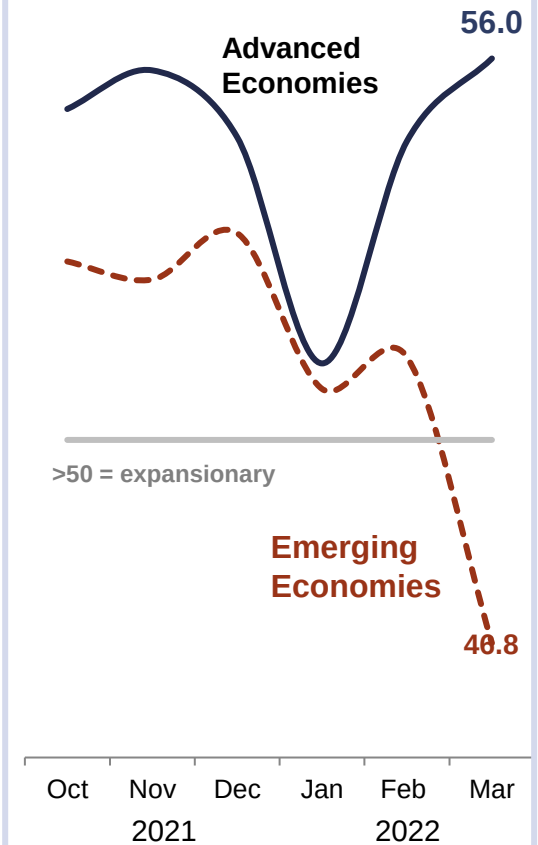
13 Mei 2022

Global growth moderated in 1Q 2022

Real GDP Growth[1]



Composite PMI



Global Growth Developments

- Growth recovery supported by economic re-openings
- Global trade remained resilient despite headwinds from the military conflict in Ukraine and lockdowns in China.
- Inflation in major advanced economies remained elevated due to high energy prices and re-escalation of supply chain disruptions, amid environment of tight labour market.

Note: 1) GDP for the fourth quarter of 2021 are advanced or preliminary estimates except for China, and Indonesia.
Source: CEIC, National authorities, S&P Global, IMF.

The Malaysian economy registered a stronger growth of 5.0% in 1Q 2022

Real GDP Growth



Monthly Real GDP Growth (%yoy)

Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
2.7	6.2	2.0	4.3	5.2	5.4

Source: Department of Statistics Malaysia

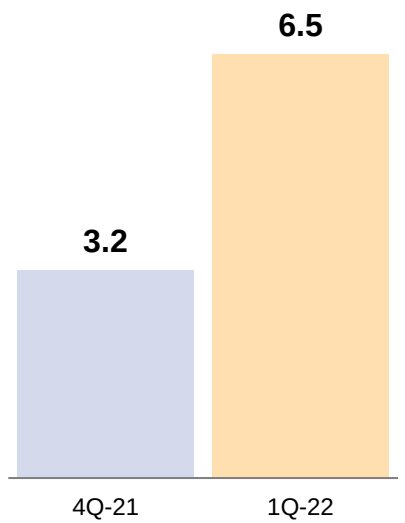
Factors supporting growth:

- Expansion in domestic demand
- Recovery in the labour market
- Continued growth in external demand
- Continued policy support

Overall expansion in activities was mainly driven by services and manufacturing sectors

Services

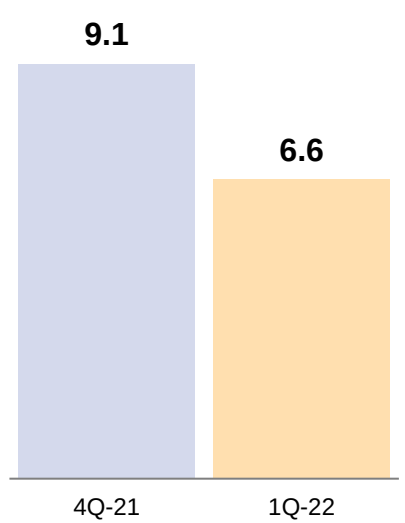
GDP, Annual change (%)



Higher leisure-related spending and business-related activities amid reopening of the economy

Manufacturing

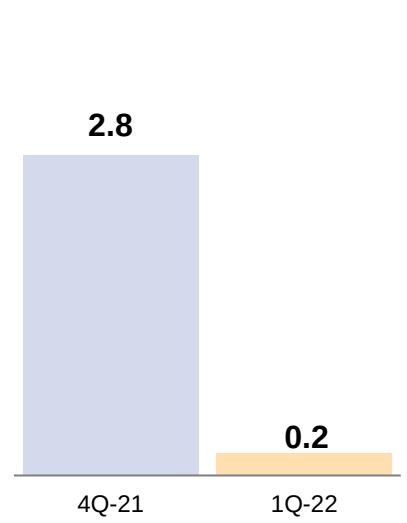
GDP, Annual change (%)



Continued demand for semiconductors and consumer related products such as motor vehicles

Agriculture

GDP, Annual change (%)



Oil palm output disrupted by heavy rainfall

Mining

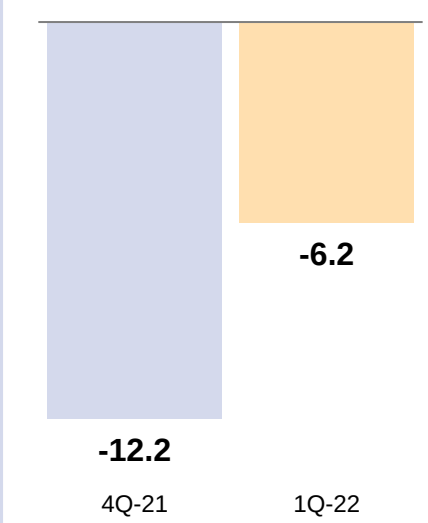
GDP, Annual change (%)



Continued decline in output weighed by maintenance closures of oil & gas facilities

Construction

GDP, Annual change (%)



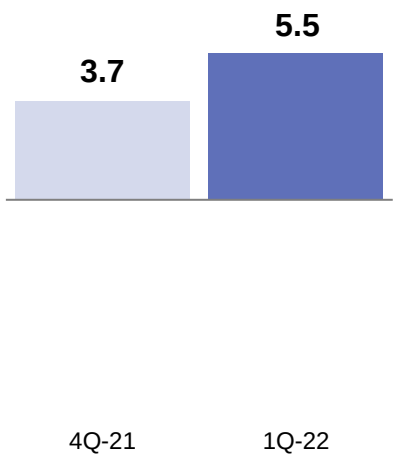
Improvement in non-residential activities and implementation of small scale projects

Source: Department of Statistics Malaysia

Higher consumption and investment activities

Private Consumption

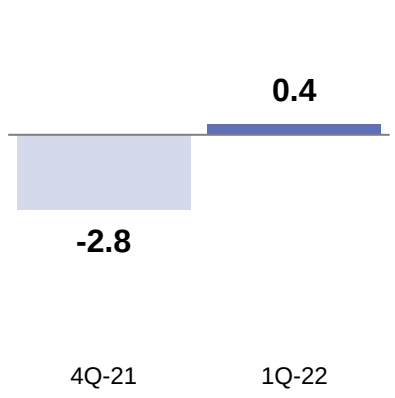
GDP, Annual change (%)



Spending driven by recovery in labour market conditions

Private Investment

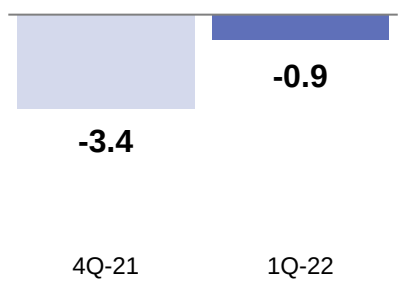
GDP, Annual change (%)



Smaller contraction in structures and continued robust M&E investments

Public Investment

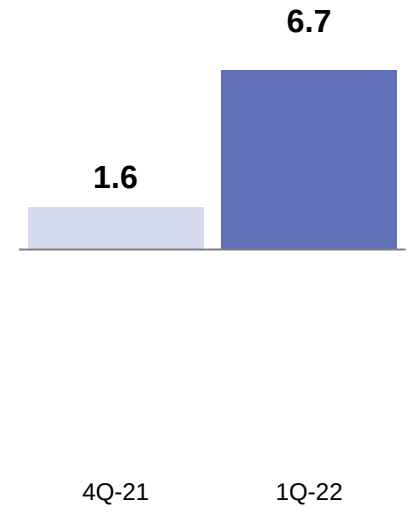
GDP, Annual change (%)



Improvement in gen. govt. fixed assets spending

Public Consumption

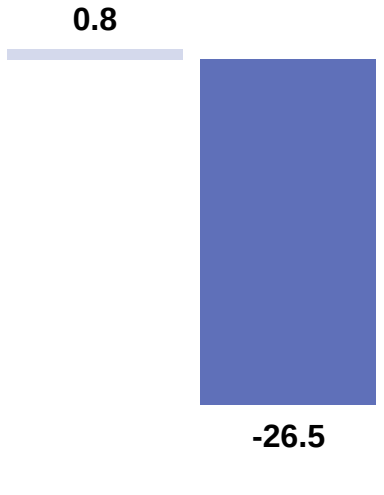
GDP, Annual change (%)



Higher growth in supplies and services spending

Net exports

GDP, Annual change (%)

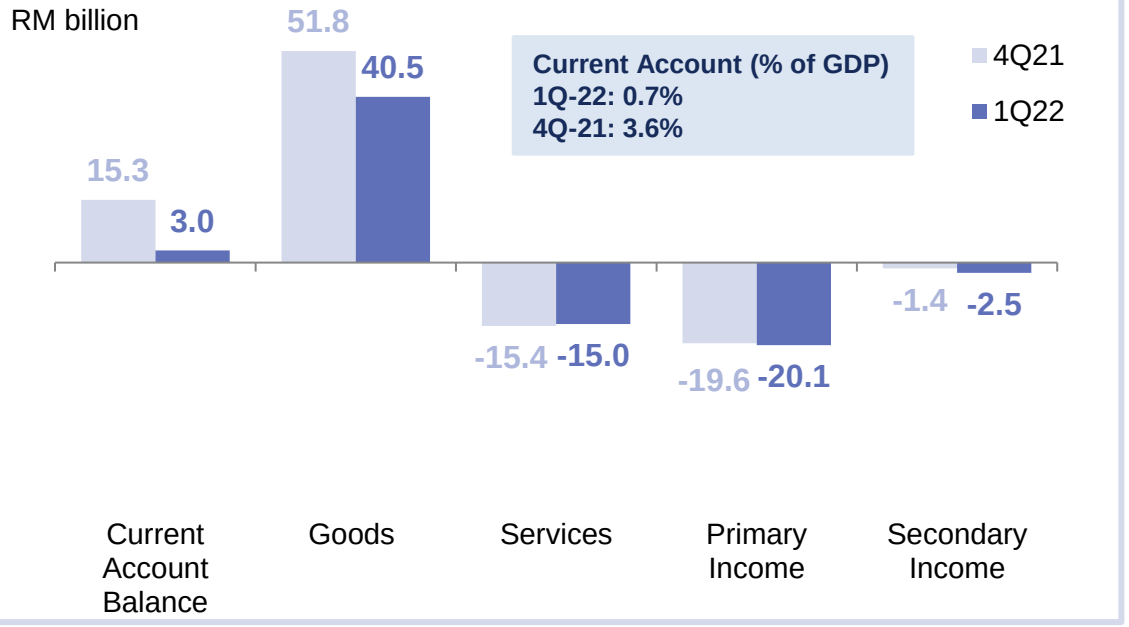


Import growth (11.1%) outpacing export growth (8.0%)

Source: Department of Statistics Malaysia

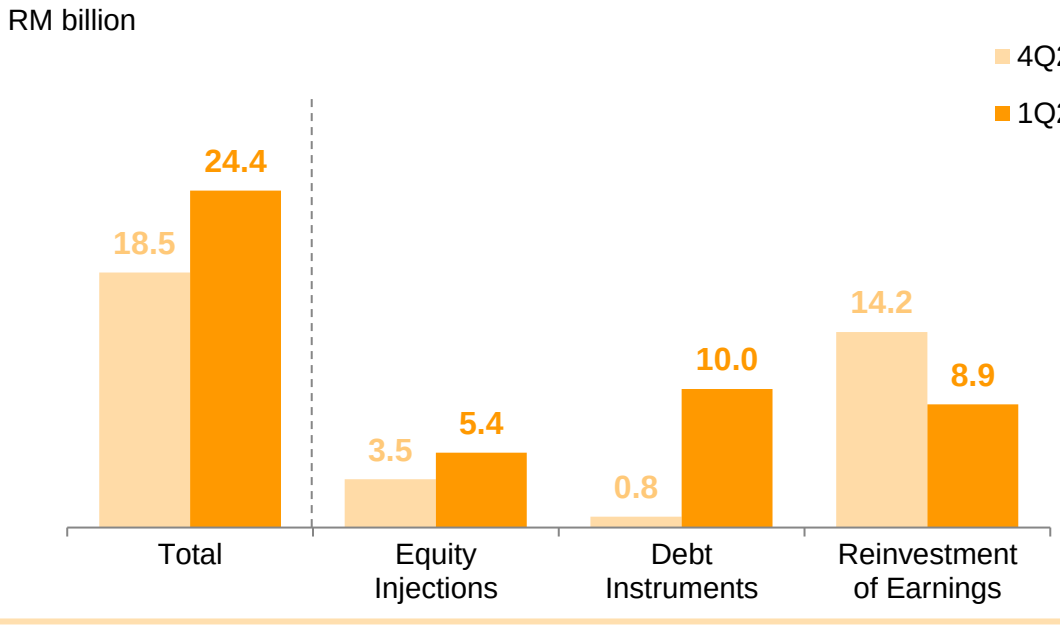
Lower current account surplus while foreign direct investment improved

Current Account



- **Lower goods surplus as import growth outpaced export growth**
- **Broadly sustained primary income deficit amid continued investment income accrued to foreign investors in Malaysia**

Foreign Direct Investment



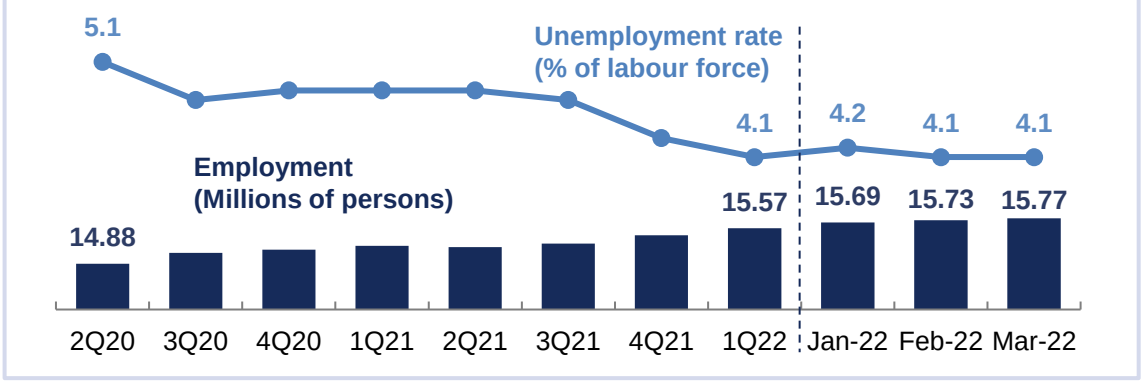
- **Improved FDI driven by higher equity injections and larger inflows from debt instruments**
- **FDI was mainly channelled into the manufacturing sector and financial services subsector**

Source: Department of Statistics Malaysia

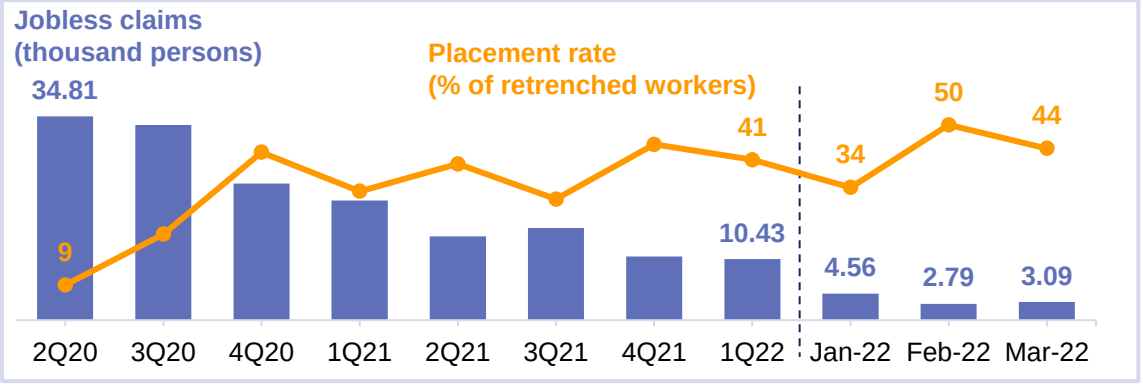
Labour market improvements continued as economic activity recovers

Employment improved amid lower jobless claims and relatively sustained pace of hiring

Labour market indicators



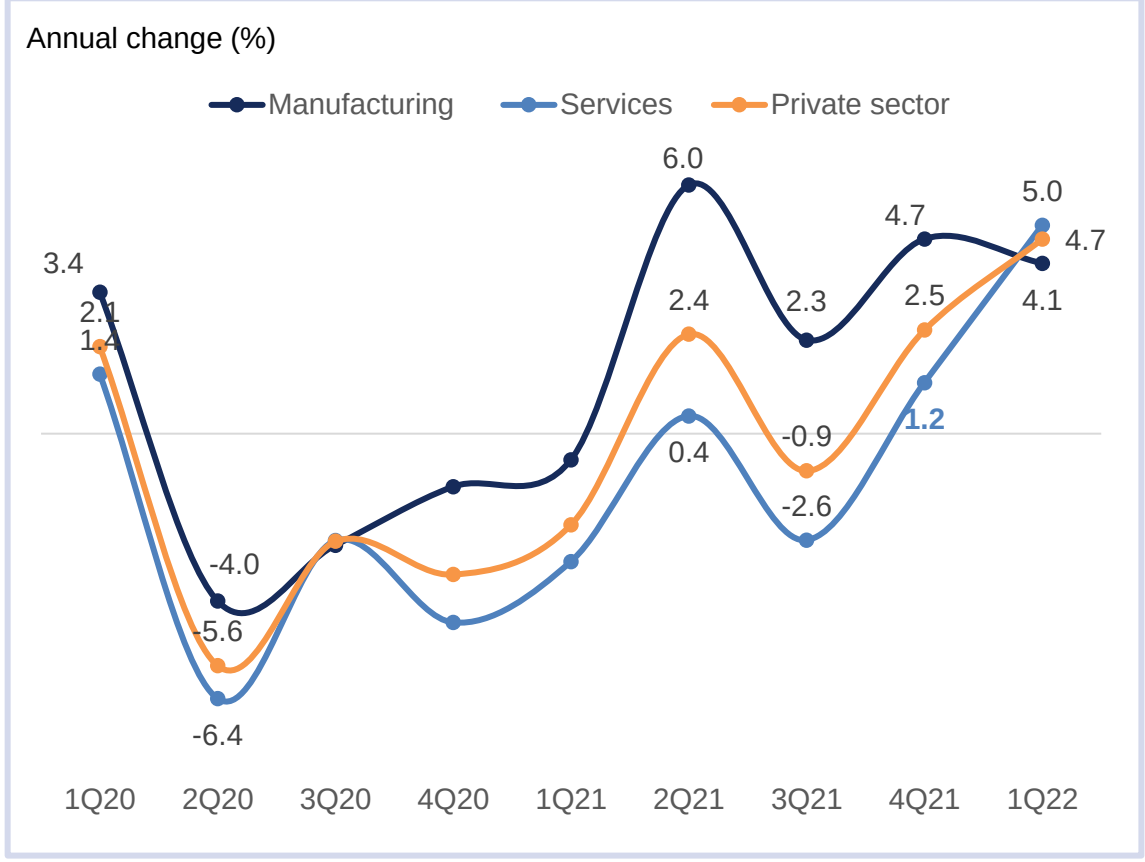
Jobless claims and placement rates



Source: Department of Statistics Malaysia and the Social Security Organisation

Wages in the manufacturing and services sectors continued to grow

Private sector nominal wages

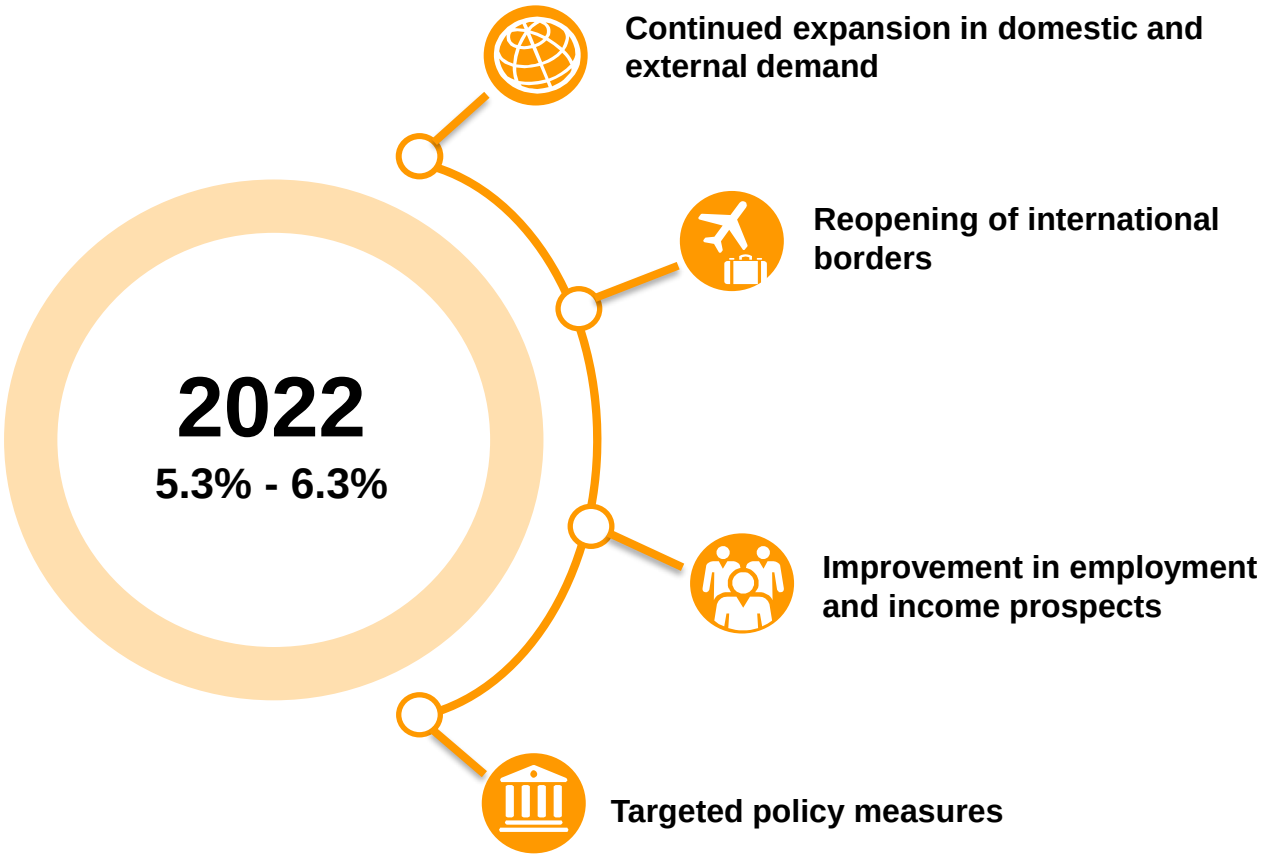


Note: Private sector wages refer to wages of workers in the manufacturing and services sectors.
Source: Department of Statistics Malaysia and Bank Negara Malaysia estimates

Growth to expand further driven by higher domestic demand

In 2022, growth will be supported by continued expansion in global and domestic demand

Key factors supporting growth



The outlook will continue to be influenced by potential risk factors

Upside risks from external and domestic demand

- Higher-than-expected global growth from faster rollout of boosters and anti-viral treatments, and additional policy support
- Better-than-expected employment and income conditions supporting household spending
- Stronger-than-expected improvement in tourism-related sectors amid reopening of borders
- Additional domestic policy measures

Downside risks from COVID-19, geopolitical conflicts and cost pressures

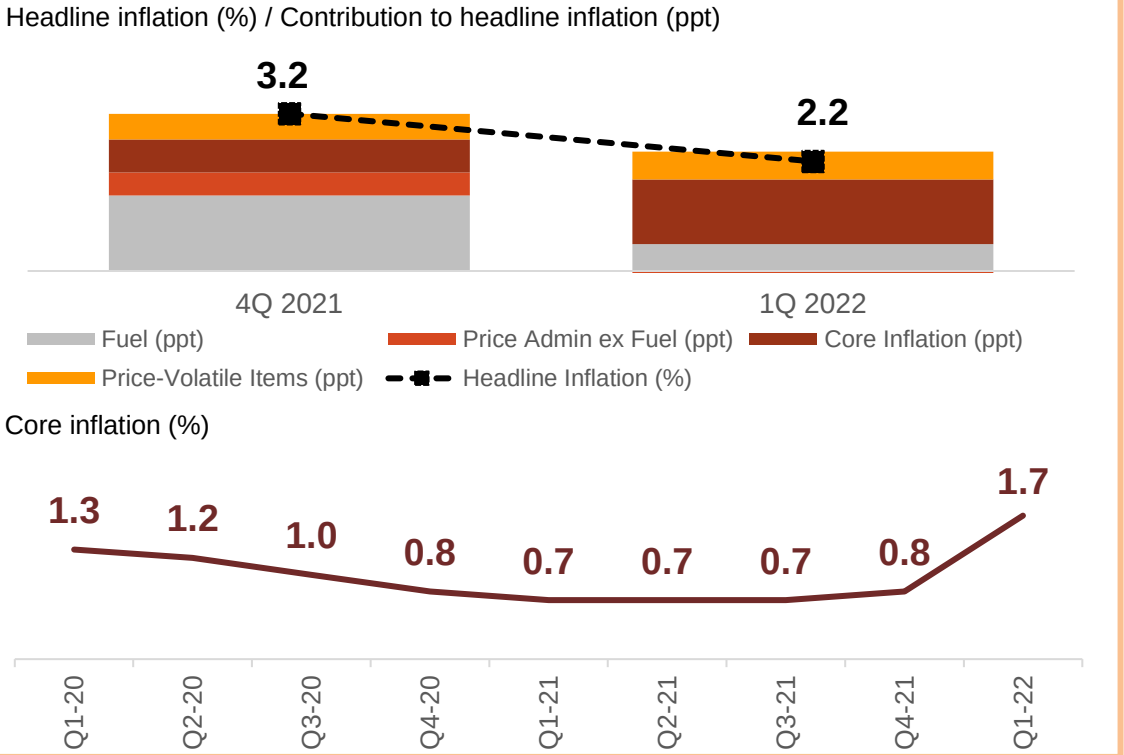
- Emergence of severe, vaccine-resistant VOCs
- Further escalation of geopolitical conflicts, worsening supply disruptions and further increase in price of commodities
- Heightened financial market volatility leading to tightening financial conditions
- Higher-than-expected cost and price pressures weighing on business and household sentiments, and labour shortages

Headline inflation moderated to 2.2% as core inflation increased to 1.7% during the quarter

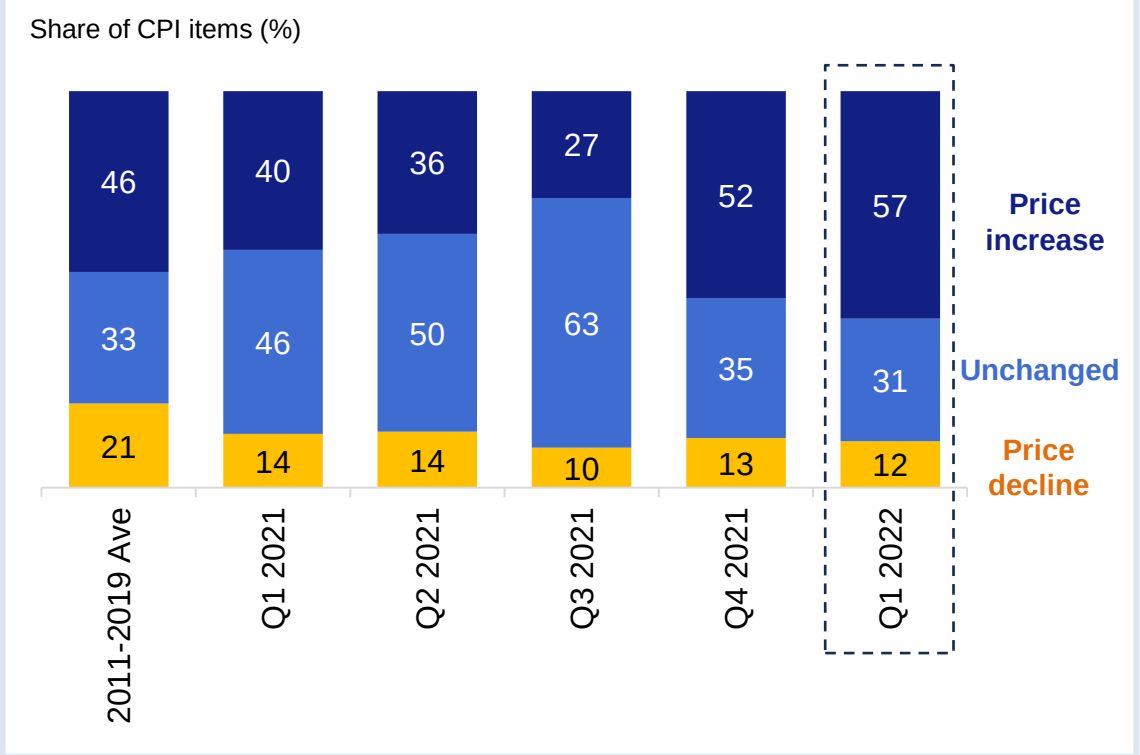
- **Headline Inflation moderated due mainly to the dissipating base effects**
- **Core inflation increased amid improving demand and the high cost environment**

- **While price increases were more broad-based, CPI items recording above average inflation[2/] largely driven by supply factors**

Headline and Core Inflation[1/] and Contribution to Headline Inflation



Month-on-month price changes of CPI items

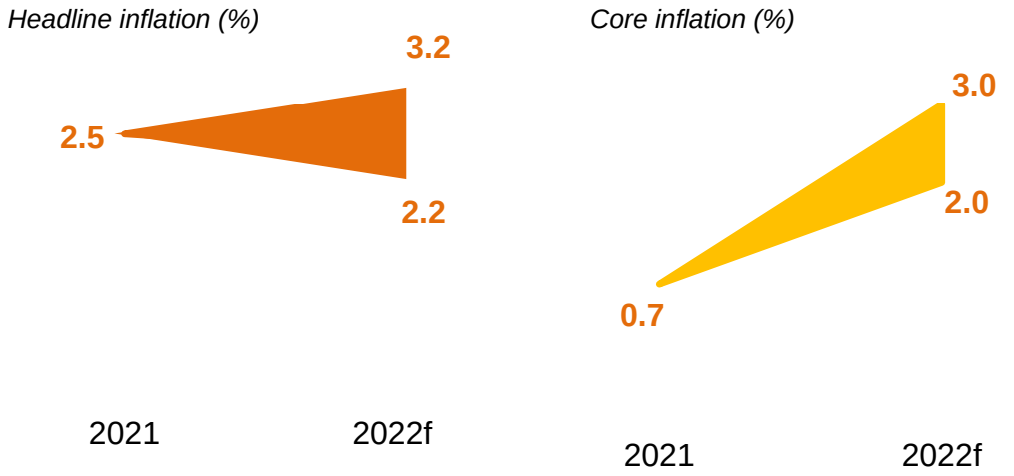


Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates
1/ Core inflation is computed by excluding price-volatile and price-administered items.
2/ Above average inflation is defined as annual inflation being 1 standard deviation above its 2011-2019 average.

Headline inflation to average between 2.2% and 3.2% in 2022

Core inflation is expected to trend higher to average between 2.0% and 3.0% in 2022

Inflation Forecast for 2022



1. Core inflation is expected to average higher for the year, reflecting the improvement in economic activity and continued cost pressures

2. The inflation outlook continues to be subject to global commodity price developments, as well as domestic policy measures on administered prices

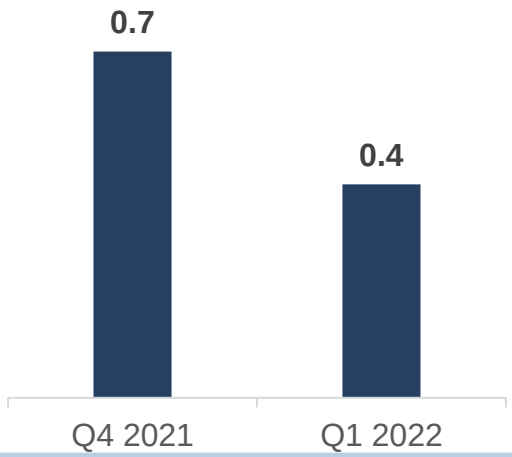
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates.

Households and analyst inflation expectations remain anchored

Households and Analyst Inflation Expectations

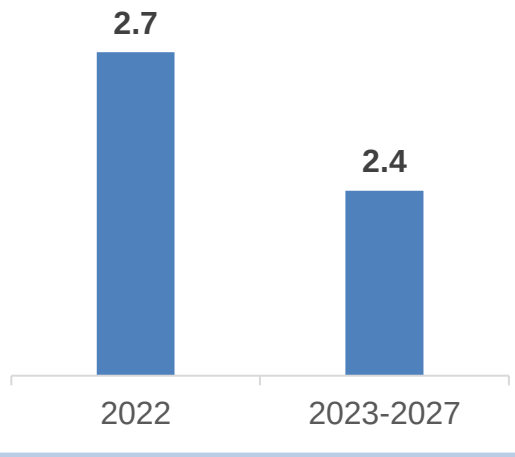
Narrower spread indicates inflation expectations remain anchored

Longer-term – short term spread of household inflation expectations[1/], %



Remains close to actual historical average over the long-term

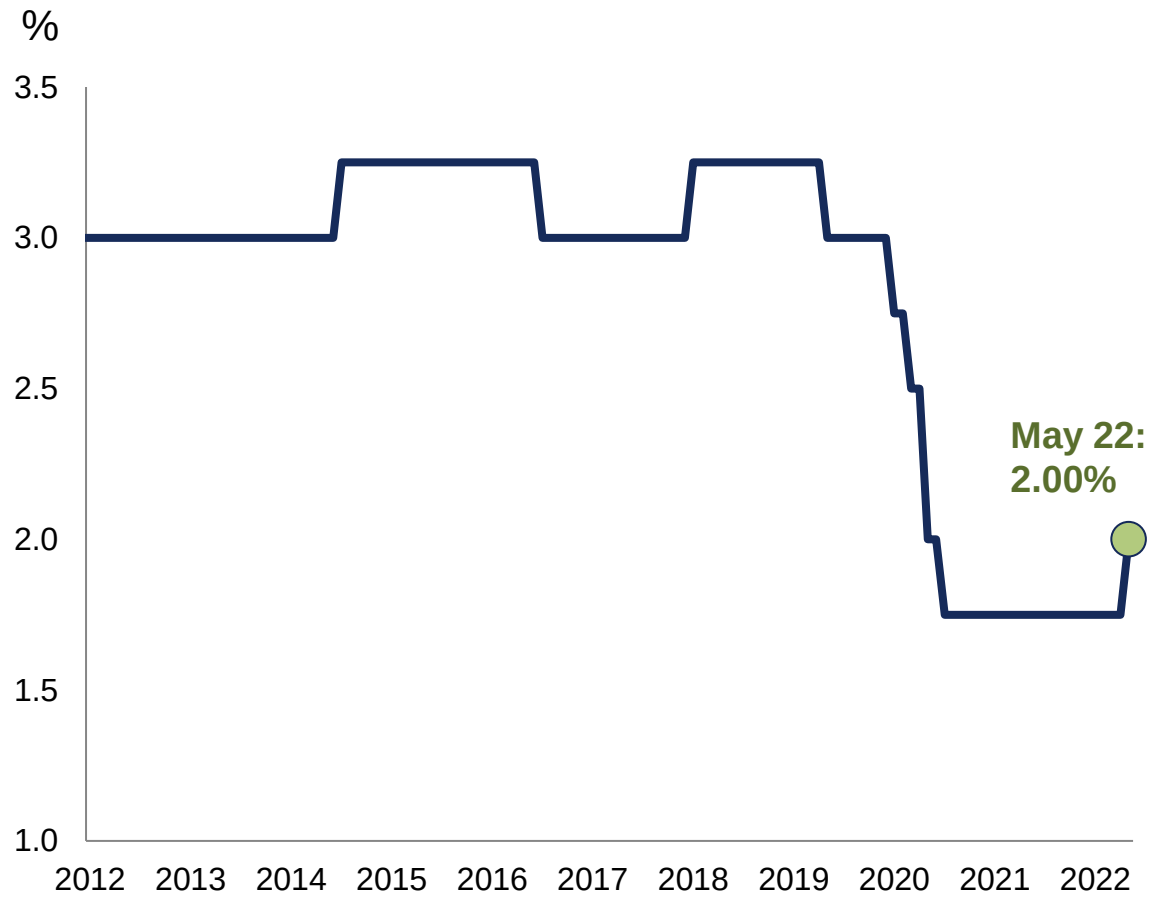
Average of analyst inflation expectations, %



Source: BNM Consumer Sentiment Survey and Consensus Forecasts.
1/ The spread of household inflation expectations refers to the difference between the 2-3 years ahead household inflation expectations and 1-year ahead household inflation expectations.

The MPC began reducing degree of accommodation amid firmer domestic growth trajectory

Overnight Policy Rate (OPR)



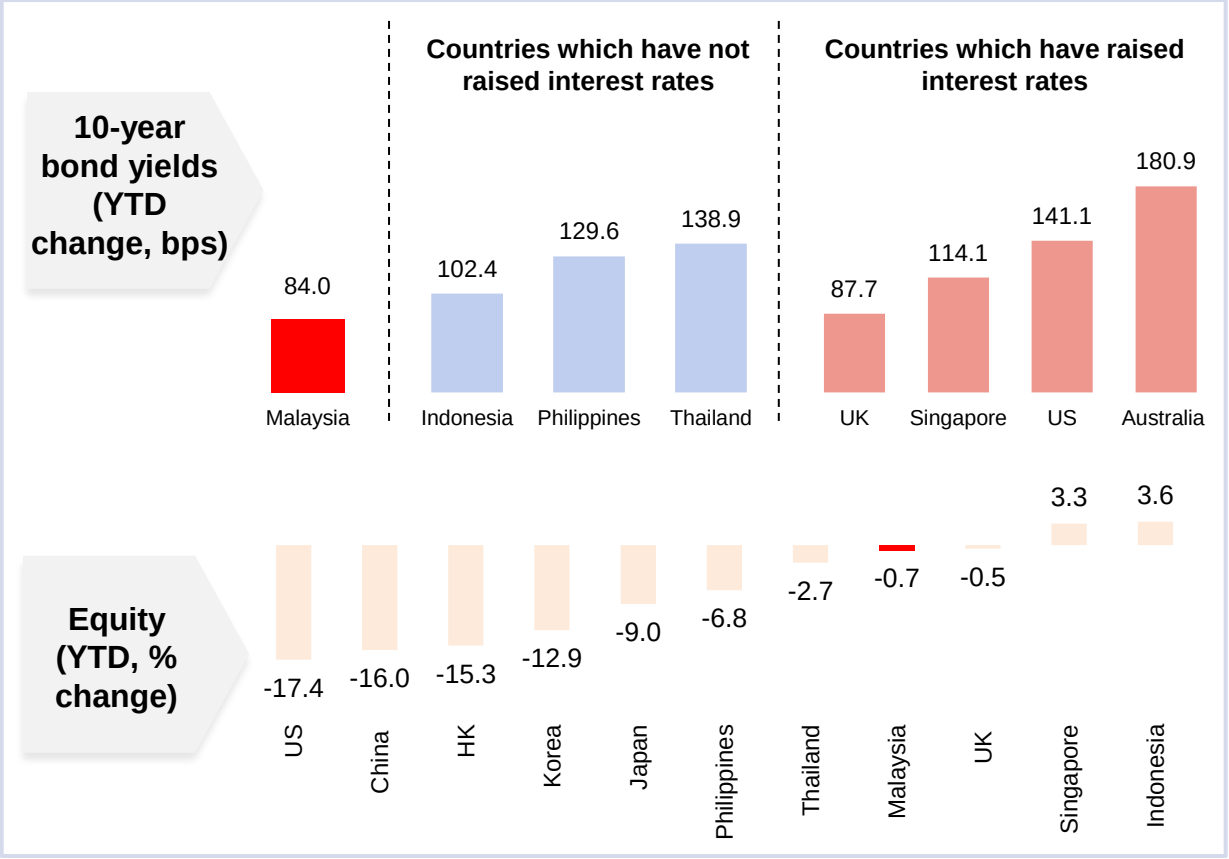
- **OPR increased by 25 basis points to 2.00%** at the May 2022 MPC meeting
- Firmer domestic growth underscored decision to **begin reducing the degree of monetary accommodation**
- This will be done in a **measured and gradual manner**, ensuring that monetary policy remains accommodative to support a sustainable economic growth in an environment of price stability

Source: Bank Negara Malaysia

Domestic financial market conditions tightened amid higher bond yields while the equity market declined marginally

Bond yields increased while domestic equity market declined marginally, mainly reflecting external developments

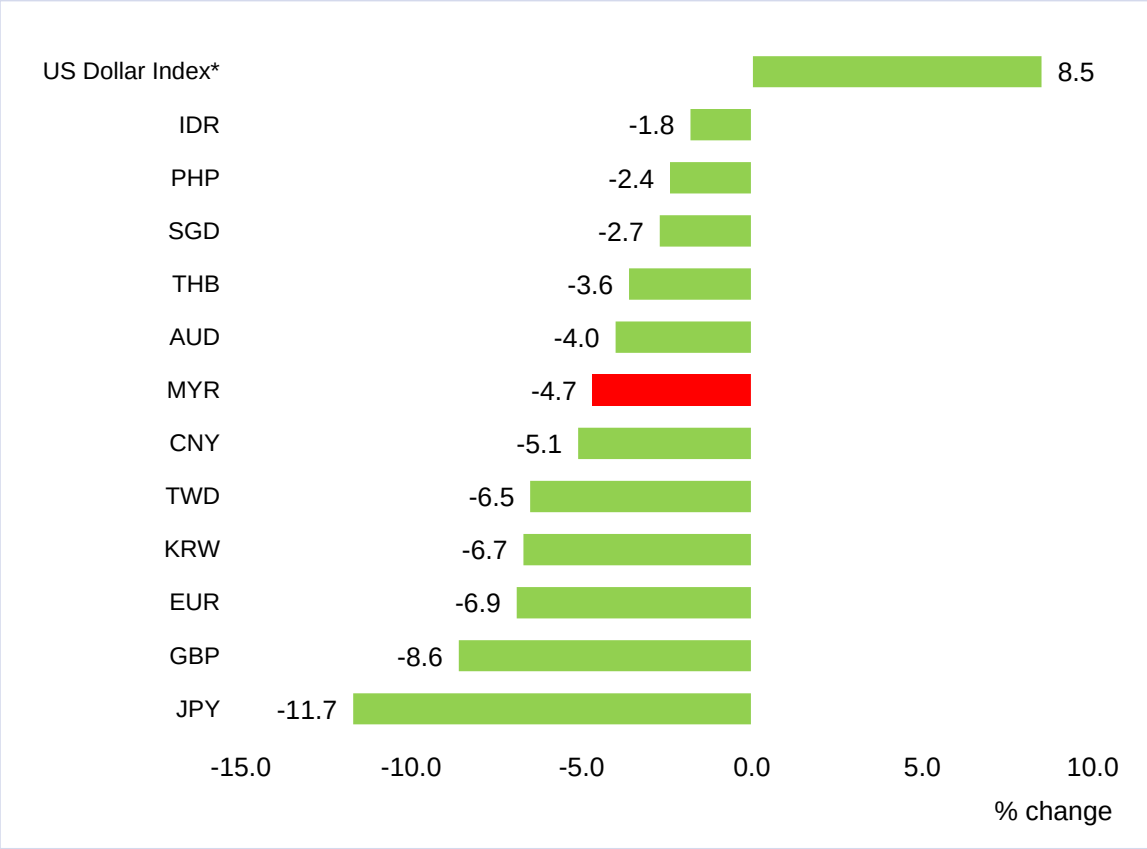
10-Year Sovereign Bond Yields and Equity Prices



Note: YTD data as at 11 May 2022
Source: Bursa Malaysia, Bloomberg, Insides

The ringgit depreciated amid a broad US dollar strength, reflecting higher US interest rates and increased investor risk aversion

Movement of the US Dollar Index and Exchange Rate against the US Dollar (%)



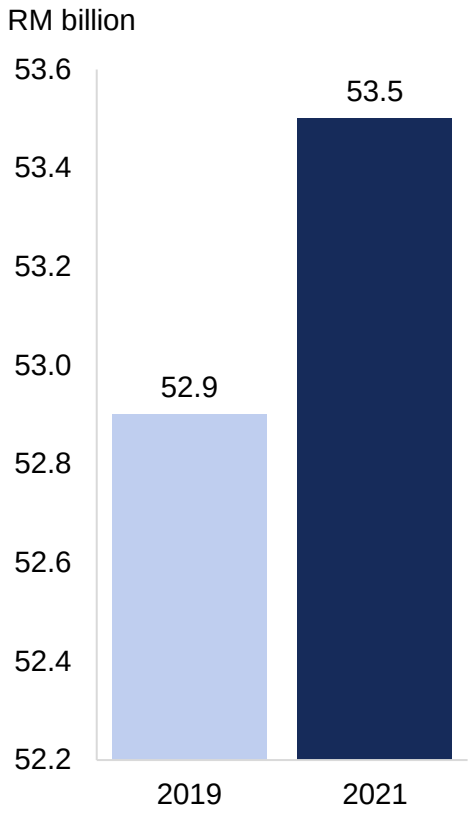
* The US Dollar Index (or DXY) is an index of the value of the US dollar relative to a basket of foreign currencies, namely EUR (57.6%), JPY (13.6%), GBP (11.9%), CAD (9.1%), SEK (4.2%), and CHF (3.6%).

Note: YTD data as at 11 May 2022
Source: Bank Negara Malaysia, Bloomberg

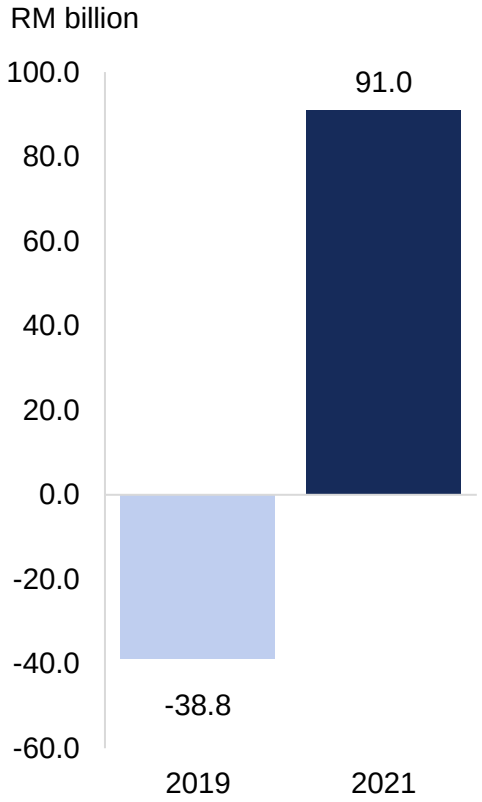
Malaysia's strong external position and sufficient liquidity have strengthened the economy's resilience to withstand external shocks

Malaysia's healthy external position ensures limited spillovers to the domestic economy

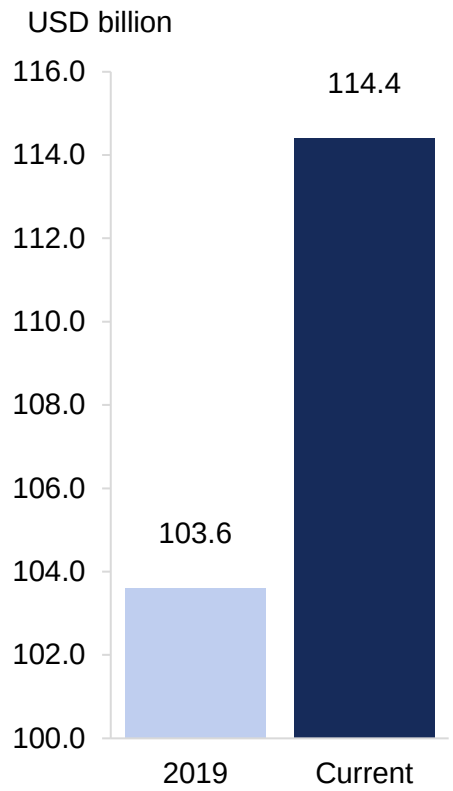
Current Account Surplus



Net International Investment Position

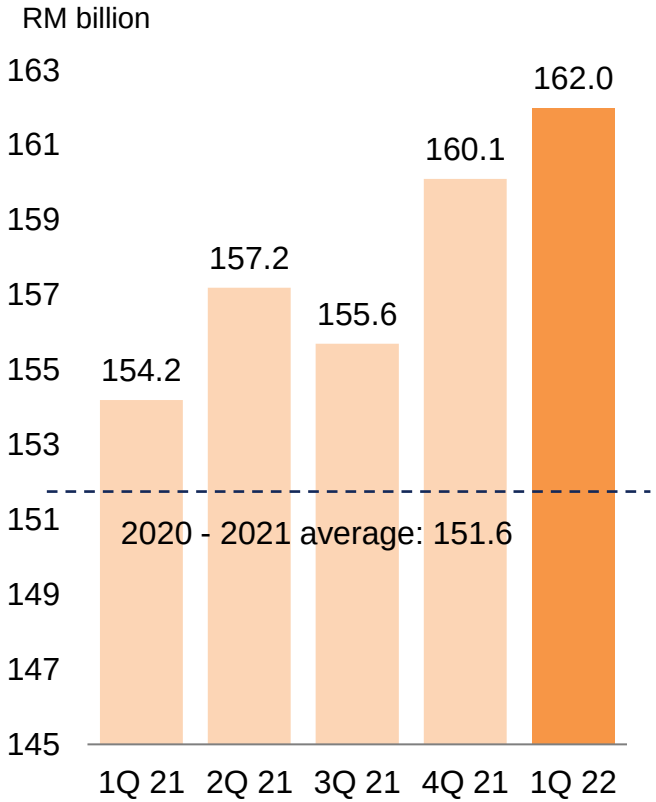


International Reserves



Domestic liquidity conditions remain supportive of economic recovery

Total Liquidity in the System



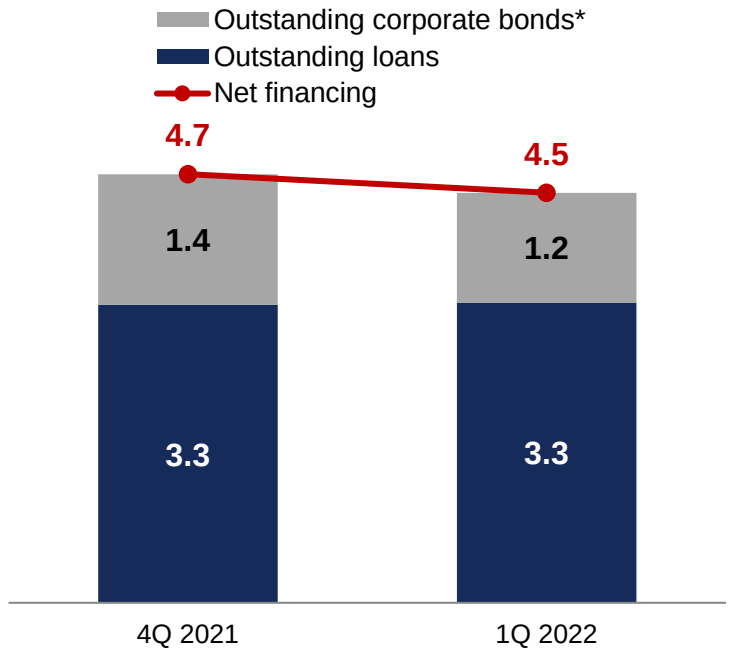
Note: Data on current account is cumulative for the year, net IIP as at end of year, reserves as at 15 Apr 2022

Source: Bank Negara Malaysia, Department of Statistics Malaysia

Net financing remained supportive of economic activity

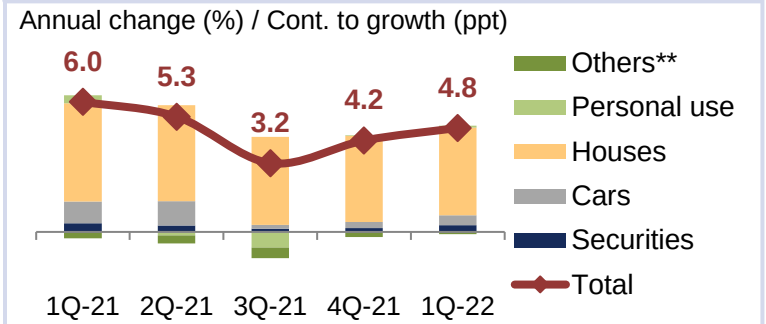
Net financing grew by 4.5% amid lower outstanding corporate bond growth and sustained outstanding loan growth

Net Financing

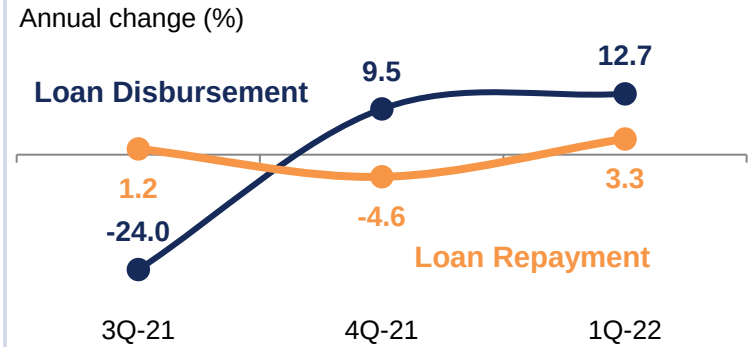


Household loan growth increased with higher growth recorded across most loan purposes

Outstanding Household Loan

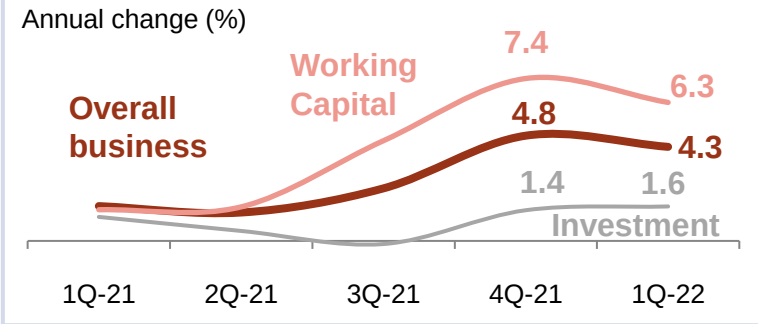


Household Loan Disbursement and Repayment

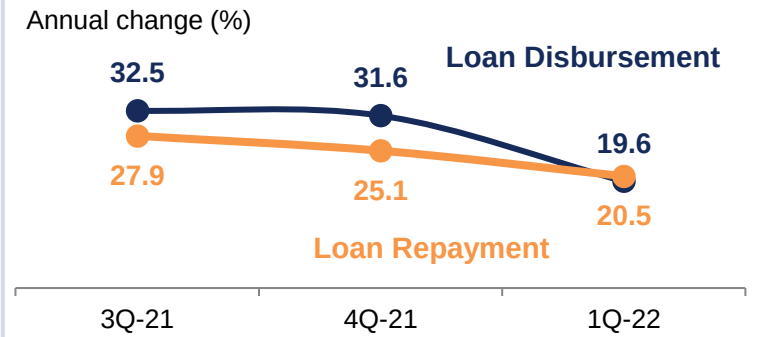


Working capital loans continued to support business loan growth, with some further increase in investment loans

Outstanding Business Loan Growth



Business Loan Disbursement and Repayment

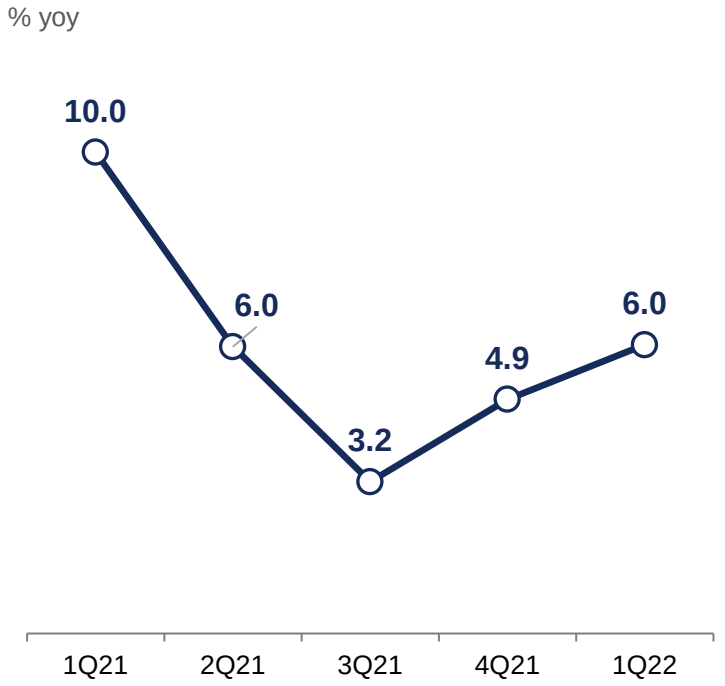


Note: Data refer to loans from the banking system and development financial institutions (DFIs), except for business loan by purpose (i.e. working capital and investment), which only include banking system data. Numbers may not add up due to rounding.
* Excludes issuances by Cagamas and non-residents. ** 'Others' include loans for the purposes of non-residential property purchases, credit card, consumer durable goods and other purposes.
Source: Bank Negara Malaysia

MSMEs continued to access bank financing in 1Q 2022

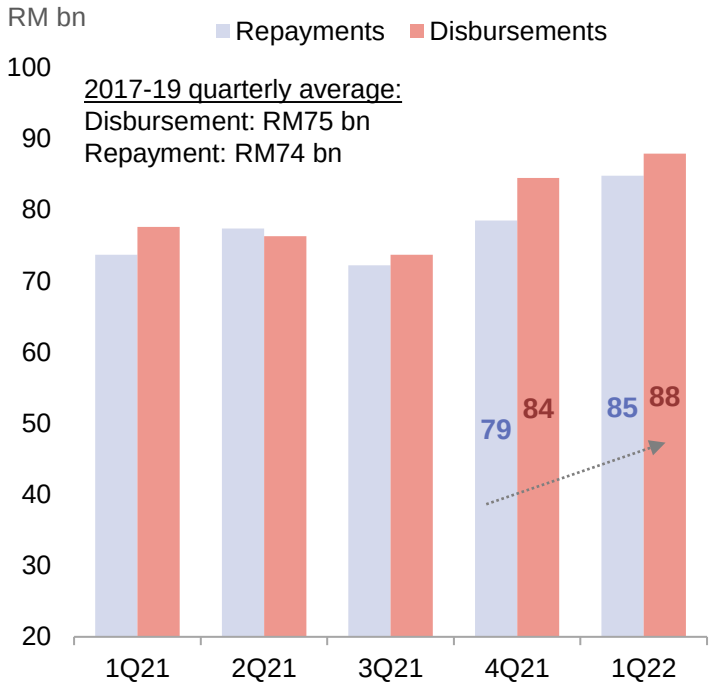
Financing to MSMEs expanded at a faster annual pace of 6.0%

Outstanding SME Financing



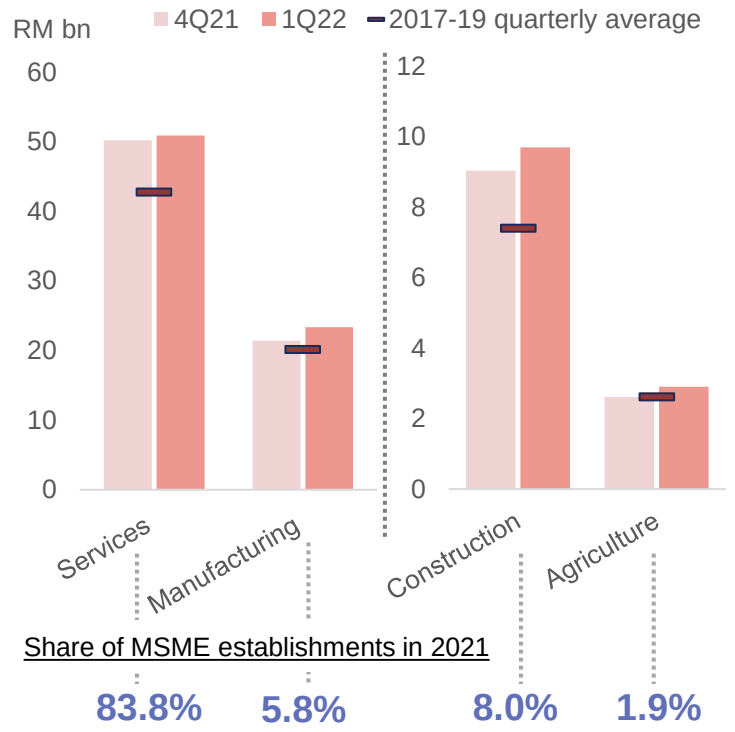
Strong momentum in disbursements and repayments

SME Financing Disbursements & Repayments



Forthcoming disbursements broad-based across major SME sectors

SME Financing Disbursements by Sector*



*Excludes mining and quarrying sector (0.4% of total MSME establishments in 2021 and 0.001% of quarterly SME financing disbursements on average)

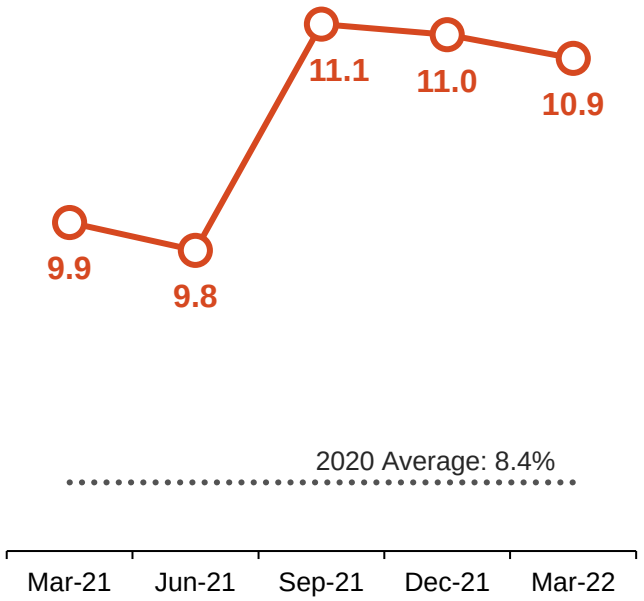
Note: Banking system and DFIs

Source: Bank Negara Malaysia and Department of Statistics, Malaysia

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

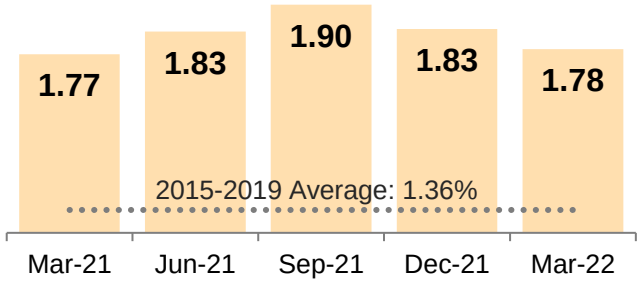
While credit risk levels remain elevated…

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

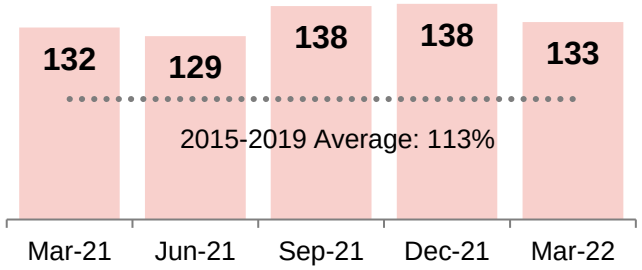


…banks continue to maintain high provision levels to absorb potential credit losses

Total Provisions, as % of loans

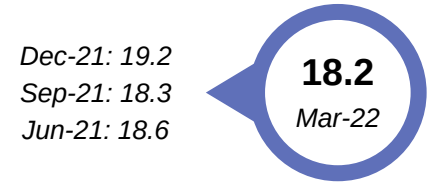


Loan Loss Coverage Ratio[2], %

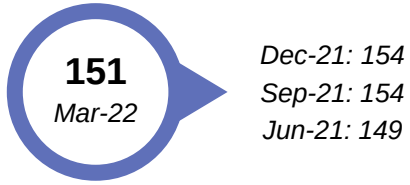


Healthy capital and liquidity buffers against shocks and to support intermediation needs

Total Capital Ratio, %



Liquidity 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
[2] Including regulatory reserves
* MFRS 9 - Malaysian Financial Reporting Standard 9
Source: Bank Negara Malaysia

Summary



In 1Q 2022, the Malaysian economy grew by 5.0% mainly driven by consumption activities amid the recovery in labour market conditions.



Growth in 2022 to be supported by strengthening domestic demand amid sustained export growth, and reopening of international borders.



The outlook, however, is subject to risks related to emergence of severe VOCs, heightened geopolitical tensions, global financial market volatility and supply chain disruptions, leading to much slower economic growth.

Headline inflation to average between 2.2% and 3.2% in 2022, while core inflation to trend higher as economic activity gathered pace amid the environment of high costs.



Targeted policy measures and assistance continue to provide support to vulnerable businesses and households.

Additional Information

Malaysia's GDP expanded by 5.0% in 1Q 2022

Annual Change in GDP Growth by Component

Real GDP (% YoY)	Share[1] % (2021)	2021		2022
		1Q	4Q	1Q
Services	**57.0**	**-2.3**	**3.2**	**6.5**
Manufacturing	**24.3**	**6.7**	**9.1**	**6.6**
Agriculture	**7.1**	**0.1**	**2.8**	**0.2**
Mining and Quarrying	**6.7**	**-4.4**	**-0.6**	**-1.1**
Construction	**3.7**	**-10.4**	**-12.2**	**-6.2**
Real GDP	**100.0**	**-0.5**	**3.6**	**5.0**

Real GDP (% YoY)	Share, % (2021)	2021		2022
		1Q	4Q	1Q
Domestic Demand (Excluding Stocks)	**92.7**	**-1.0**	**1.9**	**4.4**
Private Sector	**74.4**	**-0.9**	**2.5**	**4.4**
Consumption	58.8	-1.5	3.7	5.5
Investment	15.6	1.3	-2.8	0.4
Public Sector	**18.3**	**-1.7**	**0.1**	**4.8**
Consumption	13.8	5.6	1.6	6.7
Investment	4.5	-18.5	-3.4	-0.9
Net Exports of Goods and Services	**6.0**	**6.6**	**0.8**	**-26.5**
Exports	69.1	11.7	13.0	8.0
Imports	63.1	12.2	14.5	11.1
Change in stocks, RM bn	**1.3**	**-1.9**	**3.8**	**5.8**
Real GDP	**100.0**	**-0.5**	**3.6**	**5.0**

[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 5.0% in 1Q 2022

Percentage Point Contribution to GDP Growth by Component

Real GDP (Ppt contribution, %)	Share[1], % (2021)	2021		2022
		1Q	4Q	1Q
Services	**57.0**	**-1.3**	**1.9**	**3.7**
Manufacturing	**24.3**	**1.5**	**2.1**	**1.6**
Agriculture	**7.1**	**0.01**	**0.2**	**0.01**
Mining and Quarrying	**6.7**	**-0.3**	**-0.04**	**-0.1**
Construction	**3.7**	**-0.5**	**-0.5**	**-0.2**
Real GDP	**100.0**	**-0.5**	**3.6**	**5.0**

Real GDP (Ppt contribution, %)	Share, % (2021)	2021		2022
		1Q	4Q	1Q
Domestic Demand (Excluding Stocks)	**92.7**	**-1.0**	**1.8**	**4.2**
Private Sector	**74.4**	**-0.7**	**1.8**	**3.4**
Consumption	58.8	-0.9	2.1	3.4
Investment	15.6	0.2	-0.4	0.1
Public Sector	**18.3**	**-0.3**	**0.0**	**0.8**
Consumption	13.8	0.7	0.3	0.8
Investment	4.5	-0.9	-0.2	0.0
Net Exports of Goods and Services	**6.0**	**0.3**	**0.1**	**-1.5**
Exports	69.1	7.1	8.2	5.4
Imports	63.1	6.7	8.2	6.9
Change in Stocks	**1.3**	**0.2**	**1.8**	**2.2**
Real GDP	**100.0**	**-0.5**	**3.6**	**5.0**

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

Source: Department of Statistics Malaysia

Financial account recorded significantly higher net inflow

Sizeable net inflows in direct and other investment accounts more than offset net outflows in portfolio investment account

Financial Account by Component

RM billion	2021			2022
	3Q	4Q	Year	1Q
Direct Investment	**8.0**	**10.5**	**28.5**	**20.8**
*Direct Investment Abroad (DIA)**	-1.5	-7.9	-19.7	-3.6
*Foreign Direct Investment (FDI)**	9.5	18.5	48.1	24.4
Portfolio Investment	**-3.7**	**2.6**	**18.8**	**-10.1**
Residents	-4.9	-6.1	-35.8	-13.9
Non-residents	1.2	8.7	54.6	3.8
Financial Derivatives	**0.7**	**-1.8**	**-2.3**	**0.2**
Other Investment	**-5.2**	**-10.6**	**-32.0**	**19.6**
Financial Account Balance	**-0.2**	**0.7**	**13.0**	**30.4**

Higher FDI inflows amid lower DIA outflows

Net outflows in portfolio investment

Net inflows in other investment account

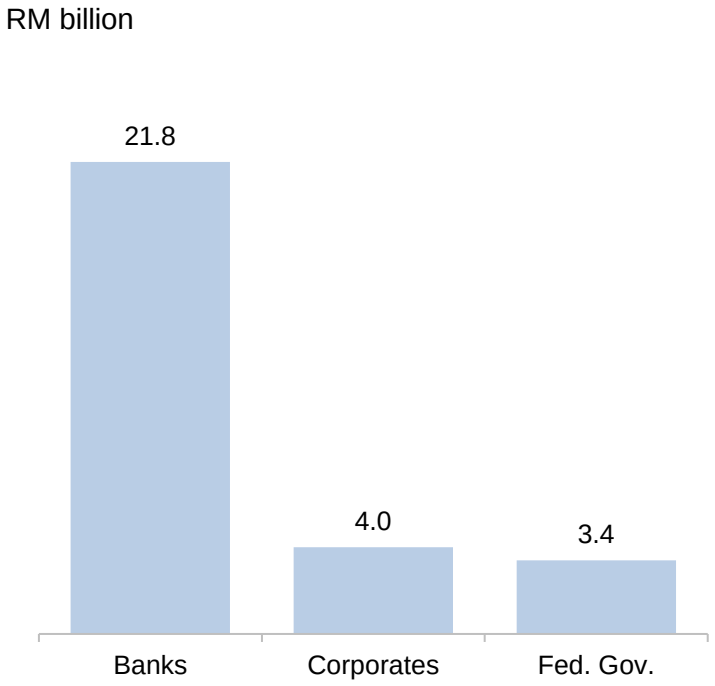
*As per the IMF's BPM5 classifications (i.e. directional basis)
Note: Numbers may not add up due to rounding
Source: Department of Statistics Malaysia; and Bank Negara Malaysia

Malaysia's external debt remains manageable

External debt amounted to 69.6% of GDP as at end-1Q 2022 (4Q 21: 70.0%)

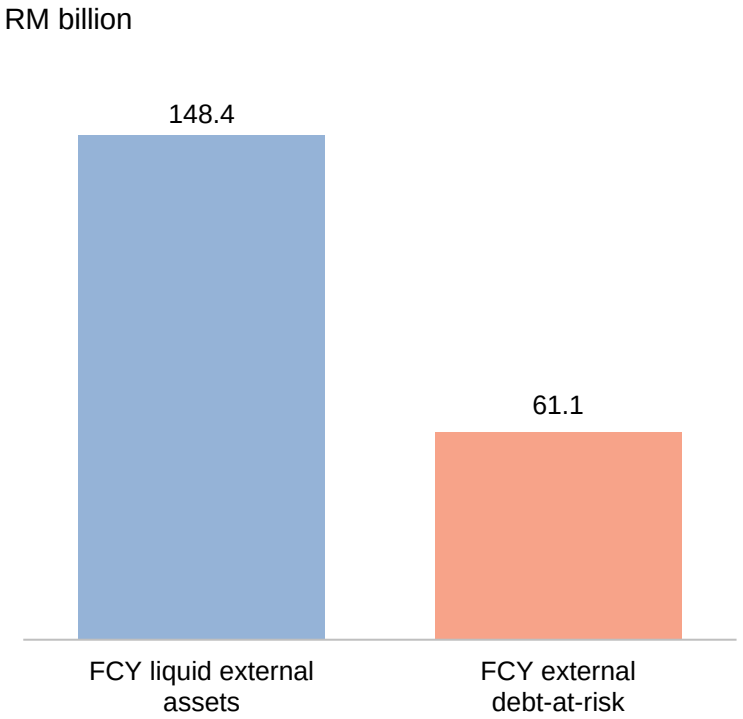
Changes in External Debt by Institution (from 4Q 2021)

Net change: +RM29.2 billion



Banks are resilient to face potential external shocks

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

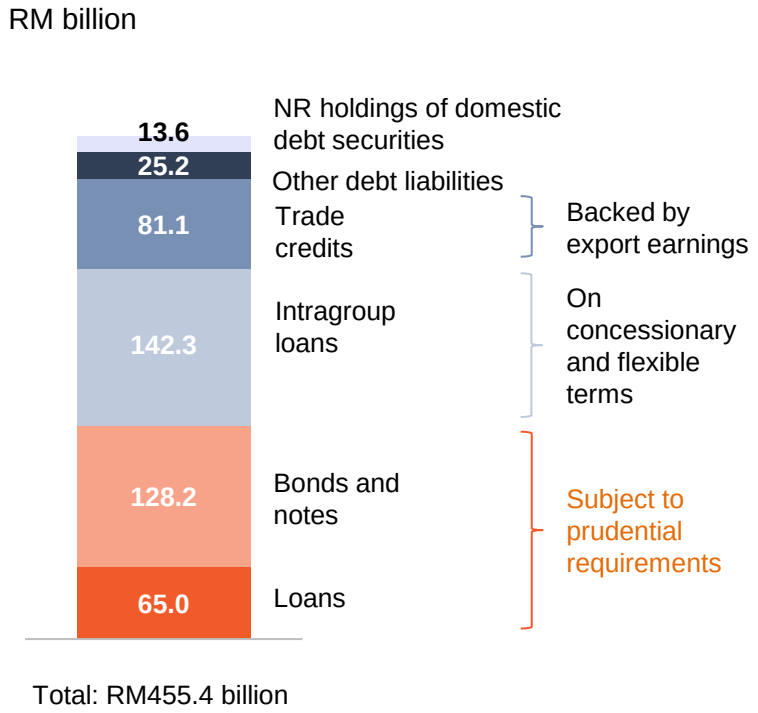


* Consist of deposit & interbank placements, bonds and notes, and money market instruments.

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

Corporates' external debt is mainly subject to prudential requirements

Corporate External Debt Breakdown by Instrument (as at end-1Q 2022)



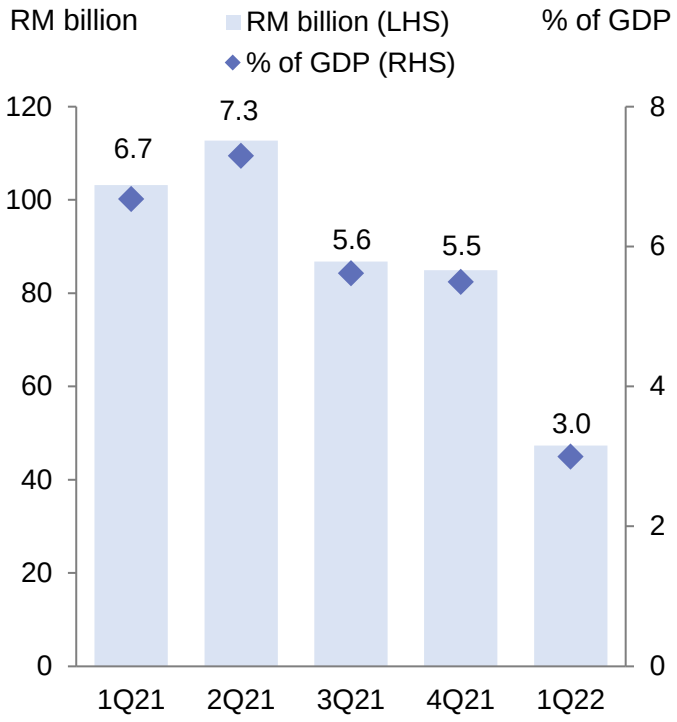
Total: RM455.4 billion

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

Adequate buffers to weather external shocks

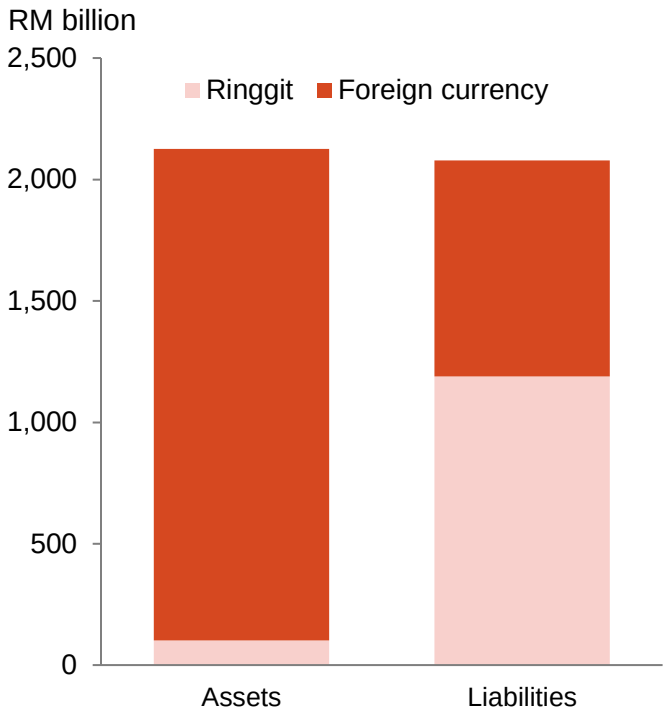
Sustained net creditor position…

External Assets Minus External Liabilities (1Q 21 – 1Q 22)



… with large net foreign-currency external assets …

External Assets and Liabilities in Ringgit Versus Foreign-Currency Denomination (1Q 2022)



… and further supported by

Sustained foreign income

Continued current account surplus reduces external financing requirements

Sufficient international reserves to facilitate international transactions

… to finance 5.7 months of imports of goods & services and is 1.1 times total short-term external debt as at 29 April 2022

p Preliminary
r Revised
Source: Department of Statistics Malaysia and Bank Negara Malaysia