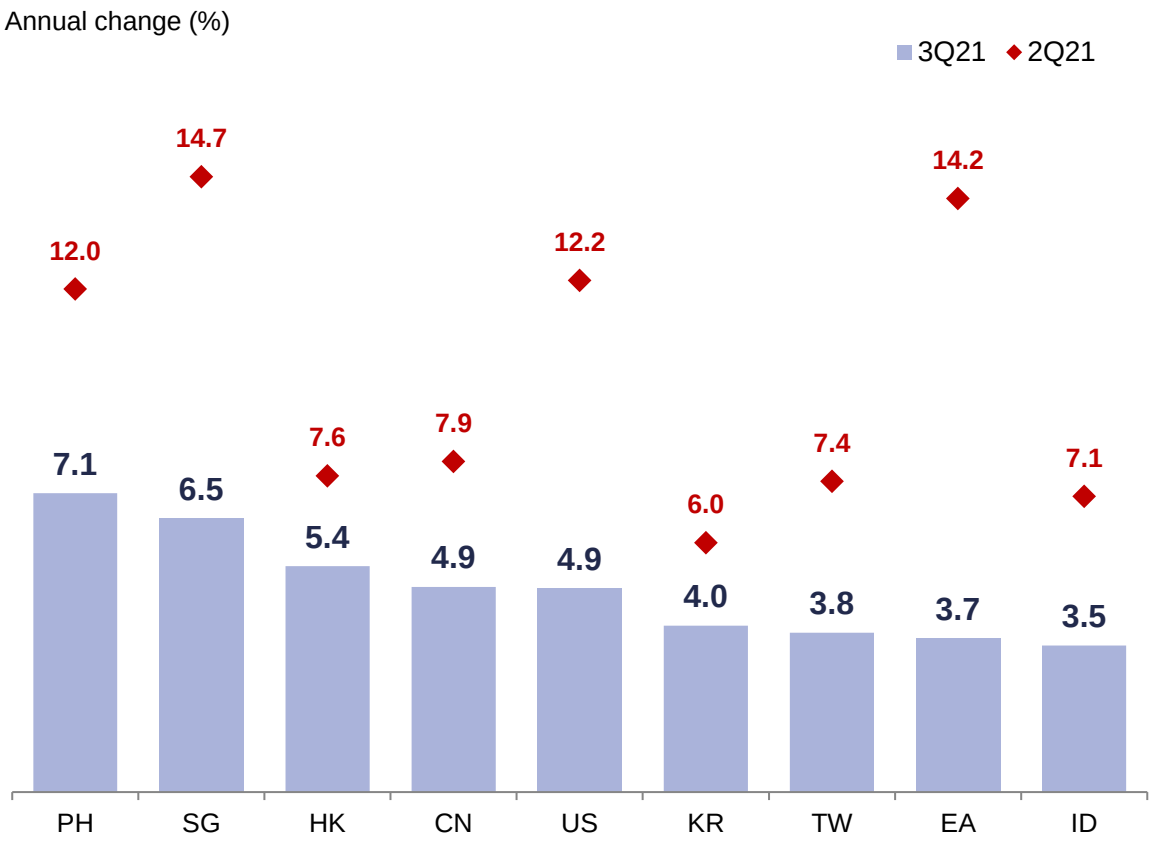
Sidang Akhbar

Prestasi Ekonomi Suku Ketiga Tahun 2021

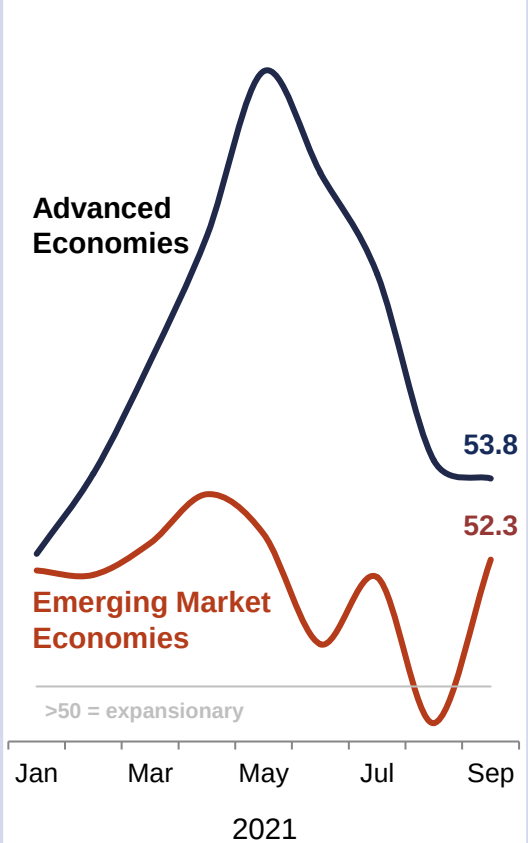
12 November 2021

Global recovery continues, but at a slower pace

Real GDP Growth



Composite PMI



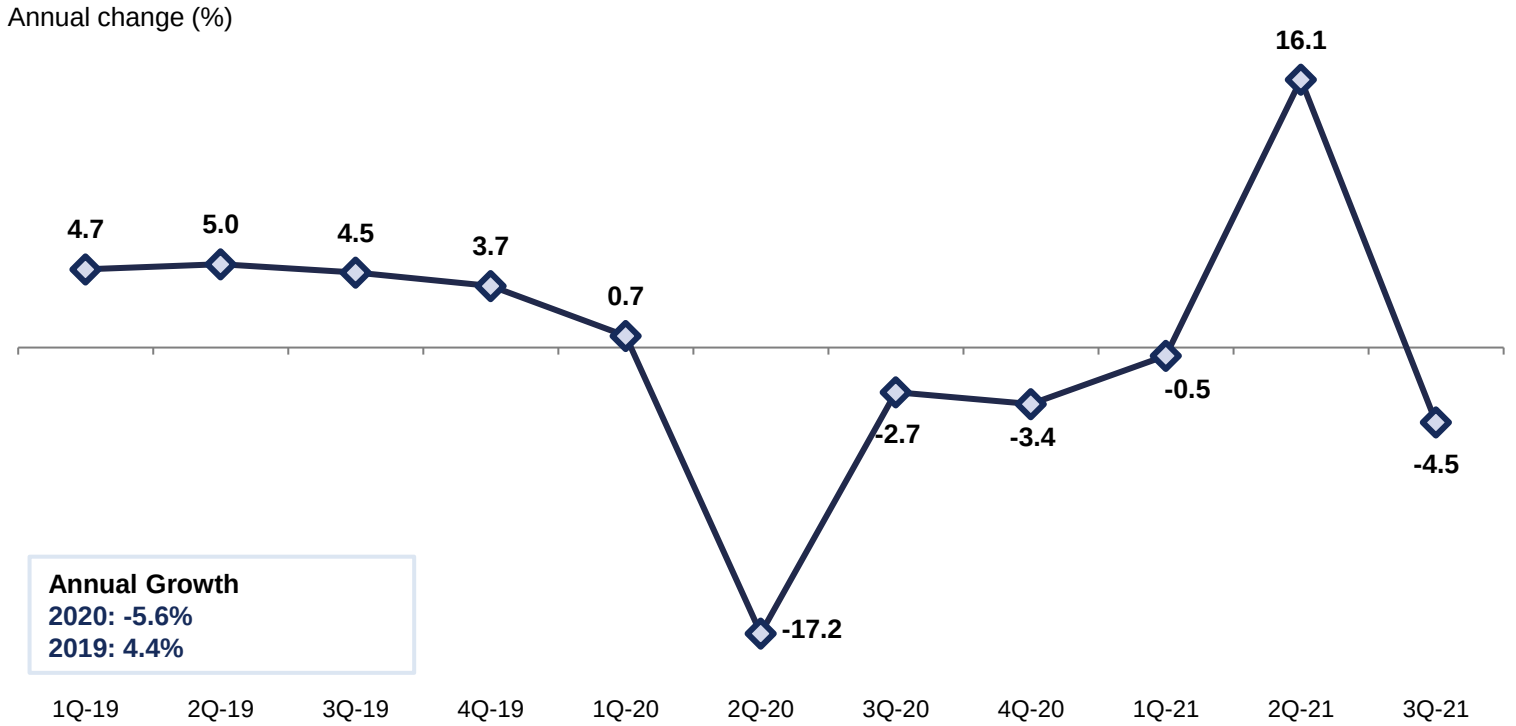
Global Growth Developments

- Continued growth recovery supported by economic re-openings and vaccination progress
- Domestic demand supported by improving labour market conditions
- Manufacturing activities in some countries were affected by tighter supply conditions

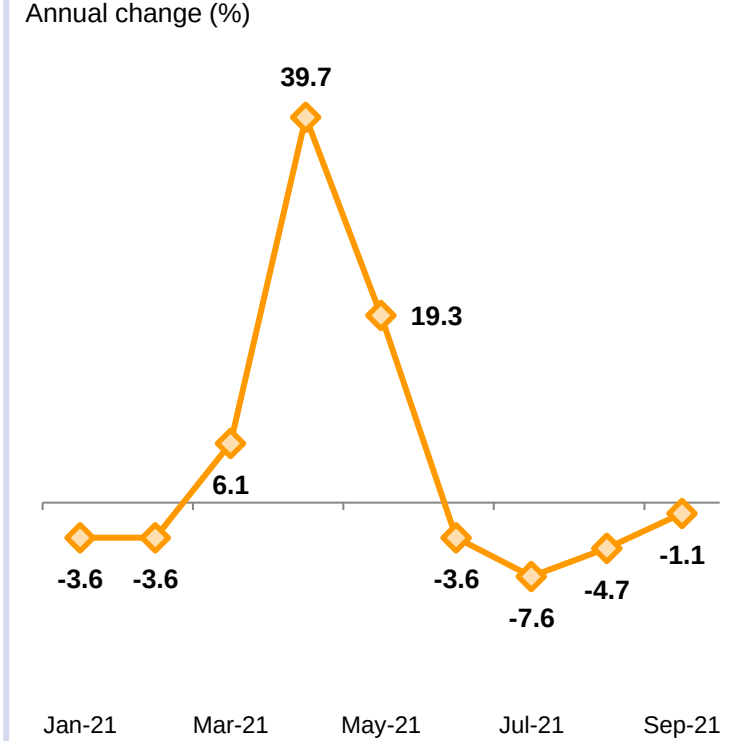
Note: GDP for the third quarter of 2021 are advanced or preliminary estimates except for China, the Philippines, and Indonesia.
Source: CEIC, National authorities, IHS Markit

Malaysia's GDP declined by 4.5% in 3Q 2021, weighed by the re-imposition of nationwide containment measures

Real GDP Growth



Real GDP Growth



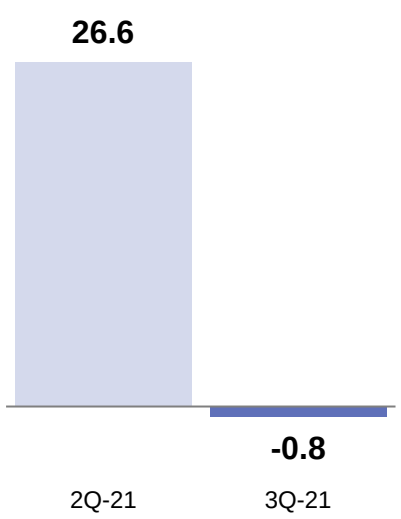
On a seasonally adjusted quarter-on-quarter basis, GDP declined by 3.6% in 3Q 2021

Source: Department of Statistics Malaysia

Slowdown in activity across all economic sectors

Manufacturing

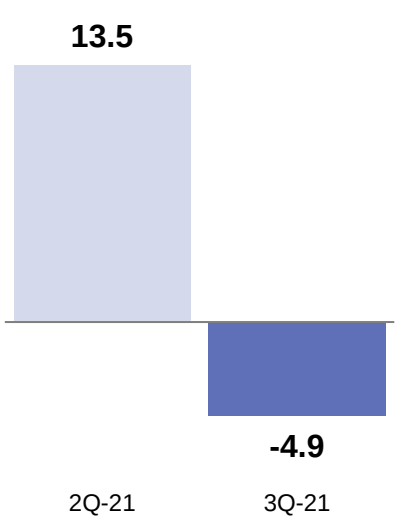
GDP, Annual change (%)



Restrictions mainly on non-essential manufacturing activities

Services

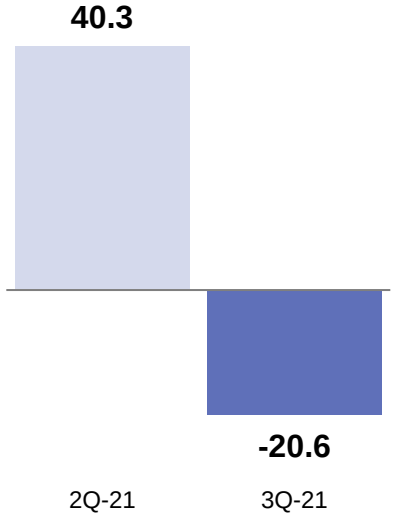
GDP, Annual change (%)



Weaker consumer-related activities

Construction

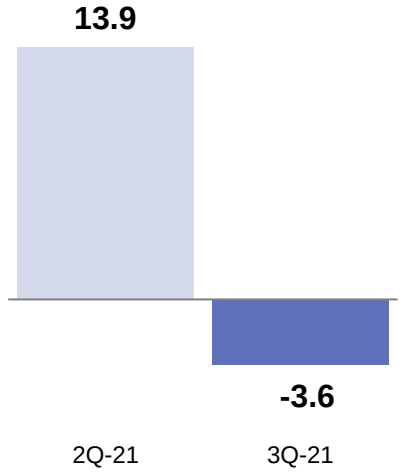
GDP, Annual change (%)



Constraints on operating capacity

Mining

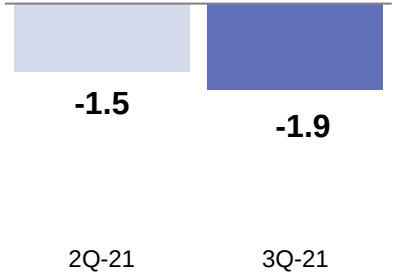
GDP, Annual change (%)



Lower crude oil and natural gas production amid maintenance closures

Agriculture

GDP, Annual change (%)



Weak oil palm production amid prolonged labour shortages

Source: Department of Statistics Malaysia

Subdued private consumption and investment activities amid the imposition of containment measures

Private Consumption

GDP, Annual change (%)



Weak activity amid stringent containment measures and mobility restrictions

Private Investment

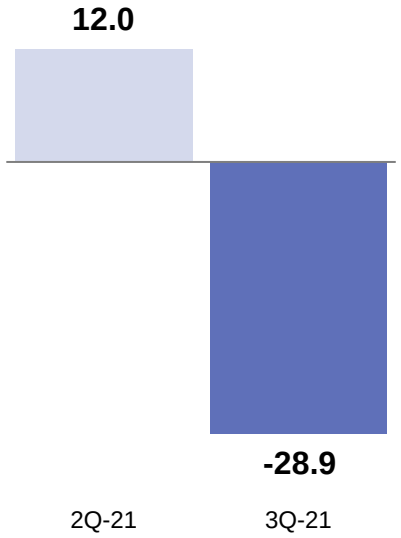
GDP, Annual change (%)



Lower structures investment due to limited operating capacity

Public Investment

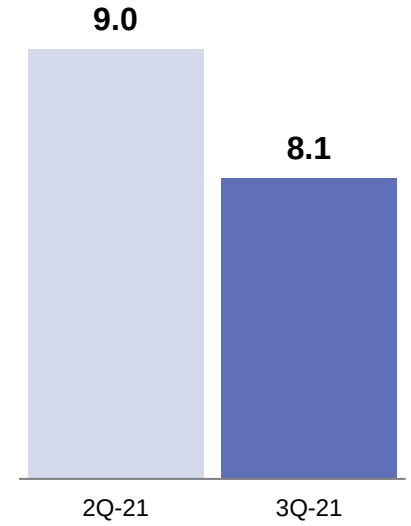
GDP, Annual change (%)



Lower investment by Gen. Govt and public corporations

Public Consumption

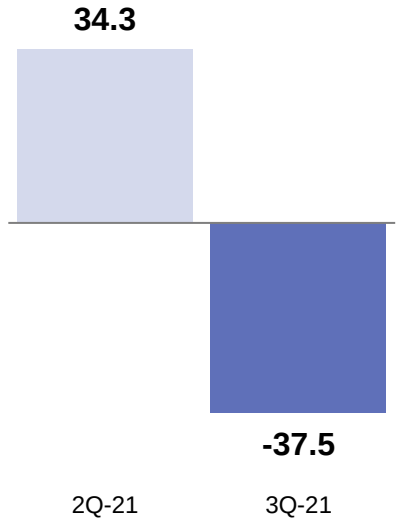
GDP, Annual change (%)



Slower growth in emolument and supplies & services

Net exports

GDP, Annual change (%)

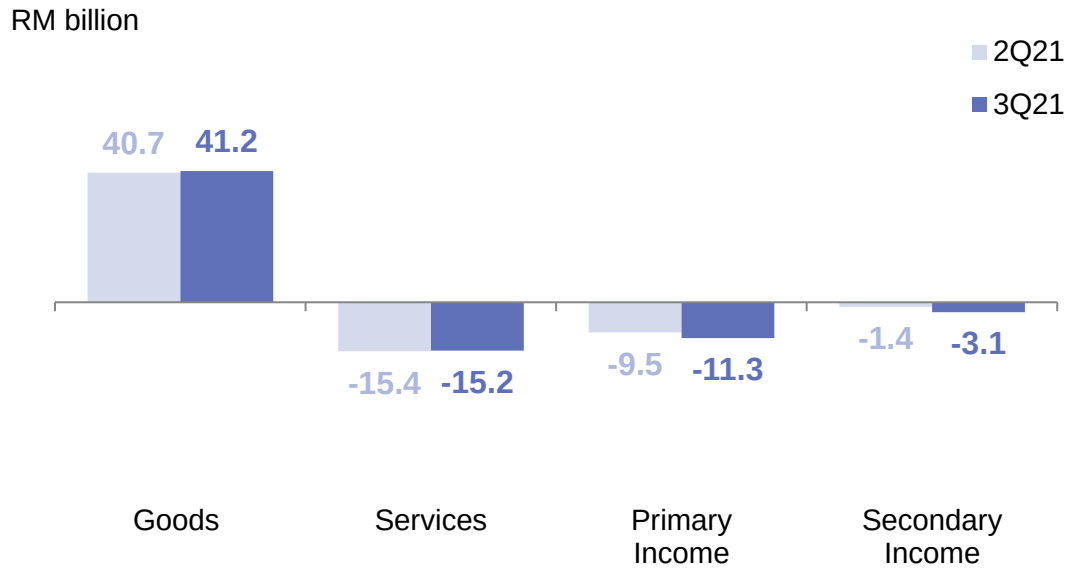


Growth in imports outpaced exports

Source: Department of Statistics Malaysia

Current account of the balance of payments registered a lower surplus of RM11.6 billion or 3.1% of GDP, while FDI recorded higher net inflows of RM12.8 billion

Current Account



- **Higher goods surplus reflecting continued expansion in exports, amid higher global commodity prices**
- **Larger primary income deficit due mainly to weaker investment income generated from overseas**

Foreign Direct Investment

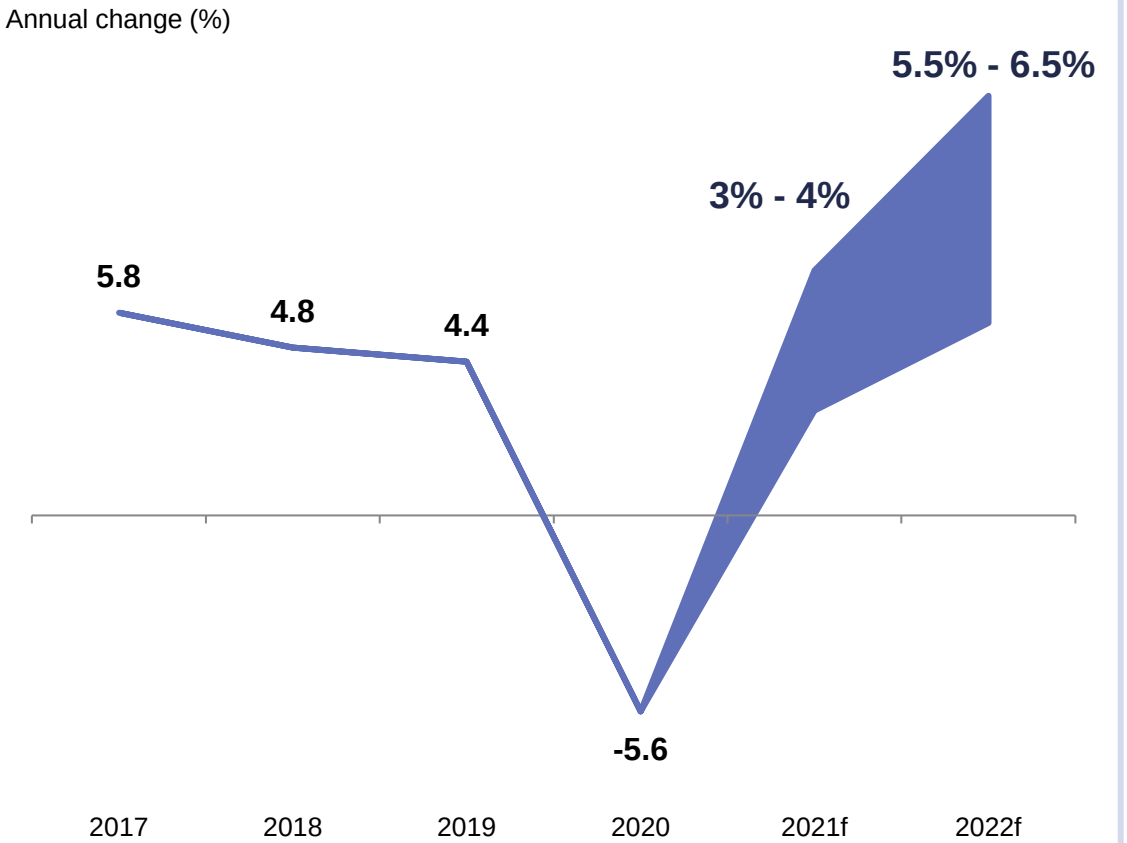


- **Higher FDI was mainly driven by larger reinvested earnings and equity injections**
- **FDI was primarily channelled into the manufacturing sector and financial services sub-sector**

Source: Department of Statistics Malaysia

The Malaysian economy is expected to expand by 3% - 4% in 2021, and growth is projected to improve further in 2022

Real GDP Growth



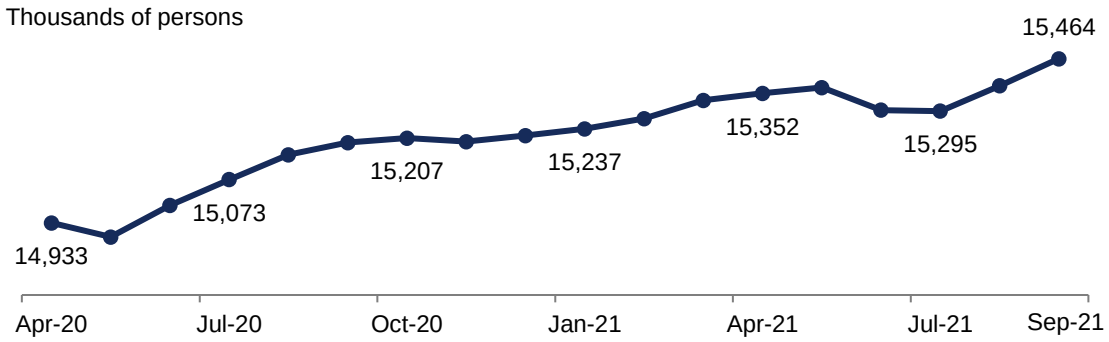
Factors Supporting Growth

- **Easing of containment measures, supporting the resumption in economic activities**
- **Continued recovery in the labour market**
- **Accelerated production activities and further progress in infrastructure projects**
- **Continued policy support**
- **Expansion in exports underpinned by strong external demand and higher commodity prices**

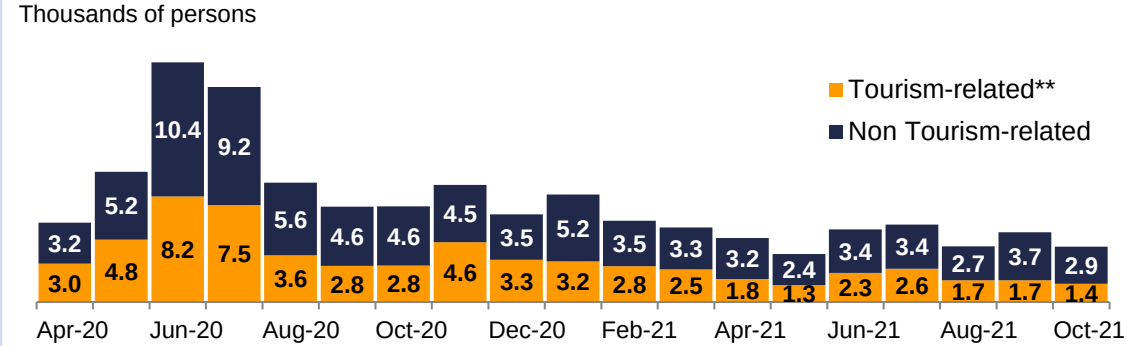
Source: Department of Statistics Malaysia and Ministry of Finance Malaysia

Labour market conditions have gradually improved in recent months

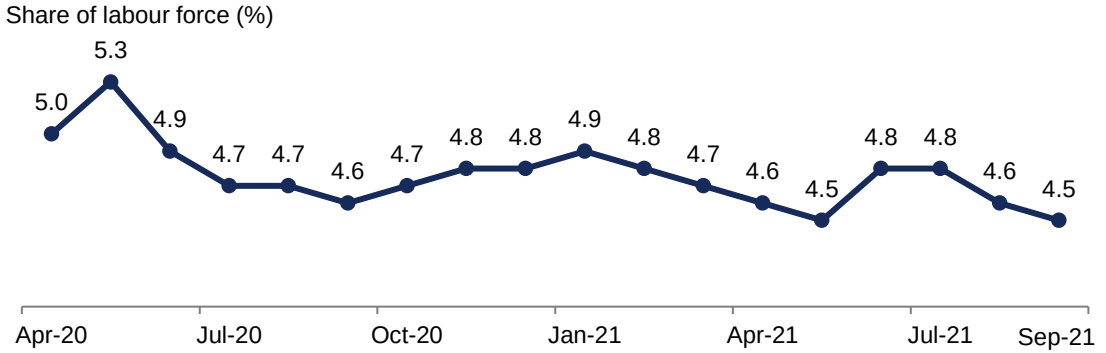
Employment Levels



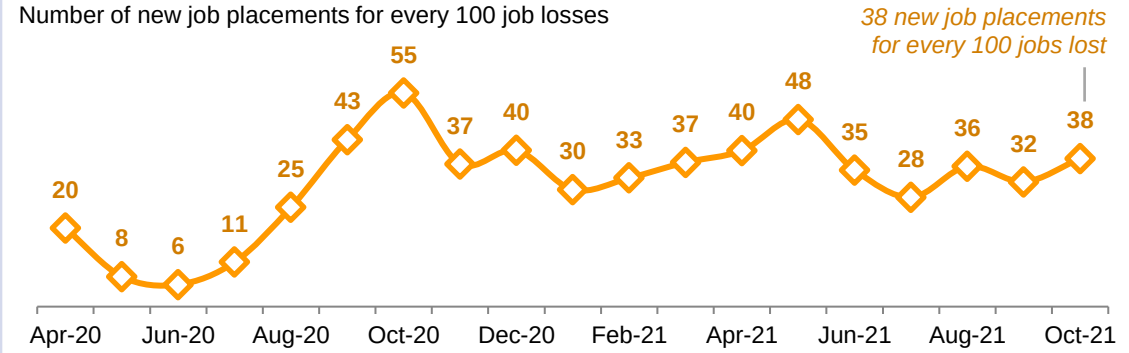
Jobless Claims*



Unemployment Rate



Placement Rates



Source: Department of Statistics Malaysia

* As at 29 October 2021

** Tourism-related industries include wholesale retail, administrative and support services, accommodation and F&B, transportation and storage, entertainment and recreation

Source: Employment Insurance System, Social Security Organisation (SOCSO)

Normalisation in production and construction activities as well as impetus from policy measures will lend support to growth

Normalisation in operations and continuation of key infrastructure projects and investments

Natural Gas	**Operationalisation of PFLNG2 facility**
Digital Economy	**Digital infrastructure investment under JENDELA**
Infrastructure	**Continuation of large infrastructure projects for highways and rail** (e.g., Pan Borneo Highways, LRT3, Johor-Singapore RTS)

Budget 2022 measures to provide continued support for affected households and businesses

Households

- Direct cash assistance & welfare under Bantuan Keluarga Malaysia (RM8.2 bn)
- Hiring incentive under Jamin Kerja Keluarga Malaysia (JaminKerja) (RM2 bn)
- Extension of EPF contribution rate reduction from 11% to 9%
- Extension of individual income tax reliefs

Businesses

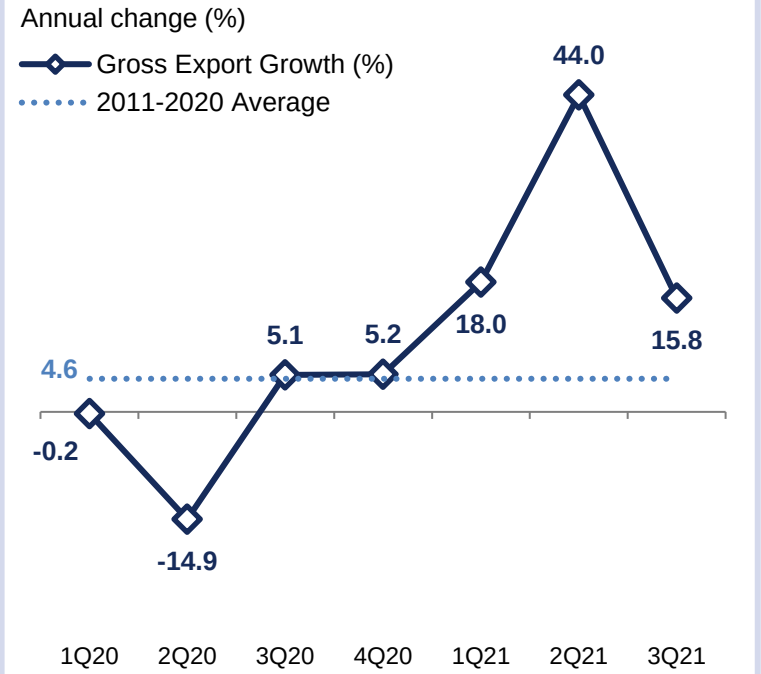
- Special Strategic Investment Fund to attract foreign investments from MNCs (RM2 bn)
- Digital Ecosystem Acceleration Scheme
- Incentives for greater adoption of e-commerce
- New and upsized facilities under BNM's Fund for SMEs (RM4.5 bn)
  (i.e Low Carbon Transition Facility, Targeted Relief and Recovery Facility)

Source: Ministry of Finance Malaysia and newsflows

Continued expansion of gross exports underpinned by strong external demand

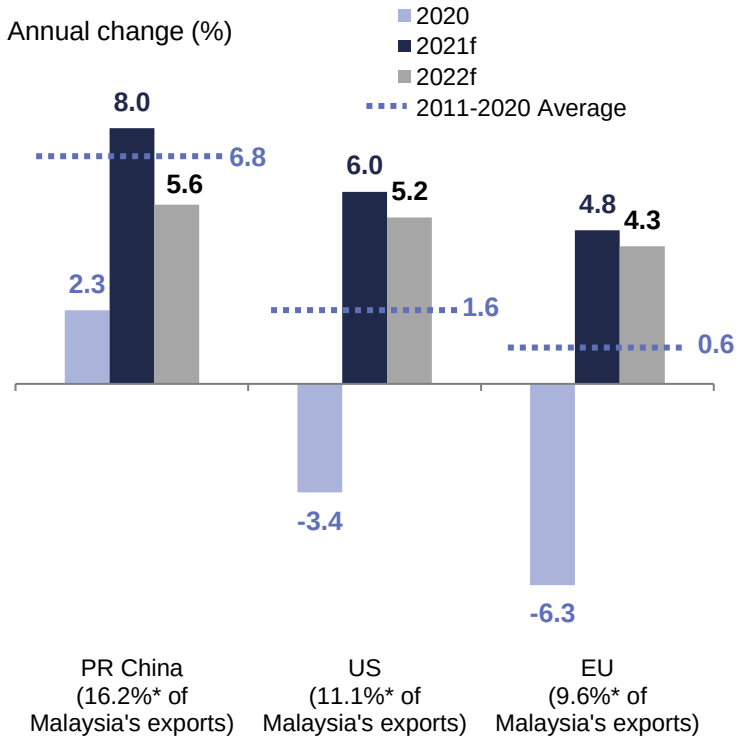
Double-digit export growth with broad-based expansion across products

Gross Exports Growth



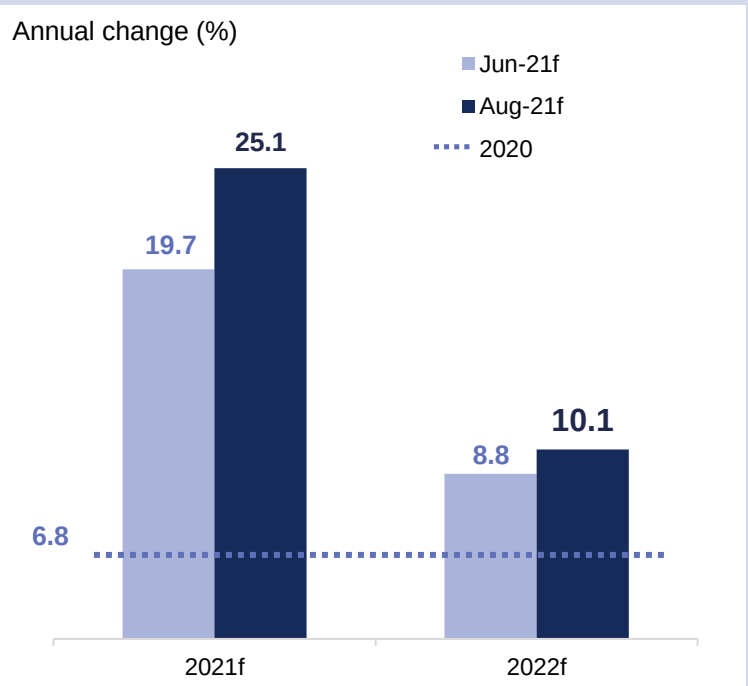
Rebound in Malaysia's major trade partners' growth…

Growth in Malaysia's Key Trade Partners



… and robust demand for semiconductors are expected to benefit Malaysia's exports

WSTS Forecast for Global Semiconductor Sales



* Share of 2020 Malaysia's exports

Source: International Monetary Fund, World Semiconductor Trade Statistics (WSTS), Department of Statistics Malaysia

The growth outlook, however, remains subject to risks

External Factors

▲ Global vaccination progress
Further resumption of economic activities as public healthcare conditions improve

▼ Emergence of Variants of Concern (VOCs)
Emergence of more severe and vaccine-resistant COVID-19 VOCs could lead to widespread lockdowns

▼ A more prolonged and severe disruption in global supply chains
Resurgence of cases in key economic centres and supply bottlenecks hampering activities

▼ Heightened financial market volatility
Continued bouts of volatility given COVID-19 uncertainties and monetary policy normalisation in major economies

Upside Risks

Downside Risks

Domestic Factors

▲ Greater policy certainty
Budget 2022 and RMK-12 providing additional clarity on policy priorities to boost business sentiments

▲ Faster progress of infrastructure projects
Reiteration of commitment towards deadlines would entail ramp-up to mitigate delays

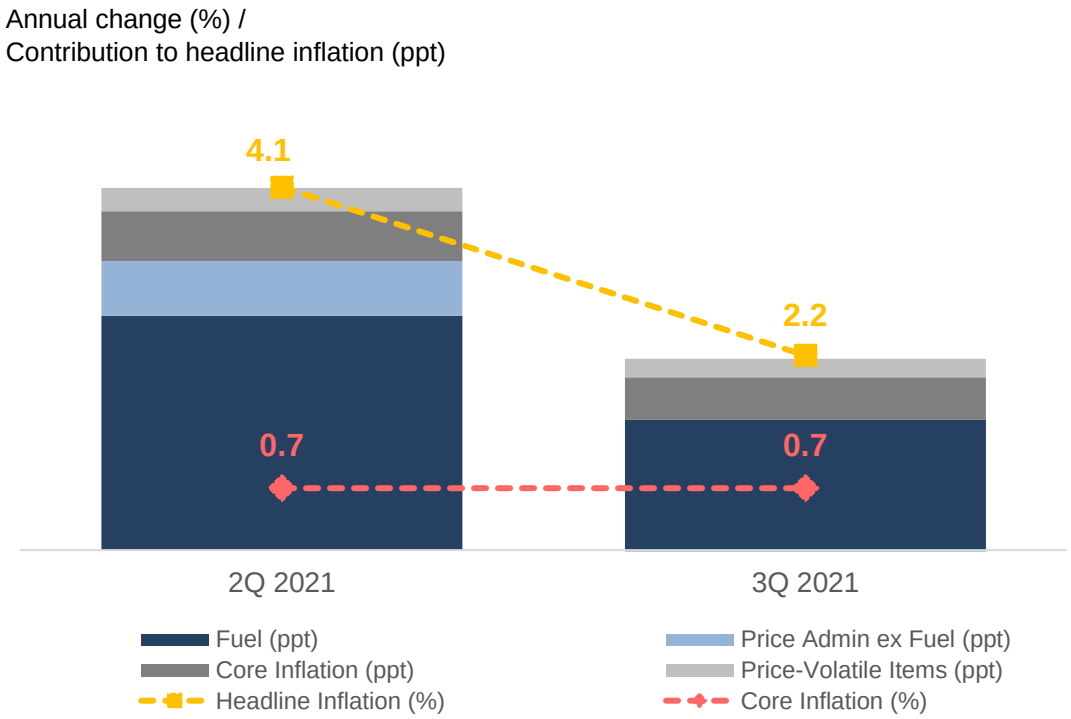
▼ Deterioration in public health outcomes
Resurgence of cases and emergence of new VOCs could lower vaccine effectiveness

▼ Re-imposition of containment measures
The state of firms' operating capacity and consumer spending is contingent on responses to contain outbreaks

Headline inflation moderated in 3Q 2021

Lower inflation in 3Q 2021, driven by the dissipating base effect from fuel prices and electricity bill discounts

Annual Change in Inflation and Contribution to Headline Inflation



Headline inflation is expected to remain moderate in 2022

Outlook for CPI Inflation

1. **Headline inflation is expected to average** between 2.0% and 3.0% for 2021

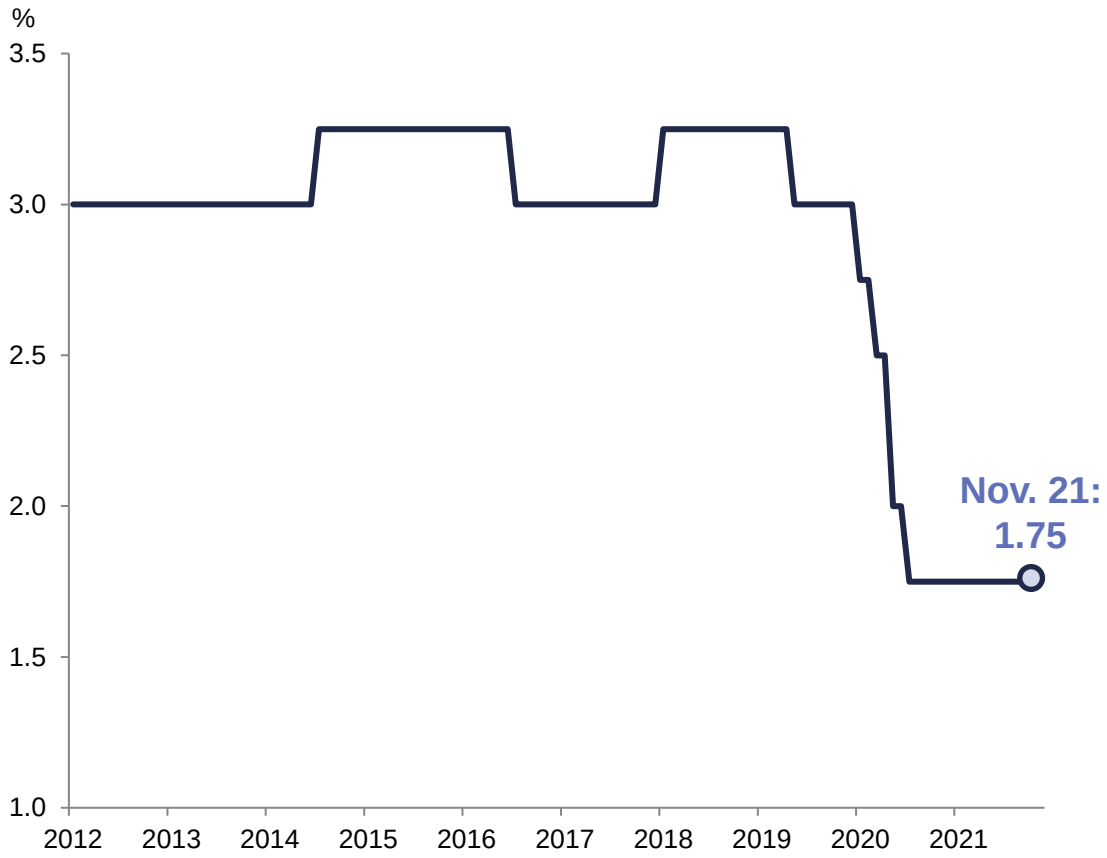
2. **Core inflation would remain subdued** (averaging below 1.0%) amid continued spare capacity in the economy and slack in the labour market

3. **In 2022, headline inflation is projected to remain moderate.** Core inflation is expected to edge upwards but remain benign

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

Monetary policy remains accommodative

Overnight Policy Rate (OPR)



- OPR maintained at **1.75%** at the November MPC meeting

- Monetary policy (MP) will remain **accommodative**
  - *Provide support to the economy*
  - *Ensure price pressures remain manageable*

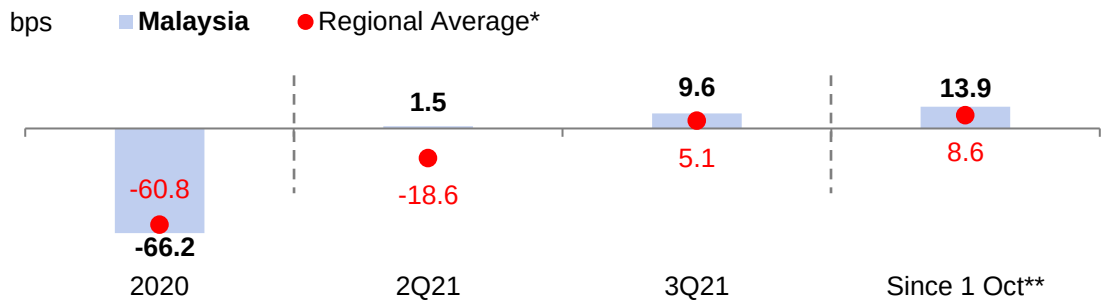
- Amid uncertainties surrounding the pandemic, MP will continue to be **determined by new data and information**

Source: Bank Negara Malaysia

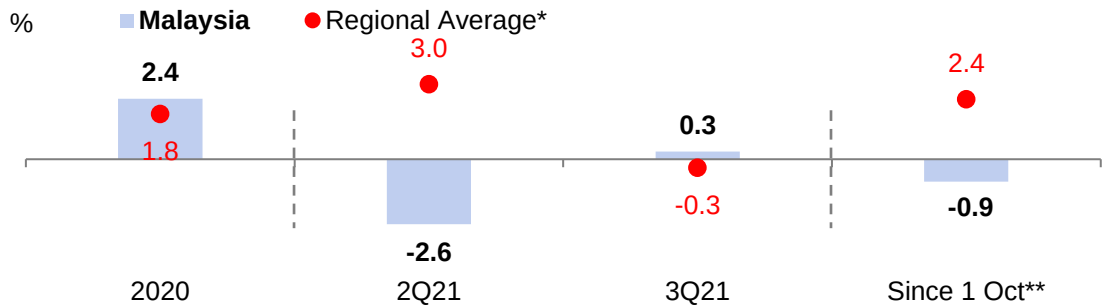
Domestic financial markets were affected by uncertainties surrounding the global growth outlook and global liquidity adjustments

Higher MGS yields amid expectations for global liquidity adjustments, while domestic equities were partly supported by the gradual reopening of the economy

Movement of 10-Year Sovereign Bond Yields



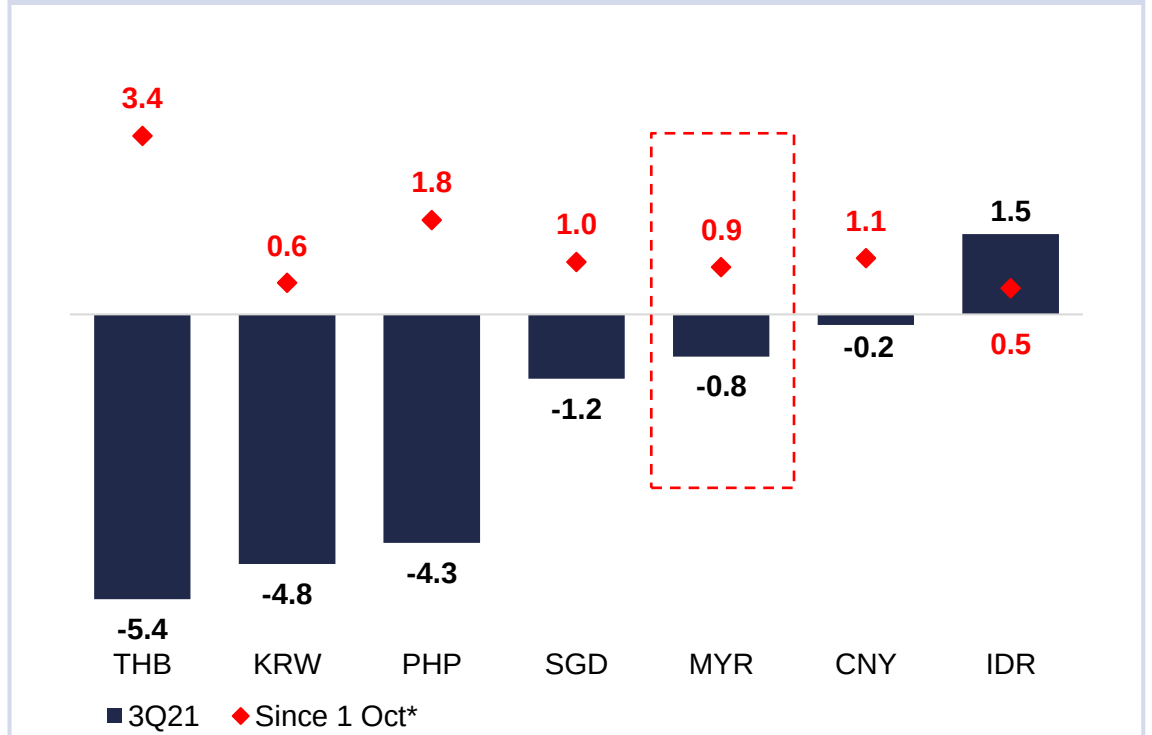
Movement of Equity Prices



*Regional countries include Indonesia, the Philippines, China, Singapore, Korea and Thailand.
**As at 9 November 2021.
Source: Bank Negara Malaysia, Bloomberg

The ringgit depreciated marginally in 3Q 2021 before appreciating in the more recent period

Movement of Exchange Rate against the US Dollar

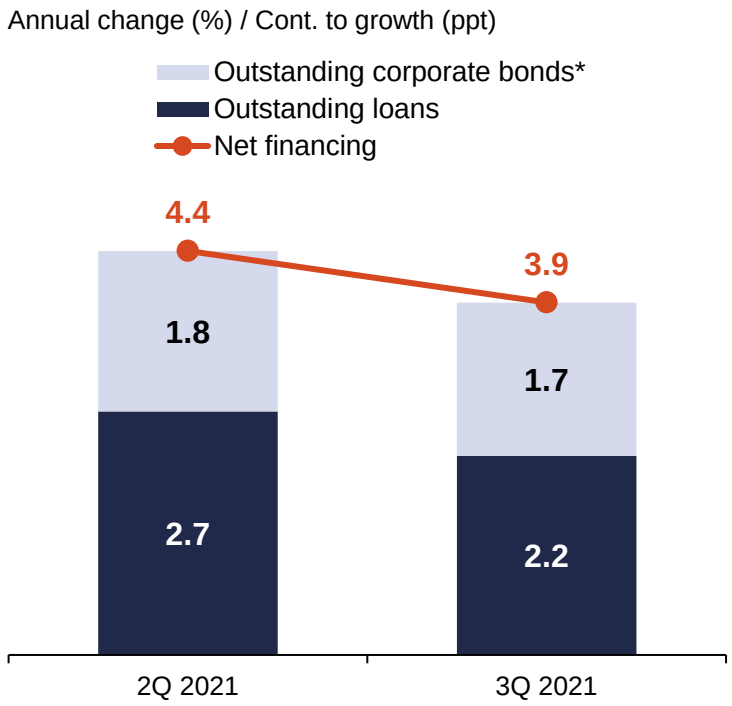


*Change in exchange rate against the US dollar from 1 October to 9 November 2021
Source: Bank Negara Malaysia, Reuters

Net financing remained supportive of economic activity

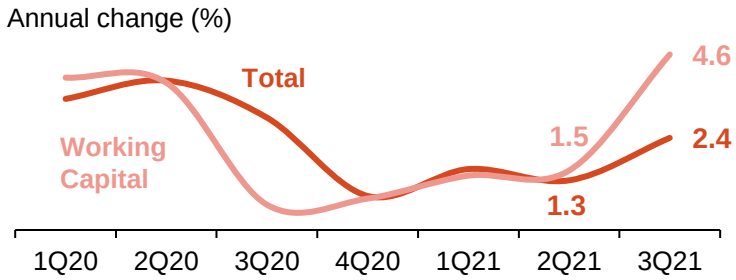
Net financing growth expanded by 3.9% as at the end of the third quarter

Net Financing

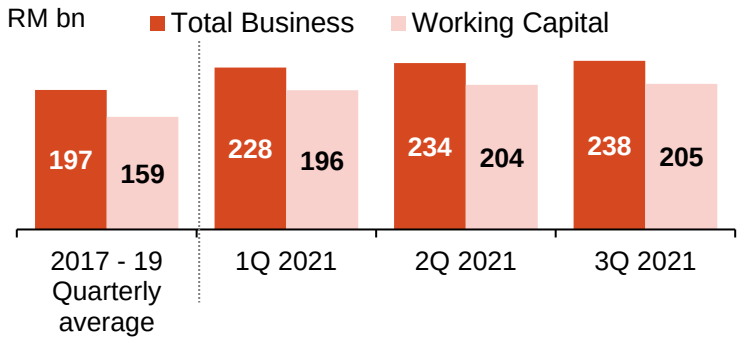


Business loan growth increased, supported by working capital loans

Outstanding Business Loan Growth

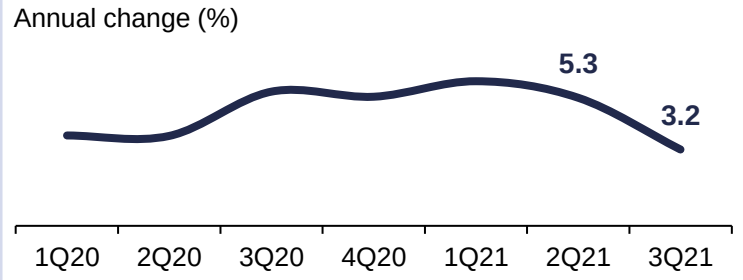


Business Loan Disbursements

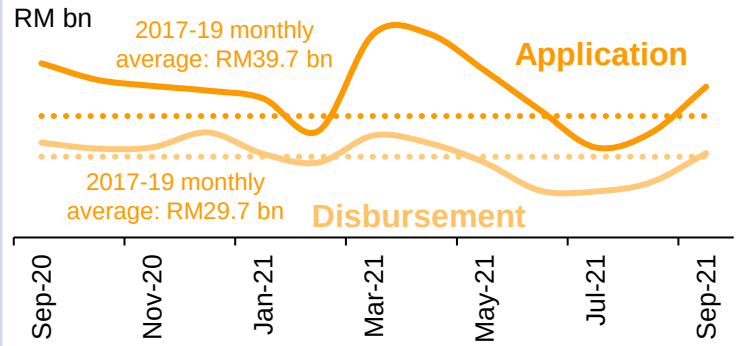


Despite lower outstanding loan growth, credit flow to households trended upwards as disbursements rose

Outstanding Household Loan Growth



Household Loan Applications and Disbursements

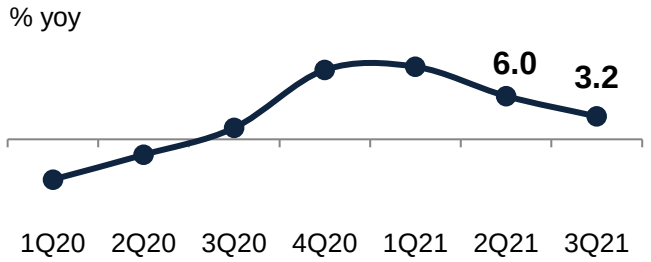


Note: Data refer to loans from the banking system and development financial institutions (DFIs), except for working capital loans and loan applications, which only include banking system data. Numbers may not add up due to rounding.
* Excludes issuances by Cagamas and non-residents.
Source: Bank Negara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

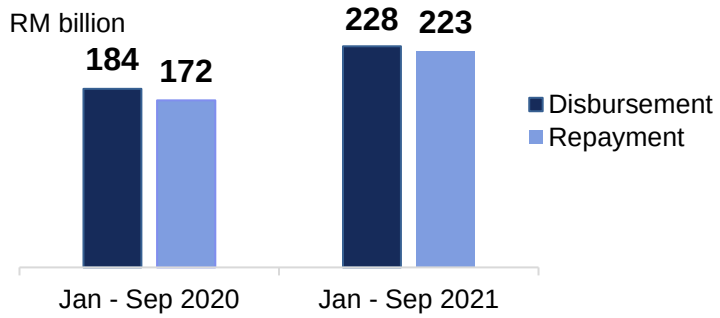
Continued financing to SMEs in 3Q 2021, with forthcoming approvals

Financing to SMEs expanded by 3.2%, with higher disbursements YTD in 2021, in support of SME relief and recovery

Outstanding SME Financing



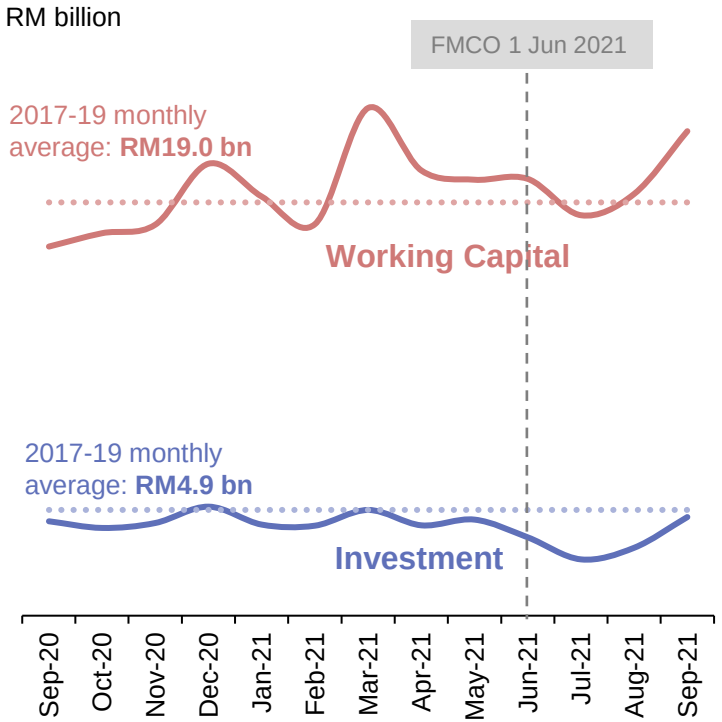
SME Financing Disbursements and Repayments (Cumulative January - September)



Source: Bank Negara Malaysia

Disbursements channelled towards working capital amid reopening of economy, while financing of investments also recovered

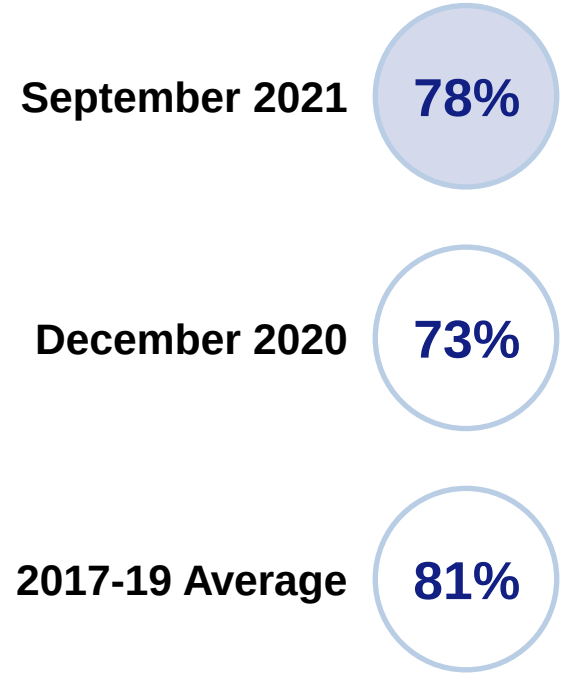
SME Financing Disbursements by Purpose* (Monthly)



*Banking system only

Improving approval rates in 2021

Approval Rates*



*Banking system only

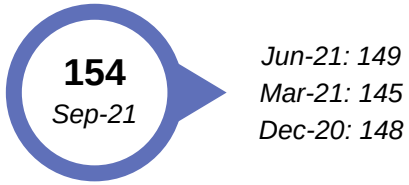
Banks remain well-positioned to support household and business needs as the economy recovers

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

Total Capital Ratio, %

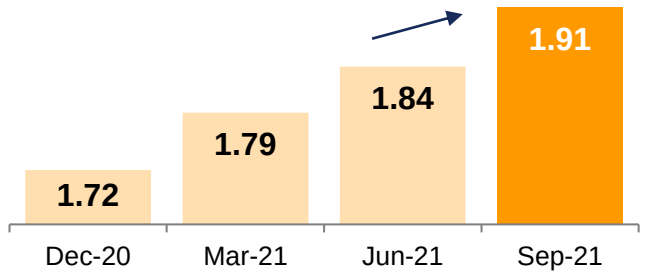


Liquidity Coverage Ratio, %

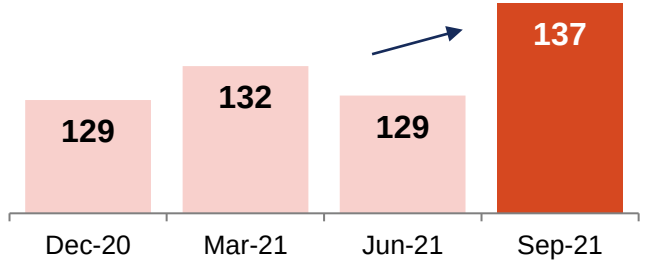


Banks continue to maintain prudent provisioning practices…

Total Provisions, as % of loans

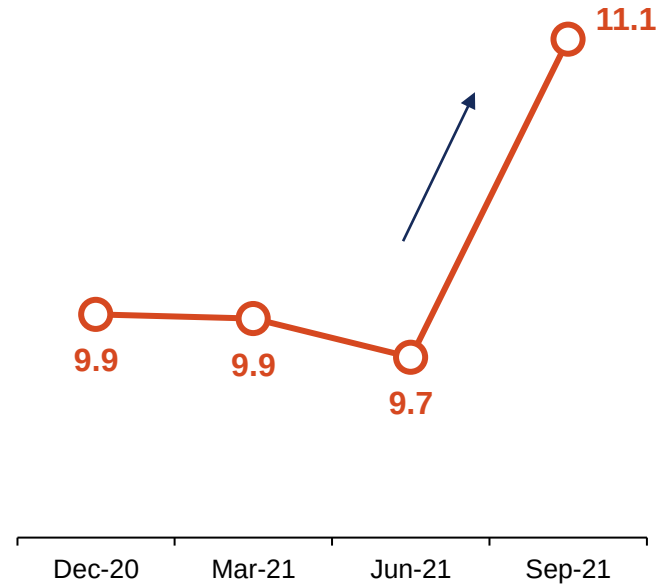


Loan loss coverage, %



…amid elevated credit risk outlook

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



[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

Government and financial sector support has been prioritised for SMEs amid the pandemic

Access to Financing & Grants: Budget 2022 - SEMARAK NIAGA (RM40 bn)

Banks & DFIs

SJPP

CGC

iNSME

Amanah Ikhtiar Malaysia

TEKUN NASIONAL

BSN

penjana Kapital

Suruhanjaya Sekuriti MyCIF

PUNB

iTekad

LEAP listing fees exemption

Targeted Relief & Recovery Facility
PENJANA Tourism Financing

SME BANK GROUP MySMEBina MySMEBekal

AgroFood Facility
Low Carbon Transition Facility

AGRO BANK AgroFood Financing Fund

MATRADE Market Development Grant

SME Bank-BSN-TERAJU
SME Recapitalisation Fund (Quasi-Equity)

BPMB Malaysia Development Bank RESET

Business Recapitalisation Facility

Financial Relief

- Repayment Assistance
- Bus & Taxi Hire Purchase Rehabilitation Scheme

- PRIHATIN Special Grant
- Wage Subsidy Programme
- Aid for tour operators
- Homestay aid & matching grant

- HRDF levy exemption
- e-CAP EPF contribution deferment
- Electricity bill discount
- Rental relief (MARA, GLCs)

- Income tax deferment
- Carry forward losses
- Safe@Work tax deduction
- Tax deduction on rental discounts
- Waiver on SSM license renewal late fees

MOF SJPP PERKESO KWSP EPF

Digitalisation & Upscaling

MDEC MOSTI

SME Business Digitalisation Grant

SME Digital Accelerator

National Technology & Innovation Sandbox

SMART Automation Grant

100 Go Digital

Go-eCommerce

HTF-NIA ADF

SAMA-SAMA LOKAL by Maybank2u

Banks' digital business solutions

Debt Advisory & Redress

AKPK SDRS DMP

MyKNP SME Help Desk

Capacity Building

SMECORP MALAYSIA AKPK

CEDAR FEN

One-Stop Centers

MY ASSIST MSME

SMEinfo ONE STOP SME RESOURCES

Stimulus package websites

BNM measures to support economic activity by SMEs under Budget 2022 in line with new growth areas

BNM Measures Announced in the Budget 2022

A new Business Recapitalisation Facility

RM 1.0 billion

- To improve the capital structure of businesses, leading to a more manageable debt-to-equity position to facilitate growth during the recovery phase
- Focus on equity financing combined with debt financing

A new Low Carbon Transition Facility

RM 1.0 billion

- To accelerate SMEs' business transition towards low carbon practices
- To ensure SMEs' continued access to international markets by meeting the requirements from the implementation of EU Carbon Border Adjustment Mechanism by 2023 and net zero commitments around the globe

Upsizing the Targeted Relief & Recovery Facility and Agrofood Facility

RM 2.5 billion

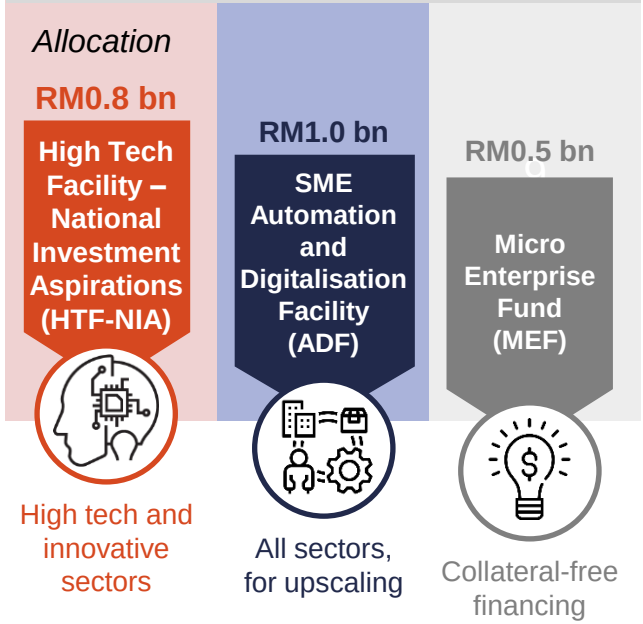
TRRF: +RM2 bn
AF: +RM0.5 bn

- To continue assisting SMEs affected by the COVID-19 pandemic and spur domestic agrofood production & export

Other facilities under BNM's Fund for SMEs remain available

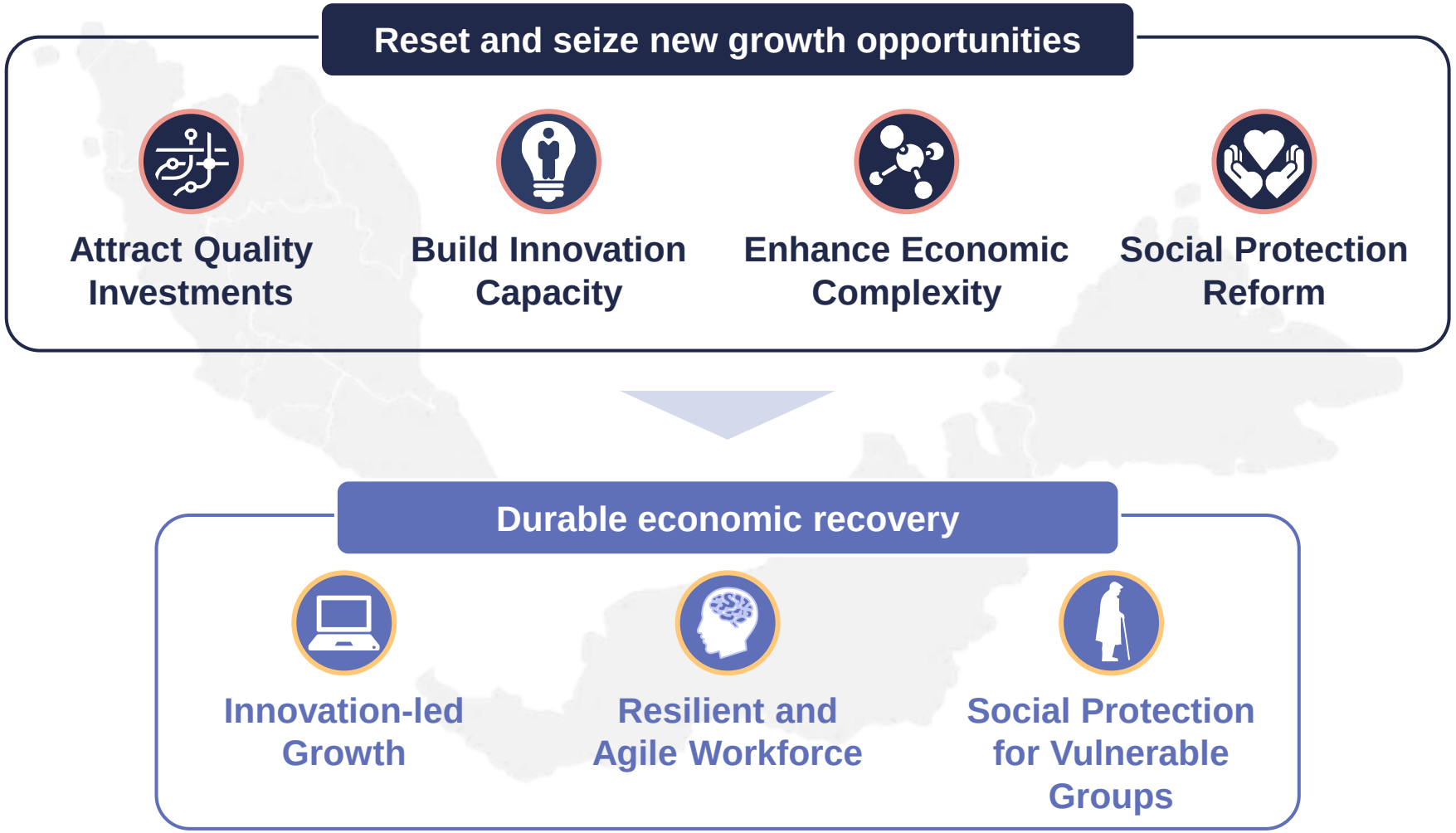
Selected Facilities under BNM's Fund for SMEs

Of the total RM31.1 bn allocated, RM11.1 bn remains available*



*As at 8 November 2021

Looking ahead, it is critical for Malaysia to further embrace structural reforms to foster dynamism and secure a durable economic recovery



The Twelfth Malaysia Plan (12MP) and Budget 2022 outlines initiatives to advance sustainability and boost digitalisation

Advancing Sustainability and Green Growth

Accelerate green growth and more climate conscious practices towards carbon neutrality

Key initiatives include:

- **Voluntary Carbon Market (VCM)** by Bursa Malaysia as a voluntary platform for carbon credit trading
- **Low Carbon Transition Facility** by BNM with a fund value of RM1 billion (matching fund arrangement with participating FIs) to help SMEs adopt sustainable and low-carbon practices
- **Exemption of duties and taxes on electric vehicles (EVs)** incl. import duty, excise duty, sales tax and road tax
- **Feasibility study on carbon pricing**, such as carbon tax and the Emission Trading Scheme
- **Adoption of green certification tools** during the construction and operation phases will be expanded to more government buildings and infrastructure projects (e.g., Sustainable INFRASTAR & Malaysia Green Highway Index)
- **Increase the use of biofuel** by expanding the B20 biodiesel programme and introducing the B30 biodiesel programme

Boosting Digitalisation and Advanced Technology

Enhance digital connectivity and adoption efforts

Key initiatives include:

- **Implementation of *Pelan Jalinan Digital Negara*** (JENDELA) to enable high quality digital infrastructure access
- **Enhancement of the SME Digitalization Grant Scheme** initiative (total funding of RM200 million)
- **Keluarga Malaysia Digital Economy Centres (PEDi):** Transforming 600 Keluarga Malaysia Digital Economy Centres into One-Stop Centres to guide microentrepreneurs in using digital technology
- **Streamlining digital governance** via the National Digital Economy and 4IR Council, providing overall direction in planning, implementation and monitoring of digitalisation initiatives
- **Implementation of the National eCommerce Strategic Roadmap 2.0** to spur eCommerce activities and development of a national e-Invoicing framework to enable trade partners to seamlessly transact using digital mechanisms
- **Execution of the Malaysia Cyber Security Strategy (MCSS)** to spearhead efforts to manage cyber threats, forming a safe, secure and reliable digital ecosystem

Source: Economic Planning Unit, Prime Minister's Department (Economy) and Ministry of Finance Malaysia

Summary

- Re-imposition of containment measures weighed on economic activity during the quarter, leading to **negative GDP growth in 3Q 2021**
- **Growth is expected to improve in 4Q 2021**, in line with easing of containment measures and strong external demand conditions
- **Growth to accelerate in 2022** supported by further resumption of economic activity amid a high vaccination rate, continued policy support and strength of external demand
- **The outlook, however, is subject to risk factors** related to COVID-19 globally and domestically, stability in global financial markets and gradual easing of supply chain disruptions
- Looking ahead, it is **critical for Malaysia to further accelerate structural reforms** to foster dynamism and secure a durable economic recovery

End of Presentation

Q&A

Additional Information

Malaysia's GDP declined by 4.5% in 3Q 2021

Annual Change in GDP Growth by Component

Real GDP (% YoY)	Share[1] % (2020)	2020	2021	
		3Q	2Q	3Q
Services	**57.7**	**-4.0**	**13.5**	**-4.9**
Manufacturing	**22.9**	**3.3**	**26.6**	**-0.8**
Agriculture	**7.4**	**-0.3**	**-1.5**	**-1.9**
Mining and Quarrying	**6.8**	**-7.8**	**13.9**	**-3.6**
Construction	**4.0**	**-12.4**	**40.3**	**-20.6**
Real GDP	**100.0**	**-2.7**	**16.1**	**-4.5**

Real GDP (% YoY)	Share, % (2020)	2020	2021	
		3Q	2Q	3Q
Domestic Demand (Excluding Stocks)	**93.8**	**-3.3**	**12.4**	**-4.1**
Private Sector	**75.2**	**-4.0**	**13.0**	**-4.4**
Consumption	59.5	-2.1	11.7	-4.2
Investment	15.7	-10.8	17.4	-4.8
Public Sector	**18.6**	**0.1**	**9.7**	**-2.8**
Consumption	13.4	6.8	9.0	8.1
Investment	5.2	-13.1	12.0	-28.9
Net Exports of Goods and Services	**6.5**	**19.2**	**34.3**	**-37.5**
Exports	61.5	-4.9	37.4	5.1
Imports	55.0	-7.9	37.6	11.7
Change in stocks, RM bn	**-0.3**	**-7.8**	**15.8**	**0.9**
Real GDP	**100.0**	**-2.7**	**16.1**	**-4.5**

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

Source: Department of Statistics Malaysia

Malaysia's GDP declined by 4.5% in 3Q 2021

Percentage Point Contribution to GDP Growth by Component

Real GDP (Ppt contribution, %)	Share[1] % (2020)	2020	2021	
		3Q	2Q	3Q
Services	**57.7**	**-2.3**	**7.8**	**-2.8**
Manufacturing	**22.9**	**0.7**	**5.9**	**-0.2**
Agriculture	**7.4**	**-0.02**	**-0.1**	**-0.2**
Mining and Quarrying	**6.8**	**-0.5**	**1.0**	**-0.2**
Construction	**4.0**	**-0.6**	**1.2**	**-0.9**
Real GDP	**100.0**	**-2.7**	**16.1**	**-4.5**

Real GDP (Ppt contribution, %)	Share, % (2020)	2020	2021	
		3Q	2Q	3Q
Domestic Demand (Excluding Stocks)	**93.8**	**-3.1**	**11.5**	**-3.8**
Private Sector	**75.2**	**-3.1**	**9.7**	**-3.3**
Consumption	59.5	-1.2	6.7	-2.6
Investment	15.7	-1.8	3.0	-0.8
Public Sector	**18.6**	**0.0**	**1.7**	**-0.5**
Consumption	13.4	0.8	1.3	1.0
Investment	5.2	-0.7	0.5	-1.5
Net Exports of Goods and Services	**6.5**	**1.3**	**1.8**	**-3.1**
Exports	61.5	-3.1	22.6	3.1
Imports	55.0	-4.4	20.9	6.3
Change in Stocks	**-0.3**	**-0.9**	**2.9**	**2.5**
Real GDP	**100.0**	**-2.7**	**16.1**	**-4.5**

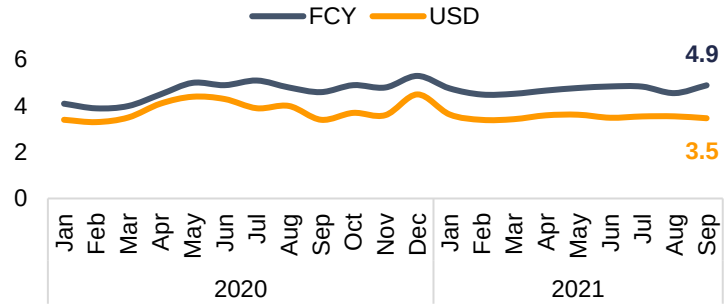
[1] Numbers do not add up due to rounding and exclusion of import duties component

Source: Department of Statistics Malaysia

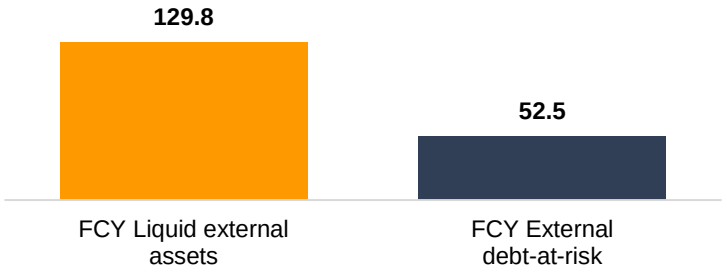
Malaysia's external debt remains manageable

Banks are resilient to face potential external shocks…

Banks' FCY and USD Net Open Positions as Percentage of Capital
% of total capital

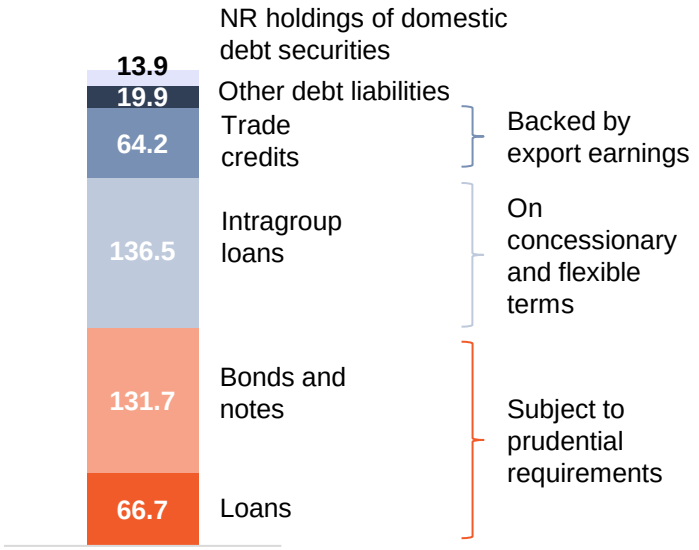


Banks' FCY Liquid External Assets* and FCY External Debt-at-Risk**
RM billion



…while corporates' external debt is mainly subject to prudential requirements

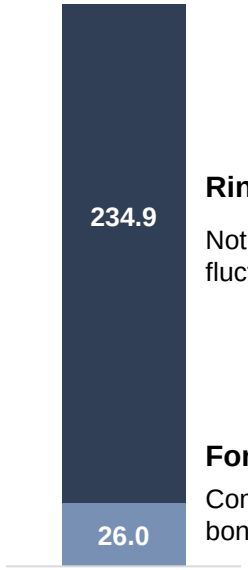
Corporate External Debt Breakdown by Instrument (as at end-3Q 2021)
RM billion



Total: RM432.8 billion

…and Government's external debt mainly in ringgit

Government External Debt Breakdown by Currency (as at end-3Q 2021)
RM billion



Ringgit-denominated
Not affected by ringgit exchange rate fluctuations

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

Total: RM260.8 billion

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

Financial account turned around to record a significant net inflow in 3Q 2021

Inflows in direct and other investment accounts more than offset outflows in portfolio investment account

Financial Account by Component

RM billion	2020			2021		
	3Q	4Q	Year	1Q	2Q	3Q
Direct Investment	**-2.2**	**1.6**	**2.8**	**1.4**	**4.2**	**17.6**
*Direct Investment Abroad (DIA)**	-1.8	-5.2	-11.9	-7.8	-4.0	4.7
*Foreign Direct Investment (FDI)**	-0.3	6.8	14.6	9.1	8.2	12.8
Portfolio Investment	**-20.3**	**-7.1**	**-48.2**	**0.4**	**20.0**	**-4.3**
Residents	-20.8	-19.9	-59.3	-14.2	-10.6	-5.2
Non-residents	0.5	12.8	11.1	14.6	30.5	0.9
Financial Derivatives	**-0.5**	**-0.9**	**0.4**	**0.3**	**-0.6**	**0.7**
Other Investment	**-8.1**	**-3.7**	**-31.1**	**13.9**	**-30.5**	**8.8**
Financial Account Balance	**-31.1**	**-10.2**	**-76.2**	**16.0**	**-7.0**	**22.8**

*As per the IMF's BPM5 classifications (i.e. directional basis)
Note: Numbers may not add up due to rounding

Source: Department of Statistics Malaysia; and Bank Negara Malaysia

Higher FDI inflows amid inflows in DIA

Outflows in portfolio investment

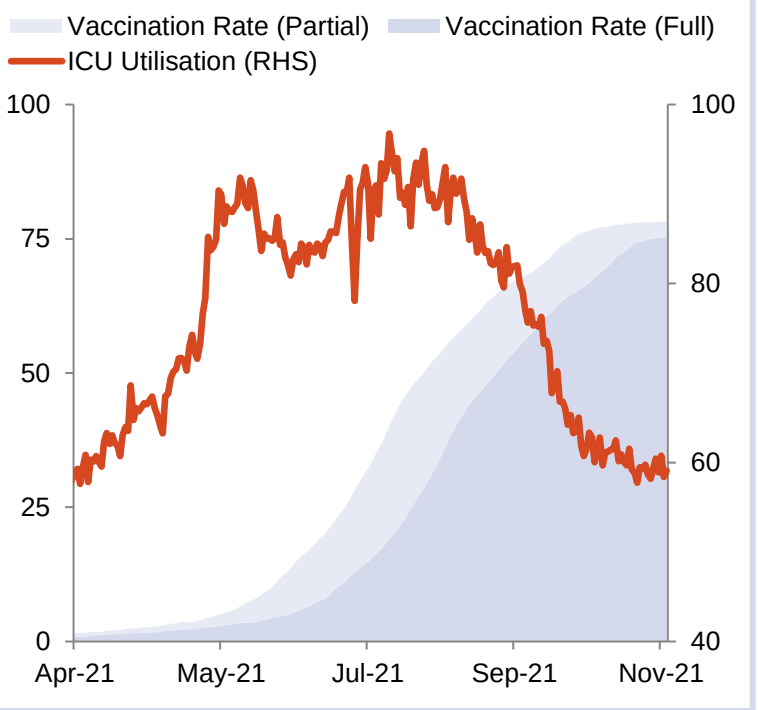
Other investment inflows due mainly to additional SDR allocation from IMF

Improvements in healthcare conditions allowed for the easing of containment measures, supporting the recovery in economic activities

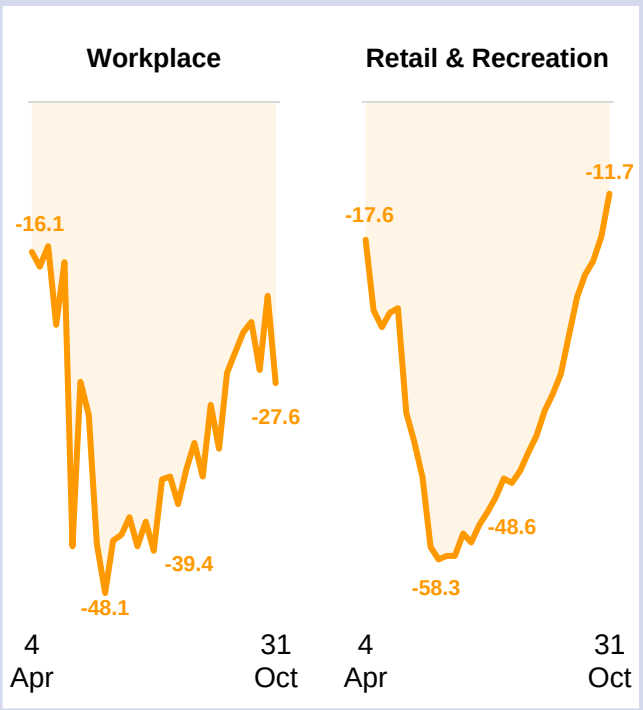
Ramp-up of vaccination rates enabled easing of containment measures…

…leading to a positive turnaround in mobility and resumption of economic activities

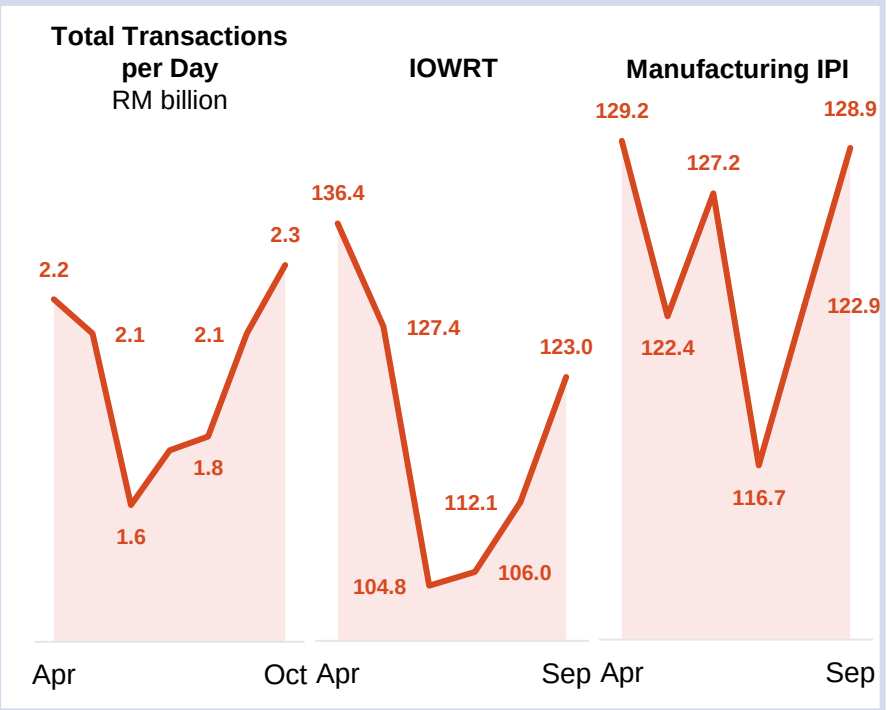
Vaccination and ICU Utilisation Rates, %



Mobility Changes Compared to Baseline, %



High-Frequency Economic Indicators



Note:
1. Vaccination rate refer to the share of total population vaccinated while ICU utilisation rate includes utilisation for non-COVID-19 cases to reflect the overall state of the public healthcare system (as at 9 November 2021).
2. Google mobility data, averaged weekly, is expressed as the percentage change from 3 January 2020 to 6 February 2020 baseline (as at week starting 31 October 2021).
3. Data on total transactions per day, averaged monthly, refers to online and physical spending.

Source: COVID-19 Immunisation Task Force, Ministry of Health, Google COVID-19 Community Mobility Reports, Department of Statistics Malaysia and Bank Negara Malaysia