Sidang Akhbar

Prestasi Ekonomi Suku Kedua Tahun 2024

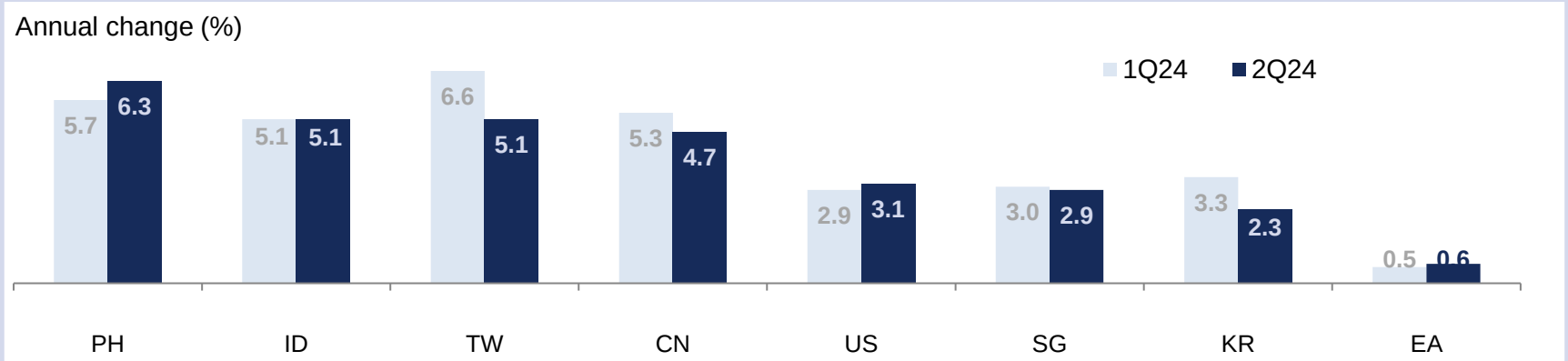
16 Ogos 2024

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

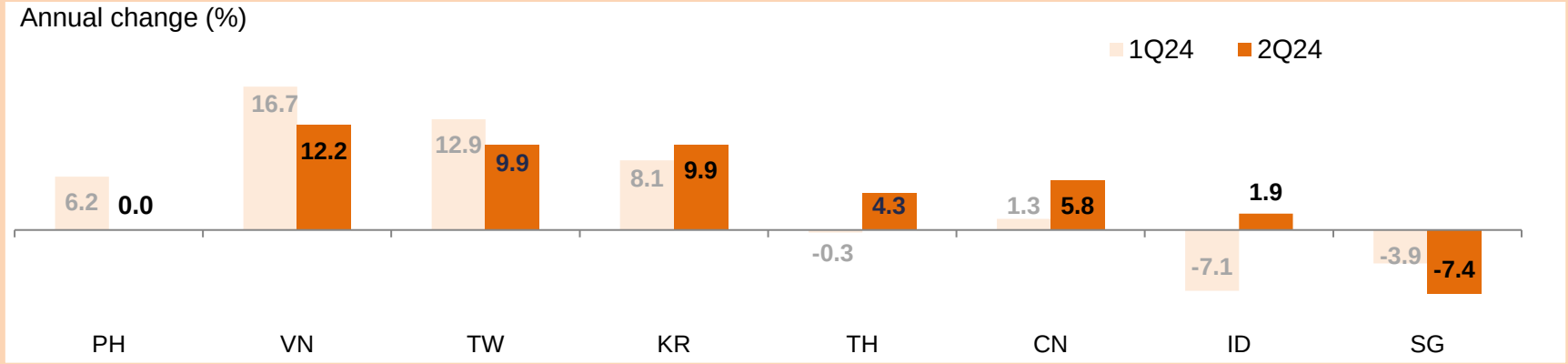
JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

Moderate global growth in 2Q 2024 amid continued recovery in trade activity

Real GDP Growth[1]



Regional Trade Growth



Global Growth Developments

Moderate global growth, weighed by high interest rates amid resilient labour market.

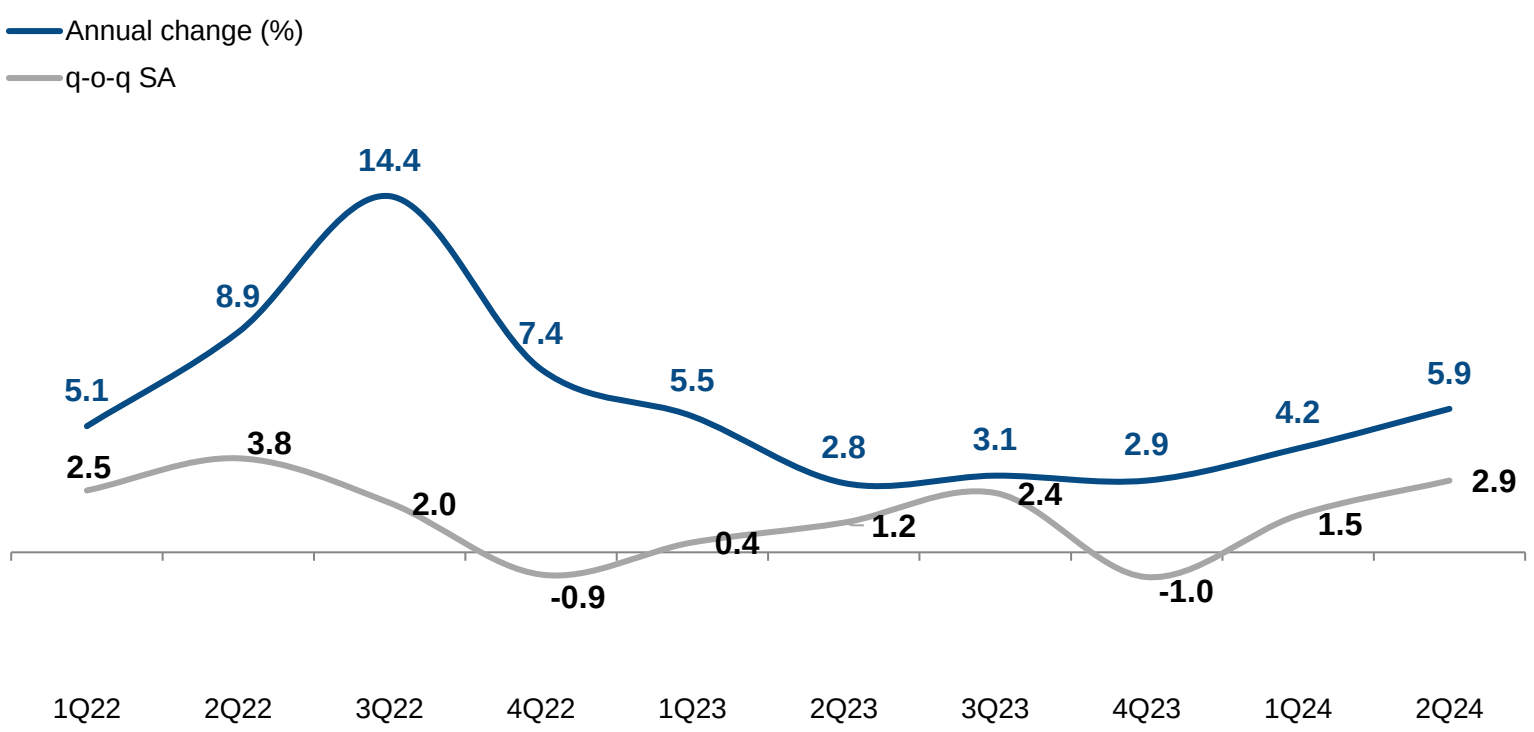
Regional trade recovered further, supported by both E&E and non-E&E goods.

Continued disinflation in advanced economies

Note: [1] GDP for the second quarter of 2024 are advanced or preliminary estimates except for Philippines, Indonesia, China and Singapore.
Sources: National authorities, International Monetary Fund, Bank Negara Malaysia estimates

Malaysia's GDP advanced by 5.9% in 2Q 2024

Real GDP Growth (Quarterly)



Factors Supporting Growth in 2Q 2024

Stronger household spending amid positive labour market conditions and larger policy support

Further pick up in goods exports and tourist arrivals

Robust expansion in investment activities

Factor weighing on growth

Lower growth in mining production following oil & gas field disruption

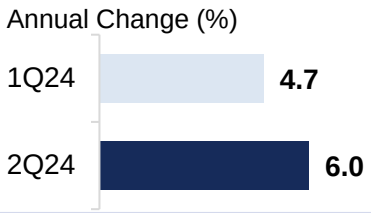
Monthly Real GDP Growth (Annual change, %)

Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
4.9	5.0	2.9	6.2	5.9	5.6

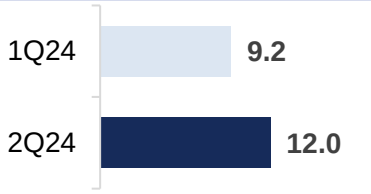
Source: Department of Statistics, Malaysia

Growth supported by stronger private sector expenditure and exports

Demand-Side



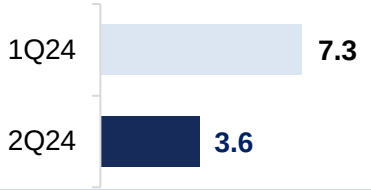
Private Consumption
Higher private consumption supported by positive labour market conditions and larger policy support



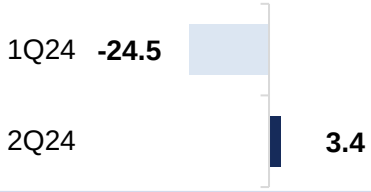
Private Investment
Robust capacity expansion by businesses, especially in the manufacturing and services sectors.



Public Investment
Further expansion in fixed assets spending by the Government and public corporations

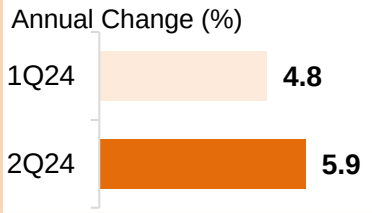


Public Consumption
Continued support from Government spending on emolument and supplies & services

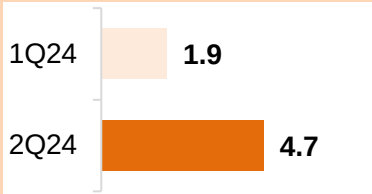


Net Exports
Further exports recovery amid higher external demand and global tech upcycle

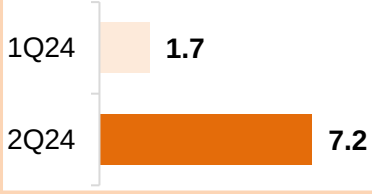
Supply-Side



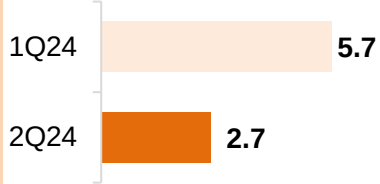
Services
Broad-based improvement in consumer- and business-related services



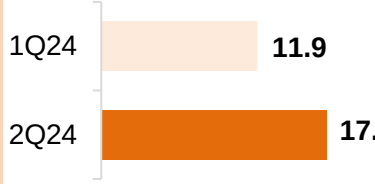
Manufacturing
Higher growth across export- and domestic-oriented industries



Agriculture
Stronger production in oil palm and fisheries subsector



Mining
Lower growth in oil and gas sub sector following production disruption in May

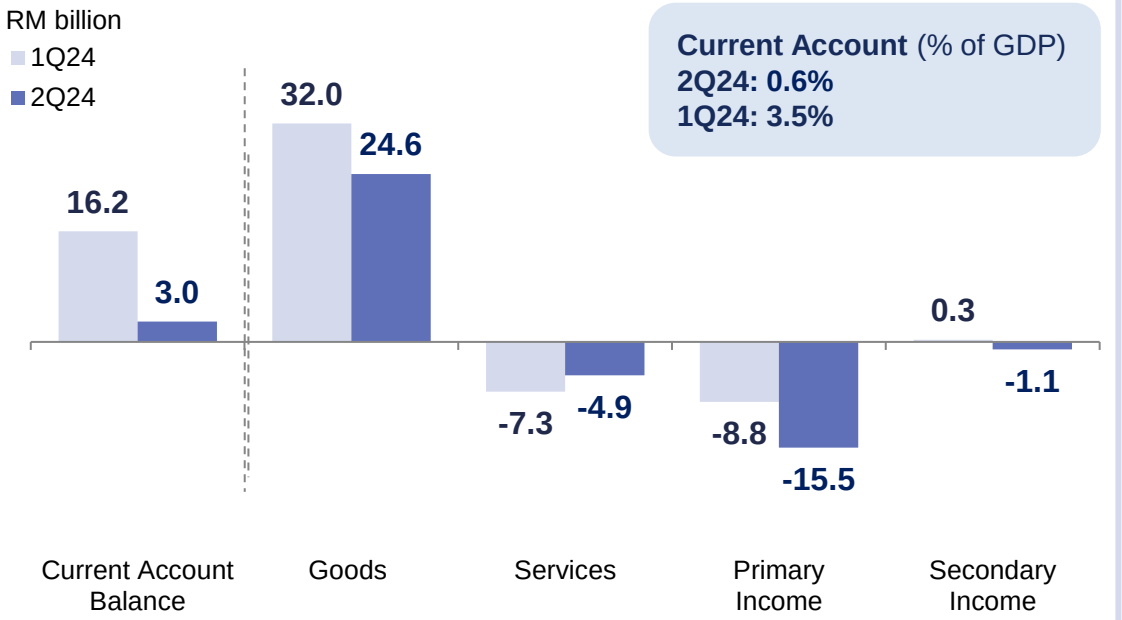


Construction
Higher activities particularly in the civil engineering and special trade subsectors

Source: Department of Statistics, Malaysia

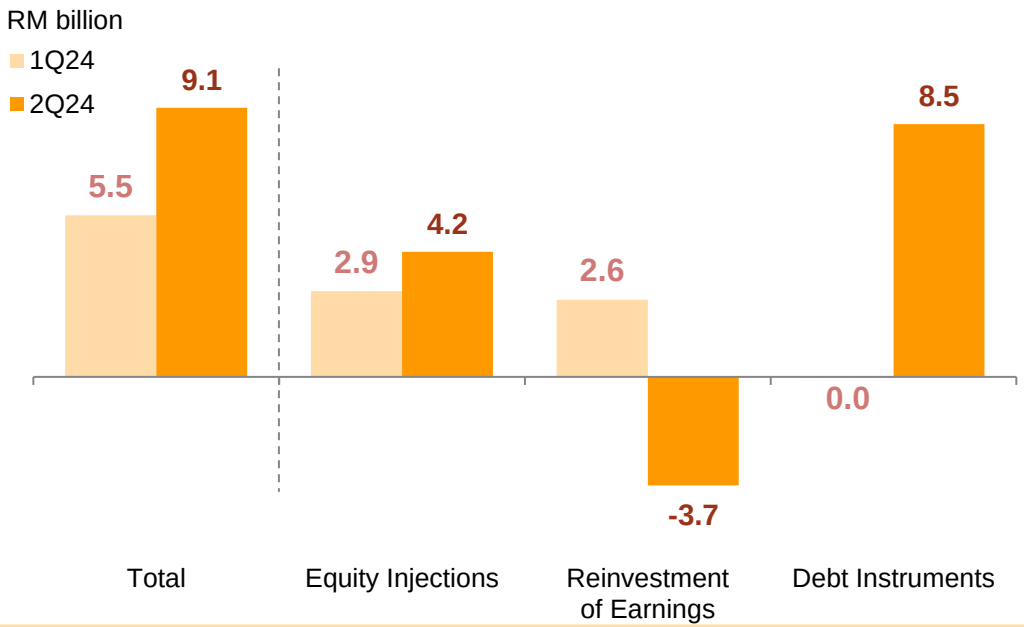
Continued current account surplus and FDI inflows

Current Account



- Continued goods surplus amid improving exports.
- Narrower services deficit, driven by higher travel, transportation and other business services receipts.
- Wider primary income deficit

Foreign Direct Investment



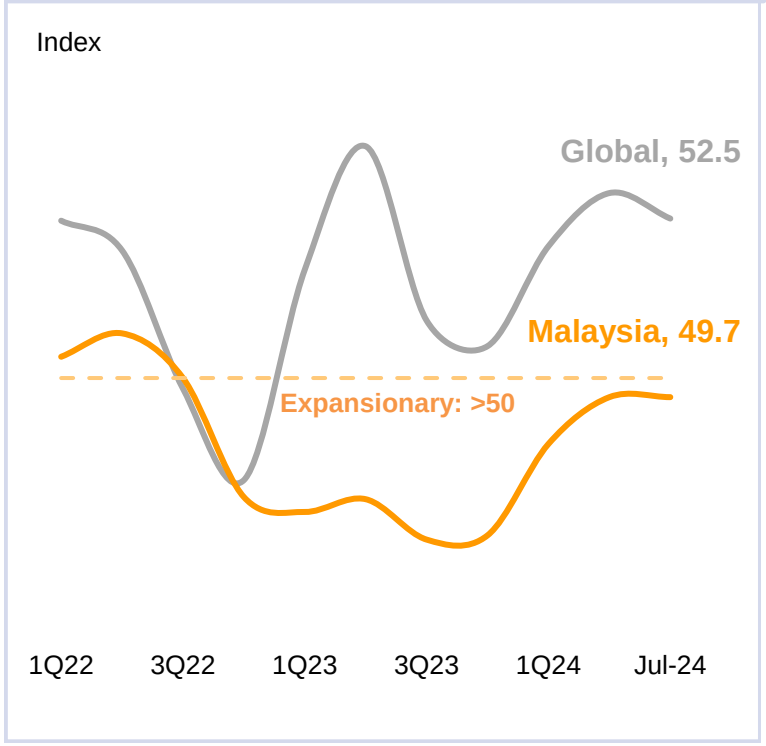
- Higher net FDI inflows amid larger debt instruments and equity injections, offsetting outflows from reinvested earnings.
- FDI was mainly channelled into the manufacturing and non-financial services sectors.

Source: Department of Statistics, Malaysia

Indicators point to sustained growth prospects for the Malaysian economy

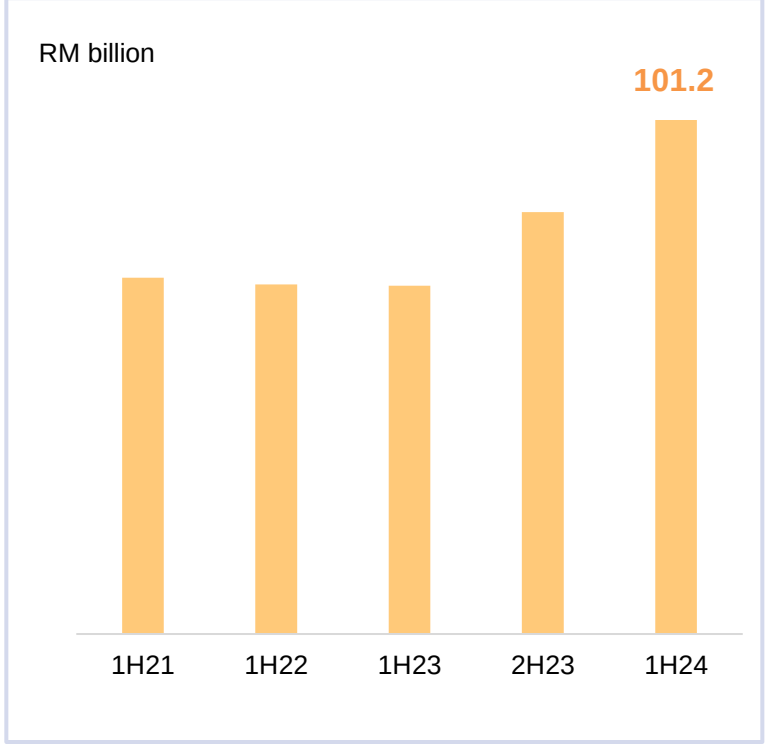
Further pick-up in global orders to drive Malaysia's exports

Global Composite & MY Manufacturing PMI[1]

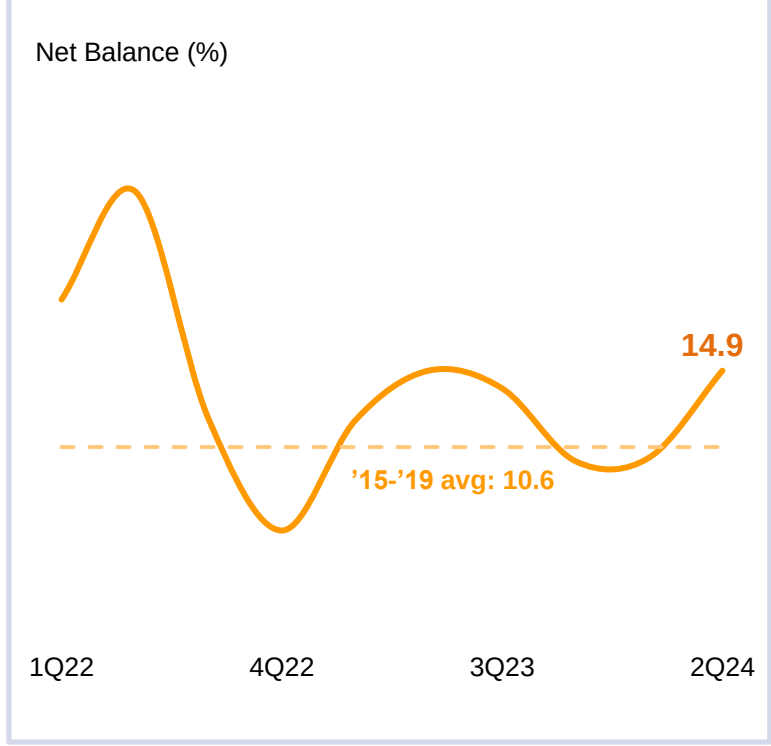


Higher projects awarded and improving business sentiment will support domestic activity

Construction Projects Awarded[2]



DOSM Business Tendency Statistics: Business Expectation

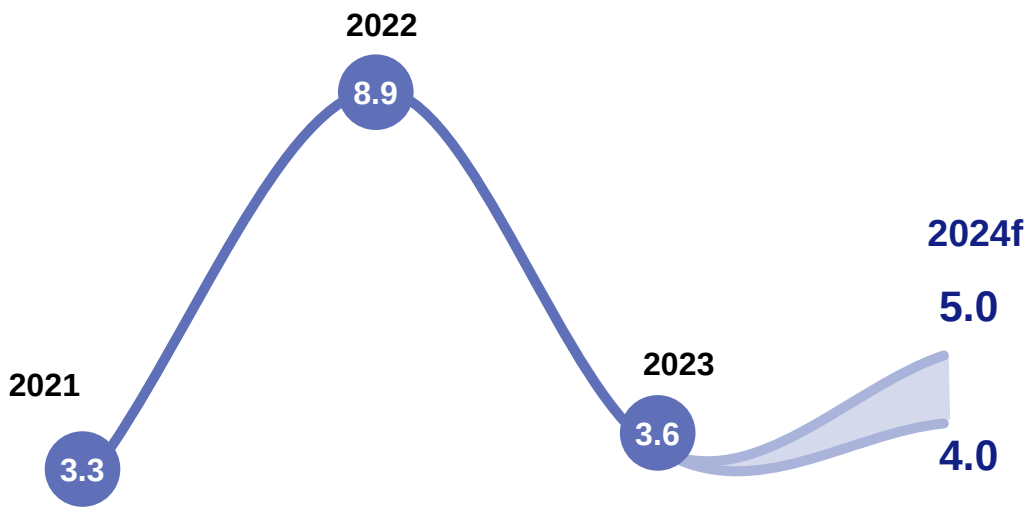


Notes: [1] PMI is Purchasing Manager Index [2] Data as at 31 July 2024
Sources: Department of Statistics, Malaysia, S&P Global, Construction Industry Development Board, CEIC

Growth in 2024 will be driven by domestic spending and strong support from external demand

Real GDP Growth

Annual change, %



Key growth drivers for 2024

Sustained household spending
Continued employment and wage growth as well as policy support

Robust investment activities
Ongoing multi-year projects and realisation of approved investments

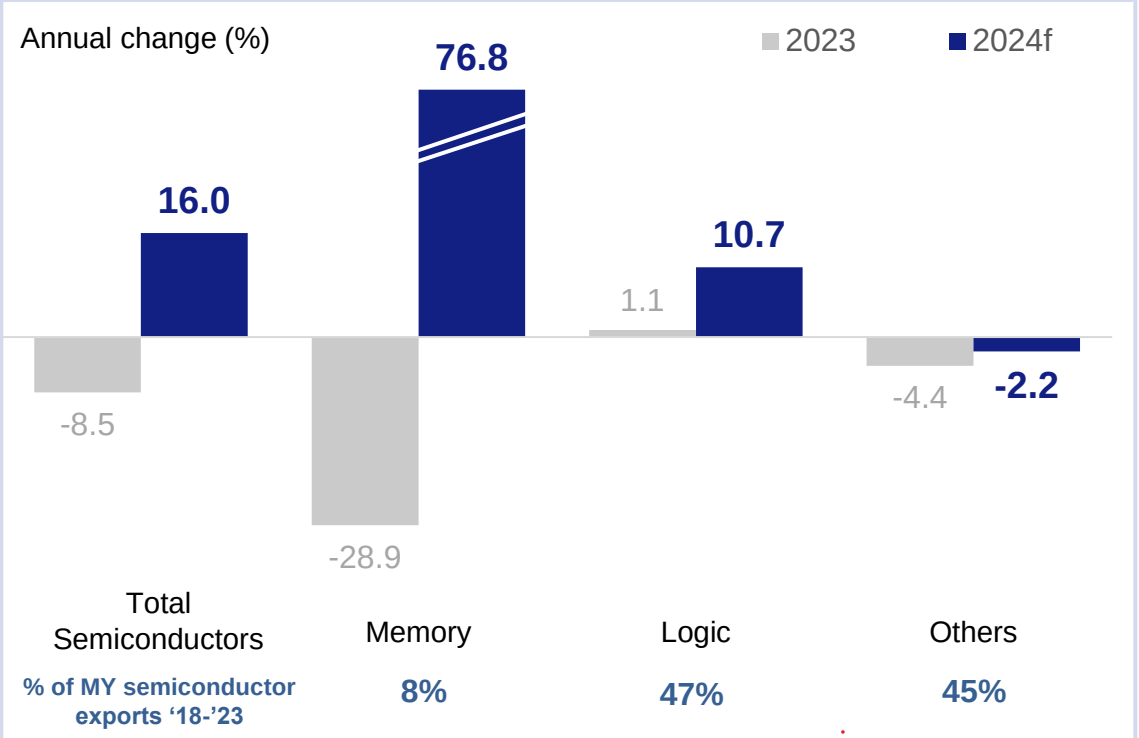
Higher exports and tourist arrivals
Global tech upcycle and higher external demand, with continued tourism recovery.

[e] Estimate, [f] forecast
Source: Department of Statistics, Malaysia, Economic Outlook 2024 (Ministry of Finance Malaysia)

Exports to expand further amid improving external demand and tourist spending

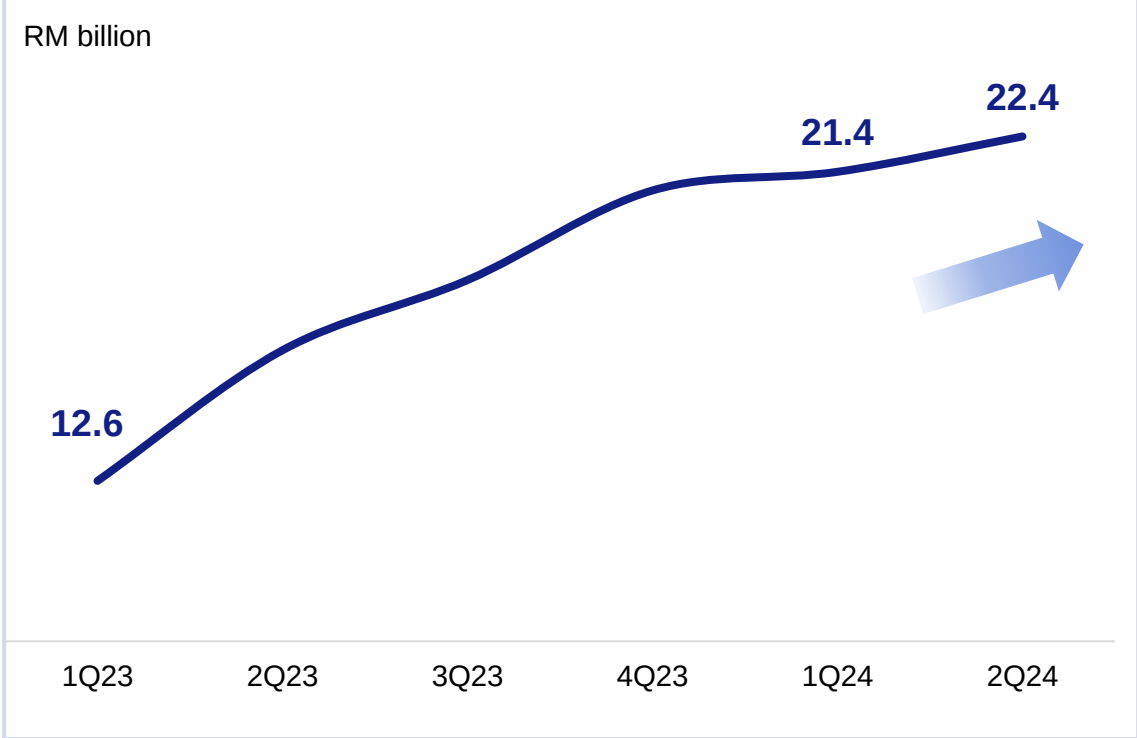
Higher global demand for semiconductors to further lift Malaysia's E&E exports in the year

WSTS Forecast on Global Semiconductor Exports



Projected improvement of travel receipts given higher tourist arrivals amid expanding flight capacity and visa exemptions

Travel Receipts

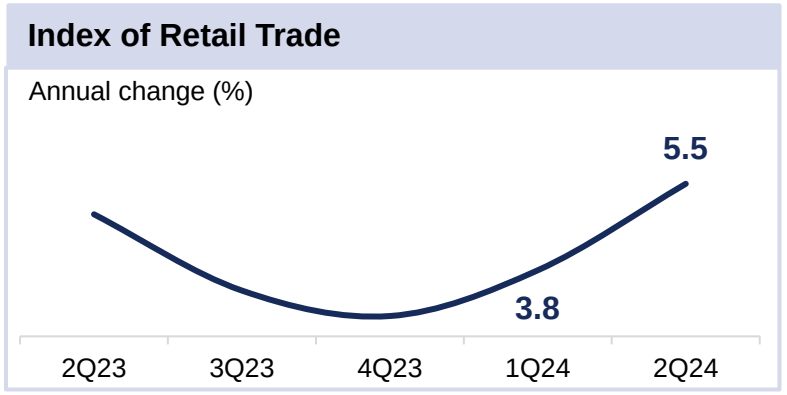


Note: [f] Forecast; Others refers to analog, micro and discrete semiconductors, as well as optoelectronics and sensors
Sources: World Semiconductor Trade Statistics (WSTS) and Department of Statistics, Malaysia

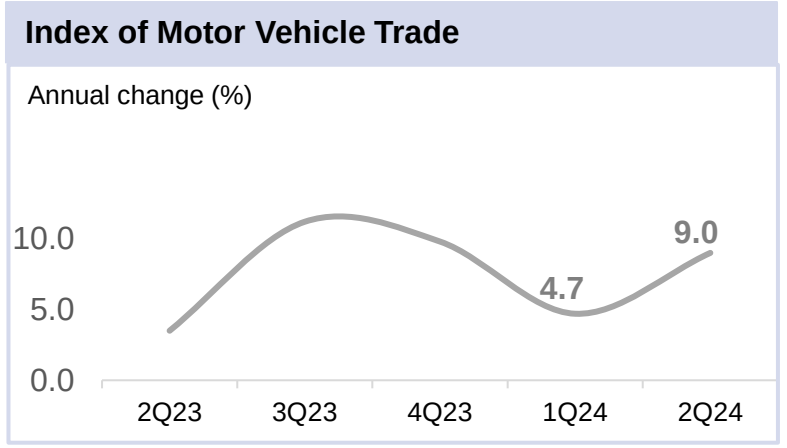
Household spending remains as the anchor of growth

Higher household spending…

Index of Retail Trade

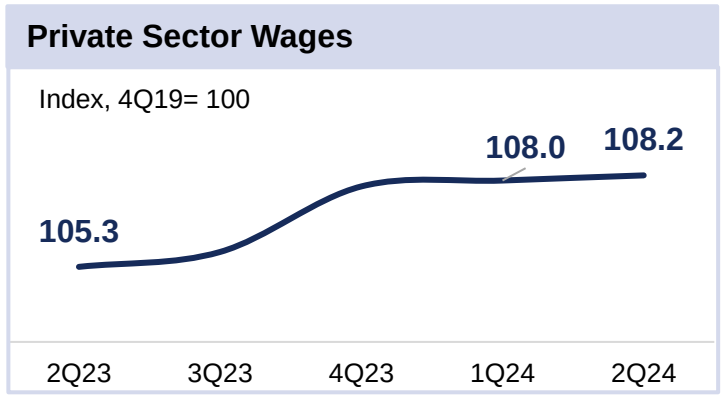


Index of Motor Vehicle Trade

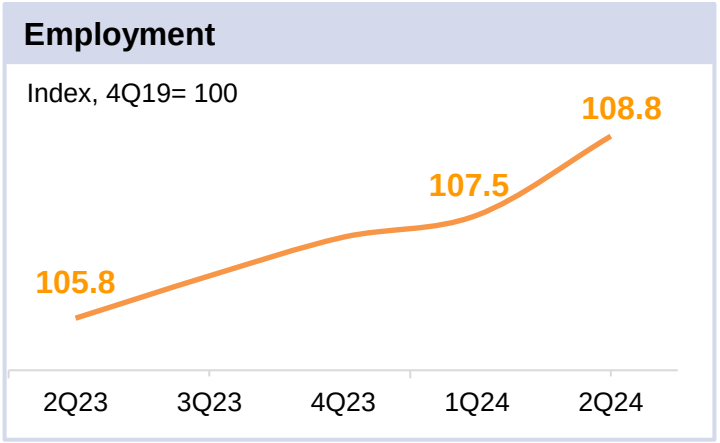


…supported by continued wage and employment growth

Private Sector Wages



Employment



Consumer spending to improve going forward

Improvement in income levels and sound household balance sheet

Continued employment expansion, supported by sustained hiring intentions

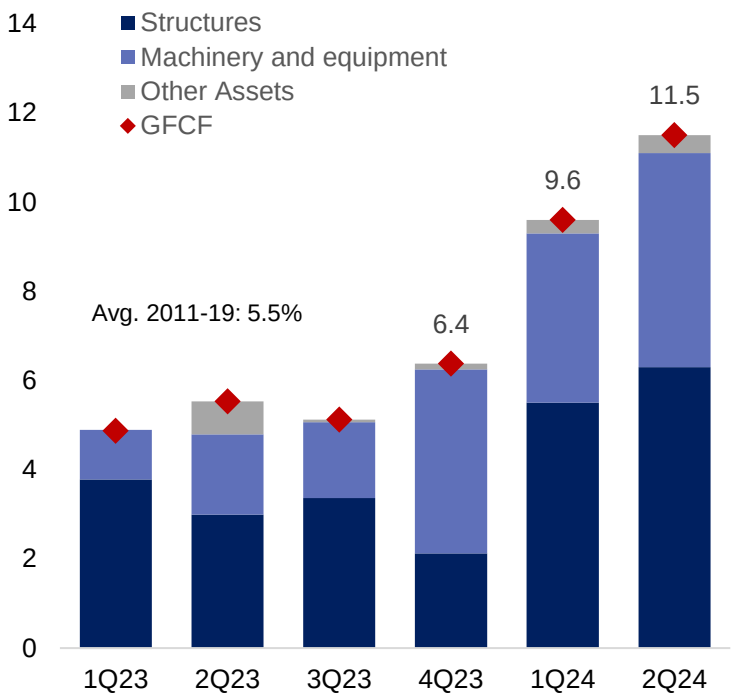
Targeted policy measures to raise and supplement household income

Sources: Department of Statistics, Malaysia and Bank Negara Malaysia

Investment: Robust growth from pre-existing and new capital expenditure as well as supportive financing

Stronger growth in capital expenditure

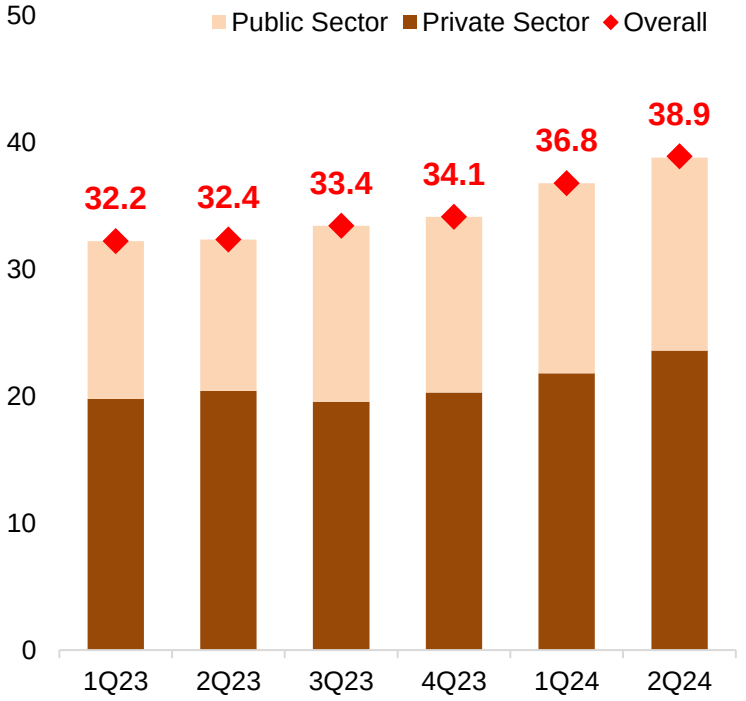
Real Gross Fixed Capital Formation
Annual change (%), ppt contribution



Source: Department of Statistics, Malaysia

Pick up in construction activities

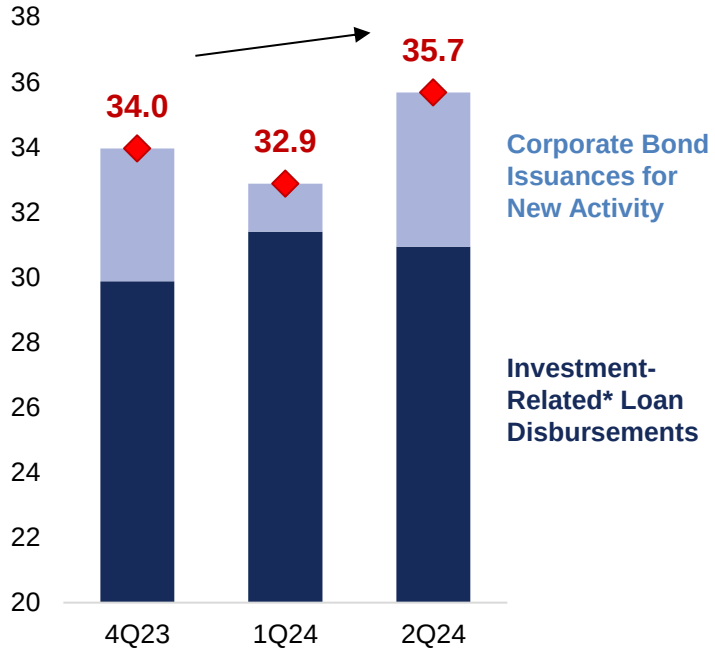
Total value of construction work done
RM billion



Source: Department of Statistics, Malaysia

Financing for investment improved

Business Loan Disbursements and Corporate Bond Issuances
RM Billion



* Loans for investment-related purposes covers purchases of residential property for business use, non-residential property, fixed assets other than land / building, and for construction.

Source: Bank Negara Malaysia

Further progress of multi-year projects to support investment growth going forward

Steady progress in key infra projects…

Key Infrastructure Projects

ECRL
RM50.0 billion, 2018-27
70% as of July'24

RTS
RM3.7 billion, 2021-26
78% as of May'24

Nenggiri Hydro
RM5.0 billion, 2022-27
30% as of Mar'24

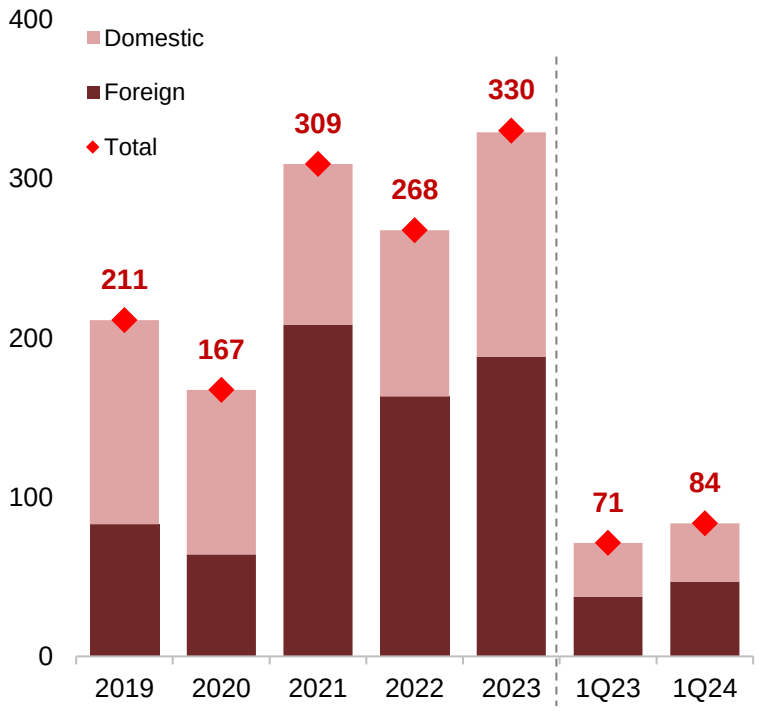
Pan Borneo Sabah Phase 1a
RM16.0 billion, 2016-24
78% as of July'24

Source: Corporate reports, newsflows

…and realisation of approved domestic and foreign investments to support growth

MIDA Total Investment Approvals

RM billion



Source: Malaysia Investment Development Authority (MIDA) Q1 2024 Investment Performance Media Release (21 June 2024)

Approved Investment in 2021 - March 2024 by Sector

Manufacturing
RM 473 billion

Services
RM 462 billion

Recently Announced Notable Data Centre & AI Projects

YTL-Nvidia
RM 20.0bn
2024-2032

Microsoft
RM 10.5bn
2024-2027

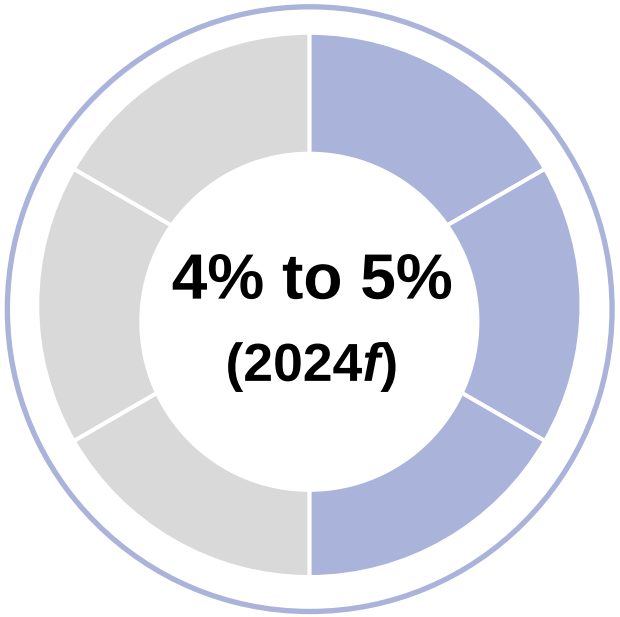
Google
RM 9.4bn
2024-2030

*"Between 2021 – March 2024, **77.2%** of approved manufacturing projects are in various stages of implementation" - MIDA*

Growth outlook remains subject to external and domestic risk factors

Upside risks

- Greater spillover from the **tech upcycle**
- More robust **tourism activity**
- Faster implementation of **new and existing investment projects**



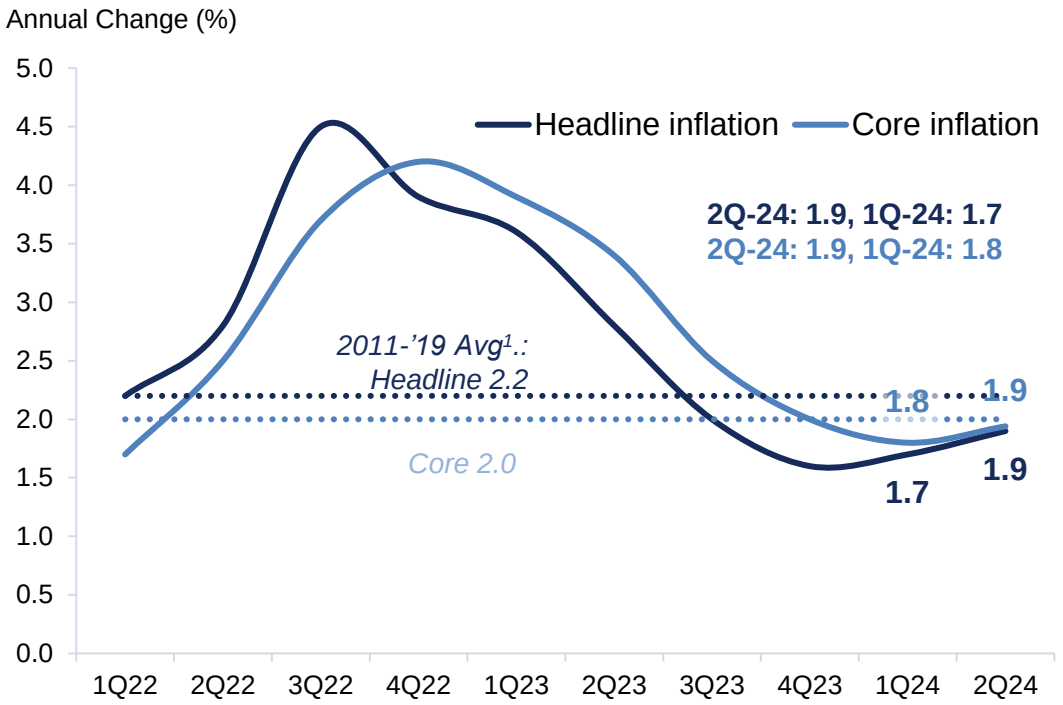
- Weaker-than-expected **external demand**
- Further escalation of **geopolitical conflicts**
- Lower-than-expected **commodity production**

Downside risks

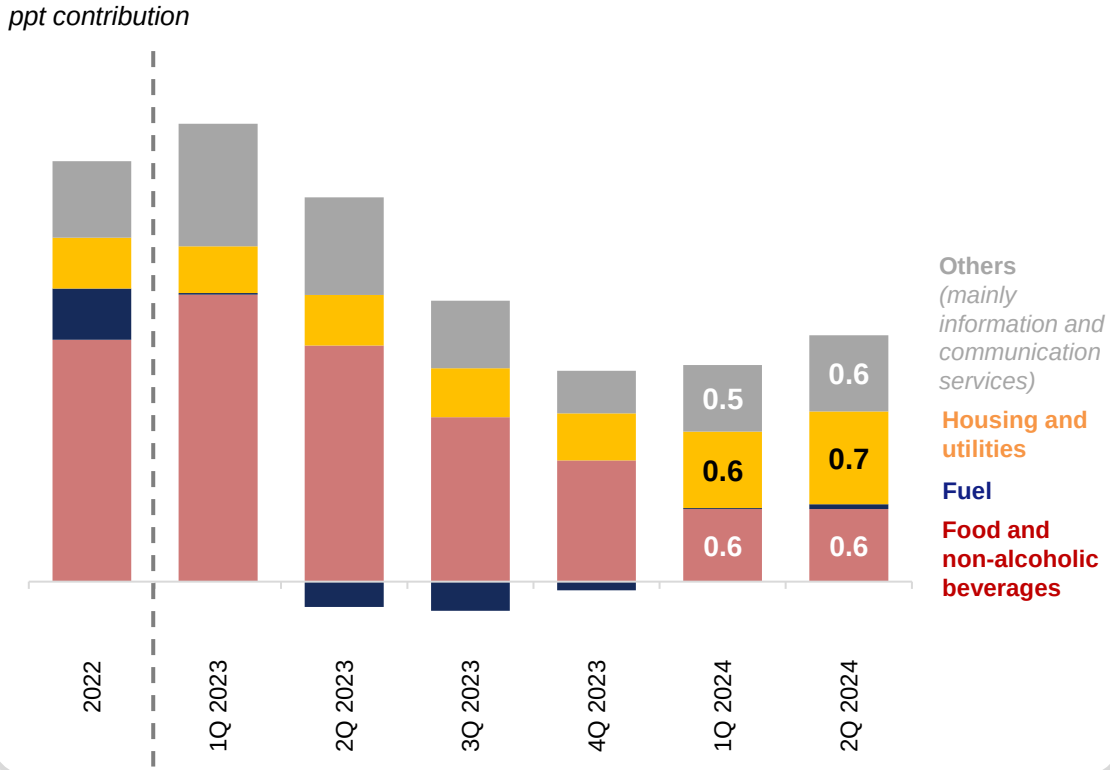
Headline and core inflation edged higher in 2Q 2024

Both headline and core inflation increased slightly, driven mainly by higher housing and utilities inflation as well as inflation for information and communication services

Malaysia's Headline and Core Inflation



Breakdown of Headline Inflation



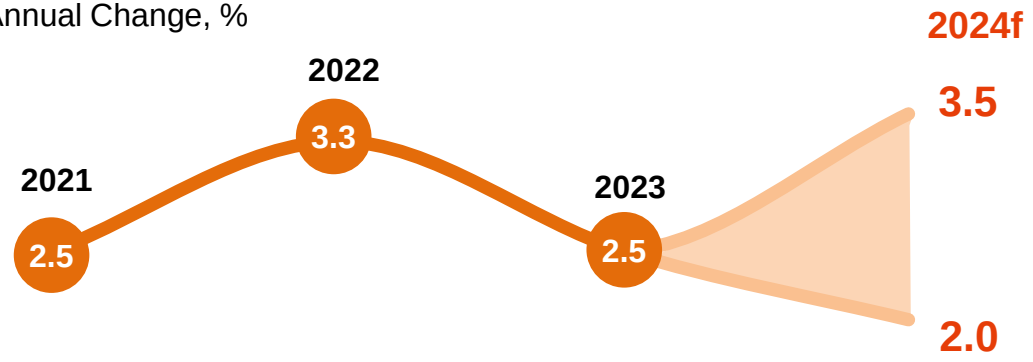
Note: [1] Average of past inflation is calculated based on monthly frequency from Jan-11 to Dec-19
Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

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

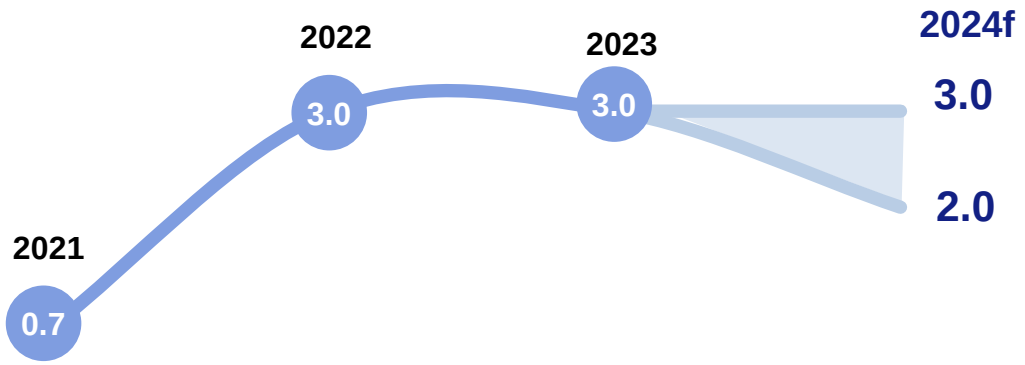
Inflation outlook remains subject to further domestic policy measures as well as risks from external developments

Headline inflation is not likely to exceed 3% for the year, barring further shocks

Headline Inflation
Annual Change, %



Core Inflation
Annual Change, %



Sources: Department of Statistics Malaysia and Bank Negara Malaysia estimates

Balance of risk to inflation outlook in 2024 and 2025

Upside risks

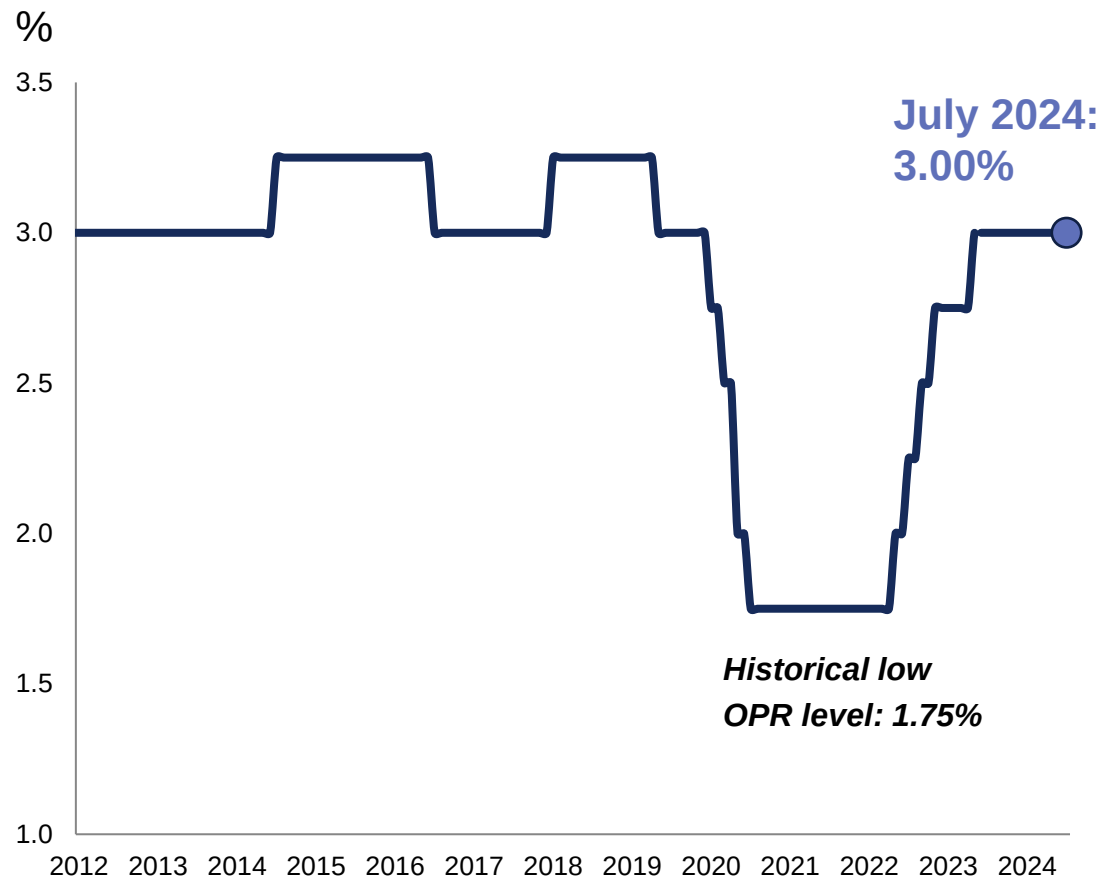
- ▲ Larger-than-expected spillovers from further domestic policies on subsidies and price controls
- ▲ Higher global commodity prices amid worsening geopolitical tensions and weather disruptions
- ▲ Higher inputs costs due to evolving external developments (e.g. US elections, policy adjustments by central banks)

Downside risks

- ▼ Softer commodity prices from weaker growth in major economies
- ▼ Slower demand conditions due to weaker-than-expected external demand

The OPR was maintained at 3.00% at the July MPC meeting

Overnight Policy Rate, OPR

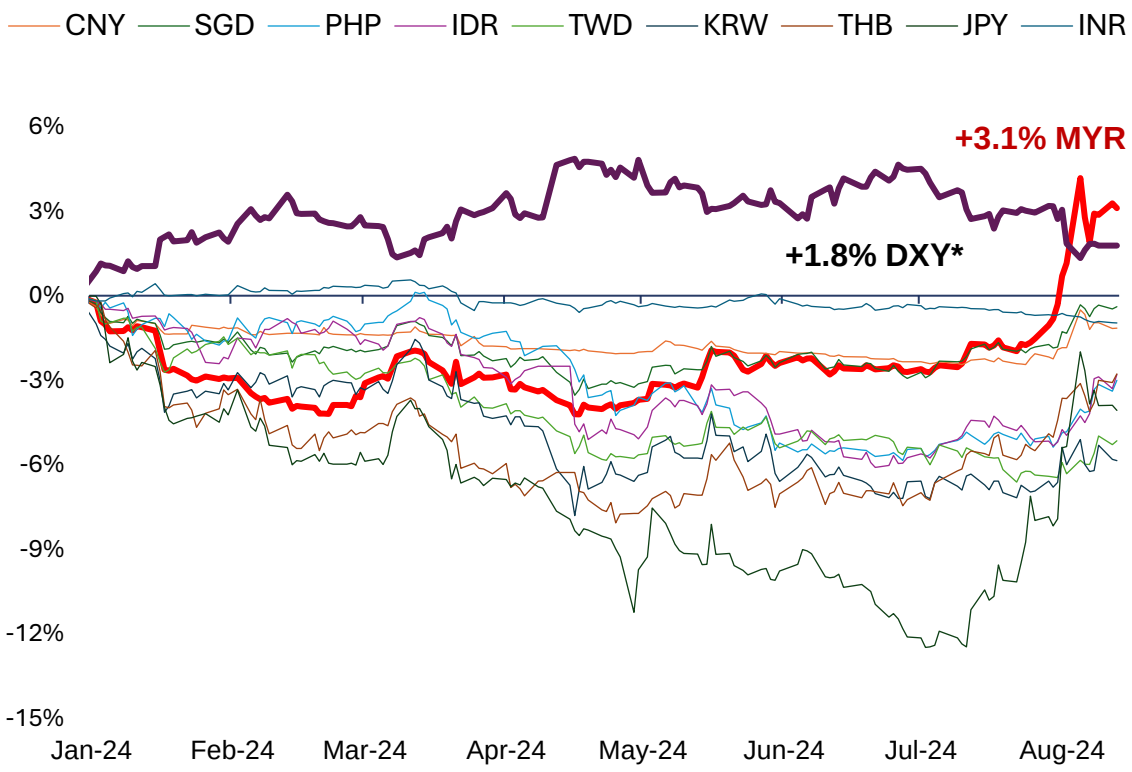


- The MPC deemed that the monetary policy stance remains supportive of the economy and is consistent with the current assessment of the inflation and growth prospects
  - Going forward, growth will be supported by firm domestic expenditure and continued improvement in exports
  - As expected, inflation in 2H 2024 is projected to trend higher amid the recent diesel subsidy rationalisation, but will remain manageable
- The MPC remains vigilant to ongoing developments to inform the assessment on the domestic inflation and growth trajectories going into 2025

Source: Bank Negara Malaysia

Financial market expectations of imminent US policy rate cuts have alleviated pressure on regional currencies, including the ringgit

Year-to-date Regional Currency Movements Against the US Dollar



*The US dollar Index (DXY) is an index of the US dollar value against 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%).

Data as of 13 August 2024.

Source: Bank Negara Malaysia and Bloomberg

Potential global sources of volatility over the coming months

Growing uncertainty on global growth prospects and monetary policy path

Geopolitical tensions, as risk aversion leads to safe-haven flows

Nevertheless, the domestic landscape remains positive

Narrowing interest rate differentials between the US and Malaysia

Positive prospects for domestic growth

BNM will continue to ensure two-way flows in the FX market

Continued coordinated actions by the Government and BNM

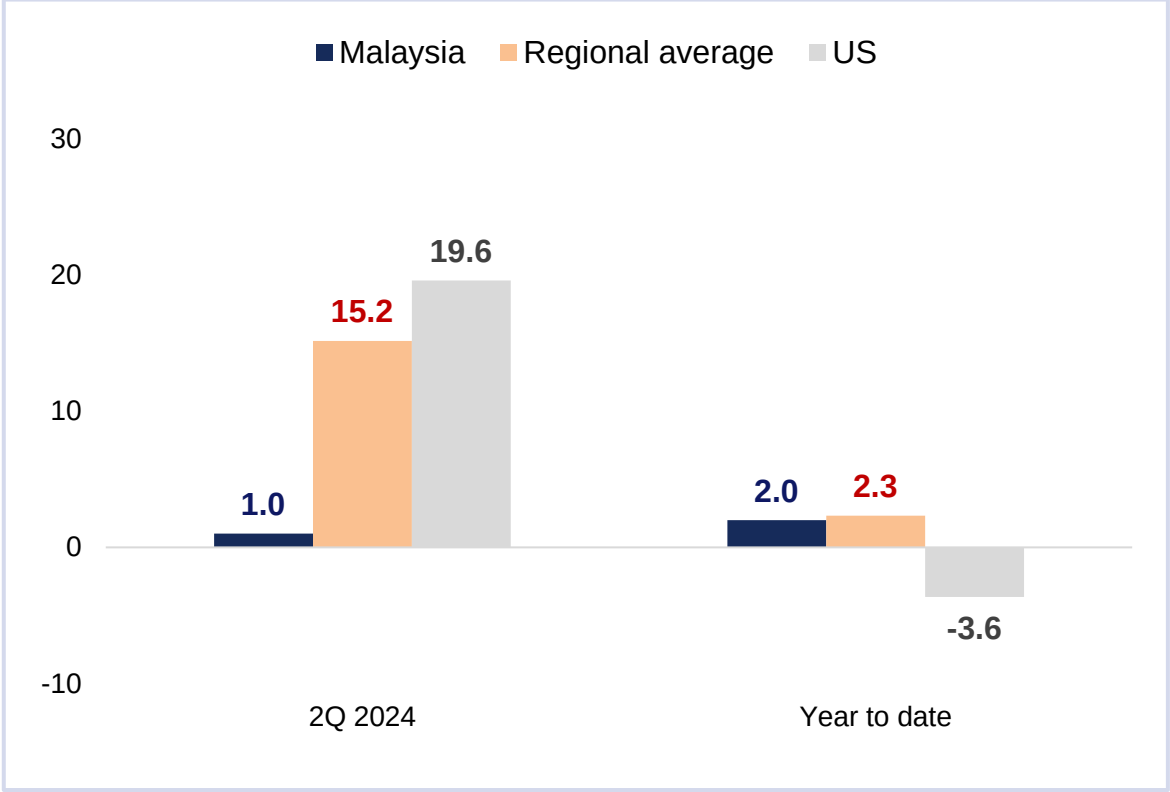
Expansion of pilot Qualified Resident Investor programme *(fast track pre-approval framework)* to facilitate corporates who bring back and convert foreign investment income

Malaysian bond yields remained relatively stable while equities continued to edge higher

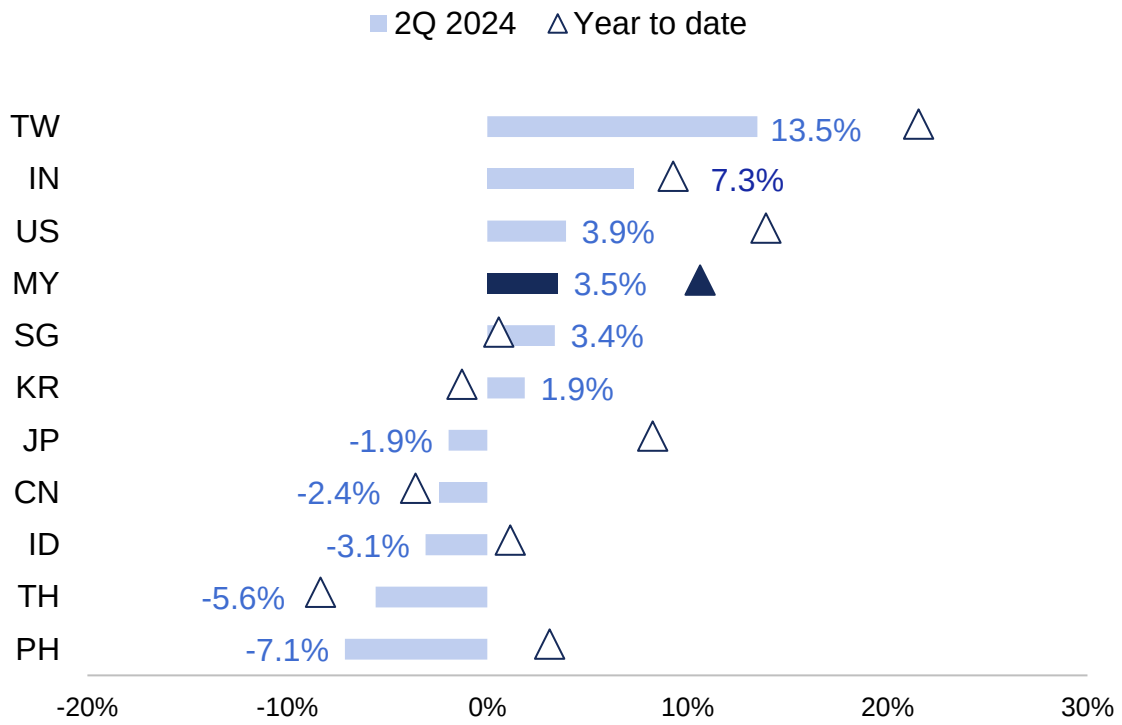
Malaysian bond yields remain stable on recent investor inflows ahead of financial market expectations for imminent monetary policy easing in the US

Malaysian equities benefited from improved earnings prospects amid rising confidence in economic outlook

Movement of 10-Year Local Currency Sovereign Bond Yields (in bps)



Performance of Equity Indices (% Change)

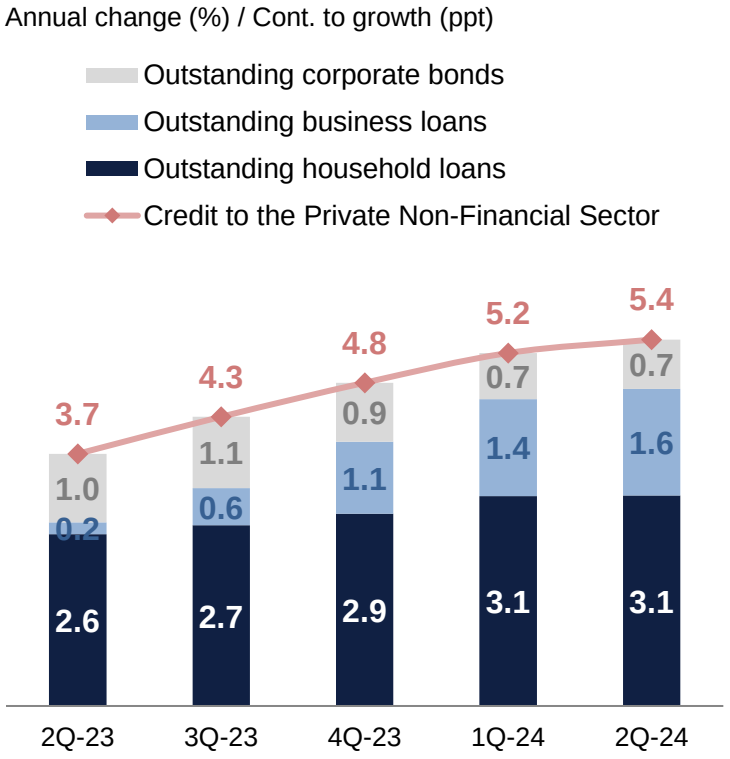


Notes: Year-to-date as of 13 August 2024. Numbers in the bar chart for equity indices are the 2Q 2024 figures.
Regional average consist of: PH: the Philippines; TH: Thailand; SG: Singapore; KR: South Korea; CN: China; JP: Japan; ID: Indonesia; TW: Taiwan; IN: India
Source: Bank Negara Malaysia, Bloomberg, ETP, Bursa Malaysia

Credit growth increased amid higher growth in outstanding loans

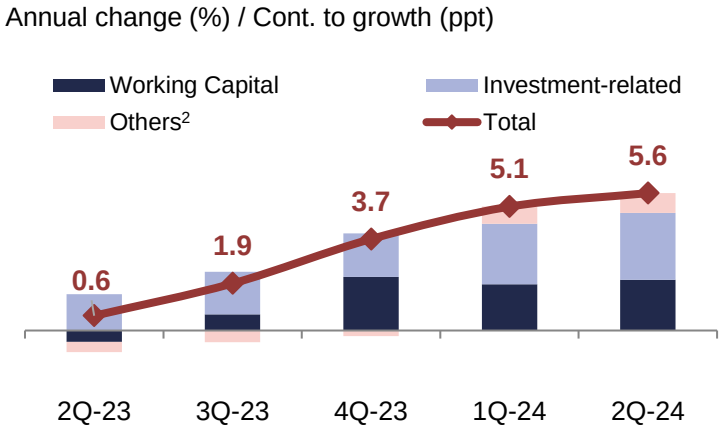
Higher credit growth during the quarter …

Credit to the Private Non-Financial Sector*



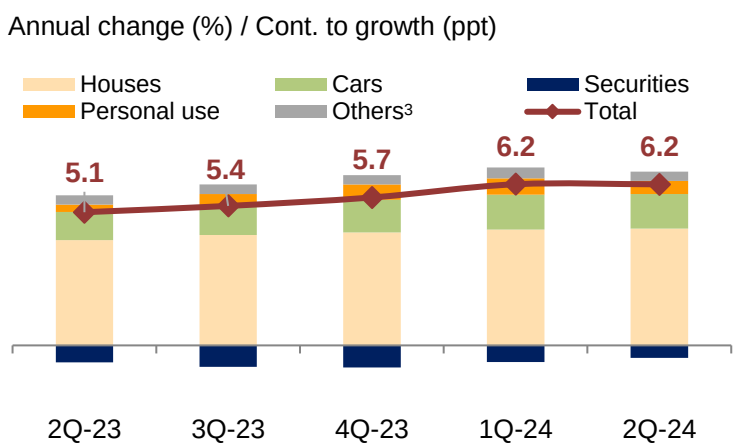
…amid continued increase in business loan growth…

Outstanding Business Loan Growth



…while outstanding household loan growth was sustained

Outstanding Household Loan Growth



Demand for credit remained forthcoming, with sustained loan applications from both businesses and households

Business Loan Application Levels

RM148.7 bn

(1Q22-4Q23 avg: RM144.3 bn)

Household Loan Application Levels

RM237.9 bn

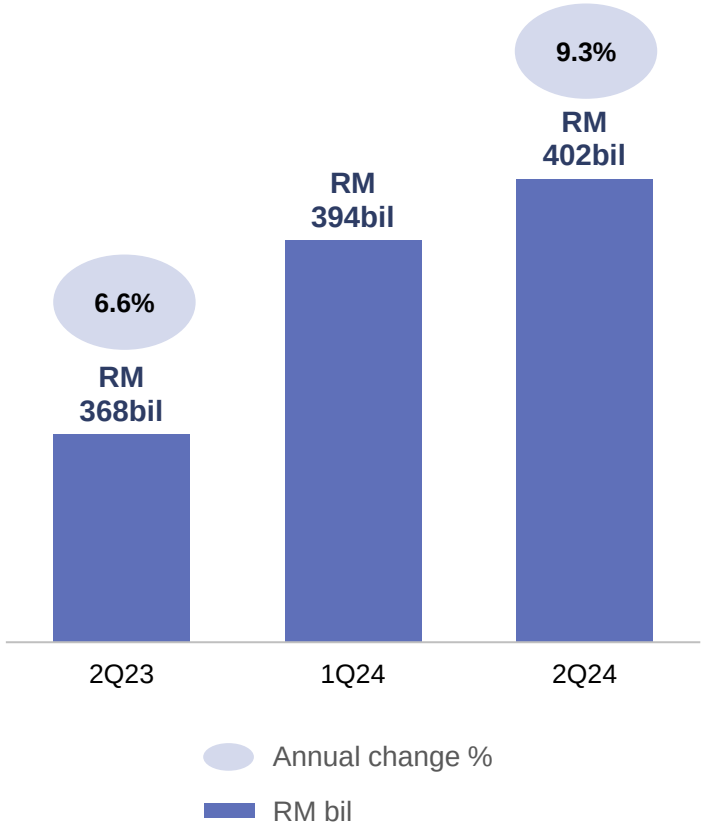
(1Q22-4Q23 avg: RM223.0 bn)

Notes:
[1] Comprises loans to households and non-financial corporations from the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers)
[2] Includes loans for the purchase of securities, mergers and acquisitions, credit cards, and other purposes
[3] Includes loans for the purchase of non-residential property, credit cards, and other purposes
Source: Bank Negara Malaysia

Banks continued to meet SME financing needs in 2Q 2024

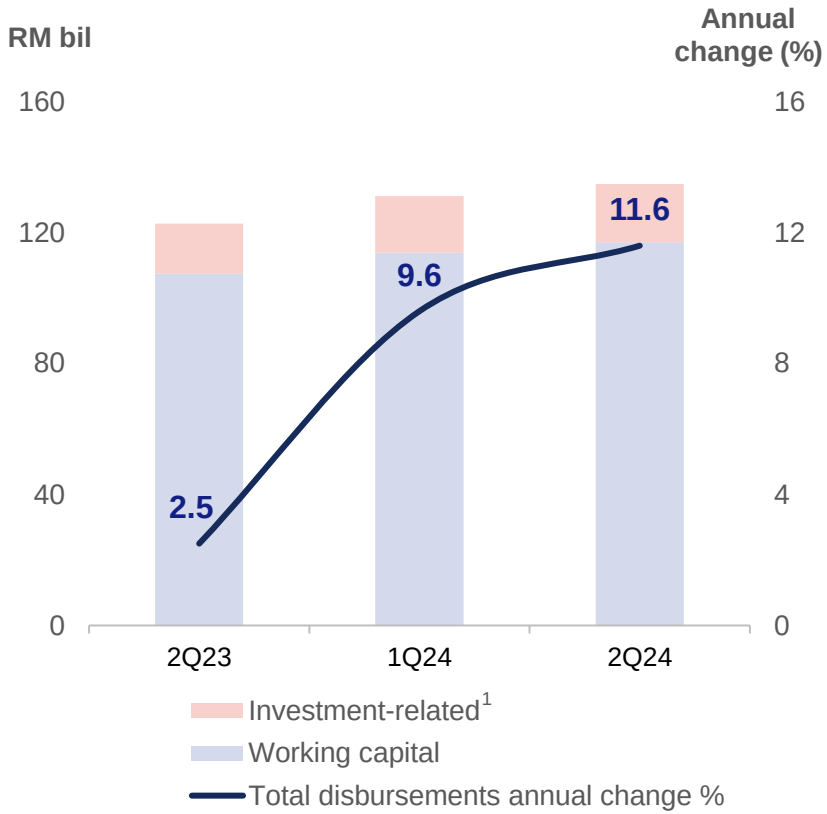
Strong growth in SME financing, recording an annual change of 9.3%

Outstanding SME Financing



Growth in financing driven by disbursements for working capital purposes

SME Financing Disbursements by Purposes



High approval rates sustained

SME Financing Approval Rates by Sectors

Approval Rates (%)	2Q-23	2Q-24
	81.9	84.3
Services	80.3	81.8
Manufacturing	85.7	85.5
Construction	86.4	87.4
Agriculture	88.1	88.2
Mining and Quarrying	90.7	86.8

1. Investment-related purpose includes financing for the purchase of non-residential properties, residential properties for business use, fixed assets (incl. cars), and construction activity.
Note: Reflects loan/financing from the banking system and development financial institutions (DFIs).
Source: Bank Negara Malaysia

Banks remain well-positioned to support financial intermediation

Strong capital and liquidity positions enable banks to sustain financing to the real economy

As at June 2024

17.9%

Total Capital Ratio
(Mar-24: 18.3%)

155.2%

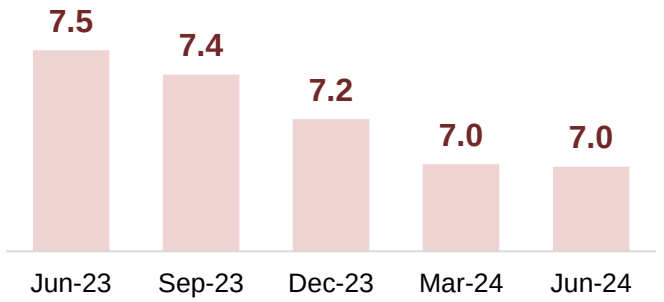
Liquidity Coverage Ratio
(Mar-24: 150.3%)

115.5%

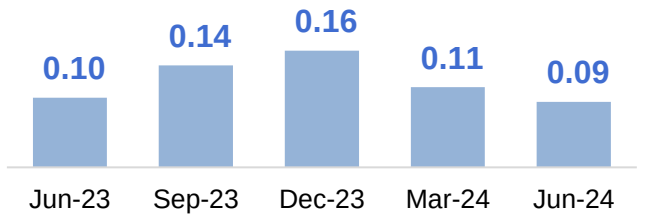
Net Stable Funding Ratio
(Mar-24: 117.6%)

Asset quality of banks remain sound

Stage 2 Loans Ratio, %

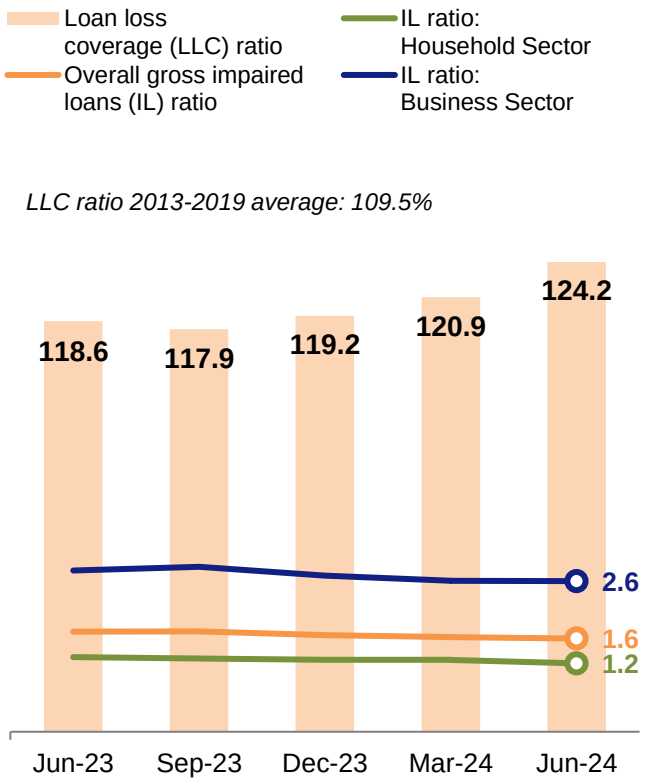


Newly Restructured and Rescheduled Loans, % of Total Banking System Loans



Prudent provisioning despite low impairment levels

Impaired Loans Ratio[1] & Loan Loss Coverage Ratio (including regulatory reserve), %



[1] Impaired loans ratio is based on loans classified as Stage 3 under MFRS 9.
Source: Bank Negara Malaysia

Summary



The Malaysian economy expanded faster by 5.9% in the second quarter of 2024, driven by stronger private expenditure and further recovery in exports



Improved growth prospects in 2024 **amid firm domestic demand and lift from external trade**



Growth outlook remains subject to risks emanating from both external developments and domestic factors



Headline inflation is projected to average between **2.0% and 3.5% in 2024**

Additional Information

Breakdown of 2Q 2024 GDP (% yoy)

Annual Change in GDP Growth by Component

Real GDP (% YoY)	Share, % (2023)	2023	2024	
		2Q	1Q	2Q
Services	**59.2**	**4.5**	**4.8**	**5.9**
Manufacturing	**23.4**	**0.1**	**1.9**	**4.7**
Agriculture	**6.4**	**-0.7**	**1.7**	**7.2**
Mining and Quarrying	**6.2**	**-2.1**	**5.7**	**2.7**
Construction	**3.6**	**6.2**	**11.9**	**17.3**
Real GDP	**100.0**	**2.8**	**4.2**	**5.9**

Note: Numbers may not add up due to rounding and exclusion of import duties component.
Source: Department of Statistics, Malaysia

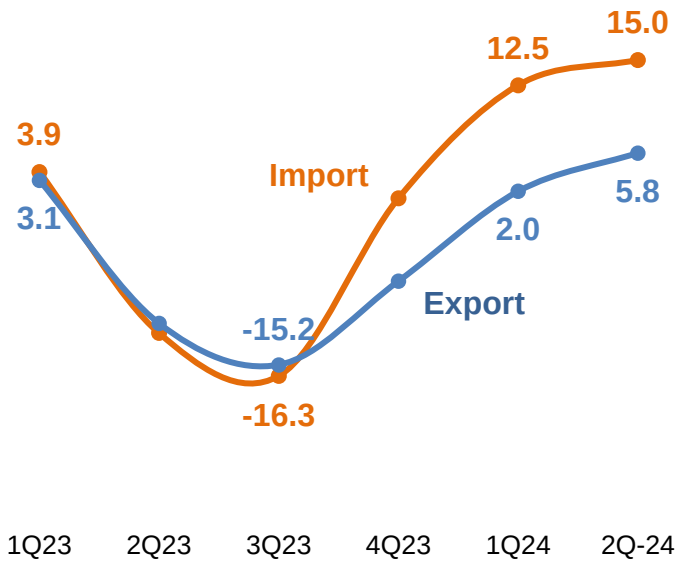
Real GDP (% YoY)	Share, % (2023)	2023	2024	
		2Q	1Q	2Q
Domestic Demand (Excluding Stocks)	**93.9**	**4.4**	**6.1**	**6.9**
Private Sector	**76.2**	**4.4**	**5.7**	**7.3**
Consumption	60.7	4.2	4.7	6.0
Investment	15.5	5.1	9.2	12.0
Public Sector	**17.8**	**4.3**	**8.4**	**4.9**
Consumption	13.2	3.3	7.3	3.6
Investment	4.6	7.9	11.5	9.1
Net Exports of Goods and Services	**4.4**	**-11.9**	**-24.5**	**3.4**
Exports	66.1	-9.0	5.2	8.4
Imports	61.7	-8.8	8.0	8.7
Real GDP	**100.0**	**2.8**	**4.2**	**5.9**

Note: Numbers may not add up due to rounding and exclusion of stocks.
Source: Department of Statistics, Malaysia

CAB surplus to remain within 1.8% – 2.8% of GDP in 2024 as goods surplus improve

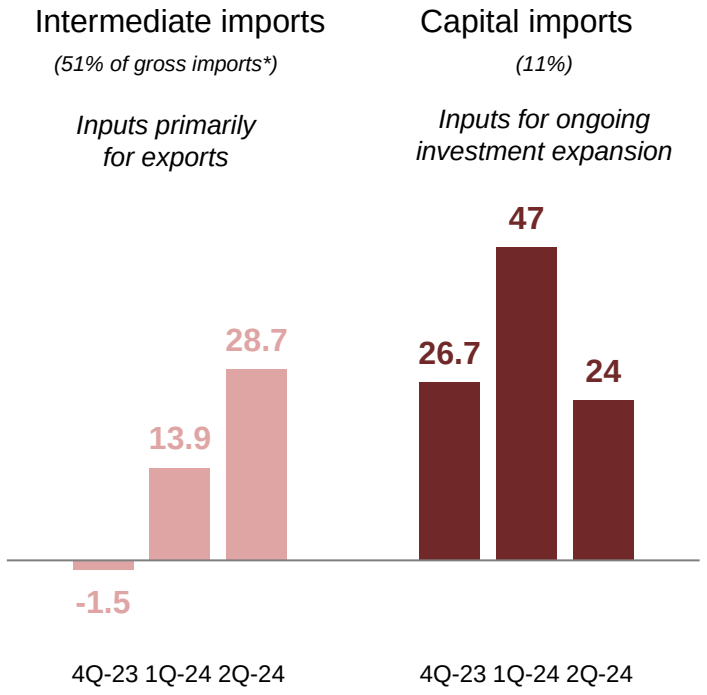
Lower goods surplus in 2Q as imports growth outpaced exports recovery

Gross Exports and Imports
Annual change, %



Strong imports growth mainly for productive purposes

Gross Imports by End Use
Annual change, %



Goods exports to improve going forward, supporting CAB surplus

Key Drivers

- ▲ Continued external demand and global trade recovery
- ▲ Global tech upcycle, supporting E&E exports
- ▲ Higher commodity prices

Improving goods exports with further increase in tourism receipts to provide sufficient cushion to CAB

*As at 2023
Source: Department of Statistics, Staff Estimate

Financial account recorded a net inflow

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

RM billion	2023		2024		
	4Q	Year	1Q	2Q	1H
Direct Investment	**5.2**	**-0.2**	**-6.0**	**3.8**	**-2.3**
*Direct Investment Abroad (DIA)**	-14.3	-40.6	-11.5	-5.3	-16.8
*Foreign Direct Investment (FDI)**	19.6	40.4	5.5	9.1	14.5
Portfolio Investment	**-6.0**	**-36.4**	**-23.7**	**-21.7**	**-45.4**
Residents	-10.0	-46.6	-21.2	-28.8	-50.1
Non-residents	4.0	10.3	-2.5	7.2	4.7
Financial Derivatives	**-3.8**	**-3.9**	**1.2**	**-0.6**	**0.7**
Other Investment	**-15.5**	**25.0**	**9.8**	**35.6**	**45.4**
Financial Account Balance	**-20.1**	**-15.5**	**-18.7**	**17.1**	**-1.6**

Higher FDI inflows amid moderating DIA outflows

Net inflows in other investment driven by interbank borrowings and trade credits by corporates

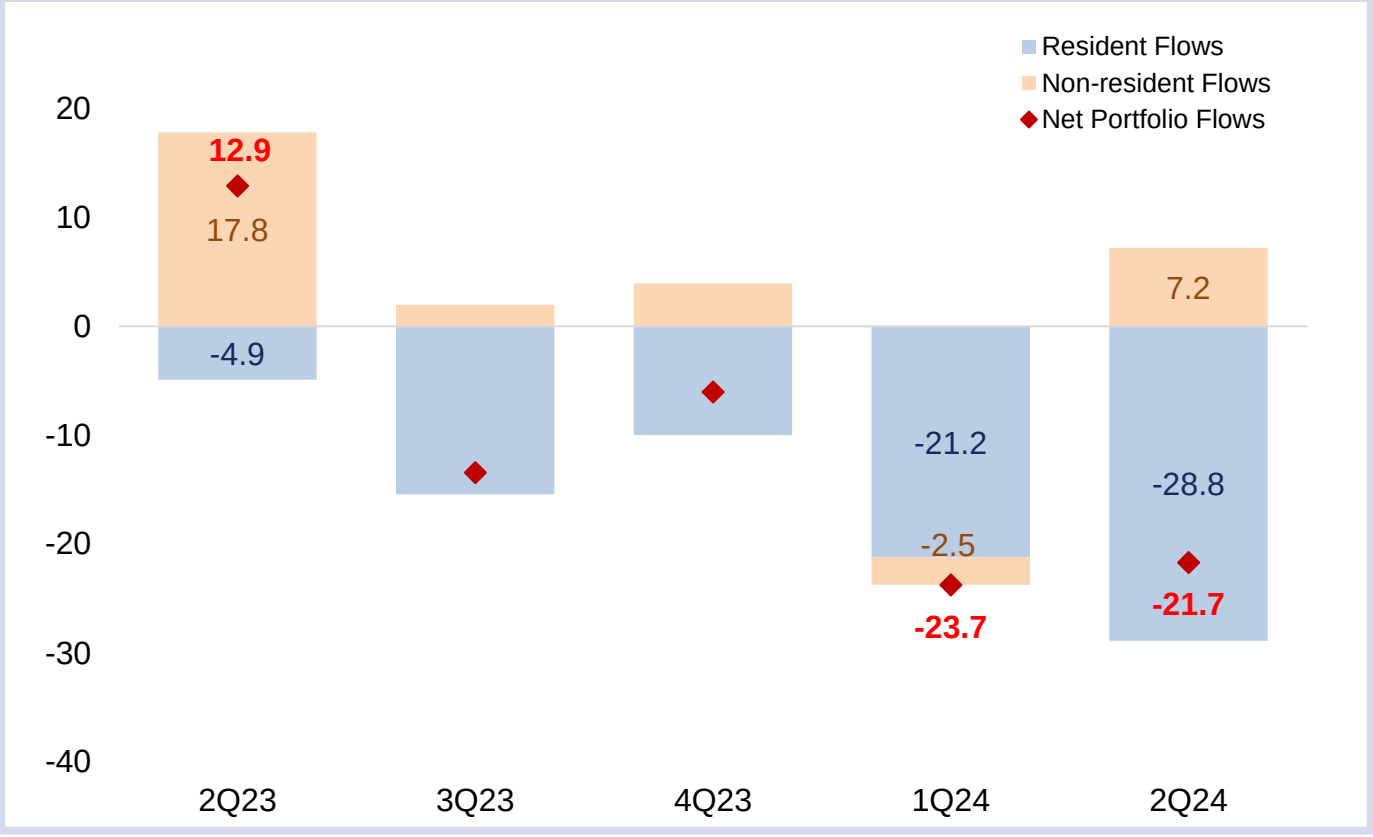
Net outflows in portfolio investments, due mainly to higher residents' investments abroad

*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

Portfolio investment continued to record a net outflow

Net outflows in portfolio investment in 2Q 2024 were due primarily to higher residents' investments abroad

Portfolio Investment Flows *(RM billion)*



Factors affecting portfolio investment flows in 2Q 2024

Higher investments in debt and continued investments in equity securities abroad by resident investors

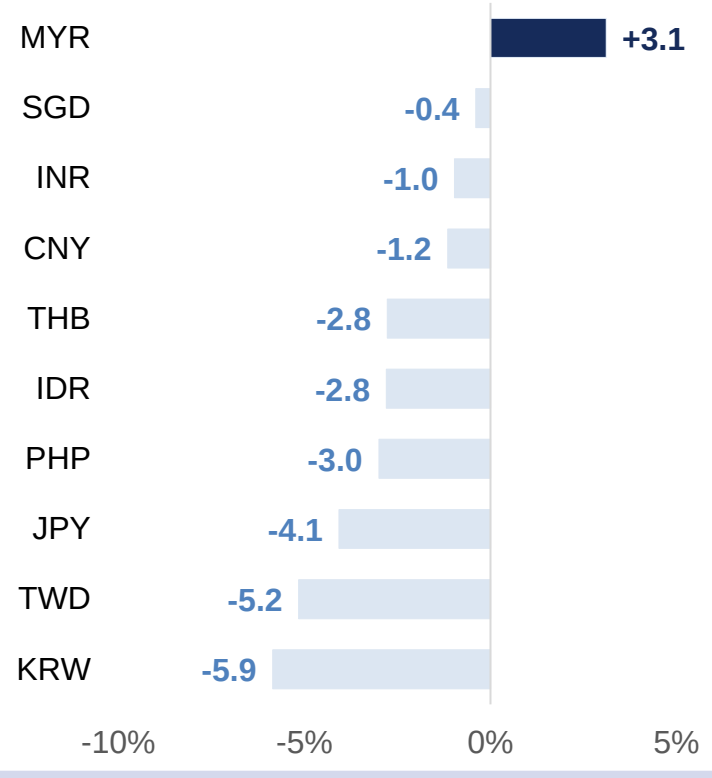
Acquisition of domestic debt and equity securities by non-resident investors

Source: Department of Statistics, Malaysia

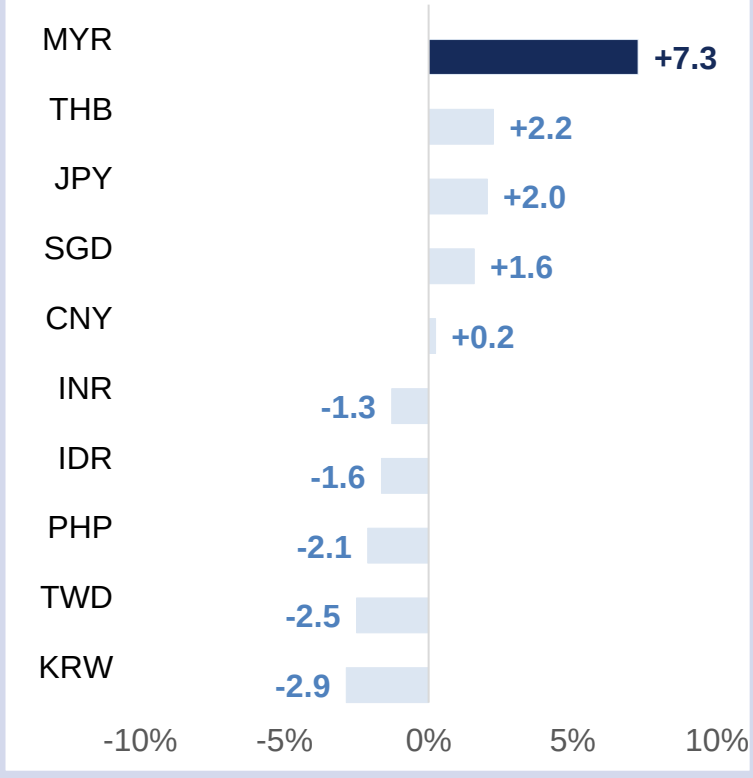
While the coordinated actions helped cushion pressures on ringgit, market expectations of Fed rate cuts spurred an appreciation of regional currencies

Regional currency performance against the US dollar, %

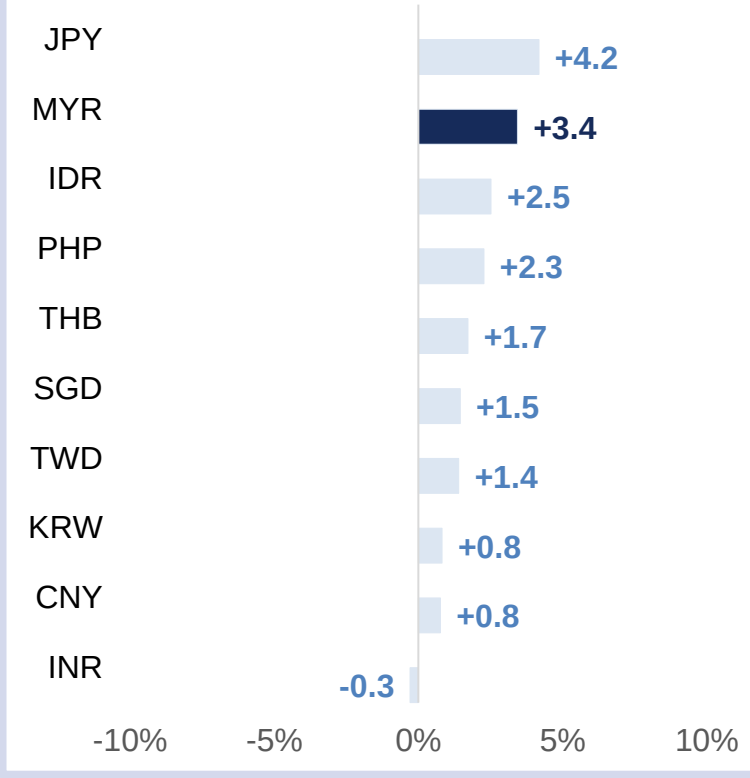
Year-to-date until 13 Aug 2024



Since coordinated actions and last Fed meeting (26 Feb 2024 – 13 Aug 2024)



Since last Fed meeting (31 Jul 2024 – 13 Aug 2024)

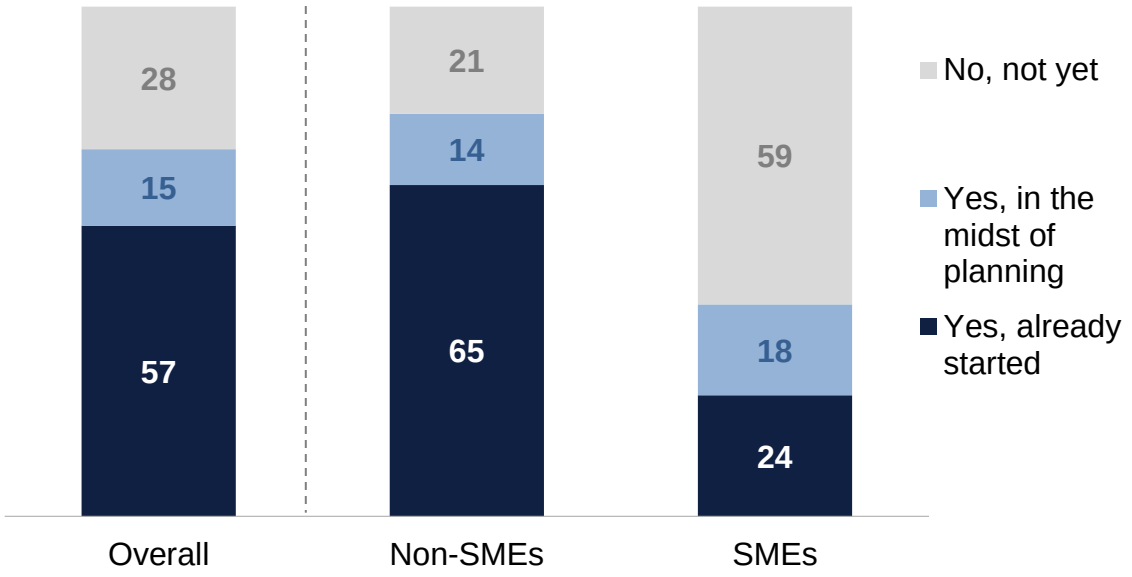


Sumber: Bank Negara Malaysia

Box Article: Green Gauge – Tracking Firms' Strides Towards Environmental Sustainability

Majority of large firms surveyed have started their environmental sustainability journey amidst tightening regulations and medium-to-long term cost optimisation

Survey: Does your company have plans to lower carbon footprint?
Percentage share of total respondents (10%)



Most large firms are at nascent stages of green transition, while progress among SMEs remained lacking.

Clear understanding of future benefits from green transition is the key difference between firms that have begun their transition journey and those that have not.

Support is available for both corporates and SMEs, from tax incentives, disclosure guidance and funds for SMEs

Note: Findings are from in-depth interviews with 88 firms (80% of which are non-SMEs) across all sectors in Malaysia in the first half of 2024, Majority of engagements involve large firms as non-SMEs contribute a higher share to GDP (62% in 2022) and tend to spearhead sustainability efforts compared to SMEs.

Source: Bank Negara Malaysia

Co-payment helps to rein in pace of medical cost inflation

Addressing medical cost inflation requires collective action by stakeholders

- **Regulators**
- **Insurers & Takaful Operators**
- **Policyholders**
- **Healthcare Providers**
- **Managed Care Organisations**

BNM's three-pronged approach

1. *Steer positive change in behaviour*
2. *Better cost control management and transparency*
3. *Strengthen MHIT business conduct and sales practices*

Co-payment empowers consumers with more choices to meet health and budgetary needs

Benefits of co-payment:

- ✓ Existing co-pay products are **19% - 68% cheaper** than products without co-payment
- ✓ Encourage patient and healthcare providers to be **more discerning in health treatment**, and prevent fraud
- ✓ **Improve long-term sustainability** of MHIT cover
  - Countries with wide adoption of co-payment have better claims experience

Safeguards

1. **ITOs to inform on** maximum **co-payment cap**, prior to purchase of co-payment products
2. **Needs-based** assessment by agents/online
3. **Co-pay waiver** for selected treatments[1]

[1] emergency treatment, including in accident cases; outpatient treatment for follow-up treatments arising from critical illness; and treatment at Government healthcare facility