



MINISTRY OF FINANCE
MALAYSIA

BUDGET
2022



ECONOMIC OUTLOOK 2022

Economic Outlook 2022

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The Economic Outlook is an annual publication released on the same day as the Annual Budget.

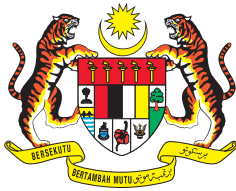
The 2022 edition is released on 29 October 2021.

Sale copies are obtainable from:
www.pnmb2u.com and MPH Book Store.

This publication is also available for download at:
www.mof.gov.my



PRINTED BY
PERCETAKAN NASIONAL MALAYSIA BERHAD
KUALA LUMPUR, 2021
www.printnasional.com.my
email: cservice@printnasional.com.my
Tel.: 03-92366895 Fax: 03-92224773



FOREWORD



**PRIME MINISTER
MALAYSIA**

The COVID-19 virus, which began in March 2020, has continued to disrupt lives and livelihoods through waves of new infections globally, necessitating the reinstatement of containment measures to prevent its spread. Malaysia has been no exception. The Government had to declare a temporary state of emergency, followed by a nationwide lockdown in the middle of the year. The objectives of these measures centred around saving the *rakyat's* lives and relieving the pressure on our public health system. The enforcement of various control measures such as domestic and international travel restrictions as well as the prohibition of operations for contact-intensive services industries have affected most economic sectors. Consequently, the GDP growth forecast for 2021 was revised downwards to between 3% and 4%.

To cushion the shock, the Government has taken swift action to implement assistance and economic stimulus packages totalling RM530 billion since the COVID-19 outbreak, with RM225 billion allocated in 2021. Within a 19-month duration, these aid and stimulus packages have saved 2.7 million jobs, and have benefited more than 20 million people and 2.4 million businesses.

I strongly believe there will be better days ahead. The Government's focused implementation of the National COVID-19 Immunisation Programme (PICK) has begun to gradually reduce pressure on hospital and ICU admissions by around September 2021. This is complemented by the National Recovery Plan (NRP), which details our strategy to exit from the pandemic safely and systematically, based on science and hard data. Despite initial vaccine supply issues, PICK eventually gathered pace to facilitate the expected complete vaccination of the country's entire adult population by end-October. More economic sectors and social activities have also been permitted to gradually resume as serious COVID-19 cases continued to decline.

With the NRP thresholds being closely managed and monitored for each individual state, the domestic economy is expected to be fully opened in the fourth quarter of 2021 and resume its pre-pandemic growth trajectory by 2022. We are fully committed to ensuring that we will welcome recovery next year, supported by Budget 2022, focused on driving economic recovery, rebuilding national resilience, and catalysing reforms.

As much as we need to pursue near-term growth, the Government is equally committed to achieving the nation's larger reform and development agenda as espoused in the Twelfth Malaysia Plan, 2021 – 2025 (12MP): Keluarga Malaysia – Prosperous, Inclusive,

Sustainable. To that end, we will continue to drive the nation's medium- to long-term growth by implementing policies such as the National 4IR, MyDIGITAL (including 5G rollout), Affordable Housing, Education, Climate Change and others to achieve a more equitable sharing of the nation's wealth-generation capabilities, and our sustainability goals as envisioned by the 12MP. The foundations for a more inclusive, sustainable and better Malaysia will also be laid out through our pledge to become a carbon-neutral nation by 2050, as well as through reform measures outlined in the *Perkukuh Pelaburan Rakyat* (PERKUKUH) initiative championed by government-linked investment companies. Overall, Budget 2022 will support all these policies and more, propelling short-term growth while also building foundations for future development and more importantly, socio-economic resilience.

Even with the policies and plans that are expected to propel Malaysia forward, COVID-19's impact still reverberates across our society, particularly among those who are least able to bear the burden. The pandemic continues to impact the *rakyat* as a whole, particularly those in micro, small, and medium enterprises, and industries such as tourism and services. Given the need to achieve fiscal sustainability, the Government calls upon the private sector to also contribute to economic growth and nation-building, so that we can restore normalcy to lives and livelihoods as quickly as possible while gradually easing the country into accepting COVID-19 as endemic.

I am especially grateful to the frontliners and volunteers for their selfless contributions, and above all, to the *rakyat* from all walks of life for their patience, perseverance and cooperation in coming forward to be vaccinated to keep our nation safe and healthy. The quicker normalcy and growth are restored, the faster the nation can recover. All these demonstrate the willingness of our people to come together selflessly to ensure Malaysia's recovery.

The battle against COVID-19 may not be over yet. We do not know what other surprises this virus has in store for us. But what we do know is that in standing together resolutely, we have not only survived one of Malaysia's most trying episodes, but also demonstrated what it means to live up to the Malaysian spirit of cooperation.

Moving forward, if the admirable courage of our people in the past 19 months, and the recent bipartisan understanding are anything to go by, I am confident that regardless of race, colour, creed or political ideology, #KeluargaMalaysia will firmly set our beloved nation on its healing and recovery journey, so that we can and will win any war against COVID-19 in the coming year, *Insyah-Allah*.



DATO' SRI ISMAIL SABRI BIN YAAKOB

Prime Minister of Malaysia

29 October 2021



PREFACE



**MINISTER OF FINANCE
MALAYSIA**

COVID-19 has been most disruptive to our lives, even as the nation enters into its second year of the pandemic. Thankfully, the Government's vaccine administration coupled with accommodative and substantial fiscal support have helped contain unemployment, keep businesses afloat and feed the vulnerable in the past 19 months.

Furthermore, although the virus has mutated into concerning variants, the science and data underscoring the National Recovery Plan (NRP) have helped yield encouraging results, enabling various states to gradually transition into phases that allow more economic and social activities. This has been a much welcome development by the *rakyat* and businesses alike.

As a responsive and caring Government, various initiatives have been implemented to save people's lives and livelihoods, a balance that was difficult to strike during the darkest moments of our recovery journey. Despite the fiscal challenges, in 2021, the Government managed to put together four assistance and stimulus packages – PERMAI, PEMERKASA, PEMERKASA+ and PEMULIH – comprising fiscal and non-fiscal measures, with a total value of RM225 billion, or 14.8% of GDP.

Thus far, concerted public and private sectors' efforts have resulted in green shoots of economic recovery, with GDP growing by 7.1% in the first half of 2021 compared to a contraction of 8.4% in the first half of 2020. The country's trade figures have improved, increasing by 26% and exceeding RM1.0 trillion in the first half of 2021, with major markets' exports and imports showing better numbers.

Despite the continued need for targeted containment measures to curb COVID-19, the outlook for the second half of 2021 remains positive, bolstered by a gradual reopening of economic and social sectors. These developments, coupled with more states' gradual transition to the NRP's subsequent phases, have resulted in Malaysia's economic growth being revised to between 3% and 4% for 2021.

Aside to compelling us to be more creative to ensure recovery and growth, COVID-19 has also taught us some valuable lessons. Firstly, we must think strategically not only in addressing COVID-19, but also on emerging more resilient post-pandemic. While this may not be the last time a pandemic confronts us, we must strive to make it the last time where saving lives and livelihoods are a zero-sum game, and where our public health capacity is tested to its limits. In short, we need to prepare for tomorrow, starting today, and we do this by committing adequate investment in public healthcare, among others.

Secondly, in pursuing short-term goals to prevent economic depression, we must also take the opportunity to address underlying structural issues in the medium and longer term. In that spirit, it is imperative that we use this crisis to fix our public service delivery ecosystem; job, food and social security; public education and industrial capacity, to name a few.

Thirdly, even with pandemic-accelerated digital adoption, it will never reduce the rural-urban income gap without a proper digital backbone infrastructure nationwide. Our digital ecosystem helped prevent the economy from collapsing during the various lockdown iterations. Now, we must endeavour to digitally enable each and every Malaysian so they, too, can participate in the nation's wealth-building initiatives. This will help our #KeluargaMalaysia future-proof itself to remain competitive, particularly through the MyDIGITAL initiatives.

We must mobilise the nation towards a digitally connected economy – including via 5G, where appropriate – in line with the Fourth Industrial Revolution (4IR) to support, among others, new working and learning norms; better disaster and pandemic management through real-time data; and more cost-efficient processes. This is also in line with our ongoing structural reforms over the medium term, outlined in initiatives such as the National Investment Aspirations (NIA) and the *Perkukuh Pelaburan Rakyat* (PERKUKUH) initiative to support medium-to long-term sustainable economic growth, improved socio-economic inclusion and enhanced environmental sustainability.

To ensure the *rakyat's* well-being in 2022, the Government will prioritise economic and new sources of growth. Fiscal policy will remain expansionary to stimulate the economy, with Budget 2022's initiatives focused on speeding up recovery, strengthening economic resilience, and catalysing reforms. All these initiatives are in line with the themes and core thrusts of the recently announced Twelfth Malaysia Plan (12MP).

Moving forward, despite the uncertainties, the Government believes the nation's economy can withstand any potential headwinds due to its strong fundamentals. Expected GDP growth of between 5.5% and 6.5% in 2022 is predicated upon the greater reopening of economic and social sectors, as well as increased external demand from major trading partners. Other growth drivers include higher commodity prices, improved labour market conditions, a rapid transition to digitalisation, and the implementation of infrastructure projects with a high multiplier effect.

With almost all our adult population targeted to be completely vaccinated by end-October, we can finally see the light at the end of the COVID-19 tunnel. To all Malaysians, I cannot thank you enough for your support in the fight against the unseen enemy. But we must not rest on our laurels because our recovery journey has just begun. We must continue to work together to rebuild our beloved nation into a safe and peaceful place. The health, well-being and prosperity of #KeluargaMalaysia are in our hands, and we will get there, *Insyah-Allah*.



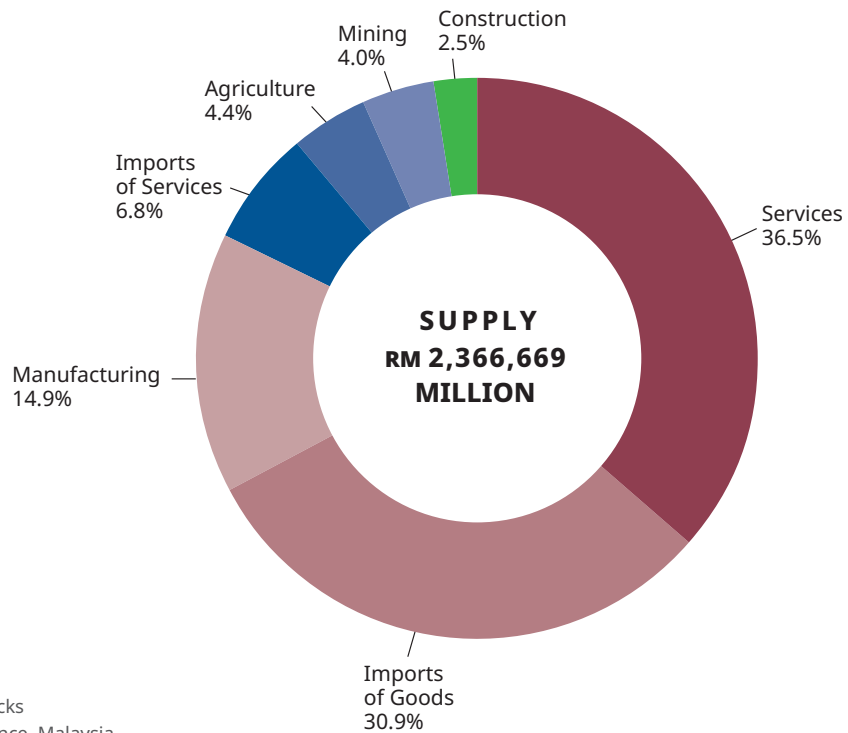
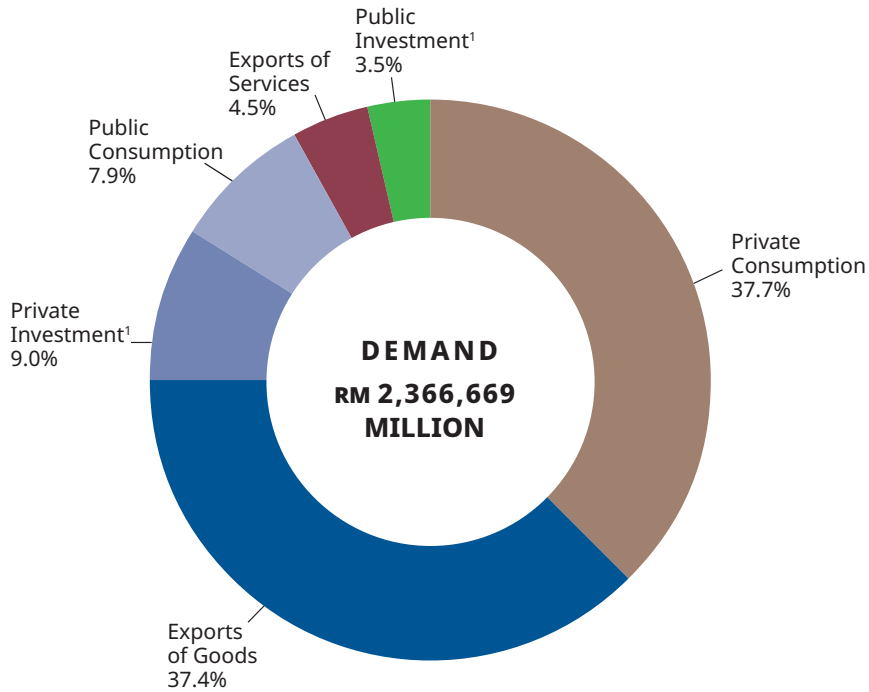
SENATOR TENGKU DATUK SERI UTAMA ZAFRI AZIZ

Minister of Finance

29 October 2021

THE ECONOMY 2022

in constant 2015 prices
(share to total in %)



¹Includes change in stocks
Source: Ministry of Finance, Malaysia

MALAYSIA: KEY DATA AND FORECAST

AREA (square kilometres)						
Malaysia	Peninsular Malaysia ¹		Sarawak		Sabah ²	
330,548	132,104		124,450		73,994	
	2020 ¹⁰		2021 ¹¹		2022 ¹²	
POPULATION (million)	32.6		32.7		32.9	
DOMESTIC PRODUCTION	RM million	change (%)	RM million	change (%)	RM million	change (%)
Gross Domestic Product (constant 2015 prices)	1,343,880	-5.6	1,391,311	3.0 - 4.0	1,474,342	5.5 - 6.5
Agriculture	99,367	-2.2	98,532	-0.8	102,416	3.9
Mining and quarrying	91,993	-10.6	93,340	1.5	93,086	-0.3
Manufacturing	307,924	-2.6	332,743	8.1	348,547	4.7
Construction	53,556	-19.4	53,110	-0.8	59,244	11.5
Services	775,717	-5.5	796,222	2.6	852,298	7.0
Import duties	15,324	-5.6	17,363	13.3	18,750	8.0
Gross Domestic Product (current prices)	1,416,605	-6.4	1,514,624	6.4 - 7.4	1,637,800	7.7 - 8.7
Final consumption expenditure: Public	184,043	4.2	191,334	4.0	193,641	1.2
Private	861,758	-4.7	917,972	6.5	1,006,409	9.6
Gross fixed capital formation: Public ³	74,320	-21.3	73,504	-1.1	93,031	26.6
Private	222,238	-12.0	227,063	2.2	237,043	4.4
Changes in inventories and valuables	-17,016	-	-4,630	-	-13,602	-
Exports of goods and services	870,272	-11.9	1,027,614	18.1	1,086,802	5.8
Imports of goods and services	779,011	-10.8	918,233	17.9	965,523	5.2
NATIONAL INCOME AND EXPENDITURE						
Gross National Income (constant 2015 prices)	1,330,169	-5.2	1,372,726	3.2	1,449,588	5.6
Gross National Income (current prices)	1,388,021	-5.8	1,474,621	6.2	1,583,430	7.4
Gross National Savings (current prices)	339,549	-8.6	352,593	3.8	372,049	5.5
Per Capita Income (current prices, RM)	42,598	-6.0	45,157	6.0	48,187	6.7
FEDERAL GOVERNMENT FINANCE						
	2020		2021¹³		2022¹⁴	
Revenue	225,076	-14.9	221,023	-1.8	234,011	5.9
Operating expenditure	224,600	-14.7	219,600	-2.2	233,500	6.3
Current balance	476	-	1,423	-	511	-
Development expenditure (net)	50,101	-4.7	61,200	22.2	75,000	22.5
COVID-19 Fund ⁴	38,019	-	39,000	2.6	23,000	-41.0
Overall balance	-87,644		-98,777		-97,489	
% of GDP	-6.2		-6.5		-6.0	
Domestic borrowings (net)	86,921		98,800		-	
Offshore borrowings (net)	-331		1,601		-	
Change in assets ⁵	1,054		-1,624		-	

MALAYSIA: KEY DATA AND FORECAST (cont'd)

	2020		2021		2022	
	RM million	% GDP	RM million	% GDP	RM million	% GDP
Federal Government Debt⁶	879,560	62.1	958,388	63.3	-	-
Domestic debt	851,284	60.1	924,784	61.1	-	-
Treasury bills	15,500	1.1	34,000	2.3	-	-
Malaysian Government Investment Issues	375,266	26.5	391,266	25.8	-	-
Malaysian Government Securities	436,418	30.8	475,418	31.4	-	-
Government Housing Sukuk	24,100	1.7	24,100	1.6	-	-
Offshore borrowings	28,276	2.0	33,604	2.2	-	-
Market loans	23,055	1.6	28,703	1.9	-	-
Project loans	5,221	0.4	4,901	0.3	-	-
	2020¹⁰		2021¹¹		2022¹²	
BALANCE OF PAYMENTS (NET)	RM million		RM million		RM million	
Balance on current account	60,007		56,656		55,578	
Goods	138,709		170,391		178,927	
Services	-47,448		-61,011		-57,648	
Primary income	-28,584		-40,003		-54,370	
Secondary income	-2,670		-12,722		-11,331	
Balance on capital and financial accounts	-76,583		-		-	
Net errors and omissions	-2,721		-		-	
Overall balance	-19,297		-		-	
EXTERNAL TRADE	RM million	change (%)	RM million	change (%)	RM million	change (%)
Gross exports	983,827	-1.1	1,152,140	17.1	1,169,422	1.5
<i>of which:</i>						
Manufactured	849,498	1.1	1,000,909	17.8	1,016,307	1.5
Agriculture	71,724	8.7	85,125	18.7	86,138	1.2
Mining	58,414	-28.3	60,834	4.1	61,659	1.4
Gross imports	800,481	-5.8	932,447	16.5	948,299	1.7
<i>of which:</i>						
Intermediate goods	429,190	-8.1	510,686	19.0	516,752	1.2
Capital goods	90,733	-9.4	99,932	10.1	102,382	2.5
Consumption goods	74,134	-0.03	84,482	14.0	86,228	2.1
Total trade	1,784,308	-3.3	2,084,587	16.8	2,117,721	1.6
Trade balance	183,345	25.9	219,693	19.8	221,123	0.7
PRICES	Index	change (%)	Index	change (%)	Index	change (%)
Consumer Price Index (2010 = 100)	120.1	-1.2	-	2.4	-	2.1
Producer Price Index: Local Production (2010 = 100)	102.4	-2.7	110.7 ¹⁵	8.2 ¹⁵	-	-
LABOUR	Thousands	change (%)	Thousands	change (%)	Thousands	change (%)
Labour force	15,667.67	0.6	15,847.9	1.2	16,117.3	1.7
Unemployment ⁷	711.0	(4.5)	731.2	(4.6 - 4.8)	648.7	(4.0)

MALAYSIA: KEY DATA AND FORECAST (cont'd)

FINANCIAL AND CAPITAL MARKETS	2020 End-August		2021 End-August	
	RM million	change (%)	RM million	change (%)
Money supply				
M1	502,304	17.8	551,831	9.9
M2	2,026,995	6.9	2,098,884	3.5
M3	2,031,377	6.4	2,104,910	3.6
Banking system (including Islamic banks)				
Fund ⁸	2,074,029	4.4	2,146,027	3.5
Loans	1,704,889	3.6	1,736,647	1.9
Loan-to-fund ratio (%)	82.2		80.9	
Interest rates (average rates, %)	August		August	
3-month interbank	1.96		1.90	
Commercial banks				
Fixed deposits: 3-month	1.62		1.55	
12-month	1.78		1.70	
Savings deposit	0.48		0.58	
Weighted base rate (BR)	2.43		2.43	
Base lending rate (BLR)	5.49		5.49	
Treasury bills (3-month)	-		-	
Malaysian Government Securities ⁹				
1-year	1.70		1.78	
5-year	2.11		2.68	
Movement of ringgit	End-September		End-September	
	RM per unit of	change ¹⁶ (%)	RM per unit of	change ¹⁶ (%)
Special Drawing Rights (SDR)	5.8522	-2.4	5.9199	-1.1
US dollar	4.1585	0.7	4.1880	-0.7
Euro	4.8775	-6.1	4.8598	0.4
100 Japanese yen	3.9378	-1.5	3.7423	5.2
Bursa Malaysia				
FBM KLCI	1,504.82		1,537.80	
Market capitalisation (RM billion)	1,638.72		1,802.13	

¹ Includes the Federal Territory of Kuala Lumpur and Federal Territory of Putrajaya

² Includes the Federal Territory of Labuan

³ Includes investment of public corporations

⁴ A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan

⁵ Positive data indicates drawdown of assets; negative indicates accumulation of assets

⁶ For 2021, data is at end-September 2021

⁷ Figures in parentheses show the unemployment rate

⁸ Funds comprise deposits (exclude deposits accepted from banking institutions and Bank Negara Malaysia) and all debt instruments issued (including subordinated debt, debt certificates/sukuk, commercial papers and structured notes)

⁹ Market indicative yield

¹⁰ Preliminary

¹¹ Estimate

¹² Forecast

¹³ Revised estimate

¹⁴ Budget estimate, excluding 2022 Budget measures

¹⁵ January to August 2021

¹⁶ Annual rate of appreciation (+) or depreciation (-) of the ringgit

Note: Total may not add up due to rounding

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ACRONYMS AND ABBREVIATIONS

#MyMudah	MalaysiaMudah	bps	basis points
12MP	Twelfth Malaysia Plan, 2021 – 2025	CBAM	Carbon Border Adjustment Mechanism
3D	dirty, dangerous, difficult	CCPT	Climate Change and Principle-based Taxonomy
4IR	Fourth Industrial Revolution	CE	compensation of employees
5G	fifth-generation cellular network	CIDB	Construction Industry Development Board
6MP	Sixth Malaysia Plan, 1990-1995	CMCO	Conditional Movement Control Order
ACGF	ASEAN Catalytic Green Finance Facility	CMI	Chiang Mai Initiative
ADB	Asian Development Bank	CMIM	Chiang Mai Initiative Multilateralisation
AFC	Asian Financial Crisis	CMIM-PL	CMIM Precautionary Line
AI	artificial intelligence	CMIM-SF	CMIM Stability Facility
AIF	ASEAN Infrastructure Fund	CMP3	Capital Market Master Plan 3
AMRO	ASEAN+3 Macroeconomic Research Office	COVID-19	Coronavirus Disease 2019
AMS	ASEAN Member States	CPI	Consumer Price Index
API	Air Pollution Index	CPO	crude palm oil
ASEAN	Association of Southeast Asian Nations	DDI	domestic direct investment
ASEAN+3	ASEAN Plus Three	DE	development expenditure
ASEAN-5	Association of Southeast Asian Nations – 5	DFIs	Development Financial Institutions
B40	household in the bottom 40% of income group	DGPS	Danajamin PRIHATIN Guarantee Scheme
BCH	Bitcoin Cash	DOSM	Department of Statistics Malaysia
BFSN	Bilateral Financial Safety Net	DSR	debt service ratios
BKC	Special COVID-19 Assistance	E&E	electrical and electronic
BNM	Bank Negara Malaysia	ECF	equity crowdfunding
BNPL	buy now, pay later	e-commerce	electronic commerce
BOD5	Biochemical Oxygen Demand	EDI	Enabling Digitalisation Index
BOP	Balance of Payments	EDSA	Epifanio de los Santos Avenue
BPN	Bantuan Prihatin Nasional		
BPR	Bantuan Prihatin Rakyat		

ACRONYMS AND ABBREVIATIONS

EIS	Employment Insurance Scheme	GDP	gross domestic product
EMDEs	emerging market and developing economies	GFCF	gross fixed capital formation
EPF	Employees' Provident Fund	GFSI	Global Food Security Index
ePOS	Electronic Point of Sale	GFSN	Global Financial Safety Net
eRights	electronic application for rights issue	GGP	Government Green Procurement
ESG	environmental, social and governance	GHG	Greenhouse Gas
ETS	Emission Trading Scheme	GIIW	Green and Inclusive Infrastructure Window
EU	European Union	GLOW	Global Online Workforce
F&B	food and beverages	GNI	gross national income
F4GBM	FTSE4Good Bursa Malaysia Index	GNS	gross national savings
F4GBMS	FTSE4Good Bursa Malaysia Shariah Index	GOS	gross operating surplus
FAO	Food and Agriculture Organisation of the United Nations	GVATI	Gross Value-Added Tourism Industry
FBM70	FTSE Bursa Malaysia Mid 70 Index	HDC	Halal Development Corporation Berhad
FBMKLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index	HMA	Hong Kong Monetary Authority
FBMSCAP	FTSE Bursa Malaysia Small Cap Index	HOC	Home Ownership Campaign
FDI	foreign direct investment	HRDF	Human Resource Development Fund
Fed	US Federal Reserves	IBS	Industrialised Building System
FFB	fresh fruit bunches	ICCO	Incentives Coordination and Collaboration Office
FIKRA	Islamic Fintech Accelerator	ICM	Islamic Capital Market
FinTech	financial technology	ICT	information, communication and technology
FPKO	Crude Palm Kernel Oil Futures Contract	IDLP	IMF-delinked portion
G2B	Government to Business	ILMIA	Institute of Labour Market Information and Analysis
G2C	Government to Citizen	ILP	IMF linked portion
G2E	Government to Employee	IMF	International Monetary Fund
G2G	Government to Government	IndSF	Industrial Skills Framework
GAIN	Global Accelerator Program	INFF	Integrated National Financing Framework
		IoT	Internet of Things

IPOs	Initial Public Offerings	MHTC	Malaysia Healthcare Travel Council
IPR	intellectual property rights	MPC	Malaysia Productivity Corporation
JC3	Joint Committee on Climate Change	MRT2	Mass Rapid Transit Line 2
JENDELA	National Digital Network	MRT3	Mass Rapid Transit Line 3
KASA	Ministry of Water and Climate Change	MSEs	micro and small enterprises
KeTSA	Ministry of Energy and Environment	MSMEs	micro, small and medium enterprises
KeTTHA	Ministry of Energy, Green Technology and Water	MyCIF	Malaysia Co-investment Fund
KITA PRIHATIN	Kerangka Inisiatif Tambahan Khas PRIHATIN	MyDIGITAL	Malaysia Digital Economy Blueprint
KVDT 2	Klang Valley Double Track Phase 2	MyROL	My Rubber Online
KWAP	Public Services Pension Fund	NAP 2.0	National Agrofood Policy 2.0
LAKSANA	National Economic Implementation and Strategic Coordination Agency	NAP	National Agrofood Policy
LNG	liquefied natural gas	NDCs	Nationally Determined Contributions
LRT3	Light Rail Transit Line 3	NFSN	National Financial Safety Net
M&E	machinery & equipment	NGOs	non-governmental organisations
M1	the lowest 10 percentile of the M40	NIA	National Investment Aspirations
M40	households in the middle 40% of income group	NRE	Ministry of Natural Resources and Environment
MARRIS	Malaysia Road Record Information System	NRP	National Recovery Plan
MCO 2.0	Movement Control Order 2.0	OPEC+	Organization of the Petroleum Exporting Countries and its allies
MCOs	Movement Control Orders	OPR	Overnight Policy Rate
MDAs	ministries, departments and agencies	OSC	One-Stop Centre
MDEC	Malaysia Digital Economy Corporation	P2P	peer-to-peer
MFSN	Multilateral Financial Safety Net	PACU	Project Coordination and Acceleration Unit
MGII	Malaysian Government Investment Issues	PEMERKASA	Strategic Programme to Empower the People and Economy
MGS	Malaysian Government Securities	PEMERKASA+	Strategic Programme to Empower the People and Economy Plus

ACRONYMS AND ABBREVIATIONS

PEMULIH	National People's Well-Being and Economic Recovery Package	SC	Securities Commission Malaysia
PENJANA	National Economic Recovery Plan	SDG2	Zero Hunger
PERKUKUH	Perkukuh Pelaburan Rakyat	SDG4	Quality Education
PERMAI	Perlindungan Ekonomi dan Rakyat Malaysia	SDG5	Gender Equality
PICK	National COVID-19 Immunisation Programme	SDG6	Clean Water and Sanitation
PIKAS	Program Imunisasi Industri COVID-19 Kerjasama Awam-Swasta	SDG7	Affordable and Clean Energy
PLCs	Public Listed Companies	SDG8	Decent Work and Economic Growth
PPE	personal protective equipment	SDG9	Industry, Innovation and Infrastructure
PPI	Producer Price Index	SDG11	Sustainable Cities and Communities
PPV	Vaccine Administration Centre	SDG12	Responsible Consumption and Production
PRI	Principles for Responsible Investment	SDG13	Climate Action
PRIHATIN SME+	PRIHATIN Small and Medium Enterprises Economic Stimulus Package	SDG14	Life Below Water
PRIHATIN	Prihatin Rakyat Economic Stimulus Package	SDG16	Peace, Justice and Strong Institutions
PTF	PENJANA Tourism Financing	SDG17	Partnerships for the Goals
PWD	Public Works Department	SDGs	Sustainable Development Goals
R&D	research and development	SEA	Southeast Asia
R&D&D	research and development and design	SFA	Singapore Food Agency
REITS	Real Estate Investment Trusts	SJPP	Syarikat Jaminan Pembiayaan Perniagaan
RFSN	Regional Financial Safety Net	SME Corp. Malaysia	SME Corporation Malaysia
RMCO	Recovery Movement Control Order	SMEs	small and medium enterprises
RMO-DAX	Recognized Market Operator – Digital Asset Exchange	SOPs	standard operating procedures
RPGT	Real Property Gains Tax	SPV 2030	2030 Shared Prosperity Vision
RTS	Johor-Singapore Rapid Transit System	SRF	Special Relief Financing
SAARC	South ASEAN Association for Regional Cooperation	SRI	Sustainable and Responsible Investment
		SRR	Statutory Reserve Requirement
		SSR	self sufficiency ratio
		T20	households in the top 20% of income group

ACRONYMS AND ABBREVIATIONS

TRP	Tourism Recovery Plan	UNWTO	World Tourism Organization
TRRF	Targeted Relief and Recovered Facility	US SIF	Forum for Sustainable and Responsible Investment
TVET	Technical and Vocational Education and Training	US	United States
UK	United Kingdom	USD	US Dollar
UN	United Nations	VBI	Value-based Intermediation
UNCDF	United Nations Capital Development Fund	VBIAF	Value-Based Intermediation Financing and Investment Impact Assessment Framework
UNCTAD	United Nations Conference on Trade and Development	WDR	World Development Report
UNDP	United Nations Development Programme	WFH	work from home
UNFCCC	United Nations Framework Convention on Climate Change	WGI	Worldwide Governance Indicators
		WHO	World Health Organization

CHAPTER 1

Economic Management and Prospects

03 MANAGING THE TWIN HEALTH AND ECONOMIC CRISES

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CHAPTER 1

Economic Management and Prospects

Managing the Twin Health and Economic Crises

Battling one of the worst crises in recent human history, nations across the globe are challenged on various fronts, particularly in public health and economic management. The COVID-19 pandemic resulted in 4.9 million deaths globally and a plunge in global economic growth by 3.2% in 2020. The International Labour Organization (2021) estimates that the COVID-19 pandemic resulted in 8.8% loss in global working hours equivalent to 255 million full-time jobs in 2020. Although 2021 was expected to be a recovery year, the impact of the pandemic still lingers on despite the rapid vaccination rollout. Nations, in general, are still struggling to chart the way forward as the pandemic continues to threaten the pace of progress. Certain industries, especially tourism-related activities that require physical presence, including hotels, transportation, recreations and restaurants, continue to be impacted, dragging down their economic contribution.

Closer to home, the pandemic has delayed the nation's aspiration for greater economic development. As 2021 is the foundation year for the Twelfth Malaysia Plan, 2021 – 2025 (12MP) and the 2030 Shared Prosperity Vision (SPV 2030), effective implementation of various programmes and projects is vital to catapult the nation towards achieving various developmental goals. While the overarching aims and objectives of the medium- to long-term plans remain, the pandemic has derailed the progress and steered the growth trajectory away from its original path. Notwithstanding this, the Government is resolved to provide necessary assistance to the people and businesses and return the economy to its growth trajectory. Given the importance of prioritising the safety of the people, the Government has implemented various forms of Movement Control Orders (MCOs) nationwide. Nevertheless, the MCOs have affected people's livelihood, restricted business activities and impacted the economy. In response, the Government has provided various assistance to ease the people's burden and help businesses survive. Since the emergence of the pandemic in March 2020, the Government has announced eight assistance packages amounting to RM530 billion to assist the people and businesses in weathering the crisis.

TABLE 1.1. Assistance and Economic Stimulus Packages during COVID-19 Pandemic

	OBJECTIVE	ASSISTANCE AND STIMULUS PACKAGES	AMOUNT (RM BILLION)
PEOPLE			
1.	Alleviate people's welfare	Bantuan Prihatin Nasional: PRIHATIN & KITA PRIHATIN	18.30
		Internet Connectivity for Education and Productivity: PENJANA & PEMULIH	3.50
		Reskilling and Upskilling Programmes: PENJANA	2.00
		Bantuan Prihatin Rakyat: PERMAI & PEMERKASA	4.50
		Increase in People's Welfare assistance: PERMAI	2.20
2.	Assisting people's cashflow	Loan Moratorium: PRIHATIN, PEMERKASA & PEMULIH	95.00
		i-Lestari: PRIHATIN	40.00
		EPF Rate Reduction: PRIHATIN & PERMAI	19.20
		Civil Servant Special Assistance: PRIHATIN	1.90
		i-Citra: PEMULIH	30.00
		Special COVID-19 Assistance (BKC) and Job Loss: PEMULIH	5.10
		Electricity Discounts at 2%-50%: PRIHATIN	1.35
		Capping price of 5kg cooking oil at RM30: PEMULIH	1.00
		ePENJANA dan eBELIA Programme: PENJANA & PERMAI	0.80
		Other assistances under all packages: Private Retirement Scheme, frontliner allowance, IPT students assistance, OKU assistance, single mother and food basket	9.90
Subtotal			234.75
BUSINESS			
3.	Assist business cash flows	Wage Subsidy and Government incentives: PRIHATIN, PRIHATIN PKS+, PENJANA, KITA PRIHATIN, PERMAI, PEMERKASA, PEMERKASA+ & PEMULIH	24.90
		Special Relief Financing (SRF) and Targeted Relief and Recovered Facility (TRRF): All packages	16.00
		Loan Moratorium (Biz): PRIHATIN & PEMULIH	115.00
		EPF Employer Assistance Programme: PRIHATIN	10.00
		SME GO: PENJANA	1.60
		Electricity discount up to 15%: PRIHATIN, PEMERKASA and PEMULIH	2.00
4.	Rejuvenate businesses, particularly SMEs and MSMEs	Microfinancing: PRIHATIN, PEMERKASA, & PEMULIH	4.26

	OBJECTIVE	ASSISTANCE AND STIMULUS PACKAGES	AMOUNT (RM BILLION)
5.	Rejuvenate businesses	Prihatin Special Grant: PRIHATIN PKS+, KITA PRIHATIN, PERMAI, PEMERKASA, PEMERKASA+ & PEMULIH	6.08
		Danajamin: PRIHATIN	50.00
		All economic sector facility fund: PRIHATIN	1.00
		MyCIF: PRIHATIN	0.50
		Financial Stress Support for Businesses: PENJANA	2.00
		PENJANA Tourism Financing (PTF): PENJANA	1.00
		Automation and Digitalisation Fund: PENJANA & PEMERKASA	1.00
		Guarantee Schemes (SJPP) & Danajamin PRIHATIN Guarantee Scheme (DPGS): PRIHATIN & PEMULIH	30.00
		Fund for SMEs: PEMULIH	1.40
		Others for all packages: Tax relief for COVID-19 Related Expenses, Bumiputera Relief Financing, spur the setup of new businesses, micros and SMEs eCommerce campaign and etc.	6.56
	Subtotal		273.30
	ECONOMY		
6.	Rejuvenate businesses and economy	Small Scale Projects: PRIHATIN & PEMERKASA	6.00
		Others (includes expanding MARRIS): PRIHATIN	1.10
		Tax Incentives for Property Purchase: PENJANA	1.04
		Dana PENJANA Nasional: PENJANA	1.20
7.	Address the impact of COVID and enhance implementation of various existing measures, subsidies and incentives	COVID-19 Related: PRIHATIN, PERMAI & PEMERKASA+	3.50
		National COVID-19 Immunisation Programme (PICK): PERMAI, PEMERKASA & PEMULIH	5.80
		Others - Mobile Vaccination Clinic, Mobile Vaccination Programme, MyMedic Programme: PEMULIH & PERMAI	0.04
		Food Security Fund: PRIHATIN	1.00
8.	Improve cash flow	Tax incentives for Passenger Cars: PENJANA	0.90
		Others – Assistance on arts, culture, entertainment, events and exhibitions sector support; commodity sector support; technology and etc.	1.37
	Subtotal		21.95
	Total Assistance		530.00

Note: Figures may not tally due to rounding

To ensure the allocations reached the targeted groups, the National Economic Implementation and Strategic Coordination Agency (LAKSANA) was established in March 2020 to closely monitor, evaluate and improve public service delivery. These include various studies to evaluate the effectiveness of programmes and projects and identify implementation gaps

and ways to facilitate the delivery mechanism. This is in line with the Government's objective of adopting more targeted and coordinated approaches to ensure the assistances reached those who needed them most. As of July 2021, an estimated 20 million people and 2.4 million businesses have benefited from these programmes.

FEATURE ARTICLE 1.1

The Impact of COVID-19 Pandemic on Households and Micro and Small Enterprises

Introduction

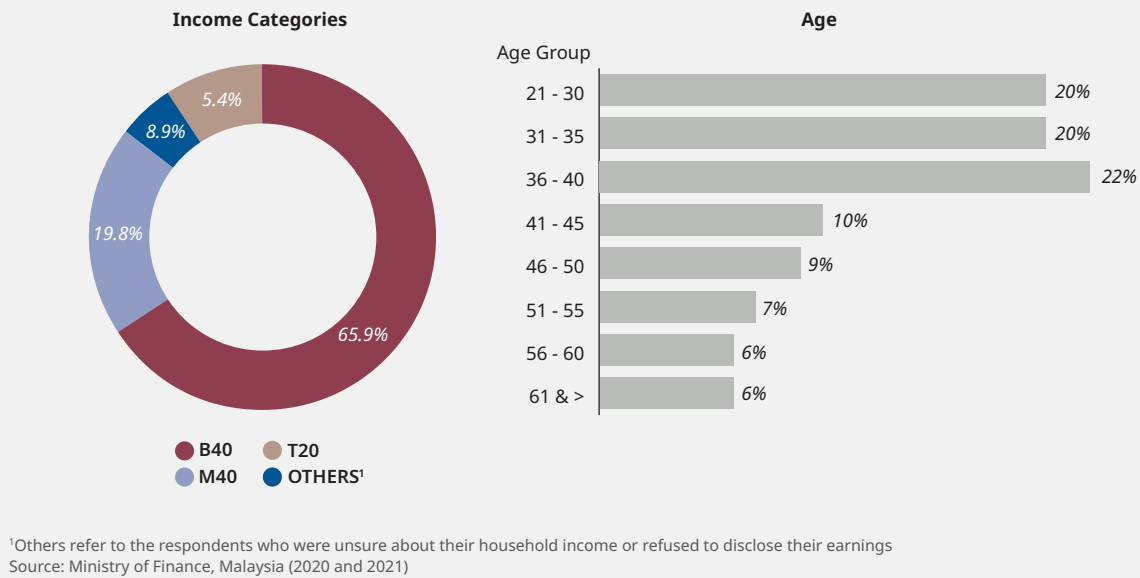
The COVID-19 pandemic and the imposition of various forms of Movement Control Orders (MCOs) nationwide have severely affected the people and businesses, particularly the micro, small and medium enterprises (MSMEs). Some sectors could not operate as normal due to movement restrictions, and changes in consumer behaviour impacted employment and the economy's resilience. In response, the Government has provided a large amount of assistance to lessen the burden of the people and businesses. Assistance valued at RM530 billion was provided through eight assistance and economic stimulus packages since March 2020. This article aims at assessing the impact of the COVID-19 pandemic on households and businesses, their preparedness in facing the pandemic and the effectiveness of Government assistance in alleviating their difficulties.

Methodology

Two surveys were conducted in 2020 and 2021 to gauge the impact of MCOs on households and businesses income, the effectiveness of Government assistance and obtain proposals on improving the delivery of assistance. The first survey was conducted from August to October 2020, while the second was from July to August 2021. The surveys compared the impact of the pandemic during the two periods against the pre-pandemic situation. The first survey covered assistance and stimulus packages such as Prihatin Rakyat Economic Stimulus Package (PRIHATIN), PRIHATIN Small and Medium Enterprises Economic Stimulus Package (PRIHATIN SME+), National Economic Recovery Plan (PENJANA) and Kerangka Inisiatif Tambahan Khas PRIHATIN (KITA PRIHATIN) while the second covered Pakej Bantuan Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI) and Strategic Programme to Empower the People and Economy (PEMERKASA) assistance packages. Both surveys were conducted by an independent private research house.

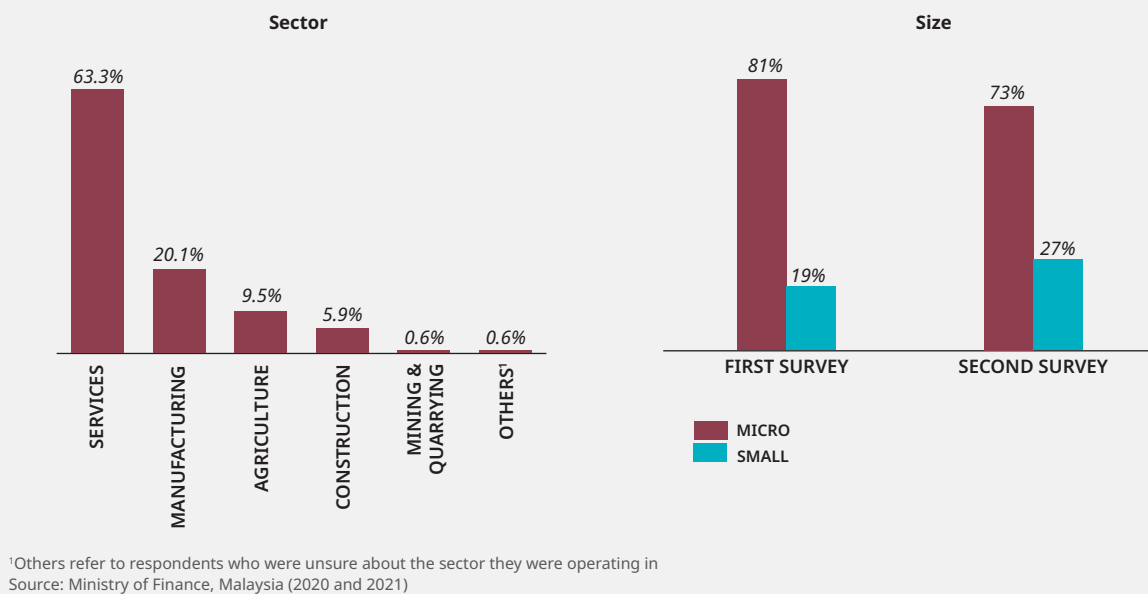
The surveys covered two segments of respondents, namely households and micro and small enterprises (MSEs). The first survey involved 5,374 respondents, while 4,915 respondents participated in the second survey. Respondents in both surveys comprised employed heads of households (wage earners or self-employed) and unemployed individuals. Approximately 350 respondents from each state participated in the surveys. A specific weightage was applied to ensure appropriate state-based representation and proportion of the population. The profile of survey respondents is as shown in Figure 1.1.1.

FIGURE 1.1.1. Households' Profile by Income Categories and Age



The first survey involved 500 enterprises compared to 507 respondents in the second survey. The respondents were owners or senior management personnel of MSEs. They were selected based on the sectors and subsectors they were operating in using the criteria in Guideline for New Definition of SME 2013 (updated August 2016) as outlined by the SME Corporation Malaysia (SME Corp. Malaysia). The second survey involved 329 respondents (65%) who had participated in the first survey (repeat respondents), while 178 (35%) were new respondents. Data was collected through telephone interviews and online surveys using quantitative questionnaires. The response rate for households and enterprises surveys were 31% and 24%, respectively. The profile of MSEs involved in the survey is as shown in Figure 1.1.2.

FIGURE 1.1.2. Micro and Small Enterprises' Profile by Sector and Size

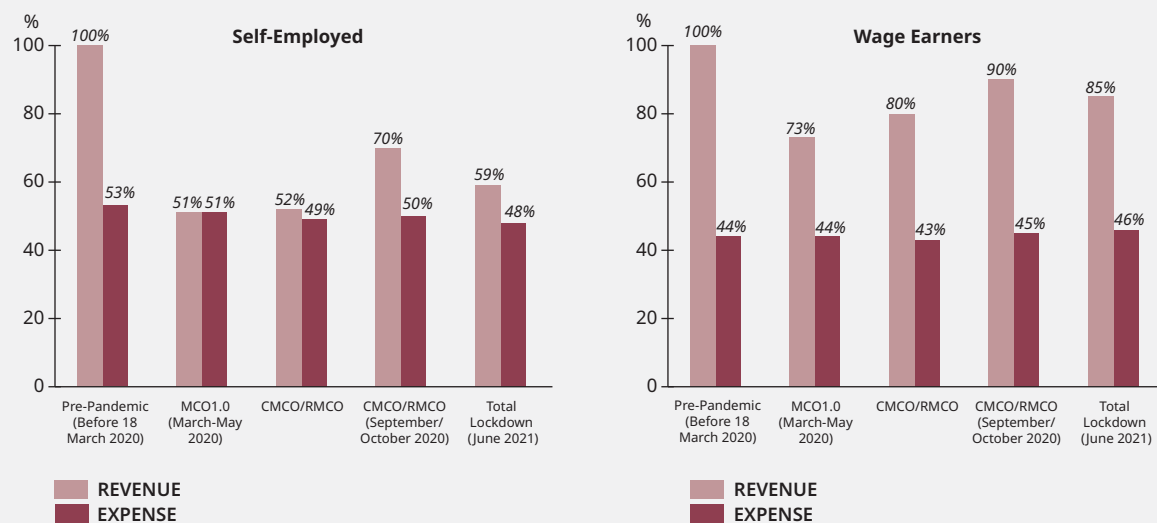


Outcome of Surveys

Households

The study found that the pandemic severely impacted household earnings, with income fluctuating beginning in 2020 while expenses remaining at similar levels throughout the study period. The income of self-employed respondents reduced significantly to 51% of the pre-pandemic level in the first survey, while the income of wage earners reduced to 73%. In the second survey, the income of self-employed and wage earners reduced to 59% and 85%, respectively, compared to the pre-pandemic level, as shown in Figure 1.1.3. Income improvement in the second survey compared to the first survey indicates that the assistance provided by the Government and higher economic activities have helped mitigate the impact of the MCOs for both the self-employed and wage earners.

FIGURE 1.1.3. Income Level for Self-Employed and Wage Earners



Source: Ministry of Finance, Malaysia (2020 and 2021)

The study also found that all respondents categorised as vulnerable¹ households received Government assistance during both periods. The assistance includes income assistance such as Bantuan Prihatin Nasional (BPN) or Bantuan Prihatin Rakyat (BPR) and expense assistance such as loan moratorium, Employees' Provident Fund (EPF) withdrawals, electrical bill discount, food basket assistance and Jaringan Prihatin. In the first survey, 69% of respondents utilised cash assistance for basic necessities compared to 74% in the second survey. However, only 19% of the households in the bottom 40% (B40) respondents in the second survey received food basket assistance.²

¹ Vulnerable households are defined as those with higher expenses than income and savings level under the poverty line.

² The Food Basket Programme was only provided from 28 June 2021 onwards.

With regard to expenses, 42% of respondents in the second survey withdrew their savings in EPF compared to only 25% in the first survey. This indicates that households increasingly relied on their EPF savings to purchase necessities and meet their financial obligations. Furthermore, among those who withdrew RM5,000 and below, 70% of B40, 50% of the households in the middle 40% (M40) and 100% of the top 20% of households in the top 20% (T20) respondents expressed that their EPF withdrawal was only sufficient to support them up to three months. As such, 91% of the respondents had proposed the extension of the loan moratorium. Both surveys also revealed that unemployed³ persons were willing to work with lower wages, including in new working sectors. The study also highlighted that most unemployed respondents did not apply for the Employment Insurance Scheme (EIS) for various reasons, including unawareness and cumbersome application processes.

Micro and Small Enterprises

The average monthly revenue of MSEs in the first survey declined by 60% compared to the pre-pandemic period following tight movement restrictions and standard operating procedures (SOPs). However, the decline is less at 49% in the second survey compared to the pre-pandemic period, cushioned by longer operating hours, particularly in the services and manufacturing sectors. However, the revenue for enterprises fluctuated according to the level of restrictions on economic and social activities. Similar to households, the expenses for enterprises remained at relatively similar levels to the pre-pandemic period.

Overall, analyses found that the number of vulnerable⁴ enterprises declined during the second survey at 40% from 58% in the first survey due to the improved financial situation following longer operational hours. Other contributing factors to the decline include the assistance provided by the Government, where 75% (first survey) and 76% (second survey) of vulnerable enterprises acknowledged that the assistance had benefited them. Furthermore, most respondents in both surveys agreed that the Government's communication channels effectively disseminated information to the public.

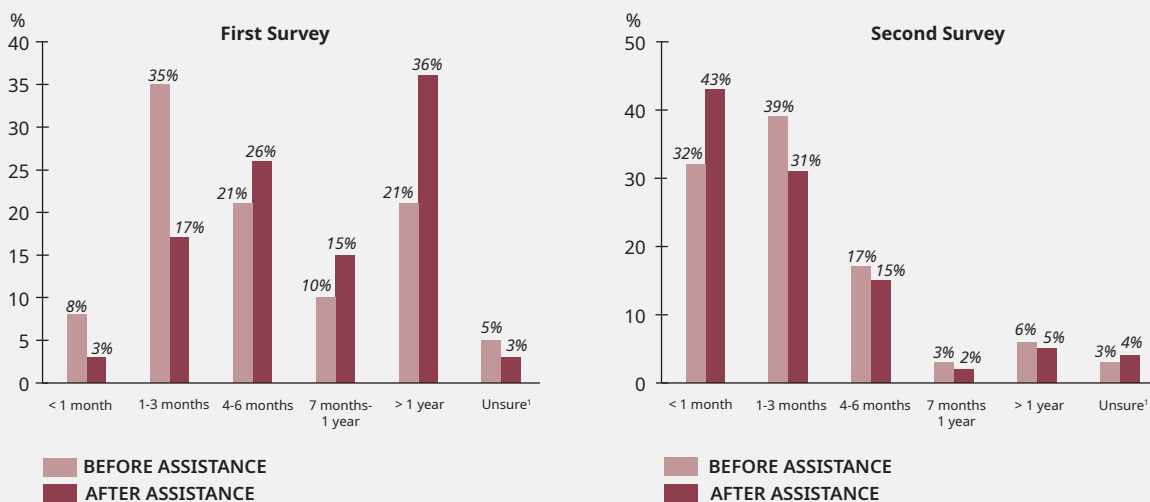
Despite the positive response, the surveys unveiled several shortcomings in Government service delivery. The second survey highlighted that 40% of the respondents were unaware of the assistance provided by the Government and financial institutions. At the same time, respondents were not familiar with the microfinancing assistance, such as SME Go Scheme and Bumiputera Relief Financing where 99% was unaware, compared to assistances such as Prihatin Special Grant (45.5%), loan moratorium (61.5%) and Wage Subsidy Programme (77.5%).

Among MSEs, 70% of the respondents in the first survey viewed Government's support positively compared to only 30% in the second survey. Notable reasons for the dissatisfaction in the second survey include lengthy application processes and the limited amount of assistance. Furthermore, 77% of respondents in the first survey believed that the Government's assistance could sustain them for more than four months. In contrast, 74% of the respondents in the second survey opined that the assistance could sustain them for only three months, as shown in Figure 1.1.4.

³ Unemployed respondents refer to those without source of income during study, but had some work experience before the study was conducted

⁴ Vulnerable enterprises are defined as businesses with higher expenses compared to revenue and have cash balance below operating costs.

FIGURE 1.1.4. Micro and Small Enterprises Survival Before and After Government Assistances



¹Unsure refers to the respondents who could not state the period of survival before and after receiving Government assistance
 Source: Ministry of Finance, Malaysia (2020 and 2021)

In terms of future prospects, 69% of the respondents are confident that the economy will recover after completing the national vaccination programme. In terms of the 2022 Budget priority, the top recommendations by respondents include higher financial assistance (65%) and enhancing the roles of microfinancing agencies (48%). Other recommendations include establishing more locations for business activities (36%) and greater involvement of industry players in crafting economic plans (32%).

Way Forward

Adoption of Technology and Digitalisation

The pandemic has revealed the importance of technological adoption and digitalisation to ensure the survival of individuals and enterprises in the post-pandemic era. It is time for all stakeholders to embrace the new normal of doing business and spur a sustainable recovery momentum. To remain relevant, enterprises need to urgently transition and optimise modern technologies and business digitalisation platforms. The Government will enhance this transition by promoting its national digitalisation agenda, particularly among the B40 and M40 households, thus creating pathways to engage in entrepreneurship or self-employment as an alternative source of income. The most immediate actions include having an end-to-end business process premised on digital and automated systems covering procurement and inventory management, accounting, digital marketing, e-commerce and digital payment systems.⁵ The World Bank report on Malaysia's Digital Economy (2018) states that Malaysia uses digital technologies widely, but digital adoption by businesses still lags behind the global average. Only 29% of businesses had a web presence, with only 5.2% engaged in e-commerce in 2015. Moving forward, the Government has introduced the Malaysia Digital Economy Blueprint and Pelan Jalinan Digital Negara (JENDELA) as inclusive policies to encourage digitalisation by firms of all sizes and regions and remove barriers to digitalisation.

Upskilling and Reskilling the Workforce

To support long-term financial stability and income generation among individuals, a rapid assessment of upskilling and reskilling needs among those in the workforce would assist people to get back to work safely and limit scarring effects of prolonged unemployment and skills mismatch.

⁵ Malaysian Digital Economy Corporation (2020) listed five key areas for digitalisation which are procurement and inventory, accounting and taxes, digital marketing, e-Commerce and Electronic Point of Sale (ePOS) and contactless payment systems.

The survey revealed the need for the workforce and enterprises to strengthen upskilling and reskilling measures to cope with the new normal. In line with the strategies outlined in the Twelfth Malaysia Plan, 2021 – 2025 (12MP), efforts will be enhanced to leverage and adopt technologies and digitalisation in work processes. In addition, it is also pivotal to upskill and reskill talents to meet industrial needs as well as provide access to life-long learning for all segments. For the self-employed, the Government will continue to provide targeted assistance through upskilling and reskilling initiatives implemented in line with national priorities (digital economy, Technical and Vocational Education and Training (TVET), and the Fourth Industrial Revolution (4IR)).

Comprehensive Social Protection System

The crisis has affected the people in terms of security and health and their economic well-being attributed to reduced income, rise in unemployment, and increasing poverty. The pandemic has also shown that some fragments of the society are not covered sufficiently by any social security programmes, thus highlighting the importance of a comprehensive social protection system as an automatic stabiliser during crisis. The surveys, among others, note the significance of social assistance in ensuring the welfare of vulnerable groups. In addition, a centralised and integrated database is needed to help manage the implementation and coordination of planned measures effectively at both federal and state levels, thus improving social protection programmes by optimising resources. At the same time, the Government will continue with its efforts to increase employability and reduce the over-reliance on social safety nets.

Improving Public Service Delivery

To ensure reforms and economic recovery are well-coordinated, the Government continues to monitor and review the implementation of immediate and medium- to long-term actions through high-level policy platforms. In the long term, the renewed approach will support the annual budget, 12MP and the Shared Prosperity Vision 2030 (SPV 2030) through continuous monitoring of the recovery and reform initiatives.

The Government will strengthen its communication channels at every level to ensure the information on assistance programmes is disseminated effectively. In addition, application processes will be simplified. Support services will be made widely accessible to the people catering to the needs of specific groups, such as single mothers, orphans, the elderly, and people with disabilities. The role and involvement of the government machinery at the grassroots level, community and non-governmental organisations (NGOs) will be enhanced.

Conclusion

The study reveals several important findings. While the COVID-19 pandemic and impositions of MCOs had negatively affected many households and businesses, some were impacted more than others. It can be inferred that the assistance provided by the Government has benefited a large portion of the population. However, the study also reveals that some of the assistance did not reach the intended beneficiaries for various reasons, including unawareness of the Government's initiatives and cumbersome application processes. Moving forward, the Government will enhance the effectiveness of the assistance programmes by improving its service delivery and communication channels and a more targeted approach in ensuring the assistance benefit the intended beneficiaries.

Apart from financial support, the Government has also taken necessary measures to return the economy to normalcy. On 15 June 2021, the National Recovery Plan (NRP) was announced with four implementation phases to provide the people, businesses and investors

with a timeline and parameters for a phased and systematic opening of the economy. The NRP outlines certain conditions under which the MCOs and the SOPs will be lifted or relaxed. Embedded in the NRP is the whole-of-nation approach that mobilises the cooperation

of various stakeholders, including state governments, frontliners, volunteers, business owners and non-governmental organisations (NGOs) in achieving the widest coverage of vaccinated adult population. As of 13 October 2021, a total of 90.9% of the adult population have been fully vaccinated.

Strengthening the Sustainable Financing Agenda

The sustainability agenda continued to be supported despite the pandemic crisis. As part of the effort to catapult Malaysia as a sustainable financing hub, the Government successfully priced the world's first sovereign US Dollar Global Sukuk in April 2021. The issuance of the USD800 million sustainability 10-year Trust Certificates and the USD500

million 30-year Trust Certificates (Wakalah Sukuk) was well spread globally, covering Asia, Europe, Middle East and Africa, and the US. The issuance garnered overwhelming interest and clearly reflected investors' confidence in Malaysia, with the offering oversubscribed by 6.4 times. Both tranches were assigned a rating of A3 by Moody's Investors Services and A- by S&P Global Ratings. The strong demand also resulted in the lowest yield and spread for Malaysia's US Dollar sukuk issuance. More importantly, it demonstrates the market's confidence in Malaysia's economic recovery and growth prospects. Proceeds from the issuance of Sustainability Sukuk will be utilised to finance social and green projects aligned to the Sustainable Development Goals (SDGs) Agenda. This is in line with the Government's efforts to prioritise SDG-related programmes and projects, which began in the 2021 Budget.

FEATURE ARTICLE 1.2

Mapping Development Expenditure to Sustainable Development Goals

Introduction

Achieving the 2030 Sustainable Development Goals (SDGs) is one of the main policy priorities of the Government. As 2030 is less than a decade away, it is imperative for the nation to clearly understand the landscape and identify the financing gaps to implement programmes and projects to achieve the SDGs. In the 2021 Budget, the Government began aligning its finances to the SDGs. The preliminary mapping exercise started with an analysis of the 2015 development expenditure (DE) of the Ministry of Natural Resources and Environment (NRE) and the Ministry of Energy, Green Technology and Water (KeTTHA), in comparison with the 2019 DE of the renamed Ministry of Water and Climate Change (KASA) and the Ministry of Energy and Environment (KeTSA). The DE comparison was based on NRE and KeTTHA assuming similar functions and responsibilities as KASA and KeTSA. This article expands the scope of the analysis to cover the SDGs across all ministries and agencies based on the latest DE figures. This would enable the complete identification of financial gaps for SDGs in Malaysia, if any.

Method of SDG Tagging for Development Expenditure Programmes and Projects

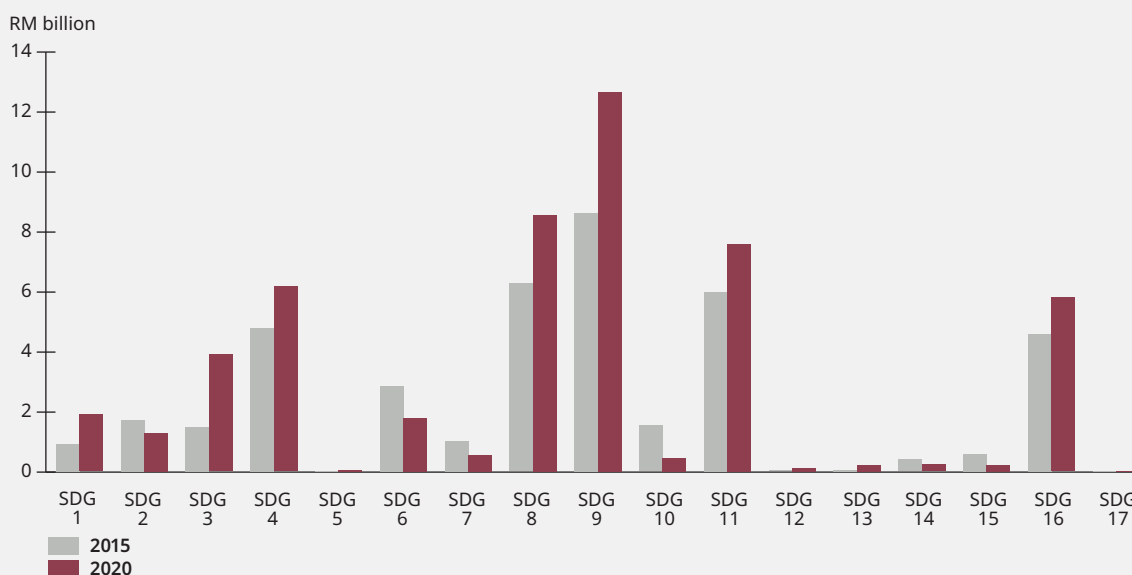
The objective of tagging DE programmes and projects is to ascertain how DE is allocated through the lens of the SDGs. This exercise is still done on an ex-post basis, covering all ministries on a trial basis. 2015 was chosen as the reference year, which coincides with the adoption of the 2030 Agenda, while 2020 reflects the most recent audited expenditures.

In clear-cut cases, each programme and project under DE was tagged to a specific SDG. However, if a programme or project supported multiple SDGs, its DE was assigned an equal weightage. For example, suppose a programme or project contributes towards the attainment of two SDGs, the amount of expenditure is apportioned equally between the SDGs.

Findings

In 2020, DE for all ministries and agencies amounted to RM51.4 billion compared to RM40.8 billion in 2015, an average annual increase of 4.7%. The distribution of DE across SDGs for the two years is shown in Figure 1.2.1.

FIGURE 1.2.1. Development Expenditures by Sustainable Development Goals, 2015 and 2020



Source: Ministry of Finance, Malaysia

It is observed that DE allocation was focused more on some SDGs in both years, where the same five SDGs received the most allocation, more than 70% of total DE. There was a continued emphasis on programmes or projects for SDG9 (Industry, Innovation and Infrastructure) followed by SDG8 (Decent Work and Economic Growth), SDG11 (Sustainable Cities and Communities), SDG4 (Quality Education) and SDG16 (Peace, Justice and Strong Institutions).

TABLE 1.2.1. Development Expenditure for Top 5 Sustainable Development Goals, 2015 and 2020

SUSTAINABLE DEVELOPMENT GOALS		RM BILLION		SHARE TO TOTAL DE (%)		AVERAGE ANNUAL GROWTH (%)
		2015	2020	2015	2020	2015-2020
1	SDG9	8.6	12.6	21.1	24.6	7.9
2	SDG8	6.3	8.5	15.4	16.6	6.2
3	SDG11	6.0	7.6	14.7	14.8	4.8
4	SDG4	4.8	6.2	11.8	12.0	5.3
5	SDG16	4.6	5.8	11.3	11.3	4.8
Sub-total		30.3	40.7	74.3	79.3	6.1
Total DE		40.8	51.4	...	...	4.7

Source: Ministry of Finance, Malaysia

Although the top five SDGs were the same for both years, DE for each SDG increased significantly in 2020. For instance, SDG9 received the most allocation amounting to RM12.6 billion in 2020, an average annual increase of 7.9% from RM8.6 billion in 2015. Similarly, over the same period, the DE for SDG8, SDG11, SDG4 and SDG16 increased between 4% and 6% on average during the period. Overall, the DE for 2020 for these five SDGs amounted to RM40.7 billion or 79.3% of the total DE in 2020. In comparison, these five SDGs received RM30.3 billion or 74.3% of total DE in 2015.

The focus of DE on the top five SDGs illustrates the Government's role as a facilitator and enabler of growth in funding infrastructure, R&D and education programmes and projects to generate jobs and support the economy. As the nation progresses in its urbanisation, DE for a conducive environment for cities is given priority. Likewise, ensuring a peaceful nation is essential, as reflected by the high spending in this area.

Nevertheless, SDG5 (Gender Equality), SDG12 (Responsible Consumption and Production), SDG13 (Climate Action), SDG14 (Life Below Water), and SDG17 (Partnerships for the Goals) continued to receive the lowest DE in both years. In 2015, the bottom five SDGs were allocated RM150 million or merely 0.4% of total DE. While the same SDGs received a higher allocation in 2020 at RM610 million, its collective share was small at 1.2% of total DE, with SDG17 allocation declining by 27.5%.

TABLE 1.2.2. *Development Expenditure for Bottom 5 Sustainable Development Goals, 2015 and 2020*

SUSTAINABLE DEVELOPMENT GOALS		RM BILLION		SHARE TO TOTAL DE (%)		AVERAGE ANNUAL GROWTH (%)
		2015	2020	2015	2020	2015-2020
1	SDG13	0.04	0.2	0.1	0.4	38.0
2	SDG14	0.04	0.2	0.1	0.4	38.0
3	SDG17	0.02	0.004	0.05	0.01	-27.5
4	SDG5	0.02	0.05	0.05	0.1	20.1
5	SDG12	0.03	0.11	0.1	0.2	30.0
Sub-total		0.15	0.61	0.4	1.2	32.4
Total DE		40.8	51.4	...	...	4.7

Source: Ministry of Finance, Malaysia

Discussion

Almost all SDGs received more DE in 2020 than 2015, with emphasis on SDGs such as Climate Action and No Poverty. In contrast, others such as Gender Equality, Reduced Inequalities, Partnerships for the Goals, and Responsible Consumption and Production received lower allocations. The lower allocation does not necessarily mean that the Government does not prioritise these SDGs. More often than not, the SDGs were also financially supported by other resources, such as external funding and donations. There was a clear shift in Government's focus towards financing programmes and projects related to Climate Action in 2020, but not to programmes and projects related to Life Below Water, Gender Equality, Partnerships for the Goals, and Responsible Consumption and Production.

Efforts need to be further enhanced to establish other financing options to complement Government's allocation to those SDGs receiving lower DE allocations. The Government is developing an SDG Integrated National Financing Framework (INFF), comprising platforms for reforms in various areas such as policy, regulations, financial instruments, institutions and public-private collaboration. The Government also plans to develop a more complete, unified and explicit framework for sustainable finance through a Sustainable Finance Roadmap to complement this task. These initiatives will enable the Government to identify financing gaps and suitable financing options for SDG-related programmes and projects. In turn, this would allow for better coordination of all financing resources nationwide towards ensuring adequate and sustainable financing for national development that supports the attainment of the SDGs by 2030.

Conclusion

The emphasis of a nation on achieving the SDGs is reflected by the priorities of its programmes and projects. Based on the analysis of DE in 2015 and 2020, some SDGs were given higher priorities than others. Hence, greater effort is needed to identify the cause, financial gaps and alternative sources of financing. The current approach of assigning an equal weightage in allocating DE for a programme or project supporting multiple SDGs may be simplistic. Thus, some improvements are warranted in the methodology.

The Government also made a series of progress on various fronts of fiscal and economic management. These include the formulation of the Fiscal Responsibility Act, which is targeted to be tabled in Parliament in 2022. The Act will enable the institutionalisation of fiscal prudence, governance and transparency rules based on global best practices. To further complement the successful issuance of the sustainability sukuk, the Government has established the

MySDG Trust Fund in collaboration with the United Nations in Malaysia. The effort provides a platform for various parties, including the Government, private sector, NGOs, individuals and other domestic and international entities, to contribute to achieving SDGs in Malaysia. With regard to the annual budget, the Government continues to coordinate and streamline financing approaches to enable more systematic financing of environmental, social and governance (ESG) programmes and projects comprehensively and effectively.

FEATURE ARTICLE 1.3

Financing for Sustainable Development

Introduction

The COVID-19 pandemic and climate-related risks have similarly devastating effects on countries. Like COVID-19, climate change surpasses borders and can lead to various impacts on lives and livelihoods. There is now a greater sense of urgency in addressing climate change, and the momentum has been gathering in the last few years around the world, brought about by several factors.

It can be seen how extreme weather caused floods and droughts, leading to health crises and disruptions in food security and supply chains, which eventually resulted in economic and financial instabilities. On the other hand, there is now greater demand from trading and investment partners alike for assurance of climate and biodiversity friendly products and a smooth transition to net zero carbon targets. In addition, capital allocators increasingly demand robust and rigorous details of climate action strategies from their clients. Failing which, there may be possible downgrading in sovereign ratings, increasing reinsurance premiums and a greater number of climate refugees.¹ There is also the risk of stranded assets in the financial system and elsewhere in sectors deemed not green enough, all of which may have a domino effect on economies.

Malaysia is positioning itself as a sustainable financial hub, thus providing the opportunity to apply financial instruments that can accelerate Malaysia's transition to a low-carbon economy. For this to be successful, there is a need for an innovative and inclusive approach towards achieving its medium- to long-term development goals, such as the Sustainable Development Goals (SDGs) and the 2030 Shared Prosperity Vision (SPV 2030). For sustainable financing to progress well, it is imperative to understand the existing national financing landscape and architecture to identify gaps and the best possible pathway. The private sector could contribute to green financing and investment through its Environmental, Social and Governance (ESG) practices. This article highlights some important initiatives by the Government in achieving sufficient financing for sustainable development in the country.

Existing Initiatives

Currently, the Government utilises several financial options to support sustainable development, such as through sukuk issuances, trust funds, green procurement, green financing and carbon pricing. In April 2021, the Government successfully issued the world's first sovereign USD-denominated sustainability sukuk via the issuance of USD800 million 10-year Trust Certificates and USD500 million 30-year Trust Certificates (Wakalah Sukuk). Both tranches of the Sukuk was oversubscribed by more than 6.4 times reflected global investors' interests despite the challenges and risks posed by the COVID-19 pandemic. The proceeds from the issuance would help to finance sustainability-related programmes and projects in the country.

Following the announcement in the 2021 Budget, the Government will be establishing the MySDG Trust Fund. The fund provides a platform that enables multi-parties, including the private sector, individuals or entities within and outside of Malaysia, to partake in national efforts to attain the SDGs through their contributions. The fund will help fill in the financing gap and complement the annual Government budget allocation in financing SDG-related programmes and projects. The Government allocated a total of RM20 million as an initial contribution to the fund and is collaborating with the United Nations' office in Malaysia to co-manage the fund and attract more contributions from within and outside of the country. With attractive tax incentives being offered and leveraging the goodwill and high standards of fund and project management practised by the UN, the fund is envisaged to garner a significant amount of contribution from potential donors. This, in turn, would enable the financing of more impactful SDG-related programmes and projects and thus, accelerates the achievement of SDGs by 2030 or even earlier.

¹ Describes the increasing large-scale migration and cross-border mass movements of people that were partly caused by such weather-related disasters.

The Government also adopts the Government Green Procurement (GGP) initiative to support the consumption of green products and services. The GGP seeks to integrate environmental considerations in Government-based procurements, taking into account the protection of the natural environment, reduction of pollution and the conservation of resources. In 2018, the Government published the GGP Guidelines 2.0 as an updated reference, covering 20 GGP criteria for green products and services, such as ICT equipment, air-conditioning systems and cleaning services. The Government will continue expanding this initiative and improving the GGP guidelines to enhance the green initiative implementation in the public sector. As of 2019, GGP is valued at approximately RM290 million, involving 25 ministries. Meanwhile, the value increased to RM559 million in 2020 involving 26 ministries.

There are also other initiatives undertaken by public agencies, such as Bank Negara Malaysia (BNM) and Securities Commissions (SC), towards addressing climate change. To assist private financing towards achieving sustainable development, BNM announced the establishment of the Joint Committee on Climate Change (JC3) in 2019. Co-chaired by BNM and SC, the JC3 is intended to pursue collaborative actions for building climate resilience within the financial sector in Malaysia. The JC3 also recognised the urgent need to accelerate responses towards ensuring a smooth and orderly transition to a low-carbon economy. This includes managing exposures to climate risks and facilitating businesses to transition towards sustainable practices.

Various initiatives have also been undertaken by BNM in increasing financial sector readiness to manage climate risk and support an orderly transition to a greener economy. This includes publishing an Industry Consultative Paper on Guides for Climate Risk Management and Scenario Analysis, finalising and implementing the Climate Change and Principle-based Taxonomy (CCPT) as well as issuing the Value-Based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) sectoral guides on renewable energy, energy efficiency, palm oil, manufacturing, construction and infrastructure.

Efforts and initiatives undertaken by SC in mobilising private sector financing to achieve sustainable development include the issuance of Sustainable and Responsible Investment (SRI) Sukuk of RM5.39 billion in 2020. Other initiatives include issuing the First Social Sukuk in Malaysia of RM1 billion by Khazanah Nasional in 2015 and the world's first Green Sukuk in 2017 with proceeds of RM250 million to finance the construction of large-scale solar projects. In addition, a total of RM635 million ringgit-denominated bonds and a USD680 million foreign-currency-denominated bond were issued under the ASEAN Green, Social and Sustainability Bond Standards in 2018. Furthermore, since 2015, SC has announced various funds, including 20 qualified SRI Funds comprising 14 Unit Trusts, four Wholesale Funds and two Mix Assets Funds. The initiatives undertaken have encouraged and facilitated many renewable energy companies to be listed in the Bursa Malaysia stock exchange.

Future Initiatives

Various efforts continued to be undertaken at the global level to address the impact of climate change and expedite the transition of businesses towards adopting low-carbon activities. For example, the EU will implement a Carbon Border Adjustment Mechanism (CBAM) beginning 2023.

The CBAM seeks to impose a carbon price on imported goods to equalise costs for European industries, which may have relocated their production facilities in countries not enforcing any carbon regulations. This will have a negative impact on the competitiveness of Malaysian exporters with products entering the EU market as they have to factor in the additional tax in their overall cost structure, hence resulting in higher prices for their products. Recently, the US is also considering a similar measure called a “polluter import fee”, which might impact Malaysian businesses even further as the EU and the US are among important trading partners of the nation. As such, efforts need to be further intensified to raise awareness among industry players on the need to consider this new development and quickly adopt low-carbon activities in their business operations or risk losing out on their export competitiveness.

Given these developments, the Government is working on several initiatives, including utilising economic instruments of carbon pricing, such as carbon tax and the development of an Emission Trading Scheme (ETS) to further encourage the industries to transition to low-carbon activities. A study has been commissioned on the carbon tax to recommend the best potential taxation mechanism for implementation in Malaysia. The Government is also assessing the most appropriate ETS mechanism to encourage industries to participate in domestic carbon trading. The mechanism should consider the Nationally Determined Contributions (NDCs)² under the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC). The two initiatives act as pull and push factors in expediting the transition of local industries to low-carbon activities. These will also help industries fulfil future requirements by other countries without affecting the nation’s NDCs.

Moving forward, the Government is working with various parties, including international bodies, to further strengthen Malaysia’s financing ability in meeting its sustainable development needs. Among the collaborative ventures between MOF and the United Nations Development Programme (UNDP) is the adoption of the Integrated National Financing Framework (INFF), comprising platforms for reforms in various areas, including policy, regulations, financial instruments as well as public and private institutions collaboration. To complement this venture, the Government is developing a complete, unified and explicit framework for sustainable finance through the development of the Sustainable Finance Roadmap. The outcomes and outputs from these projects would enable the Government to identify financing gaps and the most suitable financing options to be implemented. This would allow better coordination of all financing resources available nationwide towards ensuring adequate financing for a greener and sustainable national development.

Conclusion

Apart from the COVID-19 pandemic, the nation faces several other challenges, including the risks from climate change. The nation has put in the building blocks towards achieving its long-term goals, such as the SPV 2030 and SDGs. There are various initiatives currently being undertaken by the Government to ensure ample financing for sustainable development. However, there is a need for a coordinated, holistic and systematic financing framework and roadmap to ensure sustainable development initiatives receive sufficient financial support.

² Malaysia’s NDC is to reduce 45% of Greenhouse Gas (GHG) emissions intensity to GDP by 2030 compared to 2005.

Outlook

Global Economy

Global growth is projected to rebound in 2021 and to moderate in 2022 after a sharp contraction of 3.1% in 2020, mainly due to worldwide effects of the COVID-19 pandemic and ensuing economic lockdowns to curb its spread. Efforts to mitigate the pandemic through fiscal stimulus and accommodative financial conditions are expected to improve the sentiment among businesses and consumers globally. Nevertheless, downside risks to growth remain, following uncertainties surrounding the COVID-19 pandemic, including the emergence and spread of various new strains of the virus that may be more contagious.

Differences in vaccine rollout and policy support across the world resulted in an uneven recovery among economies. According to the World Health Organization (WHO), 6.5 billion vaccine doses have been administered globally. Approximately 46.5% of the world population has been fully vaccinated with the COVID-19 vaccine (Our World in Data, 2021). With the faster implementation of vaccination programmes, prospects for reopening more economic and social sectors are enhanced for all economies, which bodes well for faster global economic recovery.

Domestic Economy

The Malaysian economy expanded by 7.1% in the first half of 2021. Growth is expected to continue in the second half of the year, particularly in the fourth quarter, as more economic and social sectors operate at full capacity. The expected growth trajectory aligns with the successful vaccination programme under the National COVID-19 Immunisation Programme (PICK) and various stimulus and assistance packages to support the people and revitalise the economy. Overall economic growth is expected to expand between 3% and 4% in 2021. Continuation of the packages to combat the COVID-19

will have spillover effects and boost the economy in 2022. Hence, with strong economic fundamentals and a diversified structure, the domestic economy is forecast to expand between 5.5% and 6.5% in 2022. Nevertheless, the favourable outlook is predicated on other factors, including the successful containment of the pandemic, effective PICK implementation, and strong global economic prospects.

Monetary and Financial Developments

Monetary policy remains accommodative in cushioning the adverse effects of the prolonged nationwide lockdown on the economy while simultaneously supporting recovery. The policy also ensures that inflationary pressure remains manageable. The Overnight Policy Rate (OPR) and Statutory Reserve Requirement (SRR) were held steady during the first seven months of 2021 at 1.75% and 2.00%, respectively. Efforts to boost market liquidity include the flexibility accorded to banking institutions to utilise the Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) to meet the SRR compliance until the end of 2022. The banking sector remains strong, backed by sufficient liquidity and capital buffer, while the capital market exhibits resilience underpinned by ample domestic liquidity and a supportive policy environment. The recent launch of the third Capital Market Masterplan, 2021 – 2025, will ensure the capital market remains relevant, efficient and diversified to expedite the growth of sustainable and inclusive economy (Securities Commission Malaysia, 2021). The future stance of monetary policy will continue to be guided by new data and information and their implications on the overall outlook for inflation and domestic growth.

Economic Management

As Malaysia moves into the COVID-19 endemic phase, the Government will focus on ensuring the livelihood of the people, enhancing businesses and facilitating economic activities in the immediate and the new norm of

post-pandemic. Currently, the Government is at the end of the six-stage strategy,¹ namely reform which involves implementing the 12MP through the annual budgets and other sectoral masterplans. At this stage, the Government will focus on reforms that address various structural challenges that could hinder its vision of becoming a prosperous, inclusive and sustainable nation.

Issues and Challenges

As Malaysia progresses towards its vision, several challenges may affect its progression. The immediate issues include those that will directly affect the people, such as the scarring impact of the COVID-19 pandemic on income, the emergence of new vulnerable groups, and under-employment and inadequate social protection. In addition, some of the economic challenges include reviving the tourism industry, the new business landscape post-pandemic, a narrow revenue base and the waning of national competitiveness. Climate change will also be another emerging threat, where its impact can be as devastating as the COVID-19 pandemic.

The Scarring Impact of COVID-19 on Income

The Department of Statistics Malaysia (DOSM) reports that per capita income in 2020 shrank by 6.5% to RM43,475 from RM46,450 in 2019. Concurrently, mean salaries and wages² declined by 9% from RM3,224 in 2019 to RM2,933 in 2020. Thus, many households in the middle 40% (M40) of household income groups have now been relegated to the bottom 40% (B40) category. The number of unemployed persons also increased by 39.9%, from 508,200 persons in 2019 to 711,000 persons in 2020. The deterioration in the statistics above stems from the 5.6% contraction in economic growth in 2020. Although the assistance packages kept the current unemployment rate below 5%,

concerns about the longer-term impact of the pandemic on the lives and livelihood of the people remain.

The Emergence of New Vulnerable Groups

The pandemic has affected every household in the country, encompassing the B40, M40 and the top 20% (T20) of household income groups. According to the Household Income Estimates and Incidence of Poverty 2020 Report (2021), 12.8% of T20 and 20% of M40 households have now been relegated to a lower-income category. In particular, compared to the B40 group, the M1 (the lowest 10 percentile of the M40) was more severely impacted during the pandemic due to their high financial commitments and household expenses. Data indicates that due to layoffs and wage cuts, around 600,000 to one million households of M40 have been relegated into the B40 income bracket.

Underemployment and Inadequate Social Protection

Youth unemployment and underemployment have increased over the years, with the former increasing to 12% of the total youth labour force or 314,000 persons in 2020 (2019: 10.5% or 295,800 persons). Likewise, time-related underemployment in 2020 rose to 2.2% of the total employed persons or 334,000 persons (2019: 1.3% or 191,600 persons) due to the inability of the market to meet the increasing demand from job seekers, especially new graduates and those retrenched during the pandemic. In addition, existing inflexible working arrangements have discouraged more women from participating in economic activities. The continuous over-reliance on migrant workers, particularly low-skilled foreign workers, and unattractive wages have hindered greater involvement by Malaysians in certain occupations. The pandemic has also spurred

¹ The six-stage strategy introduced by the Government in 2020 involved the Resolve, Resilient, Restart, Recovery, Revitalise and Reform stages

² Refers to Malaysian citizens only

a significant shift to work from home and remote practices, which require considerable digital skills and technological adoption in the new normal. On the other hand, the lack of social security protection for certain segments of workers, particularly the self-employed and workers in the informal sector, has increased

the vulnerability of these groups during the pandemic. As of June 2021, the Social Security Organisation highlights that only 6.5% of the 2.5 million self-employed are registered under the Self-Employment Social Security Act 2017 [Act 789], which shows the severity of the situation.

FEATURE ARTICLE 1.4

The Future of Work Post COVID-19 Pandemic

Introduction

More than 18 months have passed since the World Health Organization declared the novel coronavirus (COVID-19) outbreak as a global pandemic. Hundreds of millions of people have lived through lockdowns imposed to stop the spread of the virus. Many have made the abrupt shift to working from home, while millions of others have lost their jobs. The future looks uncertain. It is unknown whether our way of life might return to normal or what kind of scars the pandemic would leave.

Like many other countries, the hardships have affected the Malaysian economy and negatively impacted its labour market. This is especially so when over 100,000 retrenchments were recorded in 2020, and for the period of January to June 2021, it has reached almost 35,000. On the other hand, unemployment marked the highest rate since 1990 at 5.3% in May 2020 and 4.5% in year 2020, higher than the average full employment rate of 3.4% recorded annually pre-COVID-19.

Even though the country has been under extended lockdowns, cases are still soaring. For over several months recently, Malaysia has surpassed the five-figure mark for daily COVID-19 infections. Thus, it is expected that the new norm of working from home and strict standard operating procedures at the workplace to continue until the country is ready to shift to the more liberal phases of the National Recovery Plan.

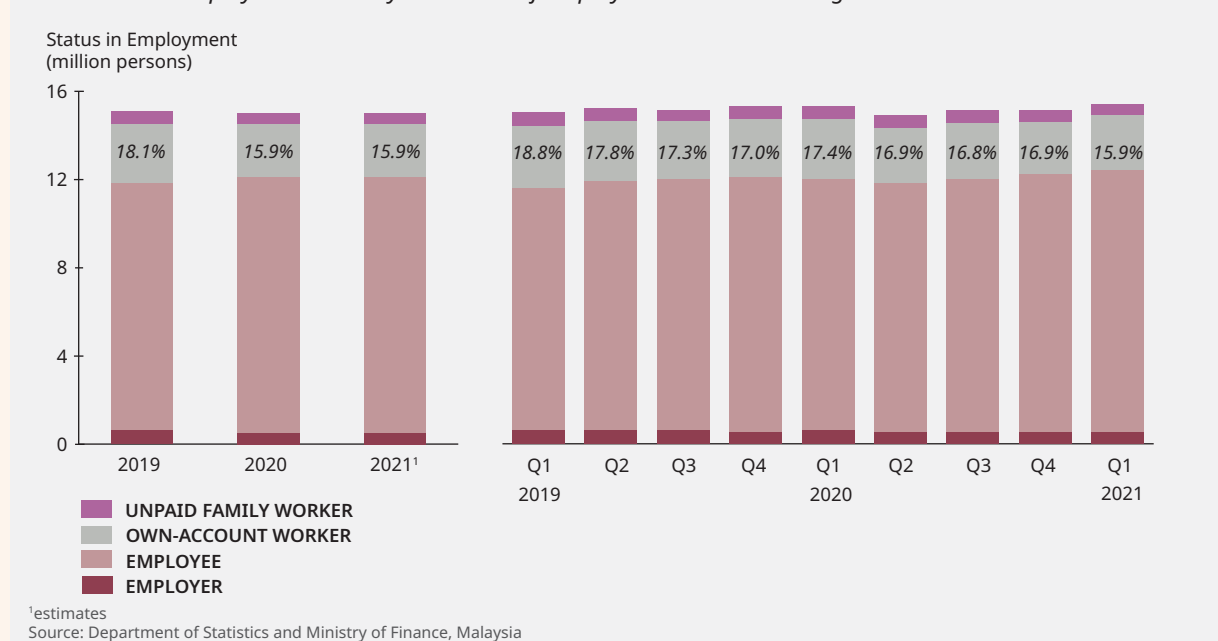
Nevertheless, working from home has accelerated the adoption of fully digitalised approaches and created a learning process through live videos and social sharing. Many claimed that this has changed the employment structure, especially on the skills demanded in the Malaysian labour market. Therefore, this article aims to look at the employment structure pre and during the pandemic, how the pandemic has normalised remote work, and the demand for employment post-COVID-19.

Situation Analysis

Key labour market indicators trends were analysed to investigate whether there have been any changes to the labour market structure during the pandemic. The investigation compared the period before and since the first containment measure, the Movement Control Order (MCO), was imposed on 18 March 2020 until 12 May 2020. In the early stages of the MCO, only essential services were allowed to operate, while non-essential activities were restricted. Subsequently, several phases of MCOs were imposed in stages to ensure that the economy operates yet maintaining the security and health safety of the country.

Consequently, the labour market experienced an unprecedented trend by recording an unemployment rate above 4%, away from the full employment level. Based on the quarterly trend, the unemployment rate peaked at the highest rate of 5.1% in the second quarter of 2020, compared to the pre-crisis period of 3.4%. Unfavourable business performance during the year led to an increase in employment losses and the freezing of new hirings. Thus, softer labour demand was observed with a lower number of employment opportunities registered. Own-account workers or self-employed also dropped to 2.4 million persons in the first quarter of 2021 compared to 2.7 million persons in the first quarter of 2020, as shown in Figure 1.4.1. This group, which mainly comprised small-scale businesses and unregistered entrepreneurs, was among the vulnerable groups most affected by the pandemic.

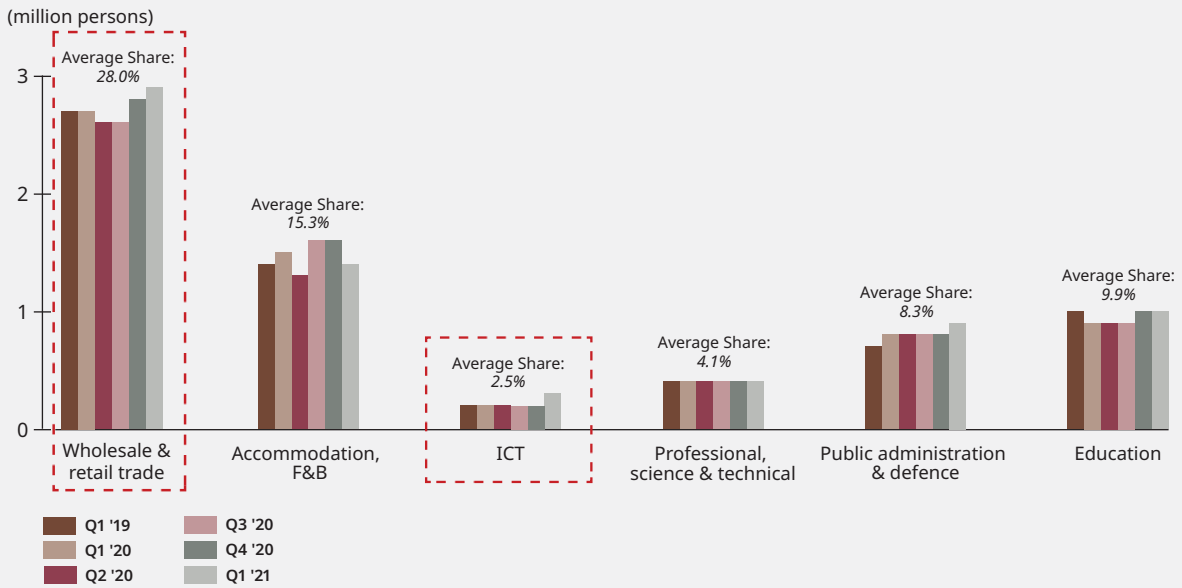
FIGURE 1.4.1. *Employed Persons by the Status of Employment Pre and During the Pandemic*



Even though employment is showing marginal improvements by each quarter, the composition of the employed persons by sector remained the same with the majority concentrated in the services sector, followed by manufacturing and agriculture sectors. Within the services sector, the highest employment share was mainly in the wholesale and retail trade (28%), followed by accommodation and food and beverages (15.3%), as well as education (9.9%) subsectors. The ICT subsector only recorded a 2.5% share, as shown in Figure 1.4.2.

The Malaysia Digital Economy Corporation (MDEC) highlighted that the demand for digital experts tripled from around 19,000 vacancies in June 2020 to 56,000 vacancies in April 2021. The most popular jobs were software development, data science, IT services, digital security and e-commerce. However, employment in the ICT subsector only rose by 15,800 persons or 6.6% in the first quarter of 2021 against the same period last year. The increase is relatively small compared to 200,300 persons (7.4%) in wholesale and retail trade; and 98,400 persons (12.5%) in the public administration and defence, compulsory social security.

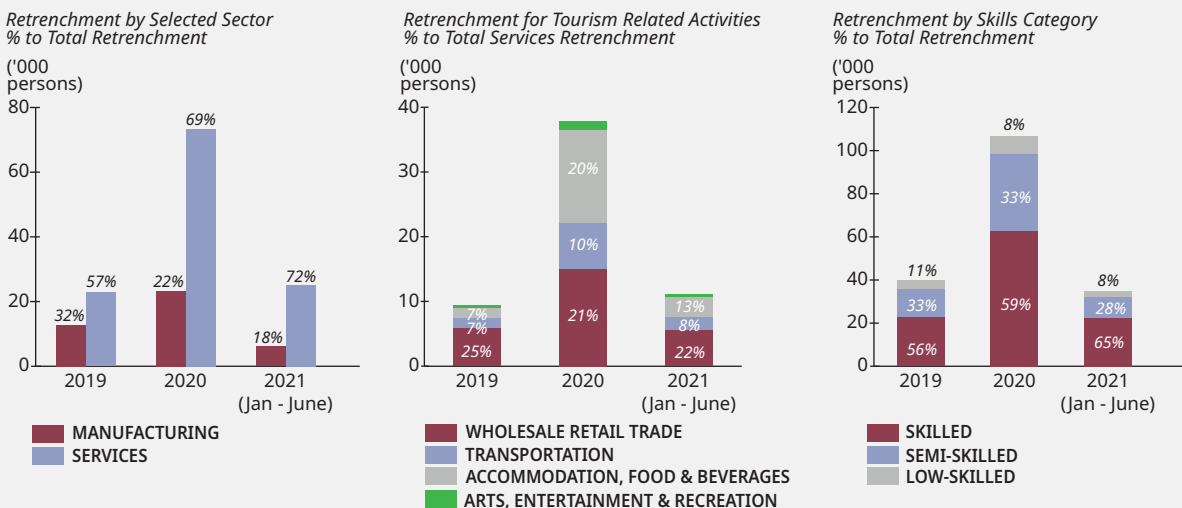
FIGURE 1.4.2. Employment Share by Selected Services



Source: Department of Statistics and Ministry of Finance, Malaysia

Zooming in retrenchment by sector, the highest rate was recorded in the services and manufacturing sectors as business operations were restricted, affecting working hours and business revenues. The retrenchment in the services sector was mainly from the accommodation, food and beverages subsector due to prohibitions on travelling activities, which eventually affected transportation and all tourism-related activities. From over 34,700 people retrenched as of June 2021, retrenchments were mainly among the skilled (64.6%) and semi-skilled (27.6%) workers, as shown in Figure 1.4.3.

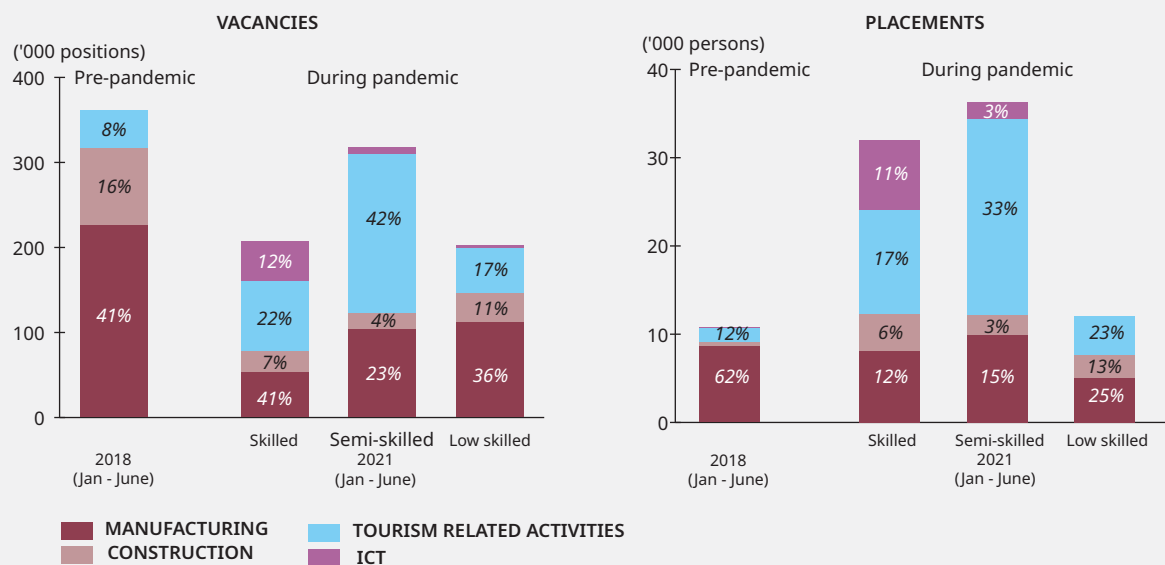
FIGURE 1.4.3. Retrenchment Pre and During the Pandemic



Source: Social Security Organisation, Malaysia

Similarly, vacancies and job placement also did not show any significant changes as both vacancies and placements were mainly in the manufacturing sector and tourism related activities, as shown in Figure 1.4.4.

FIGURE 1.4.4. Vacancies and Placements by Skills Category



Source: Ministry of Human Resources and Social Security Organisation, Malaysia

An analysis by the Institute of Labour Market Information and Analysis (ILMIA) in 2020 showed that the top five jobs with the most vacancies during the pandemic period include stationary plant and machine operators; advertising and marketing professionals; financial and investment advisors; general office clerks; and managing directors and chief executives. The top five jobs represented 33% of total job vacancies in the third quarter of 2020.¹ Jobs listed by ILMIA and MDEC are also part of the Critical Occupation List² that were highly demanded by employers in 2019 and 2020, except general office clerks.

Labour Demand Perspective

Despite analysis proving no significant changes in the employment structure, substantial remote work adoption by industries, coupled with the Fourth Industrial Revolution (4IR) and the digitalisation advancement are expected to bring changes to the employment structure and future of work post-pandemic. The World Economic Forum (2018) had foreseen the emergence of technology within these few years. The report highlights that automated machinery now accounts for 29% of completed work and is expected to rise to 42% by 2022 and 52% by 2025. In other words, in approximately seven years, more than half of the work tasks will be completely automated and completed by machines. Companies and organisations may need to start adjusting their future plans to meet this trend, where automation and technology are becoming the norm with more resources invested in this area. The report also lists a few jobs that will be replaced by automation soon, including data entry, accounting; book-keeping; payroll; administration; factory work, business services and administration; management; and auditing.

The QS Top Universities (2020) highlights that two-thirds of all jobs by 2030 will be made up of soft-skill-intensive occupations. These skills include good leadership value, flexible and easily adaptable to changes and work pressure, critical thinking and objective in decision making, tech-

¹ Jobs Market Insights (Third Quarter 2020).
² Critical Occupations List 2019/2020 Report.

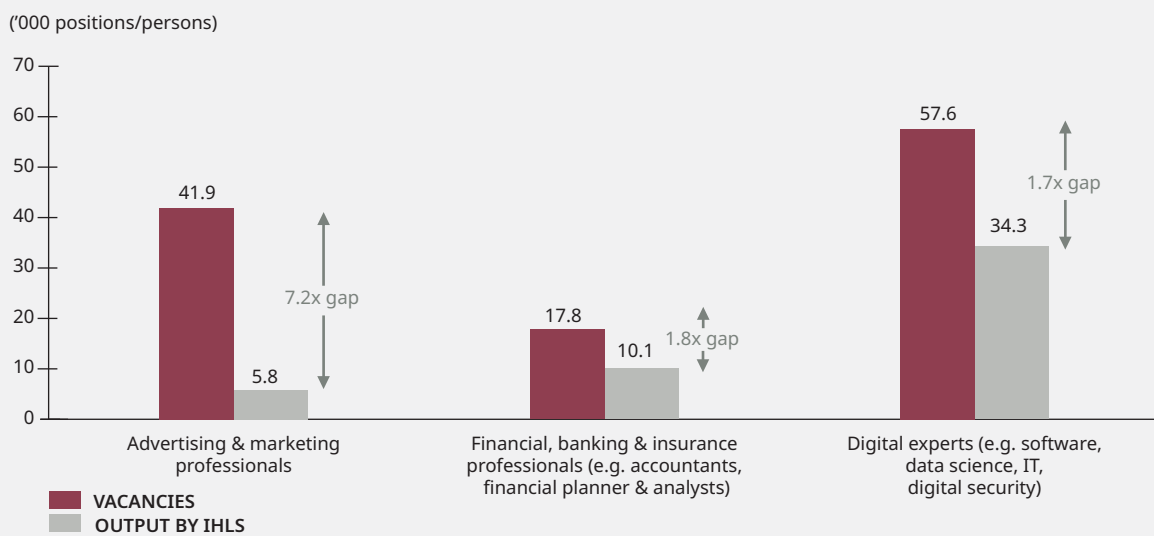
savvy, competence in communication and high emotional intelligence, and having a creative and innovative mindset. Higher learning institutions should ensure the future labour supply is furnished with the highly demanded soft skills.

The Organisation for Economic Co-operation and Development (2019) also highlights some important points that employers should prioritise in embracing the digitalisation era. First, employers should prepare workers for new jobs and changes to the existing ones, as digital transformation may lead to lost jobs. Second, employers should empower people with multiple skills set to succeed in the digital world of work. Greater focus should be given to cognitive skills, including digital skills, social and emotional skills, job-specific skills and most importantly, on the motivation to cope with changes. Third, employers should be ready to face the massive challenges in training. This includes life-long learning opportunities, particularly for low-skilled workers. Lastly, employers should improve their social protection to ensure that no one is left behind.

Labour Supply Perspective

Nonetheless, questions may also arise whether employers and the future workforce are ready to embrace the future of work in the post-pandemic era. The labour demand analysis shows that advertising and marketing professionals; financial and investment advisors; managing directors and chief executives; and digital experts in software development, data science, IT services, digital security and e-commerce are the highly demanded jobs in the market during the pandemic. However, the Ministry of Higher Education Graduate Tracer's Study reported that from over 305,000 graduates produced in 2020, 11.3% are from the science, mathematics and computer fields; 3.3% are from finance, banking and insurance; and 1.9% from marketing and advertising. Hence, the tertiary institutions may not be able to match the future of work demands, as indicated in Figure 1.4.5. Alternatively, the workers may need to be equipped with future work skills through greater upskilling and retraining.

FIGURE 1.4.5. Job Vacancies and Output by Higher Learning Institutions, 2020



Source: Ministry of Higher Education and Social Security Organisation, Malaysia

The World Economic Forum (2020) highlighted that several strategies will be taken by companies in Malaysia to cope with the wave of digitalisation and the future of work requirements. All companies surveyed will accelerate the digitalisation work processes (i.e. using digital tools, video conferencing, etc.) for future work; providing more opportunities to work remotely (75%); fast-tracking the application of digitalisation in the upskilling and reskilling programmes (i.e. education technology providers) (58.3%); and reassigning workers to different tasks temporarily (33.3%). In response to the shifting in skills needs, among others, 86% of the companies surveyed will automate the work; 86% will hire new permanent staff with skills relevant to new technologies; and 86% expect existing employees to pick up skills on the job. Companies will also focus on the upskilling and reskilling programmes to equip their workers with the up-to-date skills and knowledge required, including analytical thinking and innovation; critical thinking and analysis, and technology utilisation, monitoring, and control.

Current Initiatives to Meet Future of Work

Digital transformation for a nation is a journey through various possible paths. Malaysia has started the process of integrating digital technologies into all areas of its economy in phases. However, with more than 90% of Malaysian businesses are micro, small and medium enterprises (MSMEs), there will be hurdles for the economy to fully shift digitally. Therefore, smaller businesses must also be digitally empowered in various sectors via the available assistance programmes provided. To date, the Government has provided such assistance through the SME Digital Accelerator Grant, 100GoDigital and Smart Automation Grant to support MSMEs to automate their business processes and move towards digitalisation.

MDEC also helps individuals and micro-entrepreneurs to embed digitalisation in their work processes. Among MDEC's current digitalisation initiatives are Global Online Workforce (GLOW), eUsahawan and eRezeki programme. These programmes create opportunities for citizens, especially the low-income groups, to generate additional income by undertaking digital assignments via an online crowdsourcing platform.

While the number of digital job vacancies is high, the majority of vacancies are for experienced talent. This poses a challenge for fresh graduates. Therefore, fresh graduates could bridge their experience gap for pre-employment training by taking up digital jobs on a freelance basis. Some of the platforms that can be optimised are Upwork, Freelancer.com or Fiverr. At the same time, junior-level talents can pick up some in-demand digital skills, such as analytical skills, software development, various programming languages, and cloud computing, to prepare themselves before entering the job market.

MDEC has also established the Digital Skills Training Directory, which provides courses that have been reviewed and endorsed by expert tech practitioners to help talents identify suitable training courses. Job seekers would be better informed by referring to this directory, while those employed can also enhance their careers by taking up courses to acquire some of the in-demand skills mentioned earlier. This would also help secondary school leavers or pre-university students decide on what courses to pursue, as this directory indicates the latest trends and the most promising career opportunities in digital technology-related disciplines.

In addition, the HRD Corp has also developed an assessment tool of necessary skills and competencies for the detailed occupation categories, called the Industrial Skills Framework (IndSF). This tool aims to assist employers, employees and training providers understand the latest

development in skills in need. The skill sets described in the IndSF cover a range of soft skills to hard skills for each occupation. It can be a good guide to all employers and employees as the modules will be updated regularly.

Furthermore, in ensuring that the whole spectrum of society is on track to catch the wave of digitalisation in meeting the future of work requirements, the Malaysia Digital Economy Blueprint has also outlined strategies to accelerate Malaysia's progress as a technologically advanced economy. This Blueprint identified six strategic thrusts: drive digital transformation in the public sector, boost economic competitiveness through digitalisation; build enabling digital infrastructure; build agile and competent digital talent; create an inclusive digital society; and build trusted, secure and ethical digital environment. These will chart the path to strategically position Malaysia as a competitive force in the new era.

Conclusion

The employment structure has not changed significantly during the pandemic. However, substantial remote work, including work-from-home practices and the digitalisation advancement, is expected to change the employment landscape and future of work. Thus, employers should continue to retrain their workers, while employees should continue to upskill themselves to meet the future skills demanded. On the supply side, tertiary institutions should give more emphasis the digital-related programmes and embed analytical thinking and other soft-skills in the existing non-IT related courses that may add value to the workforce upon entering the job market. All ongoing initiatives towards digitalisation should also be continued to facilitate businesses to adopt technological tools in daily operation. These efforts will eventually allow the labour market players to progressively move towards automation and digitalisation to meet the future of work.

Reviving the Tourism Industry

Tourism and related activities continue to be badly affected by the pandemic. The United Nations World Tourism Organization reports that the global export revenue from tourism fell by USD930 billion in 2020. This is a significant loss as tourism supports one in 10 jobs and provides a livelihood for millions in the developing and developed economies. According to the World Travel and Tourism Council, the COVID-19 pandemic is likely to cost the tourism industry almost USD22 billion and a loss of almost 50 million jobs worldwide. The Malaysian Association of Hotels quotes that the revenue loss by the hotel industry amounted to RM6.5 billion in 2020. The average occupancy rate and average daily rate in 2020 declined to

27.5% and RM196.69, respectively (2019: 64.5% and RM223.48). While the industry's recovery depends on the relaxation of borders and travel restrictions, it also depends on innovative solutions to help the industry weather the crisis.

New Business Landscape Post-Pandemic

One of the most compelling impacts of COVID-19 is how it has altered the way of doing business. It has forced firms to adopt new business models which is digital-centric. On post-pandemic, Finbarr Toesland (2021) reveals that tech-enabled retailers could double their earnings if they engage in 'phygital'³ activities. However, this new model

³ Physical and digital are connected at the same time without physical presence at the retail premises.

requires innovation, creativity, capability, and willingness to institute these changes in their business operations. In the Malaysian context, this change may pose a challenge. It is argued that micro, small and medium enterprises

(MSMEs) are generally reluctant to move away from traditional business norms for various reasons, including high investment and cash flow requirements.

FEATURE ARTICLE 1.5**Selected Lessons from the COVID-19 Pandemic**

Introduction

The COVID-19 pandemic and imposition of various forms of Movement Control Orders (MCOs) nationwide have dramatically changed people's daily activities and business operations. In addition to safety and health, people were affected economically mainly due to reduced disposable income and rising unemployment with the extended lockdowns. Similarly, industries and businesses were severely affected by border closures and restriction of people's movement and business activities which limited their production capacity and sales. However, not all consequences of the pandemic are negative in nature. This article highlights selected lessons from the pandemic and the positive impact on the environment. The article concludes with some recommendations for the nation in moving forward.

Emerging Issues from the COVID-19 Pandemic

The pandemic uncovered several underlying issues within industries and among individuals. It unveiled the consequence of a high dependency on foreign labour, low utilisation of technologies in the construction sector, high dependency on tourist arrivals and tourism receipts, and lack of savings by individuals. It has also revealed the extent to which human and business activities have degraded the environment.

High Dependency on Foreign Workers

Before the COVID-19 pandemic, numerous concerns were raised on the nation's heavy reliance on unskilled and low-skilled foreign workers. Malaysians are generally reluctant to take up the 3D (dirty, dangerous, difficult) jobs, resulting in the monopolisation of foreign workers in specific sectors. Many foreign workers work in labour-intensive sectors, such as the manufacturing, construction, plantation, agriculture and domestic helper sectors (World Bank, 2019). With the implementation of MCOs, suspension and restriction on many economic activities have reduced on-site workers and resulted in high retrenchment, especially among foreign workers. Government initiatives to send foreign workers to their home country and tighter foreign entry policy into Malaysia during the pandemic also contributed to a shortage of workers, especially in the agriculture and construction sectors. Consequently, there was a labour shortage, especially in the two sectors, which led to a sharp decline in GDP growth and labour productivity in 2020, as shown in Table 1.5.1.

TABLE 1.5.1. GDP and Labour Productivity, by Sector (% change)

SECTOR	GDP		LABOUR PRODUCTIVITY	
	2019	2020	2019	2020
Agriculture	2.0	-2.2	0.3	-1.8
Mining	-0.6	-10.6	-0.2	-8.5
Manufacturing	3.8	-2.6	1.7	-2.6
Construction	0.4	-19.4	3.6	-15.7
Services	6.2	-5.5	2.9	-6.0
GDP/Total Productivity	4.4	-5.6	2.3	-5.5

Source: Department of Statistics, Malaysia

With the value of construction projects awarded declining by 22.6% to RM86.7 billion for 2020 compared with RM112 billion for the year before as reported by the Construction Industry Development Board (CIDB), the construction sector contracted by 19.4% in 2020. Likewise, labour productivity in the sector fell by 15.7% in 2020. Labour productivity in the agriculture sector dropped by 1.8% in 2020, with its growth contracting by 2.2%. The Malaysian Employers Federation cited that the plantation industry reported a shortage of 40,000 workers with RM10 billion losses during the same period despite experiencing a 26% hike in palm oil prices in 2020.

Low Utilisation of Technologies in the Construction Sector

Malaysia's construction business models and operations are labour intensive. Technology adoption in the construction sector is far behind other sectors, such as manufacturing and agriculture (Rusuli, M.S.C. et al., 2021). According to the findings from the Department of Statistics Malaysia (2021), the construction sector recorded the lowest adoption of digital technology in terms of data analytics at 2.8%, followed by online collaboratives platform (5.4%) and management software (29.1%).

TABLE 1.5.2. Adoption of Digital Technologies by Sector, 2019 (%)

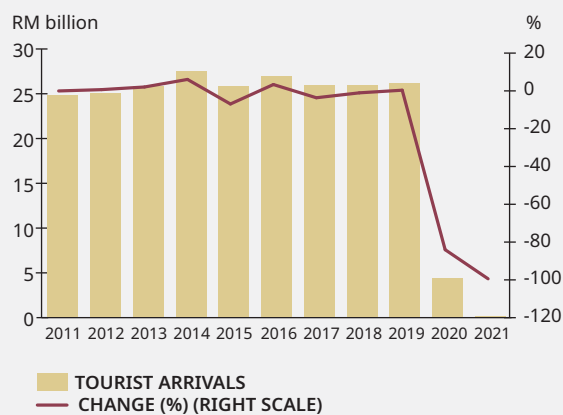
SECTOR	DATA ANALYTICS	MANAGEMENT SOFTWARE	ONLINE COLLABORATIVE PLATFORMS
Agriculture	9.0	39.5	13.6
Mining	3.4	40.5	34.8
Construction	2.8	29.1	5.4
Manufacturing	4.3	48.4	8.6
Services	6.8	42.7	12.3

Note: The data is based on registered establishments in the agriculture, mining, manufacturing, construction and services sectors. The total survey coverage consisted of 1,081 industries at the 5-digit level based on the Malaysian Industry Classification Standards, 2008 Version 1.0. Source: Department of Statistics, Malaysia.

High Dependency on Tourism Industry

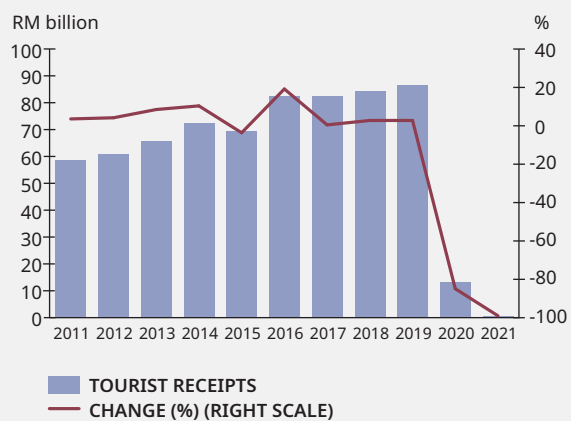
Tourism is one of the major contributors to economic growth. In 2019, the tourism industry continued to maintain its strong growth momentum, contributing 15.9% to GDP or RM240.2 billion (DOSM, 2020). Malaysia was ranked 14th in the world for tourist arrivals and 23rd for tourism receipts (UNWTO, 2019). However, the COVID-19 pandemic has severely impacted the tourism industry, mainly due to worldwide travel bans, travel risk aversion and border closures. The unexpected decline in tourist arrivals, which fell significantly by 83.4% to 4.3 million, and a decrease of 85.3% in tourist receipts to RM12.7 billion in 2020 have adversely affected the tourism-related industries. Thus, the contribution of gross value added of tourism industries to GDP fell to RM199.4 billion or 14.1% to GDP in 2020 (DOSM, 2021). The bleak prospects continued in 2021. As of June 2021, tourist arrivals fell by 98.8% to 50,613 tourists (January – June 2020: -68.2%; 4.3 million tourists), while tourist receipts contracted by 99.4% to RM80.2 million (January – June 2020: -69.8%; RM12.7 billion), as shown in Figure 1.5.1 and Figure 1.5.2.

FIGURE 1.5.1. Malaysia's Tourist Arrivals



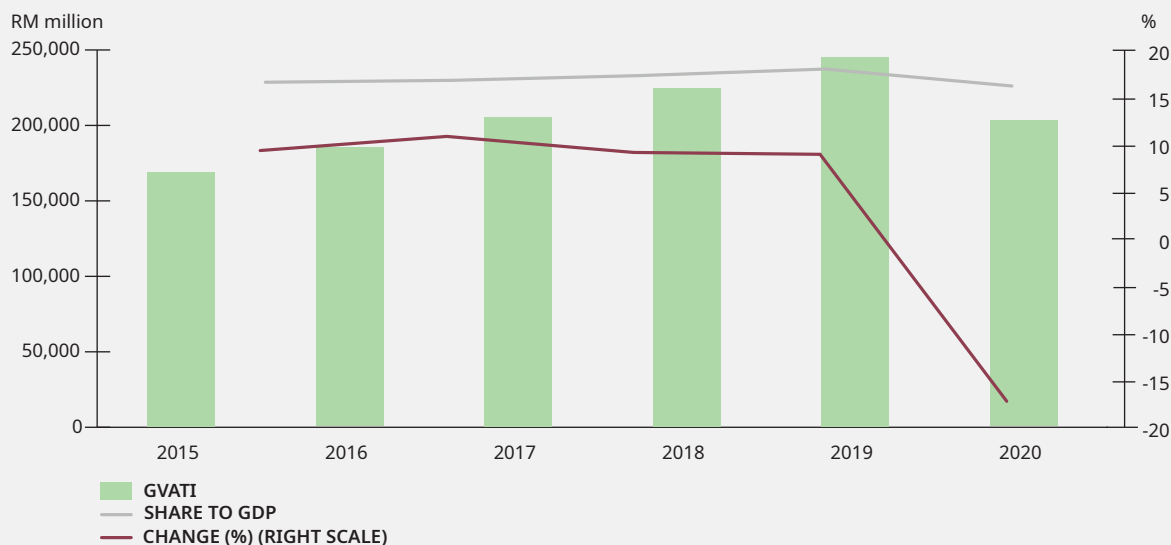
Source: Ministry of Tourism, Arts and Culture, Malaysia

FIGURE 1.5.2. Malaysia's Tourist Receipts



Source: Ministry of Tourism, Arts and Culture, Malaysia

FIGURE 1.5.3. Gross Value Added of Tourism Industry (GVATI)



Source: Ministry of Tourism, Arts and Culture, Malaysia

Lack of Savings by Individuals

Savings by individuals are essential for greater security in life, more so in crisis situations. A survey by DOSM in March 2020 found that 71.4% of the self-employed could only survive for one month with their savings, while 77.2% of employers and 82.7% of employees reported that their savings could last only for two months in the private sector. In addition, 78.9% of workers in government-linked companies and 75.2% of employees in multinational companies reported that their savings are sufficient for only four months. The statistics above were based on data collected at the early pandemic stage, thus the situation would most probably be worse when the pandemic surged and the lockdowns lengthened. This indicates how badly the pandemic has affected individuals and the need for the Government to provide social protection to mitigate the impact.

Environmental Quality Before and During COVID-19

Although the imposition of various forms of MCOs commencing March 2020 had significantly impacted the economy and uncovered several underlying issues within some industries, the pandemic positively impacted the environment. The Department of Environment data showed that the environmental quality before COVID-19 was much lower than during the pandemic. Analysis on the quality of river water based on main pollutants revealed that the number of river basins considered clean increased dramatically in 2020 (during the pandemic) compared to 2019. Out of 148 total river basins monitored in 2020, 28 river basins (19%) was categorised as clean from ammoniacal nitrogen compared to only 12 river basins (8%) in 2019, as shown in table 1.5.3. On the other hand, only 42 river basins (28%) of river basins were polluted by ammoniacal nitrogen polluted in 2020, down from 58 river basins (39%) a year before.

TABLE 1.5.3. Number of Polluted River Basins from 148 Total Observations

STATUS OF POLLUTION	AMMONIACAL NITROGEN (NH ₃ -N)		BIOCHEMICAL OXYGEN DEMAND (BOD ₅)		SUSPENDED SOLIDS	
	Clean	Polluted	Clean	Polluted	Clean	Polluted
2019	12	58	53	52	78	30
2020	28	42	83	15	110	20

Note: The status of river pollution is categorised into three namely clean, semi-polluted and polluted. For simplicity, only river basins categorised as clean and polluted are reflected.

Source: Department of Environment, Malaysia

Analysis of the data reveals that in addition to a lesser number of river basins polluted by ammoniacal nitrogen, the number of river basins considered clean from biochemical oxygen demand and suspended solids increased significantly in 2020. On the contrary, the number of river basins polluted by all three pollutants has fallen, signifying improved water quality during the pandemic. The improvement is due to the restrictions on operations of certain industries, including the manufacturing, construction and plantation sectors.

Similarly, air quality has also improved significantly during the pandemic. Based on the air quality data, air quality stations in Selangor recorded only three unhealthy days (with a reading of 101 – 200¹) in 2020 compared to 106 days recorded in 2019, as shown in Table 1.5.4. A similar trend was observed in Wilayah Persekutuan, with only seven unhealthy days recorded in 2020 compared to 71 days before the pandemic in 2019.

¹ Air Pollution Index (API): Good (0-50), Moderate (51-100), Unhealthy (101-200), Very Unhealthy (201-300), Hazardous (301-500), Emergency (500+)

TABLE 1.5.4. Number of Unhealthy Days By Selected Station, 2019 and 2020

STATIONS	2019	2020
Kedah	12	0
• Alor Setar	1	-
• Kulim	5	-
• Langkawi	2	-
• Sungai Petani	4	-
Kelantan	4	0
• Kota Bharu	2	-
• Tanah Merah	2	-
Selangor	106	3
• Banting	19	-
• Kuala Selangor	13	-
• Klang	15	-
• Petaling Jaya	15	2
• Shah Alam	44	1
Terengganu	25	0
• Besut	1	-
• Kemaman	11	-
• Kuala Terengganu	6	-
• Paka	7	-
Wilayah Persekutuan	71	7
• Batu Muda, Kuala Lumpur	16	-
• Cheras, Kuala Lumpur	32	3
• Putrajaya	23	4

Source: Department of Environment, Malaysia

As reflected above, improved air quality was not only evident in the Klang Valley but was also apparent throughout the nation, with Kedah, Kelantan and Terengganu recording zero unhealthy days in 2020 compared to 41 days in 2019. The declining number of polluted river basins and reduced number of unhealthy days proves that the quality of the environment has significantly improved during the pandemic.²

Policy Recommendations

The pandemic revealed that a dynamic labour market policy is needed to address long-standing labour market disequilibrium at the industry level. Workers displaced from affected industries, such as hospitality and retail, need to be redeployed to industries that have seen a surge in labour demand. Due to increasing demand, short-term labour shortages are foreseen in essential industries, such as health, agriculture, and food-based manufacturing. It is now more imperative for industries to shift towards high technologies and high-skilled labour to reduce the dependency on foreign workers. As skills and expertise are needed for technology adoption and application, the affected sectors need to invest in upskilling and reskilling initiatives to increase their workers' productivity and sector performance.

As one of the most affected sectors from COVID-19, the construction industry could take a lesson from this pandemic by intensifying the usage of the Industrialised Building System (IBS), which could help in boosting productivity. IBS inspires the usage of automation, mechanisation, and prefabrication of components, allowing the industry to hire more skilled workers to boost efficiency and productivity. This means faster completion times, greater productivity, less waste, fewer

² Although the overall air quality in 2019 was affected by the haze in the whole month of September, the overall trend still showed that the air quality for other months in 2020 was better than those in 2019.

accidents and lower overall construction costs for the industry. The Government has emphasised the importance of technology applications in enhancing project performance and productivity. The Public Works Department (PWD) and CIDB have undertaken various efforts to adopt technology among industries.

Due to the impact of COVID-19 on the people and economy, rebalancing Malaysia's economic growth remains a complex process. The pandemic has also highlighted the positive relationship between the restriction in human movements and lesser business activities and the improved environmental quality illustrates the importance of full adherence by industries and businesses to all pollution control measures introduced and implemented by the relevant authorities. With continuous improvements undertaken to address underlying issues in various industries such as construction, plantation, manufacturing and tourism, the nation is set to move in the right direction towards attaining better environmental quality.

Regarding depleting savings, the pandemic has revealed the need to improve the existing social protection system. In addition, many individuals, particularly the self-employed and those in the informal sector, do not participate in any social protection programmes. Elevating the level of financial literacy among Malaysians is also crucial in promoting good financial behaviour.

Conclusion

One of the main lessons from the COVID-19 pandemic and the imposition of MCOs and lockdowns is the significant environment improvement during the pandemic due to lesser movements of the people and slower business activities. All stakeholders must now begin to seriously adopt a low-carbon economy plan to maintain this momentum. The analysis also recommends that individuals, businesses and industries embrace digital technology and adopt the required technical skills to be more resilient in facing potential adversities.

Narrow Revenue Base

The Government managed to reduce its fiscal deficit from 6.7% of gross domestic product (GDP) in 2009 to 3.4% in 2019. Following the pandemic, a significant amount of funds through various assistance and stimulus packages had been allocated to alleviate the difficulties of the people and businesses. Consequently, the deficit rose to 6.2% in 2020. In the medium term, the Government is committed to gradually consolidate its deficit. The consolidation effort entails optimising revenue and rationalising expenditures. With regard to revenue optimisation, a fair and effective taxation system and a broader tax base are necessary. At the same time, expenditure rationalisation requires a need to look at the whole structure of the Government's expenditures.

The Waning of National Competitiveness

The IMD World Competitiveness Yearbook (2021) highlights that Malaysia's global competitiveness ranking improved by two notches to 25th position in 2021 from 27th in 2020. Despite the improvement, the report quotes that Malaysia recorded significant declines in exchange rate stability, investment growth, population growth and expenditure on R&D, and rising risk of political instability. The World Bank Report "Aiming High: Navigating the Next Stage of Malaysia's Development" states that Malaysia is expected to transition from an upper-middle- to high-income-economy within the next five years despite the recession in 2020. However, the World Bank highlights that for Malaysia to move up to a high-income and developed country status, it needs to boost its competitiveness by accelerating productivity growth.

According to the Malaysia Productivity Corporation (MPC) in its Productivity Report 2021, labour productivity in 2020 contracted by 0.2% compared to 2.1% growth in 2019 due to a shortage of high-skills workforce in the economy. In this respect, Malaysia needs to address several issues related to low R&D

expenditure, a drop in the commercialisation of R&D outputs, inadequate intellectual property rights (IPR) and the inability to attract high-quality FDI. Although these issues were prioritised in various short, medium and long-term development plans, they remain unresolved.

FEATURE ARTICLE 1.6

A Fresh Approach in Measuring and Enhancing Public Sector Productivity in Malaysia

Introduction

Malaysia aspires to be a prosperous, inclusive and sustainable nation. Towards this goal, the public sector must rise and keep up with the pace of its counterpart in the private sector. It is more crucial in these trying times for the government machinery to become more effective and efficient in meeting the challenging economic landscape that is compounded by the impact of the COVID-19 pandemic. With this notion in mind, the Government has emphasised transforming the public sector into more people-centric, efficient and productive. Without a more dynamic, efficient and productive public sector, it would be an uphill task for the nation to achieve its Shared Prosperity Vision 2030 (SPV 2030).

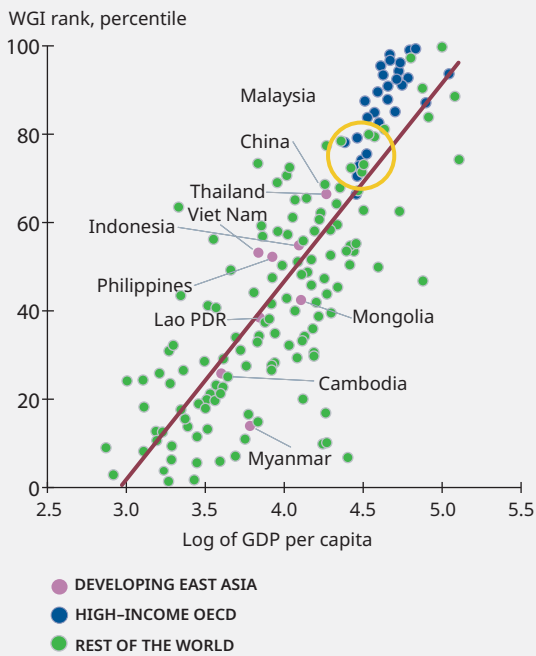
In 2020, the Government concluded the Public Service Sector Productivity Measurement Study, which looks at four broad public service sectors. As the study is based on a macro perspective, there is a need to measure public sector productivity from a multidimensional approach. Based on a Policy Note by the World Bank in collaboration with the Ministry of Finance, Malaysia, this article examines the potential impact of increased public sector productivity on the economy. It also estimates the productivity and efficiency levels of ministries, departments and agencies (MDAs) and highlights policy measures to improve the monitoring and management of public sector productivity.

The Public Sector Productivity Imperative

Productivity is commonly defined as the ratio of the volume of outputs to the volume of inputs. It is essentially a measure of how well resources (inputs like capital and labour) are being used to produce goods and services (outputs). Higher productivity translates into greater efficiency in delivering programmes, projects, and government services. The public sector is a key component in every country's institutional framework. It plays a significant role in supporting economic growth through its actions related to policy, regulation and service delivery.

A more effective public sector can substantially affect the levels of economic activity and the future growth trajectory of a country. According to the Worldwide Governance Indicators (WGI), countries with higher scores on the Government Effectiveness indicator tend to have higher GDP per capita growth rates, as shown in Figure 1.6.1. In addition, the World Development Report (WDR) in 2004 and 2017, which highlight on the role of public service, placed service delivery, public sector reform and governance at the centre of the development process. This association is backed by empirical evidence that examines the relationship between public sector efficiency and economic growth across 38 countries (St. Aubyn, 2008).

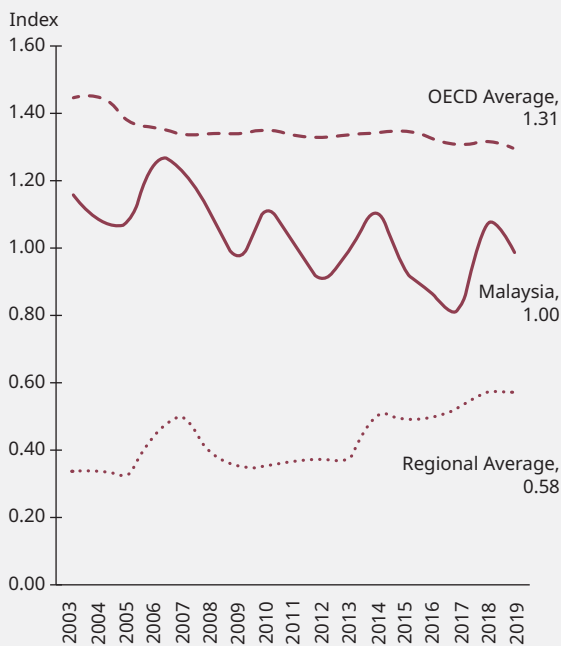
FIGURE 1.6.1. Correlation between Government Effectiveness and GDP Per Capita Growth Rates



Malaysia's Ongoing Efforts in Public Sector Reform

In Malaysia, improving public sector productivity has been part of the policy discourse over the past three decades. It has become more closely linked to the economic reform agenda in recent years. The attention to public sector productivity improvement at the national level can be traced to the Sixth Malaysia Plan, 1990–1995 (6MP). Since then, various efforts have been undertaken to link public sector performance with productivity. Various institutional reforms and improvements have also been implemented to enhance the public sector's contribution to national productivity. According to the Government Effectiveness indicator of the WGI, Malaysia's performance is above its regional peers but below that of high-income OECD countries, as shown in Figure 1.6.2. However, issues such as government efficiency and political instability continue to persist and negatively influence public sector performance (IMD World Competitiveness Yearbook, 2021).

FIGURE 1.6.2. Malaysia's Performance in Government Effectiveness



Source: Ministry of Finance (estimation by World Bank) and World Bank (2019)

Over the years, various efforts have been undertaken to measure and improve public sector productivity. Difficulties translating public sector productivity findings into policy actions and the absence of rigorous empirical evaluations on reforms have made it challenging to accurately target areas for improvement. In light of the importance of public sector productivity for Malaysia's transition to a high-income economy, there is a need to deepen the understanding and strengthen the approach in this area. Improved measurements will help shed light on productivity differentials across organisations in the public sector while providing the evidence necessary to design more targeted and cost-effective interventions.

International evidence shows that productivity gains can be spurred through public sector reforms in the following areas:

- Improving administrative human-resource capacity by ensuring public administrations are well-staffed and have the competencies and resources to meet task demands;
- Merit-based recruitment ensures public administrations are staffed with well-qualified and competent staff who can effectively complete their tasks, perform at high standards and generate innovations and new ideas;
- Improving management practices have significant impacts on public-sector productivity, as managers make decisions over the allocation of resources and how to incentivise and motivate staff;
- Implementing digital technology solutions in Government, such as electronic procurement helps to significantly reduce costs by improving information flows and monitoring systems, leading to a reduction in fund leakages, corruption and poor performance; and
- Financial and non-financial incentives can motivate staff to reach and maintain a high level of productivity. Financial incentives that pay for performance raises productivity while non-financial incentives, such as those that reward performance with the opportunity to choose their work location, also leads to higher productivity.

Given the importance of measurement in public sector productivity, several countries have incorporated this element into their broader economic and fiscal strategies. For example, Ministries of Finance in Austria, Estonia, Denmark and Sweden have engaged in efforts to expand the measurement framework, capturing hundreds of indicators on public sector performance. These are embedded in national initiatives to enhance overall productivity and generate stable economic growth.

The Way Forward: A Multidimensional Approach to Understand and Improve Public Sector Productivity in Malaysia

In attempting to analyse and enhance public sector productivity, a primary challenge is measuring inputs and outputs using a particular measurement method. Measuring public sector inputs and linking them to specific outputs and outcomes is challenging. Many public services are complex, co-produced across multiple individuals and organisations, and exhibit time lags between investment in inputs and the realisation of outputs. It is also complex to assign a monetary value to public-sector outputs as often there are no market transactions for public services. In most cases, they are provided for free or heavily subsidised. While there are multiple approaches to measuring public sector productivity, each has its weaknesses.

A multidimensional approach that examines multiple aspects of the public sector and its performance can provide a more comprehensive picture of what drives productivity and what this means for the broader economy. Through this, the Government is taking a fresh approach in deepening its understanding of Malaysia's determinants of public sector productivity and its potential impact on service delivery, economic activity, and fiscal space. The effort includes determining efficiency levels of MDAs, identifying drivers and bottlenecks of productivity and designing productivity-enhancing reforms. The multidimensional approach to understanding public sector productivity consists of three core components as shown in Figure 1.6.3.

- To understand how improvements in public sector productivity can impact economic and fiscal aspects in the short-, medium-, and long-run;
- MDAs' understanding of the efficiency levels and opportunities for efficiency improvements in individual public sector organisations is important; and
- Monitoring and identifying drivers of public sector productivity to enhance data collection and strengthen the processes to monitor trends in performance and productivity.

FIGURE 1.6.3. A Multidimensional Approach to Understanding Malaysia's Public Sector Productivity

Economic and Fiscal

To what extent can improvement in public sector productivity potentially impact the economy?

- Channels and potential impact to direct fiscal savings, cost effectiveness, economic activity, private consumption and growth (for example: government services, regulation and revenue)
- Reforms that generate high productivity gains (for example: ICT and capacity building)



MDAs

To what extent is the overall public sector productive and efficient?

- Using budget performance as a ready and comparable indicator across ministries
- Programme/Project progress performance

To what extent can the levels of efficiency of various public sector entities be determined?

- Ministries - efficiency of core activities based on programme agreements/budget performance programme
- Agencies - efficiency of core activities/output and task completion rates
- Productivity variations within the same MDAs and across locations

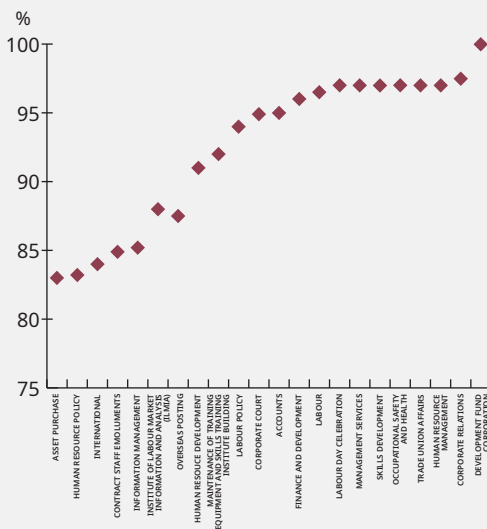
Monitoring and Drivers of Productivity

- What are the indicators needed to strengthen supervision on efficiency/productivity for sound fiscal management?
- What are the factors drive productivity improvement and its implications for policy?

Source: World Bank

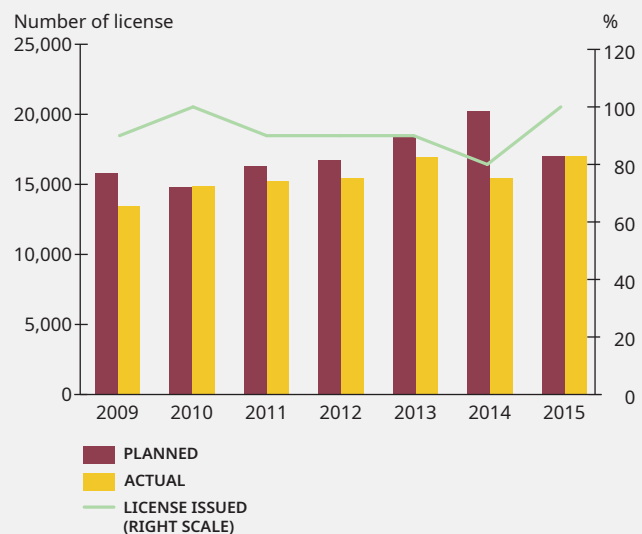
Integrating multiple data sources within the MDAs is crucial to examine public sector productivity through a holistic lens. Complementing traditional macro measures with more granular micro measures at the individual employee and organisational level will allow for accurate tracking and benchmarking of how MDAs perform and determine the main drivers of productivity. Examples of such analyses are in Figure 1.6.4 and Figure 1.6.5. Insights from the multidimensional approach are expected to enhance policy-making on improving public sector productivity, including establishing the indicators needed for better monitoring of productivity for sound fiscal management.

FIGURE 1.6.4. Budget Execution Rates of a Ministry's Programmes, 2019



Source: Ministry of Finance, Malaysia (estimation by World Bank)

FIGURE 1.6.5. Number of Planned and Actual Licenses Issued by a Ministry, 2009 — 2015



While there is strong evidence linking public sector productivity with fiscal and economic performance, there is room for more empirical work at the country level. A wealth of administrative data on the public sector, such as budget execution and project completion, can be applied to diagnose how productivity varies across organisations and determine the drivers. Such assessments help to strengthen the conceptual framework on public sector productivity as well as identify areas for future analysis and impact evaluations.

In the medium-term, more and better-quality data can be collected through regular surveys of public officials and citizens and expansion of the administrative data through digital technology tools. The data can be combined with evaluations of pilot reforms in the public sector to test which reforms have worked, why they have worked and under what conditions they work best. Such initiatives will need to be combined with capacity building programmes to strengthen competencies in data analysis and make the most of the new data-rich environment.

Conclusion

The public sector plays an important role in the national economic plan through planning, implementing and monitoring various economic and development plans and delivering essential public services. Malaysia has taken various steps to improve public sector productivity. Other measures under consideration include linking public sector productivity with economic and fiscal strategies through the multidimensional approach. As Malaysia transitions to a prosperous, inclusive and sustainable nation, there is a need for the public sector to lead the way in enhancing the nation's productivity.

The Threat of Climate Change

Climate change has wide-ranging devastating effects on mankind. Various efforts are being undertaken at the global level to address its impact and expedite the transition towards low carbon activities. Nations have undertaken various policies to encourage the transition towards green activities by moving away from carbon-intensity production. In July 2021, the European Commission announced its intention to endorse a master plan to cut carbon emissions by 55% of the 1990 level by 2030. The plan also intends to internationalise Europe's climate policies to place its firms on an equal footing with competitors in countries with weaker carbon policies. The EU, for example, is set to implement the Carbon Border Adjustment Mechanism (CBAM) beginning 2023, which seeks to impose a carbon tax on imported goods to equalise costs for European industries that have relocated their production facilities in countries that do not implement carbon tax policy. Indirectly, this will have a negative

impact on the competitiveness of Malaysian products entering the EU market if the products are insufficiently "green". The US is also considering a similar measure, called "polluter import fee", which will have a similar impact. The move will significantly affect Malaysian exports as Malaysia's important trading partners are the US and the EU. As such, efforts need to be intensified to raise the awareness of industry players on the need to quickly adopt low-carbon activities. At the same time, there is a need for policies and frameworks that enable the smooth transition of industries to low carbon activities.

Strategic Initiatives - 2022 Budget

The 2022 Budget focuses on driving economic recovery, rebuilding national resilience and catalysing reforms across the public and private sectors. In addition, efforts will be strengthened to enhance the public service delivery to meet stakeholders' expectations.

The Budget is also pivotal as it lays the foundation for implementing the 12MP and the SPV 2030.

Driving Economic Recovery

Expediently regaining the nation's footing post-pandemic will necessitate more focus on driving economic recovery, especially the worst-hit tourism and related sectors. Businesses will be encouraged to further enhance their competitive advantage and venture into new growth areas to build resilience and withstand future adversities. Malaysian companies will be encouraged to leverage the nation's comparative advantage by capitalising on well-developed local infrastructure, talents, and natural resources. In this regard, Islamic products and services will be further strengthened, while tourism, especially ecotourism, will be promoted. In addition, efforts will be further enhanced to assist and empower the vulnerable and disadvantaged segments of society, women, indigenous people and the disabled. Thus, various programmes will be streamlined and coordinated to ensure an effective delivery mechanism.

The 2022 Budget will also focus on creating new job opportunities, strengthening human capital and preparing the workforce to operate in the new norm. Thus, a stream of immediate responses will address various structural labour market issues affecting the economy. Among others, lifelong learning, upskilling and retraining initiatives will be strengthened to future-proof the workforce.

Rebuilding National Resilience

The pandemic has brought to the fore several structural issues that need to be addressed. The 2022 Budget will focus on rebuilding the nation's resilience, beginning with the nation's public health system. Accordingly, the existing PICK initiative will be further enhanced to ensure the entire population is vaccinated. In addition, the capacity for local vaccine development will be further

improved to increase the level of preparedness in facing any future pandemics. Efforts will also be formulated to enhance digital and technological infrastructure, especially in the business and education sectors and remote areas. Various programmes and projects will be implemented to support MSMEs to increase their effective contribution to the economy.

The digital transformation efforts among MSMEs will be intensified by developing 5G infrastructure and implementing Fourth Industrial Revolution (4IR) programmes across all sectors. MSMEs will also be encouraged to tap into emerging online businesses. Overall, the Government will facilitate and provide the necessary support for the transition to the new business model. To enhance education and strengthen human capital, lifelong learning through upskilling and retraining initiatives will be intensified. The intent is particularly vital in equipping the workforce with the right digital and technological skills to remain relevant post-pandemic. In addition, efforts will be intensified to foster productivity through teleworking and increase workforce opportunities in securing decent jobs in the digital era.

Catalysing Reforms

The measures in the 2022 Budget will catalyse economic reforms and focus on attaining SDGs and objectives of the 12MP and SPV 2030. In addition, the Government will also focus on improving the efficiency of the public service delivery and emphasise the elements of ESG in public service, statutory bodies and Government-linked companies. As the public service serves as the administrative arm of the Government, it has a crucial role in facilitating the nation's recovery from the pandemic and becoming a prosperous, inclusive and sustainable nation. To achieve the vision, the Government has introduced the concept of Keluarga Malaysia, which aims at closer cooperation and collaboration among all stakeholders irrespective of political affiliation or ideological differences.

Consequently, the Government has embarked on greater and broader engagement with all stakeholders to better understand their needs and requirements. Following the feedback, the Government will focus on digitalising the work processes in the public sector to fulfil the aspirations of stakeholders. This aligns with the Public Sector Digitalisation Strategic Plan, 2021 – 2025 which provides directions and guidelines for various areas. This includes Government to Government (G2G), Government to Citizen (G2C), Government to Business (G2B) and Government to Employee (G2E). The plan highlights the pillars required to further enhance the existing Digital Government initiative by enhancing data, application, technology, capability and governance. Hence, existing procedures and processes will be reviewed to promote greater efficiency in the public service and enhance the quality of public services to fulfil stakeholders' requirements.

As a broad strategy, the Government will adopt the whole-of-nation approach to catalyse reforms in several areas to provide a conducive business environment, create new growth areas, enhance productivity, facilitate greater women participation in the labour force, and promote ESG principles across the economy. Efforts will also be focused on enhancing cooperation with the Third Sector of the economy, including the NGOs and civil society organisations as Government development

partners. The Government will foster closer collaboration and cooperation with various organisations to empower them to partake in national development. Overall, concerted effort by all parties will facilitate the attainment of the SDGs and outcomes of the 12MP and the SPV 2030, which aspires to place Malaysia as a prosperous, inclusive and sustainable nation.

Conclusion

The Malaysian economy expanded by 7.1% in the first half of 2021. Considering various levels of MCOs following the emergence of new COVID-19 variants in the third quarter, the economy is anticipated to expand between 3% and 4% in 2021. In 2022, the Malaysian economy is expected to strengthen between 5.5% and 6.5%, supported by significant improvement in global trade, stabilised commodity prices, containment of the pandemic, and gradual improvement in consumer and business sentiments. The 2022 Budget will advance measures to further drive economic recovery, enhance the nation's resilience, catalyse nationwide reforms and improve public service delivery. The programmes and projects in the Budget are aligned to the priorities of 12MP and SPV 2030 and support the nation's aspiration of becoming a prosperous, inclusive and sustainable nation.

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CHAPTER 2

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CHAPTER 2

Macroeconomic Outlook

Overview

Mass vaccination, a catalyst towards economic recovery amid new normal

Global growth is projected to rebound in 2021 before moderating in 2022, after a sharp contraction in 2020. The contraction in 2020 was mainly due to the worldwide impact of the COVID-19 pandemic. Based on the World Health Organization (WHO), as at 13 October 2021, there were 238.5 million confirmed COVID-19 cases, including 4.9 million deaths globally. The WHO also reports that a total of 6.4 billion vaccine doses have been administered globally. Efforts to mitigate the pandemic, primarily through vaccine rollouts, fiscal stimulus and policy support, are expected to improve business and consumer sentiments and revive economic activities in advanced economies as well as emerging market and developing economies (EMDEs). Nevertheless, downside risks to growth remain, following uncertainties surrounding the COVID-19 pandemic. The spread of new strains and mutations of the virus as well as differences in vaccine rollout rates and policy support, are expected to result in an uneven recovery among economies.

The Malaysian economy experienced the full adverse impact of the COVID-19 pandemic in 2020, with real gross domestic product (GDP) contracting by 5.6%. However, signs of recovery emerged in late 2020, followed by a significant increase in GDP growth of 16.1% in the second quarter of 2021 compared to a plunge of 17.2% in the corresponding quarter last year. The growth was attributed to the low base effect, recovery in external demand and the

gradual reopening of economic sectors amid various Movement Control Orders (MCOs) to contain the viral infections. The implementation of eight stimulus and assistance packages totalling RM530 billion since 2020 and 2021 Budget measures to mitigate the impact on households and businesses also contributed to the growth. The growth momentum is expected to continue in the second half of the year with the implementation of the National Recovery Plan (NRP), an exit strategy from the health and economic crisis. The NRP entails opening up the economy in stages in line with the progress made in managing the pandemic. The acceleration of the National COVID-19 Immunisation Programme (PICK), an integral component of the NRP, is expected to enable the economy to fully open in the fourth quarter. With the favourable outlook for the fourth quarter, the economy is expected to grow between 3% – 4% in 2021.

The growth trajectory for 2022 is based on further expansion in global and domestic economic activities, fuelled by broader vaccine coverage and a further improvement in goods trade amid a slower recovery in services trade. The domestic demand recovery is projected to continue in 2022, anchored by private consumption, following the gradual improvement in labour market conditions amid a relaxation of containment measures, improved consumer sentiments and spending from the vaccine rollout as well as targeted policy support for vulnerable households. Rapid progress in the vaccination programme is also expected to release pent-up demand, particularly for domestic travel and leisure, further supporting the recovery. Stronger external demand, especially for electrical and electronics (E&E) products and major

commodities, is expected to support the surge in exports, thus helping to maintain a surplus in the current account of the balance of payments (BOP).

Almost all economic sectors are projected to expand on the supply side, led by the services and manufacturing sectors, accounting for more than 80% of the economy. However, the mining sector is forecast to decline partly due to scheduled maintenance works. The normalisation of economic activities underpinned by mass vaccination is anticipated to boost wholesale and retail trade subsector and domestic tourism-related activities. The projected higher volume of manufactured products is also in line with the expected rising demand from export- and domestic-oriented industries. Positive consumer and business sentiments and expected improvement in earnings will support the recovery in the labour market, albeit at a more modest level than the pre-pandemic period. The continuation of various initiatives to stabilise the labour market and high vaccination rates are expected to provide some relief for employers in retaining their workers. Thus, the nation's GDP is forecast to expand in the range of 5.5% – 6.5% in 2022.

Economy in 2021

Global Economy

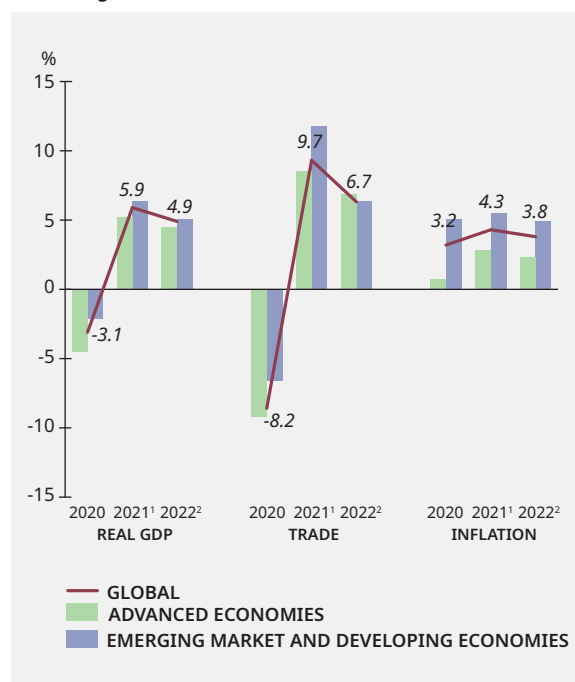
Gradual growth prospects

The **global economy** is projected to expand by 5.9% in 2021. Growth is anticipated to be underpinned by widespread vaccine rollouts, accommodative policy support, and rising commodity prices. Nevertheless, higher infection rates and new variants of the COVID-19 virus are expected to be the headwinds to economic improvement.

The GDP in advanced economies is expected to grow by 5.2% in 2021, driven by the easing of pandemic restrictions, speedy vaccine

rollouts and large-scale fiscal support. The US economy is estimated to expand by 6%, where its economic recovery packages amounting approximately to USD4 trillion that was passed by the Senate are expected to strengthen the social safety net, deliver a strong boost to growth and provide sizable positive spillovers to its trading partners. The GDP in the euro area is expected to rise by 5% with firming external demand. Growth in Singapore is projected to turn around by 6%, backed by progressive relaxation of domestic and border restrictions as its vaccination rates continue to rise. The Republic of Korea's economy is expected to turn around by 4.3%, driven by strong exports and public investments. Similarly, GDP in Japan is estimated to rebound by 2.4%, reflecting a recovery in domestic economic activities alongside a robust external demand.

FIGURE 2.1. Global Real Gross Domestic Product, Trade and Inflation Growth 2020 – 2022 (% change)



¹ Estimate
² Forecast
 Note: Trade for Advanced Economies and Emerging Market and Developing Economies refers to the average volume of exports and imports of goods and services
 Source: International Monetary Fund, World Economic Outlook (October 2021)

Growth in the EMDEs is projected to turn around by 6.4%, supported by elevated commodity prices and improved external demand. China is expected to lead the recovery in the region with strong growth of 8% in 2021, bolstered by higher private consumption and exports. The economy of India is estimated to rebound by 9.5% on the back of strong consumer demand. The GDP of ASEAN-5 is anticipated to turn around by 2.9% on account of robust domestic consumption, higher investment and a favourable trade environment. Indonesia's economy is projected to recover by 3.2%, driven by export-oriented and labour-intensive industries such as automotive, construction and mining.

World trade is expected to accelerate by 9.7% in 2021, largely contributed by the increase in merchandise volumes which have returned to pre-pandemic levels. Trade in the advanced economies is estimated to rebound by 8.5% in 2021, where fiscal stimulus measures in these countries will boost household incomes and spending on all goods, including imported goods. Trade in the EMDEs is projected

to rebound significantly by 11.8% in 2021, contributed by Asia's continuous supply of large quantities of consumer goods and medical supplies to global markets. Increased digitalisation across the region has been a positive effect of the pandemic. The rapid digital transformation has provided greater business opportunities for local micro, small and medium enterprises (MSMEs) by creating demand for digital providers and delivery players. This digital transformation covers a wide range of services related to FinTech, e-commerce and supply chains, particularly in Southeast Asia.

Global inflation is expected to be slightly higher at 4.3% in 2021 as a result of temporary supply-demand mismatches as well as higher commodity prices compared to 2020. The inflation rate in advanced economies is anticipated to rebound by 2.8% in 2021, following the increase in the price of oil, metals and food. Inflation in the EMDEs is estimated to increase by 5.5% in 2021 due to rising global energy and commodity prices, which will result in higher consumer prices.

FEATURE ARTICLE 2.1

ASEAN Catalytic Green Finance Facility

Overview

Infrastructure is crucial as an enabler of growth and to reduce poverty. In recent years, there has been a strong call for sustainable development, which in turn gives rise to demands for more green infrastructure projects. The Asian Development Bank (ADB) estimates that Southeast Asia will require USD184 billion per year from 2016 until 2030 to support investments in infrastructure projects, and it will increase to USD210 billion per year to equip new infrastructure with climate-compatible components. Public budgets remain the primary source of financing for infrastructure in Southeast Asia, especially for transport and water supply and sanitation. However, the widening investment gap and limited public budgets signify the need for greater private investment in infrastructure projects.

At the beginning, in 2011, the ASEAN Infrastructure Fund (AIF) was established by the Association of Southeast Asian Nations (ASEAN) member states and ADB, to reduce the substantial development gap between developed countries and ASEAN. Utilising equity from its shareholders,¹ the AIF commenced its lending operations in 2013, offering financing for infrastructure projects to member countries. Subsequently, in a bid to leverage the AIF's limited equity resources in bridging the viability gap for green infrastructure projects and attract private capital into these projects, the AIF implemented the Green and Inclusive Infrastructure Window (GIIW) on a 3-year pilot basis from 2019 to 2021. This pilot window was aimed at creating a value-added proposition for the operation and future direction of AIF. The GIIW consists of the ASEAN Catalytic Green Finance Facility (ACGF)

¹ AIF shareholders consist of Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Viet Nam and Asian Development Bank (ADB).

for green financing, which is made available to all ASEAN Member States (AMS), and the Inclusive Finance Facility for concessional green loans offered only to Cambodia, Lao PDR and Myanmar.

Outcomes of the Green and Inclusive Infrastructure Window Pilot Phase

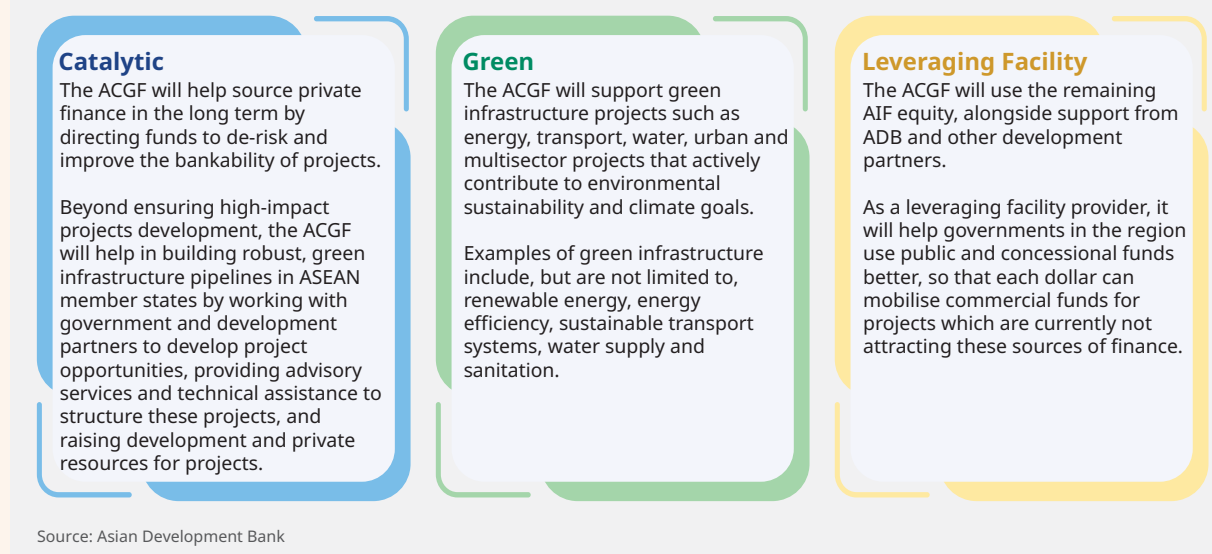
The implementation of the GIIW has proven to contribute to the success in supporting the operational direction of the AIF. Based on three approved projects which are *Epifanio de los Santos Avenue* (EDSA) Greenways Project (Philippines), Sustainable and Inclusive Energy Program – Subprogram 3 (Indonesia) and Myanmar Railway Modernization Project (Myanmar), involving more than USD1.4 billion in total project costs, approximately USD40 million of AIF funding was committed as well as USD823 million potential financing was ready to be tapped from the ADB. It was also expected that from the three ACGF approved projects, 73,000 tons of carbon dioxide emission will be reduced per year. An impressive achievement has also been recorded for de-risking funds as a total of USD278 million has been identified for ACGF projects out of the targeted amount of USD300 million of private, commercial and institutional capital. 10 green infrastructure projects were originated and structured with support from ACGF, against five projects targeted, while a pipeline of 12 green infrastructure projects have been developed beyond the five projects targeted. Additionally, under the knowledge and capacity building programme, four international investor roundtables were successfully held with engagement from institutional investors.

Resulting from the successful pilot period, the GIIW was then mainstreamed to become a permanent financing facility, known as the ACGF, pioneering regional green financing initiatives in the region. The ACGF offers regular financing for green projects to all ASEAN countries and concessional green financing limited to Cambodia, Lao PDR and Myanmar. These financing initiatives help expedite progress towards achieving the Southeast Asian countries’ climate change and environmental sustainability goals through a pipeline of green infrastructure projects and mobilise private capital for these projects. The ACGF disburses loans and technical assistance grants from the AIF equity, ADB and co-financing development partners, which include KfW Development Bank (Germany) and Agence Française de Développement (France) to finance green infrastructure projects in the ASEAN region.

ASEAN Catalytic Green Finance Facility Design Approach

The design of the ACGF is based on the concept of a “green finance catalysing facility” approach as indicated in Figure 2.1.1.

FIGURE 2.1.1. ASEAN Catalytic Green Finance Facility Design Approach



Progress of the ASEAN Catalytic Green Finance Facility

The Philippines' EDSA Greenways Project is the first approved project under the ACGF. The EDSA Greenways aims to cater safe and efficient pedestrian crossing by constructing five kilometres of high-quality greenfield elevated walkways, footbridges and linkages. The greenways also include lifts and ramps for the convenience of persons with disabilities and the elderly, within 800 meters of public transport facilities along the EDSA, the main avenue in Manila. The project encourages increased use of public transport, improved road safety and enhanced local air quality by reducing approximately 886 tons of carbon dioxide emissions per year. As of now, at least eight more green projects have been identified for approval under the ACGF.

Issues and Challenges

In Southeast Asia, substantial private investment for green infrastructure is hampered by the inadequacy of commercially bankable projects with attractive risk-return profiles. In addition, green infrastructure projects are generally considered high risk due to the adoption of more advanced technology, which may incur higher capital cost and operating expenses. Revenue streams, especially for utilities, are generally dependent on public policies and regulations, thus, increasing the risk profiles of green projects.

Thus, establishing bankable green investments with risk-return profiles which appeal to investors requires the strategic use of public finance to address the risk aspects of a green project. Additionally, it is critical to ensure projects are well structured as green to be eligible for green financing, by way of engaging advisory services. However, structuring a project to be green will be challenging if generic project advisors only concentrate on the technical preparation of projects and do not encourage change towards green alternatives. The ACGF addresses these challenges by providing project financial structuring support to create bankable projects and innovative use of concessional funds to de-risk projects. The ACGF also supports the development of project pipelines and capacity building in green and innovative financing approaches.

Conclusion

In achieving sustainable development and climate change goals in the ASEAN region, AMS could develop infrastructure projects designed, built, and operated based on the principles of sustainability and inclusive green growth. AMS could also identify and utilise the ACGF loan facilities for their green project developments, assisted by the green development partners to shift to low-carbon and climate-resilient infrastructure development. Therefore, the ACGF provides the impetus needed by AMS to bridge the viability gap for green infrastructure projects in the ASEAN region and contribute positively to the global climate change agenda.

Domestic Economy

Sectoral

Services Sector

Continue to support growth

When the COVID-19 pandemic hit Malaysia, the **services** sector was the most badly impacted sector in 2020, with a contraction of 5.5%. Of this significant decline, the tourism industry was the worst-hit industry, with Gross Value Added of Tourism Industries¹ contracted by 17.1% as tourist arrivals plunged by more than 80% due to worldwide travel bans and strict domestic movement restrictions. In addition, employment in the tourism industry contracted by 2.9% to 3.5 million. Since the tourism industry made up 24.4% of the services sector in 2020, the scarring effect of the tourism industry has continued to weigh on the performance of the services sector in 2021. As the pandemic continues to spread and movement restrictions continue to be imposed in 2021, the tourism industry is estimated to contract further by 19.5%.

As the number of new COVID-19 cases was trending up towards the end of 2020, the Government reimplemented the MCO starting

TABLE 2.1. *Gross Domestic Product by Sector, 2020 – 2022*
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
		2021 ¹	2020	2021 ¹ 2022 ²
Services	57.2	-5.5	2.6	7.0
Manufacturing	23.9	-2.6	8.1	4.7
Agriculture	7.1	-2.2	-0.8	3.9
Mining	6.7	-10.6	1.5	-0.3
Construction	3.8	-19.4	-0.8	11.5
GDP	100.0	-5.6	3.0 – 4.0	5.5 – 6.5

¹ Estimate

² Forecast

Note: Total may not add up due to rounding and exclusion of import duties component

Source: Department of Statistics and Ministry of Finance, Malaysia

January 2021 but with less strict standard operating procedures (SOPs) than the MCO 1.0. Hence, the services sector rose by 4.8% in the first half of 2021, mainly supported by the wholesale and retail trade; finance and insurance; and information and communication subsectors. The improved performance is attributed to the reopening of more services subsectors and relaxation of the MCOs, especially for businesses providing essential items. This was further supported by an increase in online transactions and payments. On the other hand, the food & beverages and accommodation subsector declined significantly due to movement restrictions which affected the tourism-related activities, despite a steady demand for online food purchases. The services sector is estimated to grow by 0.7% in the second half of the year, supported by the gradual opening of the economy. Overall, the sector is projected to grow by 2.6% in 2021, with most subsectors recording positive growth.

TABLE 2.2. *Services Sector Performance, 2020 – 2022*
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
		2021 ¹	2020	2021 ¹ 2022 ²
Wholesale and retail trade	29.2	-6.1	1.8	8.7
Finance and insurance	13.1	2.7	8.9	5.5
Information and communication	11.9	6.0	5.8	5.7
Real estate and business services	6.9	-15.2	-5.1	8.6
Transportation and storage	5.4	-21.9	2.3	9.5
Food & beverages and accommodation	4.2	-26.5	-7.7	7.3
Utilities	5.0	-1.3	5.1	6.7
Other services	7.9	-10.5	-1.3	6.1
Government services	16.4	4.5	5.1	5.3
Services	100.0	-5.5	2.6	7.0

¹ Estimate

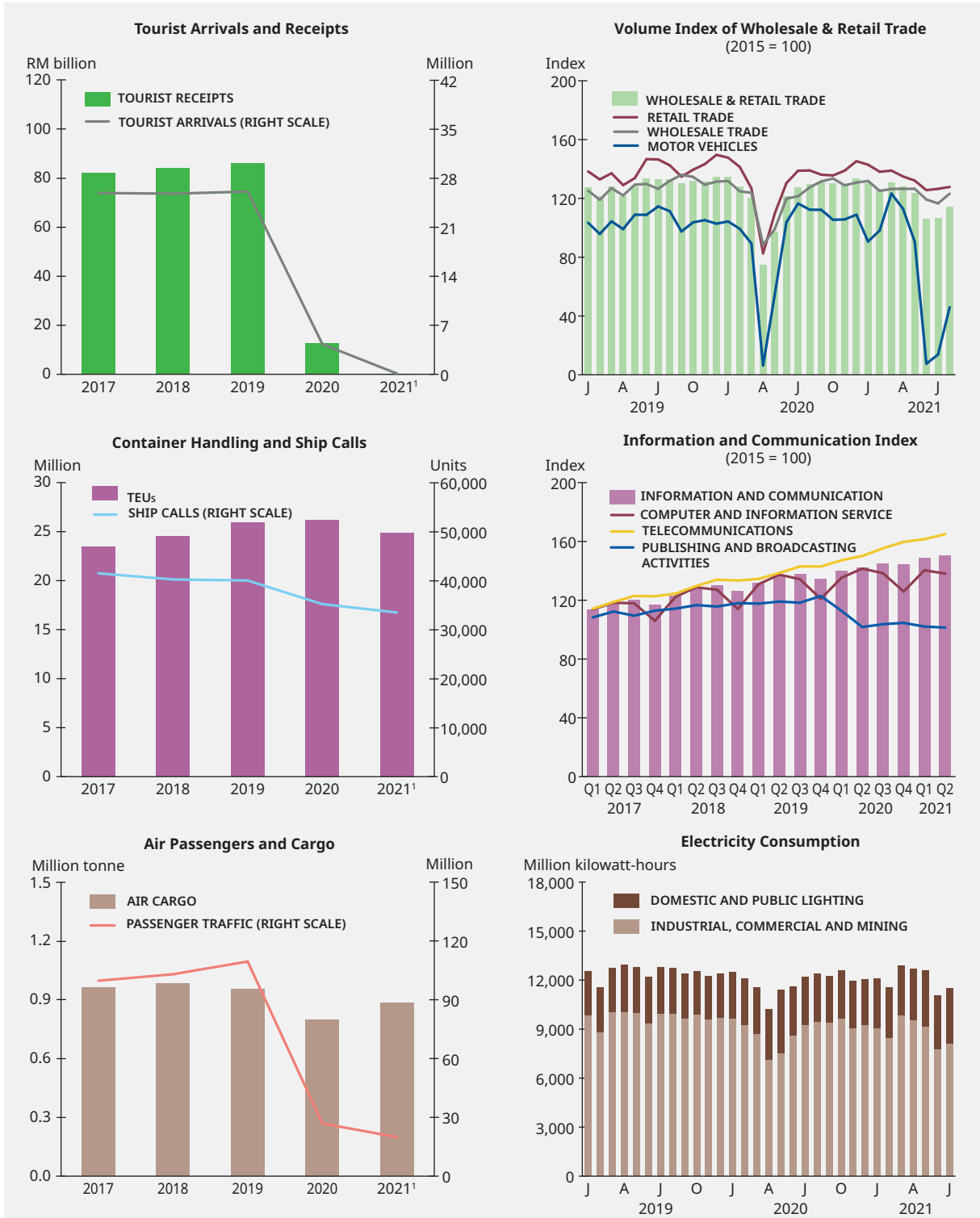
² Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

¹ Total gross value added of all establishments in the tourism industry, irrespective of whether their output is provided to visitors and the degree of specialisation of the production process. A visitor refers to a traveller taking a trip to a main destination outside his/her usual environment, not more than 12 months other than to be employed by resident entry in the country or place visited.

FIGURE 2.2. Selected Indicators for the Services Sector



¹ Estimate

Source: Department of Statistics, Malaysia; Malaysia Airports Holdings Berhad; Malaysia Tourism Promotion Board; Senai International Airport; and seven major ports (Bintulu, Johor, Klang, Kuantan, Kuching, Pulau Pinang and Tanjung Pelepas)

The wholesale and retail trade subsector rose by 9.9% in the first half of 2021, supported by the strong performance in all segments. The robust performance of the wholesale trade and retail trade segments was mainly attributed to businesses selling essential items amid the implementation of movement restrictions. In addition, the motor vehicles segment also contributed to the first-half performance with double-digit growth, benefitting from sales tax exemption for passenger cars until the end of the year. The subsector is expected to decline by 4.6% in the second half due to decreases in all segments following the extended movement restrictions during NRP Phase 1, particularly in states with high contributions to the subsector. The decrease in the subsector is mainly contributed by the motor vehicle segment due to the high base effect. Vehicle sales are projected to decline significantly from 355,889 in the second half of 2020 to 250,871 in the second half of 2021 (Malaysia Automotive Association, 2021). Given the unfavourable performance in the second half, the subsector's growth is projected to be moderate at 1.8% for the year.

The finance and insurance subsector is expected to record strong growth of 8.9% in 2021, driven by increases in the finance and insurance segments. In the first half, the subsector surged significantly by 16.9%, supported by finance segment following

higher loan disbursements, particularly to the households amid the lower interest rate environment and tax exemption measures under various stimulus packages. Similarly, the insurance segment expanded due to increased premium income from life insurance amid lower claims. The subsector is anticipated to expand by 1.6% in the second half and continue to support the economic activities, especially in the fourth quarter.

The information and communication subsector expanded by 6.1% in the first half of 2021, boosted by greater digital usage among businesses and individuals, particularly online transactions, entertainment, education, and work from home (WFH) activities. The subsector is projected to increase by 5.5% in the second half of the year, buoyed by the extension of special tax relief of up to RM2,500 for the purchase of mobile phones, computers and tablets. The Jaringan Prihatin initiative, which provides subsidies to Bantuan Prihatin Rakyat (BPR) recipients to purchase broadband internet plans and smartphones from participating telecommunication service providers, would also support the growth of the subsector. As at 7 October, 4.1 million individuals have subscribed to the broadband internet plans and 1.6 million smartphones valued at RM525.8 million were redeemed under this initiative. Therefore, the subsector is anticipated to rise by 5.8% in 2021.

FEATURE ARTICLE 2.2

The Digital Economy: Transformation towards a Resilient Nation

Introduction

Since independence, Malaysia has endured, among others, three major economic crises: the 1985 – 1986 Commodity Crisis, 1997 – 1998 Asian Financial Crisis and the 2008 – 2009 Global Financial Crisis, each with its causes, economic impact, and recovery policies. The latest crisis was caused by the COVID-19 outbreak which became a global pandemic. The impact of the pandemic

is devastating and caused a decline in worldwide demand and supply, mainly due to lower tourism and business travel as well as disruptions in supply, production and trade linkages. Countries have witnessed the cascading collapse of the entire production, financial and transportation systems due to a vicious combination of supply and demand shocks (Organisation for Economic Co-operation and Development, 2020).

Due to the lockdowns to stem the spread of the virus, people were forced to remain at home for long periods, which necessitated greater use of digital technology to conduct their lives. This article highlights the level of digital preparedness of the economy and the need for the nation to transform into a digital economy. It also highlights related challenges and the Government's commitment to promoting digitalisation. Measures to expedite digital adoption in the economy are also recommended.

Impact of COVID-19 on the Malaysian Economy

Malaysia was not spared from the adverse impact of the pandemic. The economy experienced its full impact in 2020, with its gross domestic product (GDP) contracting by 17.2% in the second quarter of 2020 (Figure 2.2.1.). The decline was mainly due to the implementation of multiple Movement Control Orders (MCOs) to contain the outbreak and flatten the COVID-19 curve.

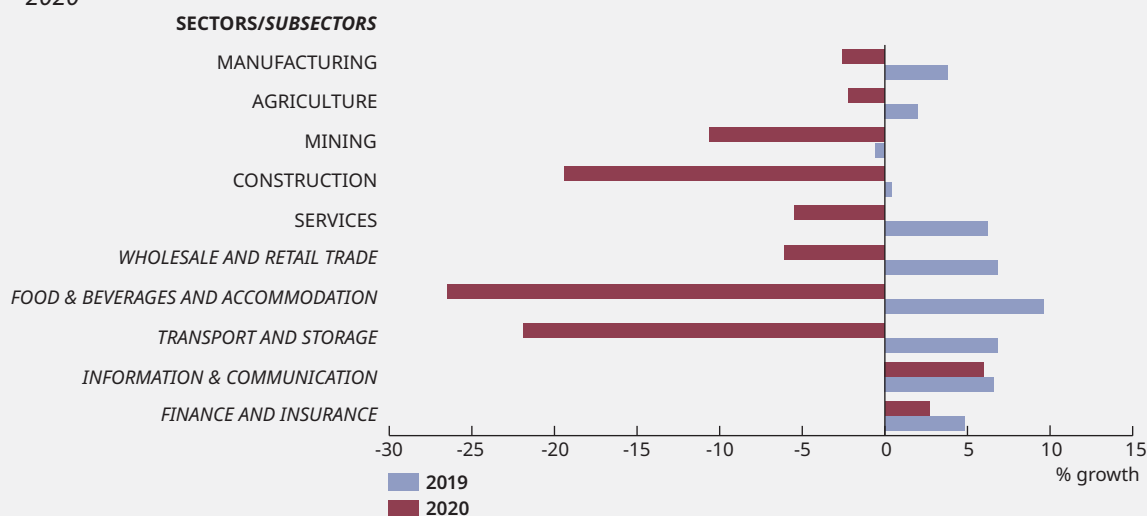
FIGURE 2.2.1. Quarterly Gross Domestic Product, 2019 – 2021
(% change)



Note: MCO : Movement Control Order
CMCO : Conditional Movement Control Order
RMCO : Recovery Movement Control Order

Source: Department of Statistics and Ministry of Finance, Malaysia

All main economic sectors have contracted, with the mining and construction sectors experiencing a double-digit contraction (Figure 2.2.2.). The lockdown measures severely impacted the wholesale and retail trade; food & beverages and accommodation; and transportation and storage subsectors in the services sector.

FIGURE 2.2.2. Impact of COVID-19 Pandemic on Main Sectors and Selected Services Subsectors, 2019 – 2020

Source: Department of Statistics and Ministry of Finance, Malaysia

The new normal in household and business activities following the implementation of MCOs and lockdowns necessitated the need to work remotely using cloud services and video conferencing, consuming entertainment from online subscription services and purchasing meals, groceries, goods and services through digital platforms. The COVID-19 pandemic has also accelerated the urgency for adaptability and transformation across industry structures and business models, with an estimated 70% of the new value being created through digital platform business models (World Economic Forum, 2020). Consequently, specific subsectors with high digitalisation fared better during the crisis, particularly the information and communication and finance and insurance subsectors (Table 2.2.1.).

TABLE 2.2.1. Gross Domestic Product Growth, 2020 and Adoption Rate of Digital Technologies by Sector, 2019

SECTOR	2020	2019				
	GDP GROWTH (%)	WEBSITE (%)	SOCIAL MEDIA (%)	MOBILE INTERNET AND TECHNOLOGIES (%)	CLOUD COMPUTING (%)	MANAGEMENT SOFTWARE (%)
National	-5.6	48.5	60.0	63.8	46.8	41.9
Manufacturing	-2.6	53.1	73.0	62.7	46.3	48.4
Agriculture	-2.2	51.8	56.7	54.7	56.8	39.5
Mining	-10.6	19.2	46.1	24.6	60.8	40.5
Construction	-19.4	34.9	47.5	55.9	48.8	29.1
Services	-5.5	49.4	60.4	64.9	46.4	42.7

SERVICES SECTOR	2020	2019				
	GDP GROWTH (%)	WEBSITE (%)	SOCIAL MEDIA (%)	MOBILE INTERNET AND TECHNOLOGIES (%)	CLOUD COMPUTING (%)	MANAGEMENT SOFTWARE (%)
Wholesale and retail trade	-6.1	50.4	64.0	65.3	47.1	47.1
Transportation and storage	-21.9	55.8	44.2	76.1	54.2	42.5
Food and beverages	-20.6	37.4	72.9	61.7	23.0	20.4
Accommodation	-50.3	42.5	66.7	51.8	43.0	56.6
Information and communication	6.0	86.9	85.6	82.6	65.0	76.8
Finance and insurance	2.7	52.4	38.1	68.4	44.2	41.6

Note: Figure may not add up to 100% due to multiple choices by the respondents
Source: Department of Statistics, Malaysia

The Digital Economy

The digital economy incorporates all economic activities reliant on or significantly enhanced by digital inputs, including digital technologies, infrastructure, services and data. It refers to all producers and consumers, including the Government utilising digital inputs in their economic activities (OECD, 2020). With information and communication technology (ICT) contributing 22.6% of GDP in 2020, Malaysia is on track to realising the aspiration of integrating the digital element into its national economy (Department of Statistics Malaysia, 2021). This is in line with the Fourth Industrial Revolution (4IR), where digital technologies are being widely adopted (Economic Planning Unit, 2021). Digital economy is led by a strong e-commerce sector and includes online retailing, usage of internet-related devices as well as information technology and telecommunications investments by public and private sectors.

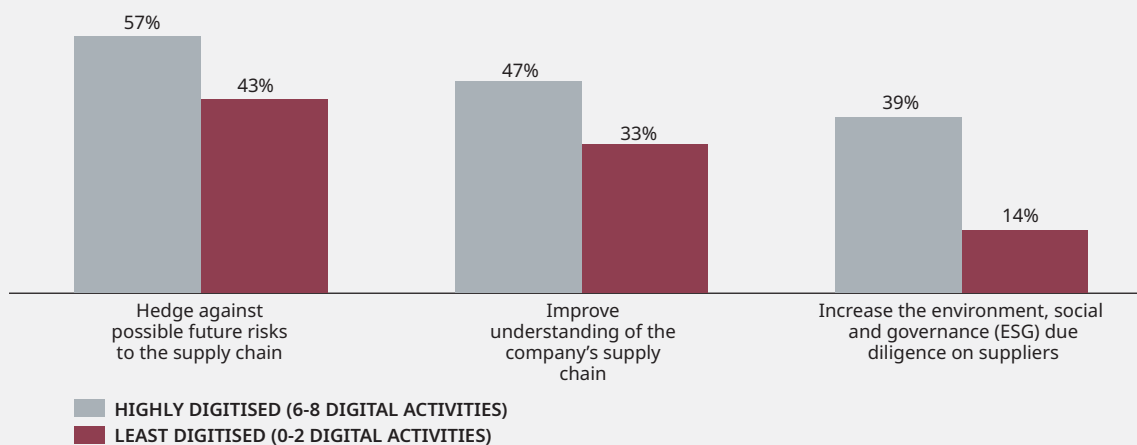
Advances in applications of digital technology, such as e-commerce and online learning, have created new opportunities by bringing closer consumers and businesses and learners and educators. The advances will also make economic transactions faster and cost effective. The uptick in offerings of e-commerce platforms and digital payments solutions during the pandemic has enabled many businesses not only to survive but to pivot their operations to online platforms to thrive.

On the demand side, digitalisation would increase consumption with the help of online platforms. On the supply side, digitalisation can change the companies' ways of operating, primarily by enabling remote working, enhancing data storage and improving information sharing. The Enabling Digitalisation Index (EDI)¹ 2020 shows that an additional point in a country's EDI score was translated to a 0.25 percentage point of GDP growth in the third quarter of 2020 compared to the third quarter of 2019, suggesting that digitisation has played the role of a shock absorber during the crisis.

¹ Enabling Digitalisation Index (EDI) measures the ability and agility of countries to help digital companies thrive and traditional businesses harness the digital dividend. It scores 115 countries based on five components: regulation, knowledge, connectivity, infrastructure and market size.

A survey conducted on several high-level executives in 1,181 companies in the US, the UK, France, Germany and Italy across six sectors (information technology, technology and telecommunication, machinery and equipment, chemicals, energy and utilities, as well as automotive and agri-food) showed that digitalisation correlates with resilience (Euler Hermes, 2020). The study indicates that highly digitised companies (reporting six to eight different digital activities)² took significantly more actions to mitigate supply-chain disruptions than less digitised ones (reporting zero to two digital activities). This is likely due to their higher agility and proactivity when the crisis occurred. About 57% of highly digitised companies searched for potential hedges, including insurance and stockpiling, 47% improved their understanding of their supply chains, and 39% increased due diligence on their suppliers (Figure 2.2.3.).

FIGURE 2.2.3. Coping Mechanisms by the Level of Digitisation



Note: Figure may not add up to 100% due to multiple choices by the respondents
 Source: Global Supply Chain Survey, 2020

Increase in the Usage of Digital Services in Malaysia

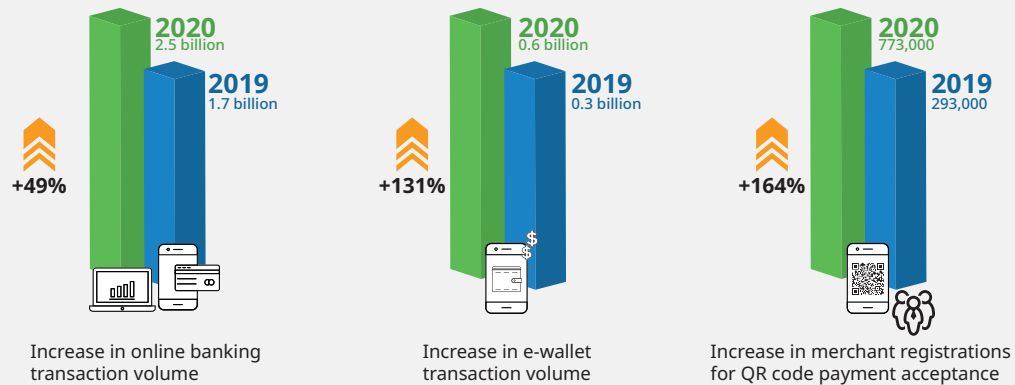
Due to restricted mobility, the internet provides users with continuous access to work collaboration, education, entertainment, and other tools such as groceries and food order and delivery platforms. The current shift in utilising digital services are as follows:

Greater Adoption of e-Payment Services

The accelerated shift by consumers towards contactless and online payment methods has resulted in consumers' faster adoption of e-payment services. The increase in digitalisation saw an accelerated transition from cash to digital payments. Bank Negara Malaysia (2021) reported that the volume of e-wallet transactions increased by 131% in 2020 (Figure 2.2.4.). The e-wallet payment methods are safer and more convenient as physical visits are minimised. It enables contactless, fast, secure and cost-effective financial channels between small and medium enterprises (SMEs) to engage with consumers, suppliers and the Government.

² The activities are use of software to monitor production or other activities, use of software to facilitate collaborative work, use of cloud computing, use of artificial intelligence, use of big data, use of social media to recruit employees, e-commerce and electronic invoicing.

FIGURE 2.2.4. Greater Adoption of e-Payment Services in Malaysia, 2020

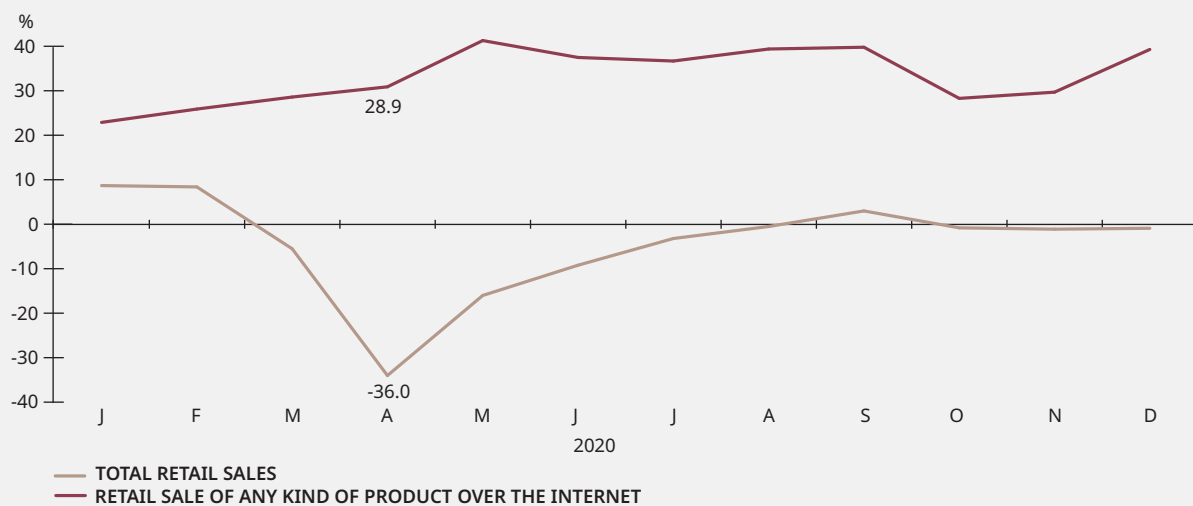


Source: Bank Negara Malaysia

Increase in Online Businesses

The pandemic has increased the importance of business activities through online platforms as this has become the new normal. Retail online sales have continued growing in Malaysia due to the closure of physical stores as the lockdowns and social distancing measures limited consumers' mobility. As shown in Figure 2.2.5., total online sales recorded positive growth in April 2020 compared to total retail sales.

FIGURE 2.2.5. Growth of Total Retail and Online Sales, 2020



Source: Department of Statistics, Malaysia

Rise of Digital Platform Services and Gig Workers

The upsurge in digital platforms has encouraged more millennials to become gig workers and freelancers. As lockdown measures became stricter, the demand for digital services, such as mobile payments, professional services and food delivery, rose. According to the e-Economy SEA 2020 Report, the food delivery services in Malaysia increased by 44% in 2020, as consumers switched to on-demand food delivery services, both for convenience and concerns over public safety. Moreover, the gig economy has provided access for people with disabilities and the bottom 40% income group (B40) to earn an income with low barriers to entry.

Online Government Services

Digitalisation by the Government has enabled faster delivery of services and reduced physical visits to government agencies. The lockdown measures have hastened the need for online government services, namely e-Procurement by Treasury, e-Filing by the Inland Revenue Board and e-Payment services by various government agencies. This has enabled the delivery of government services to individuals and businesses without any disruption.

Challenges Facing the Digital Transformation in Malaysia

Inadequate internet infrastructure especially in the rural areas will continue to exacerbate the disadvantages of unserved internet or non-digitally literate populations, limiting their access to e-commerce. Unaffordable internet access, especially for vulnerable groups, such as the B40, retrenched workers and rural communities, hampers the onboarding of these groups to participate in the digital economy. While digitalisation can create innovative and productive job opportunities, it can also cause unemployment and displacement of jobs, particularly for lower-skilled workers.

The issue of capital risk has also delayed the uptake rate as most SMEs are struggling to survive due to waning revenues. A survey by the SME Association of Malaysia revealed that only 26% of local SMEs chose digitalisation or e-commerce platforms as their strategy to survive post-pandemic. The pandemic has also heightened the need for digital skills and new forms of digital literacy among all groups, including public sector workers. As digital technology is widely used in the economy and society, it is imperative to protect cyberspace from cybercrimes that can disrupt business operations and essential services such as financial, utilities and health services.

Way Forward

Government Transformation Plan

The MyDIGITAL initiatives outlines the plans to accelerate Malaysia's progress as a technologically-advanced economy, through the Malaysia Digital Economy Blueprint. The initiatives employs a whole of nation approach to intensify efforts to drive digital transformation nationwide and strengthen its competitive position regionally. Measures undertaken include accelerating the roll-out of crucial ecosystem enablers, digitalising existing industries and developing new digital industries as future growth drivers of the economy. This will ensure Malaysia's smooth transition towards the 4IR, as outlined in Figure 2.2.6.

FIGURE 2.2.6. Accelerating Malaysia's Digital Transformation



Source: Bank Negara Malaysia, Economic Planning Unit and Malaysia Digital Economy Corporation

Government's Commitment in Promoting Digital Transformation

Increasing Individuals' Capabilities and Digital Literacy

Under the National Economic Recovery Plan (PENJANA), several upskilling and reskilling programmes have been introduced to help employers, employees and training providers understand the latest skills set requirements, such as social intelligence and ethics, learning to learn as well as data analytics. Concurrently, other programmes, such as Go-eCommerce, MyDigitalMaker and Global Online Workforce (GLOW) have benefited Malaysians by improving their participation in e-commerce and enabled them to make informed decisions.

Enhancing Digital Payment Mechanisms

Digital payment providers will enhance their services to specific demographics who are not technologically savvy or from the B40 group who rely on cash transactions. Apart from providing an automated, secure and auditable way of making transactions, improved digital payment mechanisms have accelerated remote and contactless transactions. They also provide the impetus for establishing digital banks. The new generation of banking will introduce new financial products delivery, streamlining banking products and services, and ensure more approachable financing to customers.

Strengthening Cybersecurity

Propelled by the pandemic, a significant shift towards digital transactions and real-time payments has led to a substantial increase in cyber threats and crimes. Therefore, the Government will strengthen its local capabilities to respond to cyber threats and crimes by improving cybersecurity governance. Consequently, all action plans under the Malaysia Cyber Security Strategy, 2020 – 2024 have been aligned with the MyDigital initiatives to achieve a secured, trusted and resilient cyberspace.

Policy Recommendations

In addition to the ongoing Government's commitment to drive the nationwide digital transformation, the following measures are recommended to expedite digital adoption in the economy:

Pushing Convergence through Digital Connectivity

Digital connectivity provides the connections needed between all devices, systems and applications. It will accelerate the convergence of industries, products, technologies and competition. In this regard, 5G connectivity, big data analytics and cloud storage will be the game changer to provide meaningful connectivity through high-quality internet access.

Encouraging the Onboarding of Innovative Online Platforms and Services

Due to the imposed lockdowns, businesses and consumers have turned to online platforms to sell and purchase goods and services. Subsequently, innovative online platforms and services, such as bricks and clicks, buy now, pay later (BNPL),³ digital showrooms and virtual stores have emerged to provide unlimited, personalised, socially connected and digitally integrated experiences. Therefore, more outreach programmes and training will be conducted to encourage potential entrepreneurs or traders to use online platforms and services that provide innovative marketing methods.

Supporting the Recovery of Services-Oriented Subsectors through Digital Means

The application of digital solutions in the services-oriented subsectors, especially in the hospitality and tourism industries, allows for a differentiated, personalised, and safe tourism product. Mobile and self-service customer-facing technology tools provide remote access to front-desk,

³ BNPL is a type of short-term financing that essentially allows consumers to make a purchase but pay for it later or via instalments over a short-term period. Some BNPL players charge interest or a penalty fee if the consumer makes a late payment.

customer-service and concierge functions without the need for physical contact. The utilisation of internationally recognised documents, supported by digital solutions could be considered in allowing cross-border travel and tourism activities.

Reviewing Policies and Regulations to Create a Conducive and Business-Friendly Environment

In ensuring business-friendly policies and regulations, reviewing current policies and regulations should be done transparently. In this regard, active consultation with all stakeholders is essential. This approach can also be adopted when formulating new regulations or making amendments to ensure legitimate concerns of relevant stakeholders are addressed.

Conclusion

The COVID-19 pandemic has a silver lining in that it forces countries to accelerate the transformation towards becoming more digital. Applications of digital technology, such as e-commerce, online learning and remote working, have created new opportunities for businesses to prosper and for people to increase their wellbeing. As the pace of digitalisation accelerates, challenges such as digital preparedness and cybersecurity threats remain and need to be effectively addressed. Continued cross-collaboration between the Twelfth Malaysia Plan, MyDIGITAL, National 4IR plan and other Government initiatives can drive the adoption of digitalisation, technologies and efficient cyber security practices. Moving forward, it is pivotal for Malaysia to accelerate digitalisation economy-wide towards enhancing its resilience and inclusivity in a new norm.

The real estate and business services subsector is expected to decline by 5.1% in 2021. The annual performance was weighed down by the 10.5% contraction in the first half due to slower leasing and renting of properties and lower demand for professional services. However, the subsector is anticipated to improve marginally by 0.6% in the second half following the reopening of economic sectors and property companies' aggressive adoption of digital marketing. The expected improvement is also attributed to the extension of the Real Property Gains Tax (RPGT) exemptions as well as stamp duty exemptions and price discounts under the Home Ownership Campaign (HOC).

The transportation and storage subsector grew by 3.4% in the first half of 2021, mainly attributed to a significant increase in all segments, especially other supporting services following the surge in online shopping. The growth was also supported by strong external demand, with total trade increasing by 26% to RM1,056.1 billion in the first half of 2021 compared to RM838.2 billion in the same period of 2020. The subsector is expected to further expand by 1.4% in the second half, following the expansion in trade volume in line with the growing containerised cargo movement

worldwide. In 2021, the subsector is forecast to improve by 2.3% as more states graduate to the subsequent phases of NRP, where more economic sectors are allowed to reopen.

The food & beverages and accommodation subsector is projected to decline by 7.7% in 2021, due to contractions in all segments. The subsector reduced significantly by 15.3% in the first half of 2021 due to the restrictions on tourism activities, including border closure to all international tourists except for inbound travellers in essential services, investors, businessmen and returning spouses. Thus, tourist arrivals plunged by 98.8% to 50,613 arrivals, while tourist receipts plummeted by 99.4% to RM80.2 million. The subsector is expected to record a marginal increase of 0.6% in the second half of the year, supported by the resumption of domestic tourism-related activities in line with the lifting of interstate travel restrictions in the fourth quarter. The anticipated hike is also attributed to the implementation of the Tourism Recovery Plan (TRP), starting with the Langkawi Travel Bubble programme beginning 16 September 2021 for fully vaccinated local tourists. In addition, the expected increase in online food purchases will help support the subsector's growth during the same period.

The utilities subsector recorded an increase of 3.6% in the first half of 2021 and is anticipated to improve by 6.6% in the second half. The subsector is expected to expand by 5.1% for the whole year, following higher electricity usage mostly by industrial, commercial, and residential segments. This aligns with the gradual reopening of the economic and social sectors, resulting in workers returning to their workplaces. In addition, the extension of the electricity bill discounts, an initiative under the National People’s Well-Being and Economic Recovery Package (PEMULIH), helps sustain the overall electricity usage. The beneficiaries who receive a 10% discount include hotel operators, travel and tourism agencies, shopping complexes, convention centres, theme parks and local airline offices. Domestic consumers are also eligible for the discount, ranging between 5% – 40%.

Despite positive growth in the private health segment, the other services subsector contracted by 3.3% in the first half of 2021, mainly due to a decline in private education as well as the arts, entertainment and recreation segments. The fall was in line with lower enrolments in private colleges and universities as well as restrictions on sports and recreational activities during the MCO period in May and June. The subsector is expected to rise marginally by 0.6% in the second half of the year, supported by a gradual increase in healthcare travellers and resumption of sport and recreational activities. Overall, the subsector is anticipated to decline by 1.3% in 2021. The Government services subsector grew by 5.5% in the first half of 2021 and is expected to expand by 4.8% in the second half. For the whole year, the subsector is forecast to grow at a rate of 5.1%.

Manufacturing Sector

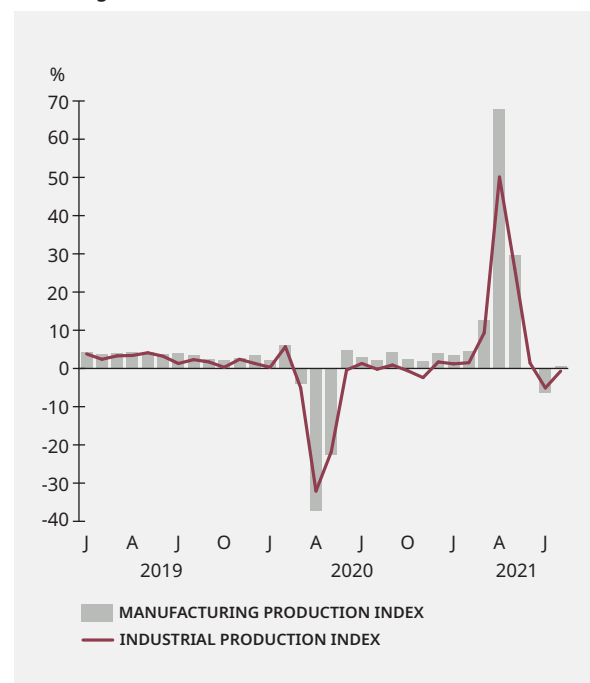
Revitalising key segments to accelerate growth

The **manufacturing** sector rebounded by 15.8% in the first half of 2021, supported by positive growth in all subsectors. The growth momentum is expected to continue

in the second half with an expansion rate of 1.5%, mainly driven by the export-oriented industries. The main subsectors which will significantly contribute to the industries are electrical, electronics and optical products as well as petroleum, chemical, rubber and plastic products.

For the year, the sector is expected to post a sturdy growth of 8.1% attributed to both the export- and domestic-oriented industries. Within the export-oriented industries, the E&E segment is projected to improve, following higher demand for semiconductor items, which is reflected by the rising sales across the range of chip products. In addition, the rubber and textiles segments are anticipated to expand, following increasing demand for rubber gloves and personal protective equipment (PPE) amid the prolonged COVID-19 pandemic. Similarly, within the domestic-oriented industries, the basic pharmaceuticals and medicinal chemical products, and food products segments are projected to increase in line with the economic expansion.

FIGURE 2.3. Output of Manufacturing Sector (% change)



Source: Department of Statistics, Malaysia

TABLE 2.3. *Manufacturing Production Index, January – August 2020 and 2021*
(2015 = 100)

	INDEX		CHANGE (%)		SHARE (%)	
	2020	2021	2020	2021	2020	2021
Export-oriented industries	114.9	129.6	-3.2	12.8	68.8	70.3
Manufacture of vegetable and animal oils and fats	110.2	93.8	0.8	-14.9	5.3	4.1
Manufacture of textiles	95.5	110.6	-18.2	15.8	0.7	0.8
Manufacture of wearing apparel	106.7	109.4	-17.5	2.6	0.8	0.8
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	96.1	106.7	-17.6	11.1	1.8	1.8
Manufacture of coke and refined petroleum products	99.3	112.6	-11.5	13.5	12.1	12.5
Manufacture of chemicals and chemical products	107.2	117.3	-8.6	9.3	8.9	8.8
Manufacture of rubber products	171.1	245.4	40.1	43.4	5.0	6.4
Manufacture of plastics products	110.5	126.7	-0.9	14.6	3.3	3.4
Manufacture of computer, electronics and optical products	122.8	141.7	-1.2	15.3	22.3	23.3
Manufacture of electrical equipment	117.5	130.9	-1.3	11.4	3.4	3.4
Manufacture of machinery and equipment n.e.c.	126.7	139.2	0.2	9.8	3.6	3.5
Manufacture of furniture	113.4	114.5	-12.8	0.9	1.5	1.4
Domestic-oriented industries	106.5	112.1	-10.8	5.2	31.2	29.7
Manufacture of food products	133.2	145.1	5.5	8.9	6.4	6.3
Manufacture of beverages	102.1	111.7	-18.4	9.4	0.9	0.9
Manufacture of tobacco products	85.9	72.6	-26.1	-15.4	0.6	0.4
Manufacture of leather and related products	99.2	117.0	-22.7	18.0	0.2	0.2
Manufacture of paper and paper products	110.5	126.3	-6.9	14.4	1.7	1.7
Printing and reproduction of recorded media	106.2	111.2	-9.4	4.7	1.3	1.2
Manufacture of basic pharmaceuticals, medicinal chemical and botanical products	134.2	153.4	12.4	14.3	0.7	0.7
Manufacture of other non-metallic mineral products	94.7	96.9	-20.3	2.4	3.7	3.4
Manufacture of basic metals	105.9	107.8	-9.0	1.8	3.3	3.0
Manufacture of fabricated metal products, except machinery and equipment	96.1	102.1	-20.2	6.3	4.8	4.6
Manufacture of motor vehicles, trailers and semi-trailers	105.7	108.5	-8.9	2.7	4.4	4.1
Manufacture of other transport equipment	89.8	92.6	-17.0	3.1	1.4	1.3
Other manufacturing	97.1	100.4	-13.0	3.4	0.9	0.9
Repair and installation of machinery and equipment	116.3	115.6	-11.4	-0.6	1.2	1.0
Manufacturing Production Index	112.1	123.8	-5.7	10.4	100.0	100.0

Note: Total may not add up due to rounding
Source: Department of Statistics and Ministry of Finance, Malaysia

Agriculture Sector

Firm support from the non-commodity subsector

The **agriculture** sector is projected to decline marginally by 0.8% in 2021, mainly due to lower output of crude palm oil (CPO) and rubber. However, the decline is anticipated to be cushioned by improved performance of the non-commodity subsector. In the first half of the year, the sector contracted by 0.7% due to lower production in all subsectors except livestock and other agriculture. The contraction in the plantation-related subsector was due to shortage of foreign labour following the COVID-19 pandemic containment measures, including border closures and restrictions on the new intake of foreign workers. The limited labour supply is expected to continue in the second half of the year, thus resulting in a decline of 1% in the sector.

TABLE 2.4. Value-added in the Agriculture Sector, 2020 – 2022
(at constant 2015 prices)

	SHARE (%)	CHANGE (%)		
	2021 ²	2020	2021 ²	2022 ³
Oil palm	34.4	-3.6	-8.0	4.2
Rubber	2.5	-18.6	-1.0	2.9
Livestock	17.1	3.5	5.1	5.6
Other agriculture ¹	29.6	5.1	5.3	5.5
Fishing	11.3	-7.9	-0.2	0.5
Forestry and logging	5.1	-18.8	-2.7	-4.0
Agriculture	100.0	-2.2	-0.8	3.9

¹ Including paddy, fruits, vegetables, coconut, tobacco, tea, flowers, pepper, cocoa and pineapple

² Estimate

³ Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

Mining Sector

Moderate performance with lower natural gas output

The **mining** sector rebounded by 3.5% in the first half of 2021, supported by higher natural gas production and increased crude oil and condensates output, particularly during the

second quarter. It is projected to decline marginally by 0.7% in the second half of the year, weighed down by lower natural gas production. The reduction in output is also in line with heightened uncertainties in global oil and gas demand following concerns over the spread of the COVID-19 variants. Overall, the mining sector is expected to turn around by 1.5% in 2021.

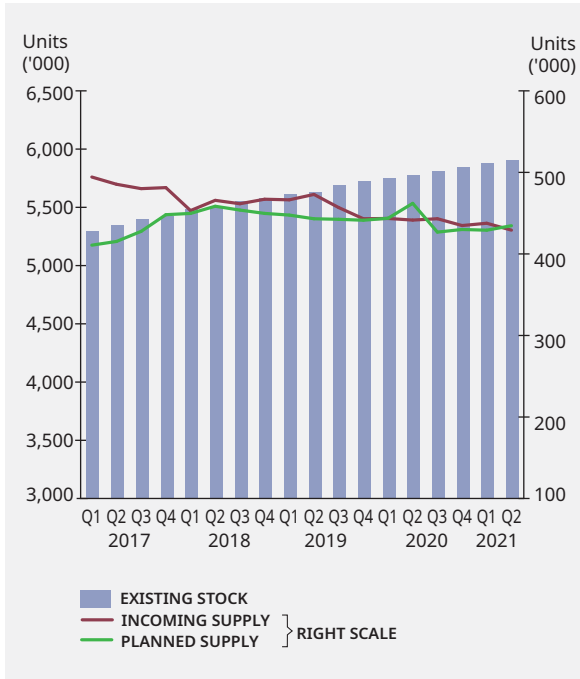
Construction Sector

Challenges persist

The **construction** sector registered a strong growth of 8.3% in the first half of 2021, supported by an improvement in specialised construction activities, non-residential buildings and residential buildings subsectors. The better performance was also attributed to the low base effect following a significant drop in construction works during the corresponding period last year. However, the civil engineering subsector contracted due to the temporary suspension of infrastructure projects following stringent COVID-19 virus containment measures. In contrast, the sector is forecast to decline by 8.4% in the second half of the year, weighed down by civil engineering, non-residential buildings and residential building subsectors, despite the resumption of construction activities. Nevertheless, the decline is being cushioned by a rebound in the specialised construction activities subsector. Overall, the sector is expected to record a marginal contraction of 0.8% during the year compared to a double-digit decline in 2020.

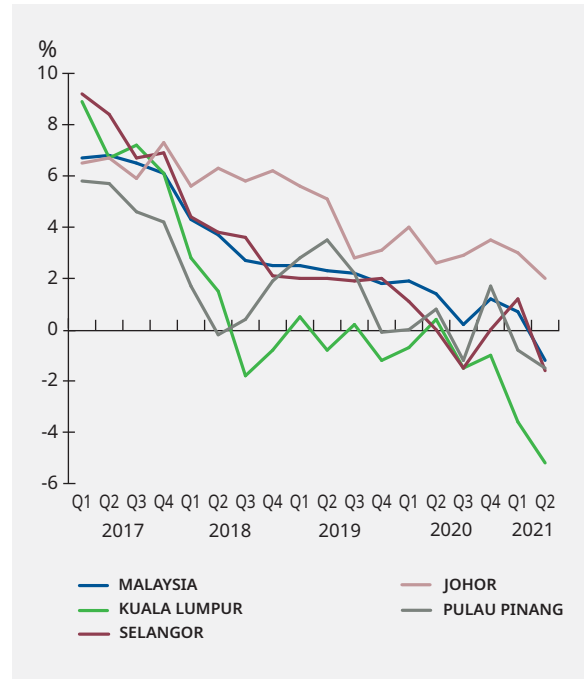
The national property market for residential and non-residential segments was affected by the COVID-19 pandemic. As for the residential segment, the impact was reflected by the decreasing number of incoming supply units. In addition, the house price index for Malaysia registered an unprecedented negative growth in the second quarter of 2021. Similarly, the non-residential segment recorded a decline in its occupancy rate for both retail and office spaces.

FIGURE 2.4. Supply Indicators of Residential Property



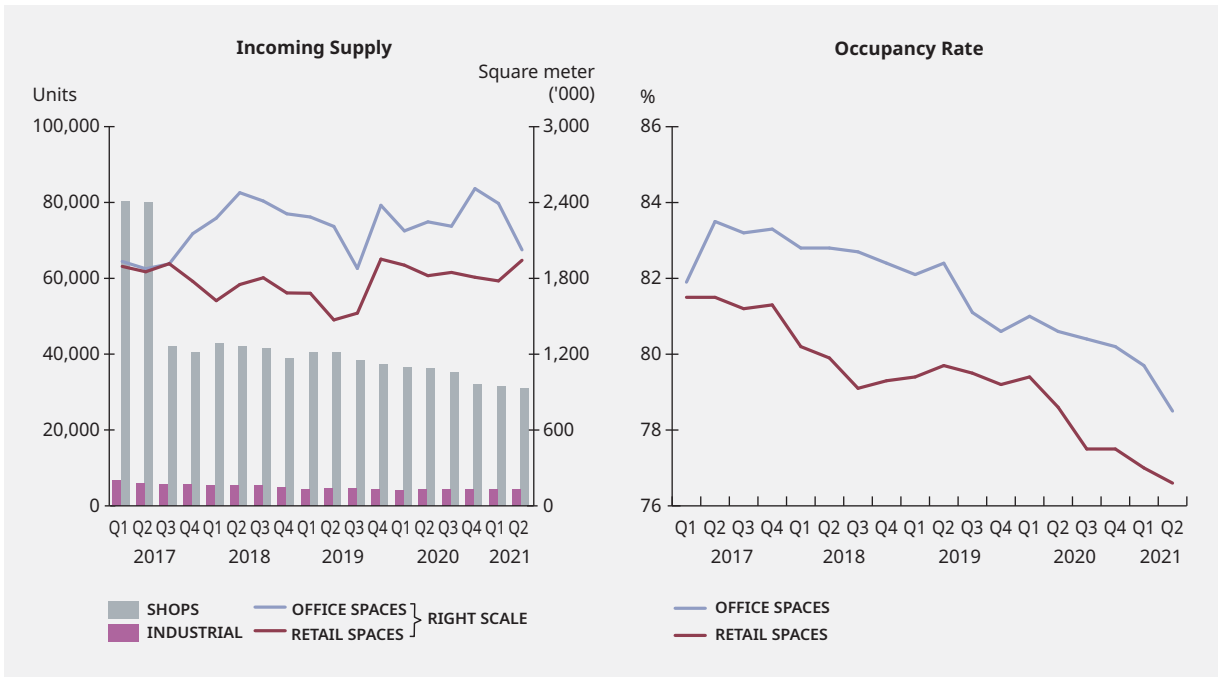
Source: National Property Information Centre

FIGURE 2.5. House Price Index (% change)



Source: National Property Information Centre

FIGURE 2.6. Supply Indicators of Non-Residential Property



Source: National Property Information Centre

Domestic Demand

Domestic demand continues to support growth

Against the backdrop of global uncertainties amid the COVID-19 outbreak, **domestic demand** remains resilient and continue to spearhead growth. After registering a contraction of 5.8% in 2020, domestic demand is projected to rebound to 3.1% in 2021, with private and public sectors' expenditure increasing by 3.5% and 1.6%, respectively. The recovery is driven by robust domestic demand performance in the first half of 2021, which expanded by 5% following low base effect in 2020 due to strict containment measures to curb the COVID-19 pandemic. The ongoing stimulus packages and economic assistance, such as Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI), Strategic Programme to Empower the People and Economy (PEMERKASA), PEMERKASA Plus (PEMERKASA+) and PEMULIH, the gradual reopening of economic sectors and the recovery in external demand are expected to provide a lift to consumer and business sentiments.

TABLE 2.5. *Gross Domestic Product by Aggregate Demand, 2020 – 2022 (at constant 2015 prices)*

	SHARE (%)	CHANGE (%)		
	2021 ²	2020	2021 ²	2022 ³
Domestic demand	93.4	-5.8	3.1	6.6
Private expenditure	75.2	-6.0	3.5	6.4
Consumption	59.8	-4.3	4.1	7.3
Investment	15.4	-11.9	1.4	2.6
Public expenditure	18.3	-4.7	1.6	7.3
Consumption	13.3	3.9	3.0	1.1
Investment	5.0	-21.3	-1.9	24.1
External sector¹	6.6	-13.0	4.8	6.8
Exports	68.3	-8.9	15.0	4.2
Imports	61.7	-8.4	16.2	3.9
GDP	100.0	-5.6	3.0 – 4.0	5.5 – 6.5

¹ Goods and non-factor services

² Estimate

³ Forecast

Note: Total may not add up due to rounding and excluding change in stocks component

Source: Department of Statistics and Ministry of Finance, Malaysia

Private consumption remained as the significant growth determinant and increased by 4.3% during the first half of 2021 attributable to improvements in disposable income arising from the gradual recovery in the labour market condition, accommodative interest rates, favourable commodity prices as well as ongoing economic stimulus packages and assistance. In the second half of the year, private consumption is projected to increase by 3.9%, following the gradual reopening of economic sectors. Overall, private consumption in 2021 is expected to expand by 4.1% supported mainly by the continued assistance and stimulus measures, such as wage subsidies, BPR, targeted moratorium, Special COVID-19 Assistance as well as i-Sinar and i-Citra assistance. As at 19 August 2021, RM20.2 billion has been approved for 4.9 million applicants for i-Citra, and RM58.4 billion has been disbursed for 6.6 million applicants for i-Sinar. Furthermore, as at 24 September 2021, RM14.3 billion has been disbursed for the wage subsidy programme, which has benefitted about 3.3 million employees.

Private investment increased by 8.8% during the first half of 2021, underpinned by the Government's continuous measures to ensure a conducive environment for private sector investment and spillover effects from the resumption of strategic infrastructure projects. The measures include the MalaysiaMudah (#MyMudah) initiative, which aims at reducing unnecessary regulatory burdens. In addition, the Project Coordination and Acceleration Unit (PACU) and the One-Stop Centre for Business Travellers were established to expedite the approval of investment applications and facilitate investors' entry into Malaysia. As a result, overall private investment in 2021 is projected to turn around to 1.4%, despite the 6.5% contraction anticipated in the second half due to the implementation of NRP by phases.

Public investment is projected to contract by 1.9% in 2021, mainly attributed to smaller capital spending by public corporations. Public

investment expenditure, which fell by 6.9% during the first half of 2021, is expected to improve by 1.4% in the second half of 2021. The Federal Government’s development expenditure (DE) continues to prioritise investment with a high multiplier impact and value for money. The DE, averaging about RM57 billion for the period of 2020 – 2021, is mainly targeted at promoting sustainable development, bridging the urban-rural infrastructure gap and enhancing the living standards of the people. The targets are in line with the National Investment Aspirations (NIA), a forward-looking growth framework that will form the basis for comprehensive reforms of Malaysia’s investment policies.

Public consumption is anticipated to increase by 3% in 2021, in line with further expansion in Federal Government spending. The growth is mainly attributed to the ongoing procurement

of COVID-19 containment related supplies and services, including vaccines and logistic services. The expansion is also due to the implementation of PERMAI, PEMERKASA, PEMERKASA+ and PEMULIH packages to support households and businesses during the pandemic.

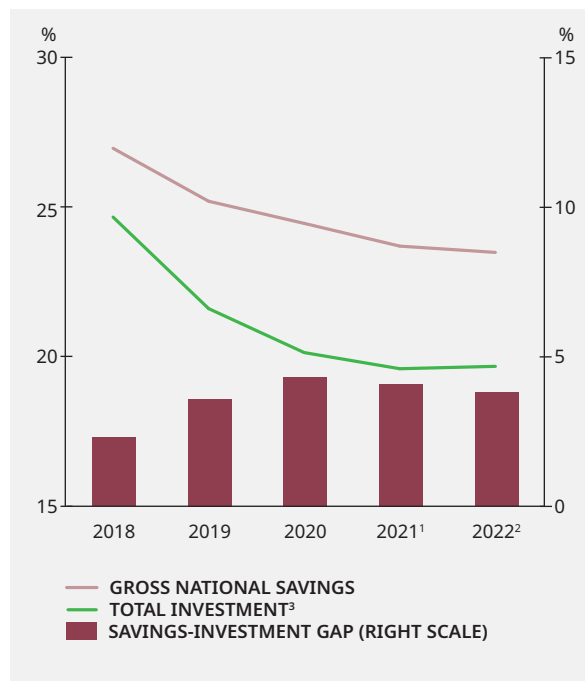
Gross National Savings (GNS) is anticipated to post a growth of 3.8% in 2021, in line with the expected increase in nominal national income at 6.2%. Consequently, the GNS is envisaged to remain significant at RM352.6 billion or 23.9% of gross national income (GNI). Total investment expenditure is projected to rise by 5.9% to RM295.9 billion or 20.1% of GNI. Therefore, the savings-investment gap is expected to record a surplus of RM56.7 billion or 3.8% of GNI, enabling Malaysia to finance its economic activities primarily from domestic sources.

Income

A more balanced profit sharing is still a challenge

Restrictions on socio-economic activities and business operations during the COVID-19 pandemic have led to limited employment opportunities and reduced working hours. As a result of the slower economic performance in 2020, the **compensation of employees (CE)**, which includes remuneration in cash and in-kind and employer’s social contribution payable for employees, decreased by 3% to RM526.7 billion. However, the share of CE to GDP increased to 37.2% due to a smaller contraction in CE than that recorded for nominal GDP. The expected resumption of business operations and attainment of mass vaccination by the end of 2021 will stimulate better economic growth prospects and higher wages. Hence, CE is expected to increase to 37.3% in 2021, with services (63.3%) and manufacturing (23.4%) sectors contributing the highest proportion to CE.

FIGURE 2.7. Savings-Investment Gap (% of GNI)



¹ Estimate

² Forecast

³ Including change in stocks

Source: Department of Statistics and Ministry of Finance, Malaysia

TABLE 2.6. *Gross Domestic Product by Income Components, 2019 – 2022 (at current prices)*

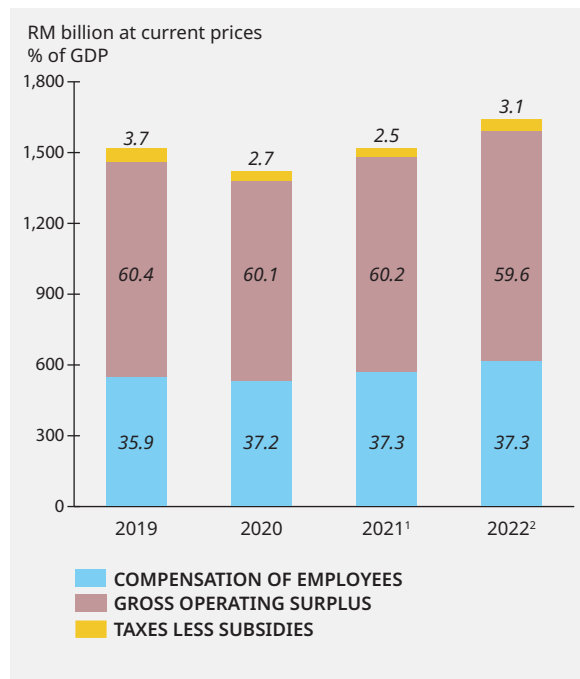
COMPONENTS	RM MILLION				CHANGE (%)			
	2019	2020	2021 ¹	2022 ²	2019	2020	2021 ¹	2022 ²
Compensation of employees	542,790	526,718	564,346	610,779	4.8	-3.0	7.1	8.2
Gross operating surplus	914,615	851,080	912,029	975,636	3.7	-6.9	7.2	7.0
Operating surplus	589,926	554,779	602,368	637,821	6.7	-6.0	8.6	5.9
Mixed income	324,689	296,301	309,661	337,815	-1.2	-8.7	4.5	9.1
Taxes less subsidies	55,752	38,807	38,249	51,385	16.4	-30.4	-1.4	34.3
GDP at purchasers' prices	1,513,157	1,416,605	1,514,624	1,637,800	4.5	-6.4	6.9	8.1

¹ Estimate

² Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

FIGURE 2.8. *Gross Domestic Product by Income Components, 2019 – 2022*



¹ Estimate

² Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

Gross operating surplus (GOS), which consists of operating surplus for capital owners and mixed-income, declined by 6.9% to record a share of 60.1% of GDP in 2020. While the growth of the sub-components declined during the year, mixed-income earned by the self-employed, unincorporated enterprises

and others recorded a higher contraction of 8.7% as these groups were seriously affected by the pandemic. The share of GOS of GDP is expected to increase slightly to 60.2% in 2021. Nevertheless, as businesses continue to weather the challenges posed by the pandemic, mixed-income for the self-employed group is expected to expand at a slower pace of 4.5%, while operating surplus improves higher at 8.6%.

Taxes less subsidies on production and imports recorded a double-digit contraction of 30.4% in 2020, following the substantial expenditure on subsidies and incentives, particularly for the wage subsidy programme and special grants, which accounted for 66.8% of the total subsidy expenditure. These subsidies are provided to incentivise and assist businesses, particularly the MSMEs, to retain their workers and remain in operation during the COVID-19 pandemic. In 2021, income from taxes on production and imports is expected to record a smaller contraction of 1.5% (2020: -7.2%) due to the resumption of business and social activities, which contribute to higher revenue following higher demand for goods and services. On the other hand, subsidy expenditure is expected to decline by 1.7%. Thus, overall taxes less subsidies on production and imports is expected to record a smaller contraction of 1.4%.

External Sector

Steady recovery as economic activities normalise, albeit divergent global growth

Trade Performance

Gross exports are projected to increase by 17.1% in 2021 attributed to strong external demand as economic activities normalise, in tandem with accelerated global vaccine rollouts, particularly among major economies. Exports of manufactured goods are estimated to expand by 17.8% due to higher demand

for E&E and non-E&E products by 12.8% and 22%, respectively. The increase in E&E exports is driven by the upward global trend for digitalisation and technology upcycle, including semiconductors, telecommunication equipment parts and electronic machines apparatus.

Exports of non-E&E products, particularly rubber products, are expected to rise in 2021, following rising global demand for PPE, specifically rubber gloves. Similarly, exports of agriculture goods are estimated to expand by 18.7%, buoyed by palm oil and palm oil-based agriculture products as well as natural rubber.

TABLE 2.7. External Trade, 2020 – 2022

	RM MILLION			CHANGE (%)		
	2020	2021 ¹	2022 ²	2020	2021 ¹	2022 ²
Total trade	1,784,308	2,084,587	2,117,721	-3.3	16.8	1.6
Gross exports	983,827	1,152,140	1,169,422	-1.1	17.1	1.5
<i>of which:</i>						
Manufactured	849,498	1,000,909	1,016,307	1.1	17.8	1.5
Agriculture	71,724	85,125	86,138	8.7	18.7	1.2
Mining	58,414	60,834	61,659	-28.3	4.1	1.4
Gross imports	800,481	932,447	948,299	-5.8	16.5	1.7
<i>of which:</i>						
Capital goods	90,733	99,932	102,382	-9.4	10.1	2.5
Intermediate goods	429,190	510,686	516,752	-8.1	19.0	1.2
Consumption goods	74,134	84,482	86,228	-0.03	14.0	2.1
Trade balance	183,345	219,693	221,123	25.9	19.8	0.7

¹ Estimate

² Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia External Trade Development Corporation and Ministry of Finance, Malaysia

TABLE 2.8. Gross Exports, January – August 2020 and 2021

	RM MILLION		CHANGE (%)		SHARE (%)	
	2020	2021	2020	2021	2020	2021
Manufactured	535,117	673,010	-3.4	25.8	85.9	86.5
Agriculture	44,007	58,131	-0.5	32.1	7.1	7.5
Mining	41,234	44,354	-25.8	7.6	6.6	5.7
Others ¹	2,818	2,993	-43.0	6.2	0.5	0.4
Gross exports	623,176	778,488	-5.4	24.9	100.0	100.0

¹ Including gold scrap and waste; worn clothing; and special transaction not classified

Note: Total may not add up due to rounding

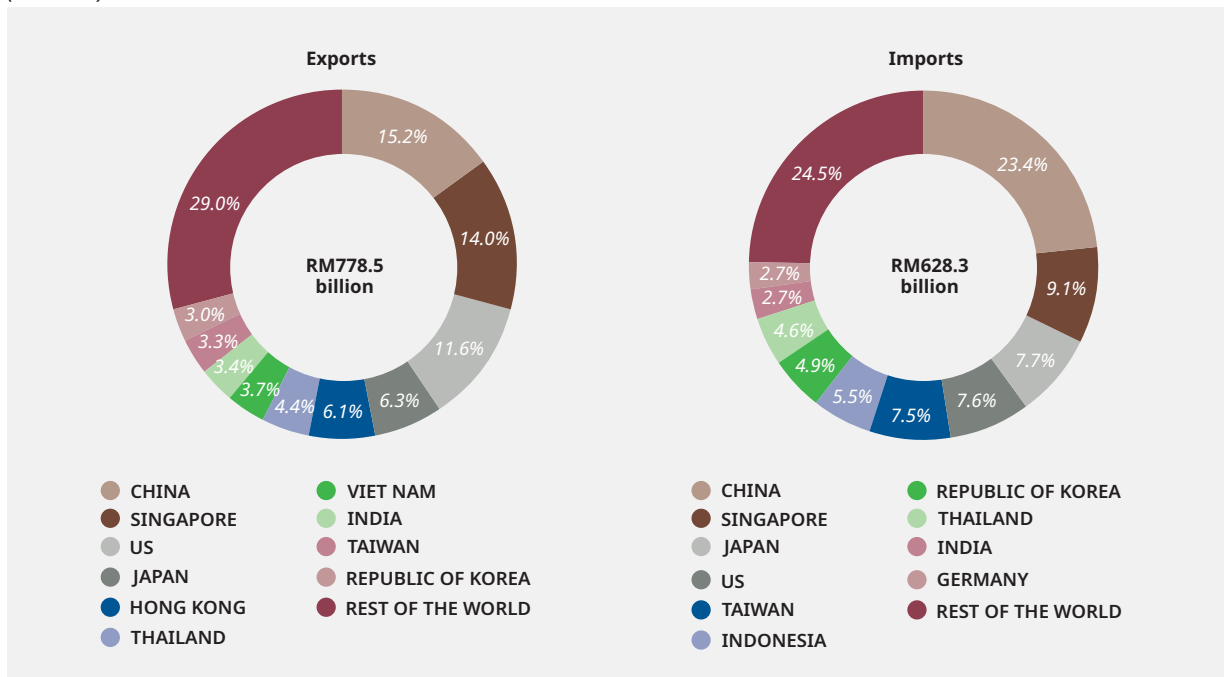
Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

TABLE 2.9. Exports of Manufactured Goods, January – August 2020 and 2021

	RM MILLION		CHANGE (%)		SHARE (%)	
	2020	2021	2020	2021	2020	2021
E&E	238,020	282,721	-3.9	18.8	44.5	42.0
Non-E&E	297,097	390,289	-2.9	31.4	55.5	58.0
Petroleum products	43,712	59,908	-7.1	37.1	8.2	8.9
Chemicals & chemical products	32,759	44,701	-14.8	36.5	6.1	6.6
Manufactures of metal	23,005	35,880	-17.9	56.0	4.3	5.3
Machinery, equipment & parts	25,366	31,054	-8.5	22.4	4.7	4.6
Optical & scientific equipment	26,577	29,651	8.1	11.6	5.0	4.4
Rubber products	24,014	50,573	43.1	110.6	4.5	7.5
Palm oil-based manufactured products	13,854	19,966	-13.5	44.1	2.6	3.0
Processed food	13,764	15,505	-1.9	12.7	2.6	2.3
Iron & steel products	15,713	17,348	8.6	10.4	2.9	2.6
Transport equipment	13,049	10,091	11.2	-22.7	2.4	1.5
Textiles, apparels & footwear	8,726	10,122	-16.1	16.0	1.6	1.5
Wood products	9,844	10,355	-2.5	5.2	1.8	1.5
Manufactures of plastics	8,567	10,335	-13.5	20.6	1.6	1.5
Non-metallic mineral products	5,084	6,786	-9.7	33.5	1.0	1.0
Jewellery	2,286	3,494	-51.5	52.8	0.4	0.5
Paper & pulp products	4,202	5,421	3.2	29.0	0.8	0.8
Beverages & tobacco	1,629	1,574	-28.4	-3.3	0.3	0.2
Other manufactures	24,949	27,525	24.3	10.4	4.7	4.1
Exports of manufactured goods	535,117	673,010	-3.4	25.8	100.0	100.0

Note: Total may not add up due to rounding
 Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

FIGURE 2.9. Top 10 Trading Partners, January – August 2021 (% share)



Note: Total may not add up due to rounding
 Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

Increasing demand, particularly from China, India and the Netherlands, is expected to raise palm oil exports by 22.3%. Furthermore, lower import duties on crude palm oil by India is expected to boost palm oil exports. Similarly, exports of mining goods are projected to edge up by 4.1%, supported by the upturn in global demand for crude petroleum and liquefied natural gas (LNG) by 4.9% and 1.1%, respectively. The increase in demand from global industrial and transportation activities as well as price hikes contribute to the uptrend in mining exports.

Gross imports are projected to expand by 16.5% in 2021, supported by imports of intermediate, capital and consumption goods due to recovery in economic sectors, particularly in manufacturing and services. Imports of intermediate goods that form the largest share of 54.8% are expected to rise by 19%, followed by capital goods and consumption goods at 10.1% and 14%, respectively. Capital goods and consumption goods constitute 10.7% and 9.1%, respectively, of the overall share of imports. Imports of capital goods are anticipated to increase with the strengthening

TABLE 2.10. *Gross Imports by End Use, January – August 2020 and 2021*

	RM MILLION		CHANGE (%)		SHARE (%)	
	2020	2021	2020	2021	2020	2021
Capital goods	60,272	66,733	-8.0	10.7	11.5	10.6
Capital goods (except transport equipment)	62,561	63,006	4.8	0.7	12.0	10.0
Transport equipment (industrial)	-2,290	3,727	-139.4	-262.8	0.4	0.6
Intermediate goods	282,841	347,628	-7.8	22.9	54.2	55.3
Food and beverages, primary and processed, mainly for industries	13,196	17,633	8.4	33.6	2.5	2.8
Fuel and lubricants, primary, processed and others	32,422	31,574	-17.5	-2.6	6.2	5.0
Industrial supplies, primary, processed and n.e.s. ¹	129,772	175,769	-9.5	35.4	24.9	28.0
Parts and accessories of capital goods and transport equipment	107,451	122,652	-4.0	14.1	20.6	19.5
Consumption goods	47,857	54,341	-1.3	13.5	9.2	8.6
Food and beverages, primary and processed, mainly for household	21,461	23,854	6.9	11.1	4.1	3.8
Transport equipment (non-industrial)	578	1,097	-16.1	89.7	0.1	0.2
Other consumer goods	25,818	29,391	-6.9	13.8	4.9	4.7
Durables	5,813	7,905	-8.6	36.0	1.1	1.3
Semi-durables	8,042	8,381	-9.4	4.2	1.5	1.3
Non-durables	11,963	13,106	-4.2	9.6	2.3	2.1
Others	12,889	15,756	-48.0	22.3	2.5	2.5
Re-exports	118,003	143,832	4.5	21.9	22.6	22.9
Gross imports	521,861	628,291	-6.6	20.4	100.0	100.0

¹ Not elsewhere stated

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

of the healthcare system to address the ongoing pandemic through the usage of high-end machineries and medical equipment for medical, surgical and laboratory uses.

Balance of Payments

The current account surplus of the **balance of payments** increased to RM26.7 billion or 3.7% of GNI in the first half of 2021. This is attributed to a higher surplus in the goods account, albeit larger deficits in the services and income accounts. In the second half of the year, the current account surplus is projected to narrow to RM29.8 billion or 4% of GNI. Overall in 2021, the current account surplus is expected to decrease to RM56.7 billion or 3.8% of GNI.

In 2021, the goods account is projected to record a higher surplus of RM170.4 billion, underpinned by increasing exports for manufactured, agriculture and mining goods. The services account is expected to record

higher net outflows of RM61 billion owing to the continuous widening of deficits in the travel and transport accounts. Prolonged international border closures have caused a significant drop in tourist arrivals, which is estimated to result in a wider deficit of RM17.8 billion in the travel account. Similarly, the transport account is projected to record a larger deficit of RM32.4 billion, following lower earnings from airline passenger fares and freight charges as well as airport and port charges on activities such as aircraft landing and parking, ship docking and cargo handling provided by domestic companies. This is partly due to the implementation of the various stages of MCOs and stricter SOPs to curb the resurgence of COVID-19 cases. The other services account is expected to register a smaller deficit of RM10.8 billion, attributed to increasing receipts for construction, manufacturing services on physical inputs owned by others, charges for the use of intellectual property, and government goods and services.

TABLE 2.11. *Current Account of the Balance of Payments, 2020 – 2022 (RM million)*

	2020			2021 ¹			2022 ²		
	RECEIPTS	PAYMENTS	NET	RECEIPTS	PAYMENTS	NET	RECEIPTS	PAYMENTS	NET
Balance on goods and services	870,272	779,011	91,261	1,027,614	918,233	109,381	1,086,802	965,523	121,279
Goods	777,665	638,955	138,709	940,764	770,373	170,391	970,451	791,524	178,927
Services	92,607	140,055	-47,448	86,849	147,860	-61,011	116,351	173,999	-57,648
Transport	13,658	41,010	-27,352	16,519	48,900	-32,381	25,301	57,256	-31,956
Travel	12,558	20,209	-7,651	430	18,257	-17,827	16,050	30,543	-14,493
Other services	66,391	78,836	-12,445	69,900	80,703	-10,803	75,001	86,200	-11,199
Primary income	53,921	82,505	-28,584	74,263	114,266	-40,003	80,714	135,084	-54,370
Compensation of employees	6,012	14,137	-8,125	6,746	14,236	-7,490	6,936	17,995	-11,059
Investment income	47,909	68,368	-20,459	67,517	100,030	-32,513	73,778	117,089	-43,311
Secondary income	27,130	29,800	-2,670	23,282	36,004	-12,722	25,675	37,006	-11,331
Balance on current account	951,323	891,315	60,007	1,125,159	1,068,503	56,656	1,193,191	1,137,614	55,578
% of GNI			4.3			3.8			3.5

¹ Estimate

² Forecast

Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

The primary income account is projected to register a higher deficit of RM40 billion in 2021 due to a wider deficit in investment income following higher income payments, particularly due to the repatriation of profits and dividends by foreign investors in Malaysia. The investment income payments are expected to record an increase of RM100 billion. On the other hand, the compensation of employees is anticipated to record a lower deficit following a reduction in the number of foreign professionals in Malaysia.

Payments in the secondary income account in 2021 are expected to increase to RM36 billion following higher remittances by foreign workers to Bangladesh, Indonesia, India, Nepal and the Philippines. Receipts in the secondary income account are anticipated to decrease to RM23.3 billion as remittances by Malaysians abroad are expected to remain low, leading to a higher deficit of RM12.7 billion in this account.

In the first half of 2021, the financial account registered a net inflow of RM9 billion, attributed to significantly higher net inflows in direct and portfolio investment accounts, which more than offset net outflows in the financial derivatives and other investment accounts. Notwithstanding the implementation of MCOs to contain the COVID-19 pandemic that has disrupted most of the economic activities, foreign direct investment (FDI) registered a higher net inflow of RM17.4 billion, channelled mainly to the manufacturing and mining sectors as well as financial and insurance/takaful activities. The net outflow of direct investment abroad by Malaysian companies recorded an increase to RM11.8 billion. The outflows were mainly directed into the transportation and storage sector, accommodation and food service, and real estate activities.

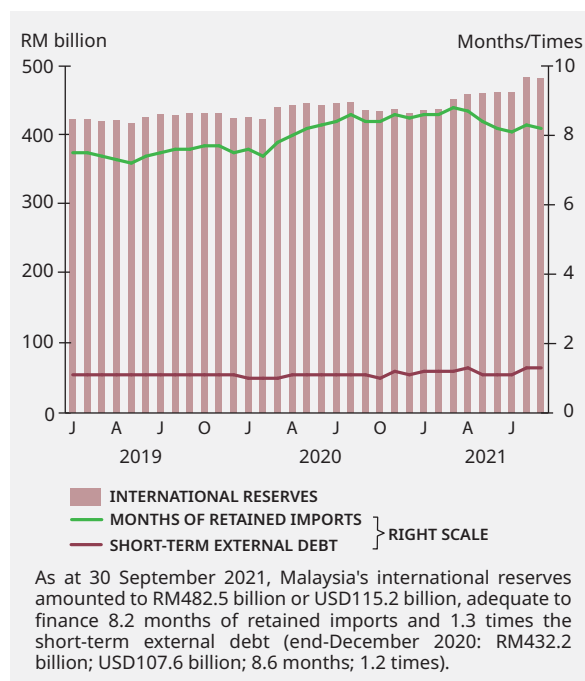
Prices

Normalisation of inflation

The **Consumer Price Index (CPI)** rose by 2.3% during the first eight months of 2021, and the trend is expected to continue for the rest of the year. Similarly, the core index increased marginally by 0.7% in the same period, indicating sustained domestic demand along with the gradual resumption of economic activities. The reversal from deflation in the previous year was due to higher pump prices of RON97, RON95 and diesel, following escalating global crude oil prices, albeit lower electricity charges owing to the bill discounts given under the stimulus packages. Thus, for the whole year, inflation is expected to register 2.4%.

The **Producer Price Index (PPI)** by local production increased by 8.2% during the first eight months of 2021 and is expected to remain stable throughout the year due to the normalisation of input costs. The growth is attributed to higher global commodity

FIGURE 2.10. International Reserves



Source: Bank Negara Malaysia

TABLE 2.12. *Consumer Price Index, January – August 2020 and 2021 (2010 = 100)*

	WEIGHT ¹	CHANGE (%)		CONTRIBUTION TO CPI GROWTH (PERCENTAGE POINTS)	
		2020	2021	2020	2021
CPI	100.0	-1.0	2.3	-1.00	2.30
Food and non-alcoholic beverages	29.5	1.2	1.4	0.35	0.41
Alcoholic beverages and tobacco	2.4	0.2	0.6	0.00	0.01
Clothing and footwear	3.2	-1.0	-0.4	-0.03	-0.01
Housing, water, electricity, gas and other fuels	23.8	-1.0	1.0	-0.24	0.24
Furnishings, household equipment and routine household maintenance	4.1	0.3	1.3	0.01	0.05
Health	1.9	1.2	0.5	0.02	0.01
Transport	14.6	-10.0	11.0	-1.46	1.61
Communication	4.8	1.6	0.0	0.08	0.00
Recreation services and culture	4.8	0.7	0.5	0.03	0.02
Education	1.3	1.2	0.2	0.02	0.00
Restaurants and hotels	2.9	0.7	0.2	0.02	0.01
Miscellaneous goods and services	6.7	2.7	0.8	0.18	0.05

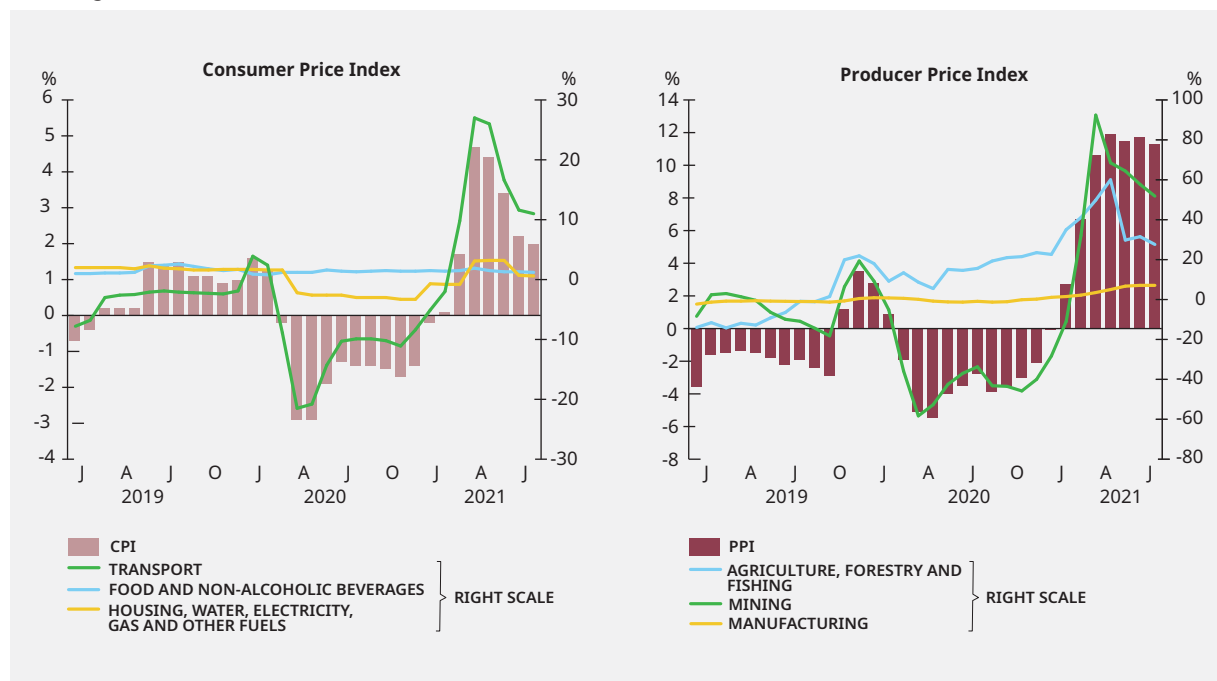
¹ Based on Household Income and Expenditure Survey 2016
 Note: Total may not add up due to rounding
 Source: Department of Statistics, Malaysia

TABLE 2.13. *Producer Price Index, January – August 2020 and 2021 (2010 = 100)*

	WEIGHT ¹	CHANGE (%)		CONTRIBUTION TO PPI GROWTH (PERCENTAGE POINTS)	
		2020	2021	2020	2021
PPI	100.000	-2.4	8.2	-2.40	8.20
Agriculture, forestry and fishing	6.730	12.5	36.6	0.84	2.46
Mining	7.927	-32.7	30.2	-2.59	2.39
Manufacturing	81.571	-0.2	4.3	-0.16	3.51
Electricity and gas supply	3.442	-0.2	-0.7	-0.01	-0.02
Water supply	0.330	-0.6	0.7	0.00	0.00
PPI by stage of processing	100.000	-2.4	8.2	-2.40	8.20
Crude materials for further processing	16.410	-12.4	29.3	-2.03	4.81
Intermediate materials, supplies and components	56.119	-0.3	5.9	-0.17	3.31
Finished goods	27.471	0.3	-0.2	0.08	-0.05

¹ Based on Economic Census 2016
 Note: Total may not add up due to rounding
 Source: Department of Statistics, Malaysia

FIGURE 2.11. Consumer Price Index and Producer Price Index Trends (% change)



Source: Department of Statistics, Malaysia

prices, particularly crude oil and natural gas. By sector, the surge in PPI was particularly contributed by a significant increase in agriculture, forestry and fishing (36.6%), followed by mining (30.2%), manufacturing (4.3%) and water supply (0.7%) sectors. In contrast, the index for electricity and gas supply sector dropped by 0.7% during the period.

Labour Market

Recovery in the labour market remains challenging

Recovery in the labour market continued to be uneven in the first half of 2021 due to the execution of MCO 3.0 to contain the surge of new COVID-19 cases. Targeted restrictions on economic and social activities to minimise the spread of the pandemic had weakened the aggregate demand for labour. Despite total **employment** recording a positive growth of 1.1% or 157,900 employment, the increase was

lower than the growth of the labour force at 1.6%. Thus, the **unemployment rate** remained relatively high at 4.8% or 757,200 persons compared to 4.3% for the same period last year. In addition, the labour force participation rate showed a marginal increase to 68.5%. The services sector continued to be the major source of employment during the period at 65.4%, followed by manufacturing (16.6%) and agriculture (10.1%) sectors.

Nevertheless, the continuation of various initiatives to stabilise the labour market, coupled with the rapid vaccination rate, had provided some relief to the labour market and assisted more employers to retain workers. Hence, the number of **retrenchments**, mainly in the manufacturing sector and tourism-related industries, declined significantly by 31.1% to 34,729 persons as at end June 2021 compared with the same period last year. Retrenchments were mainly in Selangor, Kuala Lumpur and Johor, where the enhanced MCO were implemented. **Job vacancies** increased

TABLE 2.14. Labour Market Indicators

	('000)			CHANGE (%)		
	H1 ¹	2021 ²	2022 ³	H1 ¹	2021 ²	2022 ³
Labour force	15,936.2	15,847.9	16,117.3	1.6	1.2	1.7
Employment	15,179.0	15,116.7	15,468.6	1.1	1.1	2.3
Unemployed	757.2	731.2– 760.7	648.7	(4.8)	(4.6)– (4.8)	(4.0)

¹ January to June 2021² Estimate³ Forecast

Note: Figures in parentheses refer to unemployment rate

Source: Department of Statistics and Ministry of Finance, Malaysia

significantly, with over 258,000 positions in June 2021 compared to around 31,000 in the same period last year. However, **jobs placement** was not encouraging at only 26.2% of total vacancies despite various incentives to encourage hiring under the stimulus packages. Furthermore, **active job seekers** fell by 45.6% to around 151,000 persons, signifying that the pandemic has discouraged job seekers from looking for jobs.

Following the resumption of economic and social activities, the labour market is expected to improve by year-end. Thus, the **unemployment rate** is expected to be between 4.6% – 4.8% in 2021. **Total**

employment is projected to improve by 1.1% to 15.1 million persons in 2021, with the services sector remaining as the major source of employment at 64.5%, mainly in the wholesale and retail trade subsector (17.7%), as well as accommodation and food and beverages services (15.1%). The manufacturing sector is expected to provide 16.8% of total employment, particularly in the E&E and food and beverages industries, while the agriculture sector accounts for 10.3%, especially in the oil palm industry.

As at end-August 2021, the number of registered low-skilled **foreign workers** declined to 1.1 million persons and is expected to remain at that level throughout the year, following the continuation of the foreign worker's moratorium in the economic sectors. The foreign workers were sourced mainly from Indonesia at 33.3%, followed by Bangladesh (28.7%) and Nepal (15%). The manufacturing sector employed the highest number of foreign workers with a share of 35.4%, followed by construction (21.1%) and services (14.4%) sectors. Nevertheless, the hiring of low-skilled foreign workers stood at 7.3% from total employment, the lowest ever recorded in the past decade, and is

TABLE 2.15. Employed Persons by Sector

	('000)			SHARE (%)		
	H1 ²	2021 ³	2022 ⁴	H1 ²	2021 ³	2022 ⁴
Agriculture, forestry and fishing	1,531.4	1,561.2	1,576.8	10.1	10.3	10.2
Mining and quarrying	71.8	83.0	82.6	0.5	0.5	0.5
Manufacturing	2,520.4	2,534.6	2,571.9	16.6	16.8	16.6
Construction	1,134.4	1,184.1	1,213.3	7.5	7.8	7.8
Services	9,921.0	9,753.7	10,023.9	65.4	64.5	64.8
Total¹	15,179.0	15,116.7	15,468.6	100.0	100.0	100.0

¹ Total includes 'Activities of extraterritorial organisations and bodies'² January to June 2021³ Estimate⁴ Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

still within the threshold of below 15% from total employment. Likewise, the number of **expatriates** also declined by 23.1% to 77,188 persons due to cross-border restrictions. The majority of expatriates was from India (22.5%), China (17.8%) and Japan (8.3%). They were mainly employed in the services (51.7%), information technology (37.1%) and construction (3.7%) sectors.

Labour productivity improved by 6% to RM89,261 in the first half of 2021, contributed by productivity improvements in all economic sectors except agriculture. Overall, labour productivity is expected to improve by 3.2% to RM91,800 in 2021, following productivity gains through upskilling initiatives and widespread technological adoption in industries in line with the Fourth Industrial Revolution (4IR) development and MyDIGITAL. The manufacturing sector is projected to record the highest increase of 6.3%, followed by services (2.3%) and mining and quarrying (1.5%) sectors.

The average monthly **salaries and wages** received by paid employees² in 2020 contracted for the first time after a decade. The contraction of 9% to RM2,933 was partly due to wage cuts and unpaid leaves exercised by businesses to remain afloat during the pandemic. All industries recorded a negative wage growth except public administration and defence; compulsory social security and human health and social work activities. These had caused a decrease in the overall CE in 2020. However, the anticipated labour productivity improvement and progressive recovery in economic growth in the near term is expected to increase the overall average monthly salaries and wages by 4.5% to RM3,065 for 2021.

Outlook for 2022

Global Outlook

On a firm path to recovery

The **global economy** is projected to expand by 4.9% in 2022, following the expected gradual improvement in both advanced economies as well as EMDEs. In 2022, GDP in the advanced economies is forecast to moderate to 4.5% but remain robust, led by the normalisation of economic activities. Growth in the US is expected to record 5.2% due to reduced fiscal support and a slow recovery in the services sector. GDP in the euro area is anticipated to record 4.3%, as the demand for consumer goods continues to increase. Singapore's GDP is expected to grow by 3.2%, driven by a strong rebound in the manufacturing sector. The Republic of Korea's GDP is expected to moderate to 3.3% following a contraction in domestic demand. The GDP of Japan is projected to improve by 3.2%, following higher economic activities as the economy fully reopens.

Growth in the EMDEs is projected to moderate to 5.1% in 2022, owing to the gradual unwinding of fiscal support and subdued investment. Growth in China is expected to be slower at 5.6% compared to 2021, reflecting reducing fiscal and monetary support as well as tighter property and macroprudential regulations. India is estimated to record a high growth of 8.5%, supported by government expenditure and investment in public infrastructure. The GDP of ASEAN-5 is anticipated to record 5.8%, supported by expected improvements in trade. Indonesia's economy is forecast to expand by 5.9% with growth in the construction industry, supported by major infrastructure projects such as the revitalisation of airports, toll roads, mass rapid transit as well as construction of new and upgrading existing ports.

² Refer to Malaysian citizens.

FEATURE ARTICLE 2.3

Regional Financial Safety Net: The Chiang Mai Initiative Multilateralisation

Overview

Over the past 20 years, the world has experienced several financial and economic shocks, such as the Asian Financial Crisis (AFC) in 1997/1998 and the Global Financial Crisis in 2008/2009. As a result, the demand for insurance against financial shocks has escalated. The assistance from International Monetary Fund (IMF), which is a centralised Global Financial Safety Net (GFSN), is the main line of insurance during financial crisis. The main objectives of a GFSN are to provide insurance for countries against a crisis, supply financing when a crisis hits and incentivise sound macroeconomic policies.

The AFC was a critical juncture for East Asia regional cooperation as the crisis had enlightened many, that alternatives to GFSN are necessary such as regional financial cooperation which provide quick assistance during financial crisis. Preventing and managing financial crises at national and regional levels are imperative for a resilient and stable international monetary system. The situation has warranted a centralised global financial safety net (GFSN), consisting of countries' own foreign reserves and the IMF acting as a backstop, which has evolved into a decentralised multi-layered system, as reflected in Figure 2.3.1.

FIGURE 2.3.1. A Decentralised Global Financial Safety Net



Regional Financial Safety Net

Realising the importance of direct and immediate assistance during a financial crisis, the regional financial safety net (RFSN) has become more prominent. Its main objectives is providing medium- and long-term financial assistance to address the balance of payments (BOP) and/or short-term liquidity difficulties among regional members. The RFSN advantages include the provision of additional funding and novel insights on specific economic and institutional circumstances. Currently, there are 11 RFSNs¹ worldwide, including the Chiang Mai Initiative Multilateralisation (CMIM), which is the only RFSN in the East Asia region and implemented by the ASEAN Plus Three (ASEAN+3) member countries² and the Hong Kong Monetary Authority (HMA).

The Chiang Mai Initiative Multilateralisation

In response to the AFC, the ASEAN+3 countries and HMA strengthened the financial cooperation frameworks among their central banks and monetary authorities through the Chiang Mai Initiative (CMI) in 2000. The CMI involved a network of bilateral swaps and repurchase agreement facilities, which were then multilateralised into a single contractual agreement, known as the CMIM. The CMIM was inked on 24 December 2009 and became effective on 24 March 2010. It established a swap arrangement to provide liquidity support in US dollars through currency swap transactions to maintain financial stability in the region. The core objectives of the CMIM are to address BOP and/or short-term liquidity difficulties in the ASEAN+3 region and also to supplement existing international financial arrangements.

The total reserve pool of the CMIM is USD240 billion, wherein USD48 billion is collectively contributed by the ASEAN countries, while USD192 billion has been collectively contributed by the People's Republic of China, Japan and the Republic of Korea. The contribution of each CMIM party was determined by the ASEAN+3 Finance Ministers and Central Bank Governors. The CMIM is supported by a regional surveillance organisation known as the ASEAN+3 Macroeconomic Research Office (AMRO), which is responsible for analysing regional financial and macroeconomic data and facilitating the decision-making process. AMRO also plays an important role in aiding the early detection of risks and swift implementation of remedial actions for the ASEAN+3 region.

The CMIM offers two types of crisis prevention facilities: the CMIM Stability Facility (CMIM-SF) and CMIM Precautionary Line (CMIM-PL). The CMIM-SF functions as a facility to respond to actual BOP and/or short-term USD liquidity difficulties, while the CMIM-PL is designed to address potential BOP and/or short-term USD liquidity difficulties. The CMIM-SF and CMIM-PL are divided into two arrangements: the IMF-delinked portion (IDL) and IMF linked portion (ILP). The IDL is not subjected to the IMF programme and this allows for quick disbursements of up to 30% of each member's swap quota or maximum arrangement amount. Drawing beyond 30% of a country's allotment will be under the ILP, subjected to IMF supervision.

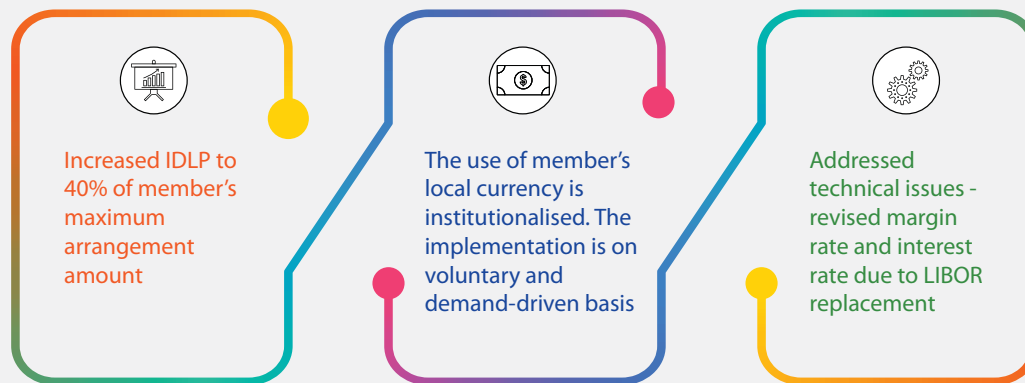
¹ Arab Monetary Fund, Chiang Mai Initiative Multilateralisation, Contingent Reserve Arrangement, EU Balance of Payments Facility, EU Macro Financial Assistance Facility, Eurasian Fund Stabilisation and Development, European Financial Stabilisation Mechanism, European Stability Mechanism, Latin American Reserves Fund, North American Framework Agreement and South ASEAN Association for Regional Cooperation (SAARC) Swap Arrangement.

² Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Viet Nam, the People's Republic of China, Japan and the Republic of Korea.

Enhancement of the CMIM Mechanism

In strengthening the CMIM operational mechanism, the CMIM Agreement was recently amended in March 2021 to feature amendments, as reflected in Figure 2.3.2.

FIGURE 2.3.2. *Enhancement of the Chiang Mai Initiative Multilateralisation, 2021*



Source: ASEAN+3 Macroeconomic Research Office

The CMIM amendments have allowed member countries to access larger funds with quick disbursements under the IDLP and the use of local currencies as part of the financing arrangements. Local currency swaps would reduce foreign exchange risks and over-reliance on the use of US Dollars, which in turn contributes to the economic and financial safety of the region. On the back of the COVID-19 pandemic, the enhancement of the CMIM mechanism is timely to prepare member countries for its possible activation.

Since its establishment, the CMIM has yet to be activated despite multiple financial stress events or slow economic growth during the prolonged pandemic. Although the CMIM has never been activated, it should not be perceived as inconsequential. The CMIM serves as a focal point to develop common strategy and policy response for financial crisis prevention in the region. Member countries, assisted by AMRO, have continued to improve the CMIM operation readiness through annual test runs, multiple revisions of the Operational Guidelines and consistent periodic reviews on the CMIM Agreement. These measures will contribute to further improving the operational readiness of the CMIM, if activated.

Conclusion

As uncertainties continue following the prolonged pandemic, rising government debts and slow economic recovery, the role of the RFSN has become increasingly significant in providing insurance against a financial crisis. Recognising the recent economic developments, the ASEAN+3 members reaffirmed their commitment to enhancing the CMIM mechanism through its latest amendment on the agreement in March 2021. The enhanced CMIM mechanism is imperative as a safety net for a resilient international monetary and financial system in the East Asia region.

World trade is expected to record 6.7% in 2022, as a slower recovery is projected in the services trade, particularly in tourism activities following continuous cross-border travel restrictions. Trade in the advanced economies is expected to grow by 6.9% supported by anticipated increase in e-commerce activities among households and businesses through innovative ways to sustain economic activities. Trade in EMDEs is forecast to expand by 6.4% in 2022, contributed by normalisation in consumption and investment.

Global inflation is projected to return to pre-pandemic rates to record 3.8%. The inflation rate in advanced economies is expected to moderate to 2.3% and EMDEs 4.9%, following commodity prices which are expected to rise amid the anticipated domestic, regional as well as global economic recovery. Similarly, non-oil commodity prices are also expected to surge, led by a strong increase in the price of metals and food.

Domestic Outlook

Sectoral

Services Sector

Moving towards pre-pandemic level

The **services** sector will benefit from the pent-up demand, following increased business and consumer confidence as the nation records a high national vaccination rate. As economic and social activities are allowed to operate, the services sector is expected to expand by 7% in 2022. The growth is mainly driven by wholesale and retail trade; information and communications; finance and insurance; transportation and storage; and food & beverages and accommodation subsectors. With these encouraging development, the tourism industry is projected to rebound strongly by 28.9% with the resurgence of tourists arrivals and domestic tourism.

The wholesale and retail trade subsector is anticipated to increase by 8.7%, in line with the wider usage of e-commerce and rapid transition to digitalisation, particularly in the retail segment, improvements in the supply chain for the wholesale segment and introduction of new vehicle models with attractive sales packages. The Distributive Trade Master Plan, 2021 – 2025 to be launched at the end of 2021, will provide a clear direction for the distributive trade sector and outline strategies to support and strengthen the recovery and development of the subsector. In addition, the expected improvement in disposable income following better prospects in the labour market will also provide adequate impetus to the subsector.

The finance and insurance subsector is projected to grow by 5.5%, mainly backed by the finance segment, following the continued economic recovery and resumption of investment activities. The Financial Sector Blueprint 3.0, 2022 – 2026 and Licensing Framework for Digital Banks, to be released in the first quarter of 2022, are expected to outline strategies in enabling technology and data-driven innovation, enhancing competitiveness as well as ensuring quality access and responsible usage of financial solutions (BNM, 2021). Thus, the implementation of initiatives under the blueprint and framework will help sustain the subsector's growth.

The information and communication subsector is expected to expand by 5.7%, driven mainly by broader internet usage in line with the continued surge in e-commerce, e-learning and online entertainment activities. In addition, the proliferation of digital transformation, which requires wider usage of big data analytics, artificial intelligence (AI), internet of things (IoT) and cloud computing, will further boost the subsector. The implementation of infrastructure projects under the National Digital Network (JENDELA) will also facilitate the transition to the fifth-generation cellular network (5G) spectrum, hence enhancing network speed and internet coverage.

The real estate and business services subsector is projected to rebound by 8.6%, mainly driven by business services provided particularly to property and financial-related activities. Furthermore, business services related to legal and consultation are expected to increase with vibrant activities in the construction sector. In addition, flexible leasing by shopping mall operators to ease rental commitments will assist in attracting new tenants while maintaining current occupancy.

The transportation and storage subsector is anticipated to further expand by 9.5%, supported by all segments due to the normalisation of economic activities and improved external demand. The land transport segment is projected to expand, following the increase in cargo delivery and daily ridership of the rail transport as well as higher volume of highway traffics. Likewise, the water transport segment is expected to increase due to higher cargo and container throughput volumes. Similarly, the air transport segment is forecast to turn around in line with the increase in the domestic passenger traffic, following the resumption of domestic tourism.

The food & beverages and accommodation subsector is projected to turn around by 7.3%, attributed to the resumption of travel and tourism activities by phases starting with travel bubbles among selected countries. The continuation of the TRP, which started in September 2021, followed by the lifting of interstate travel ban will speed up the growth of domestic tourism-related activities, especially in hotel occupancy, shopping and touring. An increase in the patronage at restaurants for fully vaccinated individuals is also expected to stimulate the subsector's growth.

The utilities subsector is projected to expand by 6.7%, driven by higher demand from the commercial and industrial segments. The increase in electricity usage is expected to be underpinned by higher usage in both

residential and commercial segments. This is in line with the more robust economic activities as well as greater adoption of digitalisation among households and businesses.

The other services subsector is projected to turn around by 6.1%, mainly supported by private health and education segments. Efforts by Malaysia Healthcare Travel Council (MHTC) to promote medical travel bubbles are expected to boost the private health segment. In this regard, MHTC targets healthcare tourism revenue to increase by 66.7% to RM800 million in 2022. Private universities have undertaken several measures to encourage higher enrollment, including foreign students, by developing new courses, flexible learning spaces and offering various scholarships and flexible payment schemes. These measures are also in line with the Malaysia Education Blueprint, 2015 – 2025 which aims to increase the number of international students to 250,000 by 2025. Meanwhile, the Government services subsector is forecast to grow by 5.3% in 2022.

Manufacturing Sector

Stronger domestic and external demand will boost the sector

The **manufacturing** sector is expected to expand by 4.7% in 2022, attributed to the steady performance of both export- and domestic-oriented industries. As one of the key players in the world semiconductor trade, the stronger global demand for E&E products will continue to provide the impetus for Malaysia's manufacturing sector. Stricter global healthcare regulations and increasing hygiene awareness will help in boosting production in the rubber and chemical related segments. Concurrently, the anticipation of more vibrant industrial and construction activities as well as higher demand for household-related products are expected to give an additional boost to the sector.

Agriculture Sector

Commodity segment will underpin growth

The **agriculture** sector is forecast to expand by 3.9%, mainly supported by the commodity segment. The oil palm subsector is anticipated to rebound, in tandem with a higher output of CPO, following improved fresh fruit bunches (FFB) production and better oil extraction rate. The relaxation of cross-border foreign workers restrictions expected during the second half of 2022 will increase the labour supply, thus improving the subsector's output. In addition, the continuation of the national B20 biodiesel programme for the transportation segment, along with higher demand of CPO from India and China, are expected to further support the production of CPO. Meanwhile, rubber output

is estimated to expand as tapping activities are anticipated to be buoyed by firm rubber prices. The world demand for natural rubber, which is expected to increase, will stimulate domestic rubber production. The development of the East Coast Latex Corridor and adoption of digitalisation in the industry through the My Rubber Online (MyROL) platform and RRIMniaga smartphone application are anticipated to boost the subsector. The livestock and other agriculture subsectors are expected to record an uptick on account of higher demand for food items, primarily during festivities. Furthermore, the Government's policies, which emphasise the sustainability of agrofood and agricommodity industries will outline strategies to further enhance the agriculture sector to ensure food security.

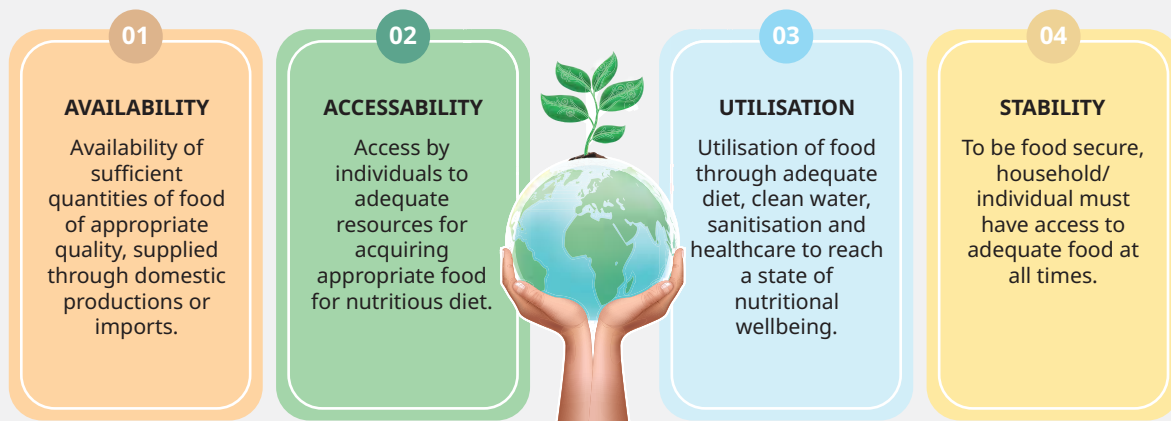
FEATURE ARTICLE 2.4

Beefing Up Food Security Through Sustainable Agriculture Sector

Introduction

Food security refers to a situation where all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food that meets their food preferences and dietary needs for an active and healthy life (Food and Agriculture Organisation of the United Nations, 2006). Abdullah et al. (2021) summarised the four pillars of food security as in Figure 2.4.1. At the national level, food security is a situation where a country is able to fulfil the food requirements of its population on a continuous and stable basis.

FIGURE 2.4.1. *The Four Pillars of Food Security*



Source: Food and Agriculture Organisation of the United Nations

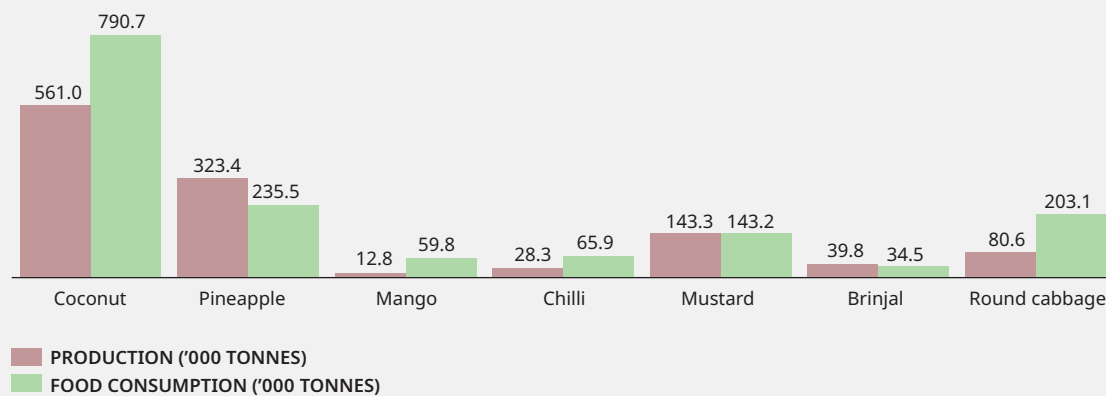
A growing population demands more food to be served. However, not all countries are able to produce enough food supply to meet local demand. The ever-increasing food demand and the lack of capacity to produce sufficient supply have elevated food security globally, including Malaysia. This article provides an overview of food security in Malaysia and its issues and challenges, coupled with the Government's plans and initiatives to further strengthen the nation's food security.

Performance of Agrofood

Agrofood remains a vital component of the agriculture sector in achieving food security and sustaining economic development in Malaysia. Over time, its contribution to the agriculture sector rose substantially. The agrofood comprises mainly paddy, fruits, vegetables, livestock and fisheries. During 2016 – 2020, agrofood expanded by an annual average of 3%, mainly supported by the livestock segment. The agrofood's share of the total agriculture sector increased from 45.3% in 2015 to 51.5% in 2020. This was in line with the National Agrofood Policy (NAP) objective to increase the contribution of the agrofood to the economy.

In terms of the production of major foods, paddy production stood at 2.3 million tonnes in 2020. However, the volume was still not sufficient to meet domestic demand. In 2019, the nation's self-sufficiency ratio (SSR)¹ for rice stood at 63% of national demand. Increasing local rice production is necessary to ensure the sufficiency of rice supply in the country as only 9% of the total world rice production is traded (Bhandari, 2019).

FIGURE 2.4.2. Selected Crops Production and Food Consumption, 2020



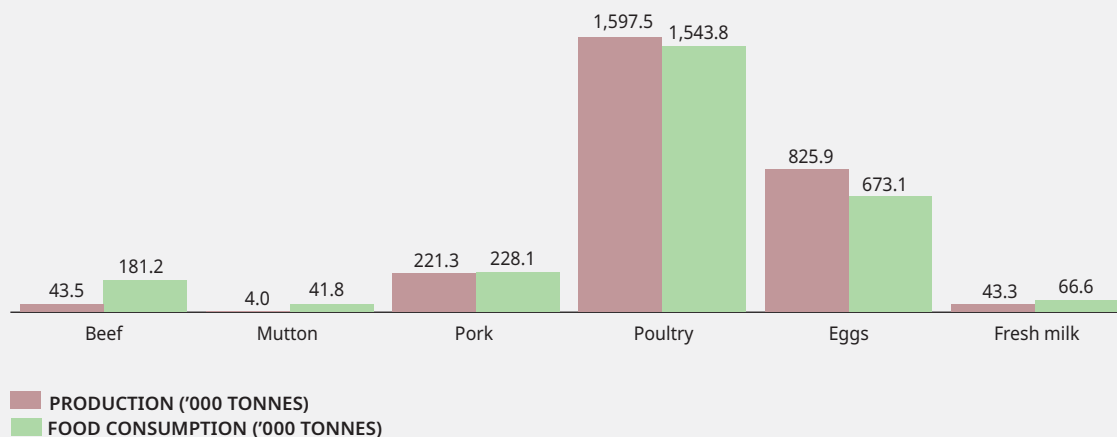
Source: Department of Statistics, Malaysia

Production of livestock subsector expanded by 6.2% in 2020, following strong growth in eggs and improvement in poultry segments. The production of eggs and poultry in Malaysia is sufficient to meet national demand. Poultry products was exported to countries such as Thailand, China and Brazil. However, the production of other livestock commodities, such as beef and mutton, are still inadequate to meet local demand. Malaysia produced about 43,000 tonnes of beef, much lower

¹ Self-sufficiency ratio (SSR) explains the extent to which a country's supply of agricultural commodities meet the domestic demand. SSR that reaches 100% or more indicates the production of agriculture commodities is sufficient to meet the domestic needs.

than the demand at more than 181,000 tonnes in 2020. The demand for mutton was around 42,000 tonnes, significantly higher than the production of 4,000 tonnes. In addressing the supply deficit, national agriculture strategies emphasise raising domestic supply by intensifying research in genetic enhancement, improving breeding techniques, ensuring sufficient supply of quality animal feeds, strengthening dairy facilities, and transforming small-scale farms.

FIGURE 2.4.3. *Livestock Production and Food Consumption, 2020*



Source: Department of Statistics, Malaysia

Issues and Challenges in Ensuring Food Security

Food security is one of the main agendas in realising the 2030 Agenda with its 17 Sustainable Development Goals (SDGs). Galanakis (2020) highlights that food systems play a vital role in achieving SDG2 (Zero Hunger), particularly by ensuring food security and improving food nutrition. Today, this goal has become more crucial than ever due to the intense demographic pressure, increase in urbanisation and the change in climate.

While notable progress has been made in increasing food production and ensuring food security, Malaysia still faces several challenges, especially during the COVID-19 pandemic. Out of 113 countries, Malaysia's rank in the Global Food Security Index (GFSI) 2020 has dropped from 28th in 2019 to 43rd in 2020 with a score of 67.9%. The score is based on four categories: affordability, availability, quality and safety, and natural resources and resilience. Malaysia scored 85.5% under affordability, mainly due to low food inflation, a small proportion of the population under the global poverty line, and food safety net programmes. However, lower scores in other categories are due to, among others, low public expenditure on agricultural research and development (R&D), ineffective educational campaign on the importance of a balanced and nutritious diet, no dedicated agency responsible for food security, and high dependency on food imports.

Low Public Expenditure on Agricultural Research and Development

Malaysia's total agricultural research spending remained stagnant in the decade leading to 2017, averaging around RM0.9 billion to RM1 billion per year (Agricultural Science and Technology Indicators, 2020). In terms of agricultural research spending to the agriculture sector's Gross

Domestic Product, the ratio had declined from 1.9% in 2002 to 0.9% in 2017. Olsson and Meek (2013) state that Malaysia faces major challenges in making the R&D and innovation system more effective due to low productivity and limited technological and institutional capabilities in the public and private sectors.

Ineffective Educational Campaign on the Importance of a Balanced and Nutritious Diet

There have been concerns about stunting among children, especially among vulnerable urban groups. One of the contributing factors is malnutrition. In addressing this issue, the Government implemented soft policies, such as public education programmes and campaigns to increase awareness of healthy diet and lifestyle (Muda et al., 2019). Soft policies have not been effective in discouraging more people from consuming unhealthy processed foods (Academy of Science Malaysia, 2003). Health promotion and education alone are inadequate to change people's behaviour compared to enacting related laws and regulations supported by effective enforcement.

No Dedicated Agency Responsible for Food Security

Several countries have established a dedicated agency to deal with national food security issues. For instance, Singapore Food Agency (SFA) was formed as a statutory board on 1 April 2019 to oversee farm-to-fork food safety and security. The SFA brings together food-related functions carried out by other national authorities in Singapore. Meanwhile, Badan Ketahanan Pangan was formed under the Ministry of Agriculture Indonesia to strengthen food availability, access and reserves. As for Malaysia, given the broad coverage of food security, no dedicated agency can be held accountable for performing such functions.

High Dependency on Food Imports

Malaysia has been a net importer of food for many years, resulting in a growing food trade deficit from RM1.1 billion in 1990 to RM21.7 billion in 2020. The main contributors to the 2020 deficit were cereals and cereal preparation representing 22.8%, vegetables (18.9%) and animals feed (17%). Given the substantial amount of deficit and volatility in the exchange rate, reducing the country's dependency on imported food in the near future is not an easy task.

Initiatives to Enhance Food Security

Although the agriculture sector accounted for only 7.4% of the economy in 2020, the Government has consistently recognised the importance of the agriculture sector in strengthening the nation's food security. Hence, food security and sustainability have been among the main elements in national plans and agricultural policies. The focus of the policies, among others, is to increase domestic production and improve productivity, market access, and stability. For instance, the Eleventh Malaysia Plan, 2016 – 2020 emphasises modernising the agriculture sector, particularly by promoting innovative R&D, cutting-edge technology and digitalisation.

As a result of the COVID-19 pandemic crisis, the Government has announced various stimulus and assistance packages since March 2020, including measures to strengthen the agriculture sector. Among them is the RM1 billion allocation for the Food Security Fund to provide various assistances to farmers and fishermen to boost domestic production. An additional RM100 million was also provided to develop food storage and distribution infrastructure and crop integration programmes.

For the medium term, the National Food Security Policy Action Plan, 2021 – 2025 will ensure Malaysia's preparedness in facing a food security crisis on all four dimensions of food security. The Plan encompasses five core strategies, including utilisation of technology, empowerment of

research and studies, enhancement of food security data, and expansion of strategic collaboration. These strategies are expected to contribute to the availability of safe food at affordable prices, increase domestic food production, and reduce dependency on food import and foreign manpower.

Meanwhile, the National Agrofood Policy 2.0 (NAP 2.0) will continue the objectives of the current agrofood policy. NAP 2.0 aims to expedite the modernisation of the agriculture sector and manage the demand and supply of food commodities while focusing on long-term productivity through digitalisation. Meanwhile, the Twelfth Malaysia Plan, 2021 – 2025 outlines strategies to sustain the modernisation of the agriculture sector and intensify concerted efforts to tap the potentials of the food economy.

Conclusion

Increasing population growth will demand more food supply for people to sustain their lives and livelihoods. Thus, Malaysia must ensure its agriculture sector is the main source of food supply. With sizeable arable land, clement weather and natural resources, the country has huge potential for self-sufficiency in food commodities. The Government is currently emphasising the use of technology and mechanisation in the agriculture sector to increase productivity. In this regard, having a dedicated food security agency, particularly to formulate and implement food security policy at a national level, is imperative. This can be done by centralising food security-related functions from various existing agencies to optimise resources. At the same time, it is also important to enhance the capacity of current agriculture R&D agencies. These measures will help to capitalise on the full potential of a modern agriculture sector to supply diverse and quality inputs to the economic sectors and develop an integrated food economy. With the collaboration and smart partnership between public and private sectors in addressing the food security issues, Malaysia will have more opportunities and capabilities to ensure sustainable agriculture and enhance the country's food security.

Mining Sector

Global development will influence sectoral performance

The **mining** sector's performance will be mainly influenced by the duration of uncertainties surrounding the COVID-19 pandemic. The sector is forecast to decline marginally by 0.3%, attributed to lower crude oil and condensates production, following the scheduled shut down of oil and gas plants and facilities for maintenance. However, natural gas output is expected to increase, supported by the production from new gas fields in Sabah and motivated by high demand from major trading partners, especially China and Japan. In addition, the increase in global economic activities and reduction in COVID-19 infections are also anticipated to drive higher global energy consumption. Thus, the average Brent crude oil price is projected to increase to

around USD66 per barrel in 2022, slightly lower than the expected price in 2021 at USD68 per barrel. However, the estimation is still subject to the global price movement, which is highly influenced by the level of oil production by the Organization of the Petroleum Exporting Countries and its allies (OPEC+) as well as the US oil stockpiles.

Construction Sector

Main projects will restore growth

The **construction** sector is projected to turn around by 11.5% in 2022 on account of better performance in all its subsectors. The civil engineering subsector is anticipated to regain its positive growth, following the continuation and acceleration of major infrastructure projects, such as Light Rail Transit Line 3 (LRT3), Mass Rail Transit Line 3 (MRT3), Johor-Singapore Rapid Transit System

(RTS) as well as the Pan Borneo highways in Sabah and Sarawak. Utility projects, including Baleh Hydroelectric, Sarawak Water Supply Grid Programme and Large-Scale Solar 3 plant, are also projected to spur growth. Similarly, the residential buildings subsector is expected to expand further in line with the Government's measures to address the shortage of affordable houses. The measures, among others, are the continuation of the Rent-to-Own scheme and full stamp duty exemptions for first-time home buyers as well as Rumah Mesra Rakyat and People's Housing programmes. In addition, the non-residential buildings subsector is anticipated to improve, backed by ongoing commercial projects, namely Kwasa Damansara, Tun Razak Exchange and KLIA Aeropolis.

Domestic Demand

Pent-up demand will drive expansion

Following the rapid progress of the nationwide vaccination programme, economic activities in 2022 are anticipated to return to the pre-pandemic level. All expenditure items are projected to register positive growth, albeit moderation in some items due to high-base effects and external developments. Public expenditure is projected to rebound strongly

in tandem with the acceleration of large infrastructure projects. Hence, **domestic demand** is envisaged to further expand by 6.6%.

Private consumption is forecast to increase at a higher pace of 7.3%. The expansion is anticipated to be supported by higher disposable income and better employment prospects, following a broad-based economic recovery. Further improvements in consumer confidence and positive wealth effect on the back of modest recovery of the stock market are also anticipated to stimulate private consumption spending.

Private investment is projected to register a growth of 2.6% in tandem with the Government's move to promote quality investment in high-technology, high value-added, knowledge-intensive and innovation-based industries. Among the high-impact industries are E&E, chemicals, machinery & equipment, aerospace and medical devices, which have strong linkages with other domestic industries. In line with the National 4IR Policy to increase the adoption of smart manufacturing and digitalisation, the Government will continue to focus on investment in smart machinery, automation and robotics, automated guided vehicle, smart logistics, IoT and cloud-based services.

FEATURE ARTICLE 2.5

Promoting Quality Investment for Achieving Sustainable Development

Introduction

Since the past few decades, Malaysia has been effective in attracting investment from both domestic and foreign investors. Companies from around the world took the opportunity to participate in the vibrant Malaysian economy. These investments have created jobs for the people, enhanced endogenous technology, catalysed growth and improved the country's overall quality of life.

Over time, Malaysia faces stiff competition, particularly from its regional peers. Other countries are progressing faster and offer more attractive investment packages, apart from having larger markets and lower labour costs. It is challenging for Malaysia to compete with other countries against these advantages. Hence, low value-added and labour-intensive industries that leveraged traditional production factors are no longer proven to generate sustainable and inclusive growth.

Therefore, Malaysia needs to reinvent and position itself as a destination for quality investments. Quality investments may contribute to the creation of decent and value-adding jobs; enhance the skill base of host economies; facilitate the transfer of technology, knowledge and know-how;

as well as boost the competitiveness of domestic firms and enable their access to markets while operating in a socially and environmentally responsible manner (Moran et al., 2018). The lack of quality investment will impede the transition towards a high-income, innovation-driven, and inclusive economy (BNM, 2020). Therefore, swift and effective reforms, coupled with attractive tailored policies and incentives, are imperative to attract quality investment.

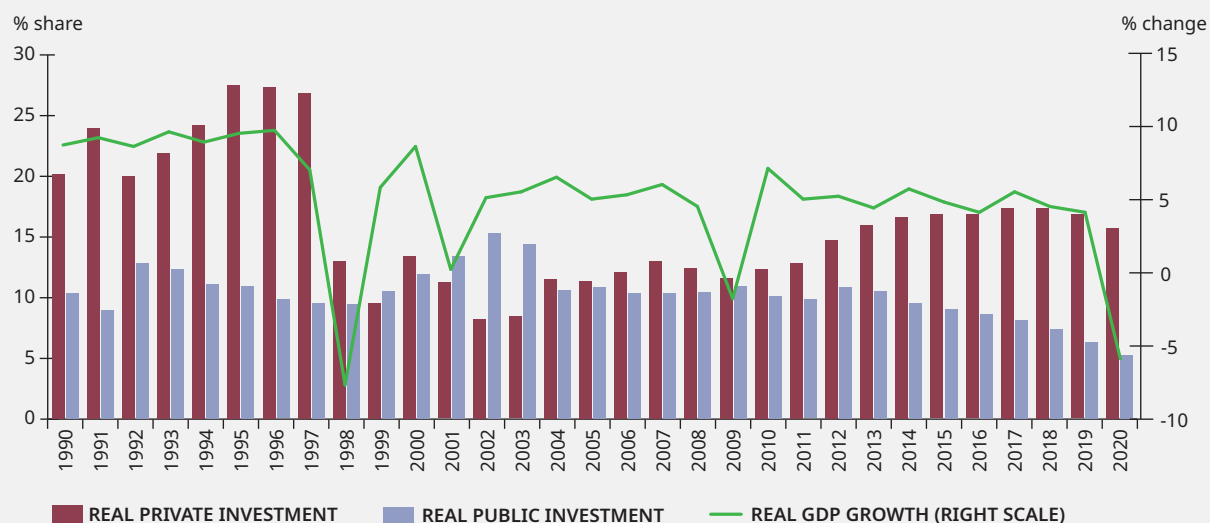
In line with promoting quality investment, which emphasises sustainable development, Malaysia is committed to the United Nations Agenda 2030 and its 17 Sustainable Development Goals (SDGs). The SDGs, introduced in 2015, outlined cross-cutting universal goals between building economic growth, addressing social needs and tackling environmental sustainability by 2030. Likewise, Malaysia’s Shared Prosperity Vision 2030 (SPV 2030) is committed to achieving sustainable growth and fair and equitable distribution.

In accordance with the SPV 2030, Malaysia needs to attract more quality investment in SDG sectors, mainly in infrastructure; renewable energy; water and sanitation; food and agriculture; and healthcare. Additionally, the expected prolonged adverse impact from the COVID-19 pandemic requires Malaysia to reposition itself as an attractive investment destination by promoting quality investment to sustain economic growth. This article provides an overview of the current state of private investment in Malaysia, the potential areas for private investment, the ongoing Government initiatives, the challenges in designing SDG-related investment framework globally, and some policy recommendations to attract quality investment towards achieving the SDGs.

Trends in Private Investment

Prior to the 1997/1998 Asian Financial Crisis (AFC), real private investment averaged 24.1% of GDP in 1991 – 1996 (Figure 2.5.1.). However, the AFC and Global Financial Crisis in 2008/2009 caused its share of GDP to halve to an average of 12.5% in 1997 – 2010. Subsequently, private investment showed a rising trend with its share recording an average of 16.1% of GDP in 2011 – 2020, following the implementation of the New Economic Model, Government Transformation Programme, Economic Transformation Programme as well as the Tenth (2011 – 2015) and Eleventh Malaysia (2016 – 2020) Plans. However, the COVID-19 pandemic has dampened Malaysia’s economy, causing private investment to fall to 15.7% of GDP in 2020 from 16.8% in 2019.

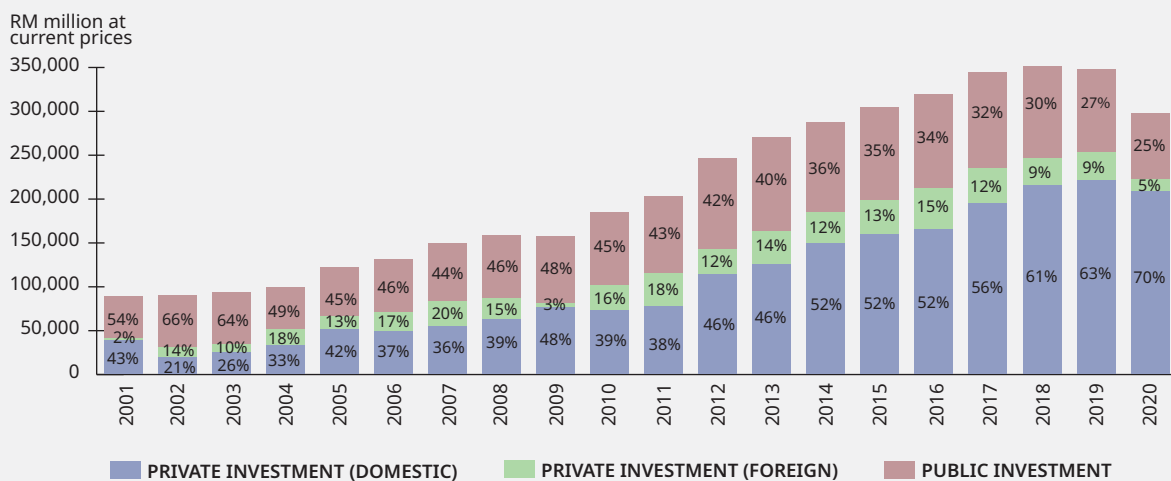
FIGURE 2.5.1. Private Investment as a Key Source of Growth in Malaysia



Source: Department of Statistics and Ministry of Finance, Malaysia

Attracting private investment, including domestic direct investment (DDI) and foreign direct investment (FDI), is crucial for Malaysia's economic growth, particularly in creating jobs and expanding exports. During 2001 – 2020, the highest share of net FDI flows to the total gross fixed capital formation (GFCF) stood at 20% in 2007, valued at RM29.5 billion (Figure 2.5.2.). However, the share continued to decline to 5% in 2020, valued at RM14.6 billion. Lower net FDI flows were mainly due to the changing nature of investment policy, where low-skilled assembly-type and labour-intensive activities are less welcomed. Furthermore, there has been stiff competition from low labour cost countries, such as China and Viet Nam. In this regard, Malaysia has been selective in attracting investments and focusing more on higher value-added and less labour-intensive economic activities.

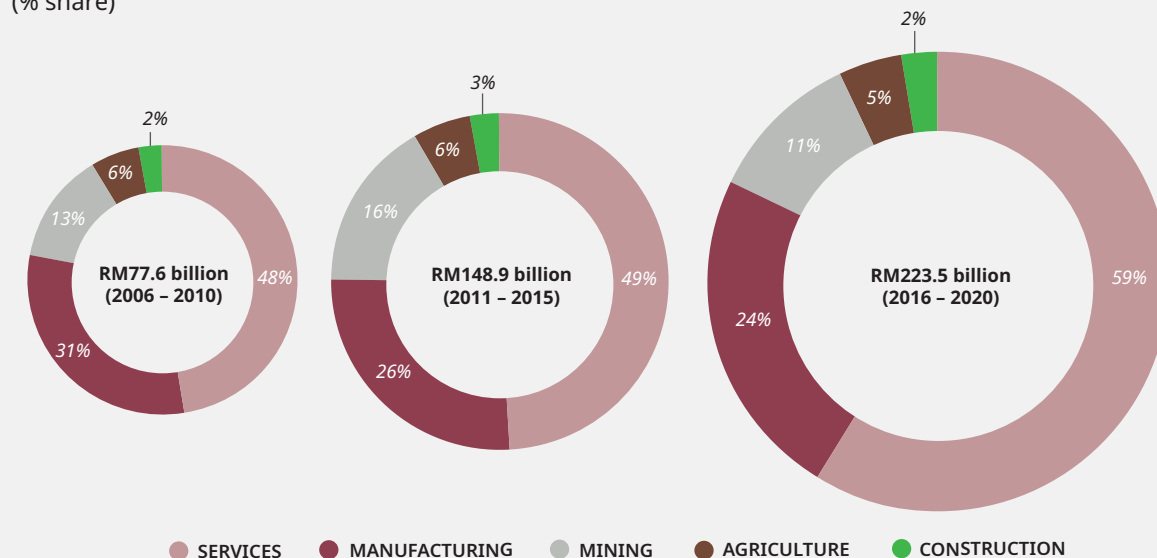
FIGURE 2.5.2. Net Foreign Direct Investment Flows, 2001 – 2020 (% share)



Note: Total may not add up due to rounding
Source: Department of Statistics and Ministry of Finance, Malaysia

Industrialisation played a crucial role in Malaysia's economic development with significant contribution from FDI. However, the rising competition among regional countries caused a declining trend of FDI, particularly in low-cost manufacturing. Thus, the Government developed the Second Industrial Master Plan (1996 – 2005), emphasising the growth of the manufacturing sector and the growth of the services sector as supporting industries. Meanwhile, the Third Industrial Master Plan (2006 – 2020) further expanded the scope by including new sources of growth in the services sector. In addition, the Services Sector Blueprint 2015 was developed to provide the strategic framework for the services sector to become the main driver of growth. Subsequently, the average share of real private investment in the services sector increased to 58.9% of total private investment in 2016 – 2020 from 47.7% in 2006 – 2010 (Figure 2.5.3.). The services sector now provides a potential avenue for Malaysia to attract quality investment, particularly in the areas of digital economy, global business services, Fourth Industrial Revolution (4IR), shared service centre, content industry, and logistics.

FIGURE 2.5.3. Average Real Private Investment by Sector, 2006 – 2020
(% share)



Note: Total may not add up due to rounding

Source: Department of Statistics and Ministry of Finance, Malaysia

Government Initiatives in Promoting Quality Investment and Achieving SDGs

The Government has embarked on various initiatives to attract quality private investment, mainly in skill- and knowledge-intensive projects with high-value-added, high technology, and high in research and development and design (R&D&D). These projects will promote technology enhancement and productivity improvement as well as create high-paying jobs. Focus areas in the services sector include education, green technology, healthcare, hotels and tourism, logistics, oil and gas, regional establishment and business services. Nevertheless, the manufacturing sector is still important but with emphasis on moving up the value chain, particularly for the production of electrical and electronics, machinery and equipment, chemicals and chemical products, aerospace and medical devices.

Positioning itself as a preferred investment destination, Malaysia offers business-friendly policies, ready infrastructure and supportive Government facilities. The Government has introduced MalaysiaMudah (#MyMudah), a public-private partnership platform, to assist industry players and businesses in identifying and reducing unnecessary regulatory burdens. The Government has also established the Project Coordination and Acceleration Unit (PACU) to expedite the approval of applications and implementation of investment projects in Malaysia. The establishment of the One-Stop Centre (OSC) for Business Travellers is another major initiative to facilitate business visitors' movement by expediting the approval of investor entry into Malaysia. The Government has also introduced the Incentives Coordination and Collaboration Office (ICCO) as a one-stop centre to coordinate incentives offered by the Federal Government and provide cross-agency visibility. In April 2021, the Government approved the National Investment Aspiration (NIA), a forward-looking growth framework as a basis for comprehensive reforms of Malaysia's investment policies to attract quality investment and create high-income jobs. In addition, the Government launched the Perkukuh Pelaburan Rakyat (PERKUKUH) initiative in August 2021 with five key outcomes, which include sharpened clarity on each GLIC's mandate; enhanced focus on developmental investments to spur new growth; crowding-in the private sector; future-proofing GLICs through improved governance and capabilities; as well as strengthening social safeguards and GLICs' fiscal resilience.

The Ministry of Finance has begun aligning its fiscal policy to achieve the SDGs by 2030. The establishment of MySDG Trust Fund was announced under the 2021 Budget with an initial allocation of RM20 million. The Fund aims to complete public allocation and fill funding gaps for SDG-related programmes and projects. In April 2021, the Government issued the world's first sovereign Sustainability Sukuk via the issuance of USD800 million 10-year trust certificates. Proceeds from this issuance are used exclusively for eligible development projects and programmes with social and green elements aligned to the SDGs agenda. In addition, the Government also successfully issued USD500 million 30-year trust certificates (Wakalah Sukuk). Both tranches of the Sukuk was oversubscribed by 6.4 times, reflecting the strong investors' confidence towards green projects and trust over the country as a reliable investment destination with strong economic fundamentals and solid prospects for growth. The oversubscription also demonstrates the market's confidence in Malaysia's economic recovery and growth prospects, despite a challenging environment posed by the COVID-19 pandemic.

Challenges in Designing SDGs-related Investment Framework Globally

Many countries have developed national strategies for sustainable development in line with the United Nations 2030 SDGs. However, not all of the strategies comprise clear roadmaps to promote investment towards achieving the SDGs. Moreover, existing investment promotion instruments applicable to the SDGs are limited and follow a piecemeal approach. The United Nations Conference on Trade and Development (UNCTAD) global review of national investment policy regimes shows that less than half of the UN member States maintain specific promotion tools for investment in the SDGs (UNCTAD, 2020).

Incentive schemes have become the primary inward investment promotion tool among countries. However, several key SDG sectors are rarely covered, including health, water and sanitation, education and climate change adaptation. Therefore, a more systematic approach is needed to incorporate investment promotion into national SDG strategies and mainstream SDGs into national investment policy frameworks (UNCTAD, 2020).

Policy Recommendations

The Standard Chartered SDG Investment Map study reveals the opportunity for private investors to contribute to three of the most tangible and infrastructure-focused SDGs in 15 of the world's fastest-growing economies by 2030, including Malaysia. The three SDGs are SDG6 (Clean Water and Sanitation), SDG7 (Affordable and Clean Energy) and SDG9 (Industry, Innovation and Infrastructure). The findings identified large private investment opportunities in Malaysia of USD25.8 billion in improving transport infrastructure. In addition, a potential private investment of USD8.8 billion is identified in accelerating digital adoption levels. Although about 96% of the Malaysian population have access to clean water while basic sanitation is nearly universal, private investment of USD0.4 billion is still needed to enhance universal access to clean water and sanitation.

The UNCTAD World Investment Report 2020 also has listed several policy measures that could assist countries in attracting SDG-related investment (Table 2.5.1.). However, existing incentives need to be reviewed and geared towards facilitating investment in SDGs. The Government could also customise specific incentives to attract investment in SDG-related projects and establish a Special Economic Zone focusing on SDGs. The narrative for attracting investment must emphasise the aspiration for the country to become an SDG champion and commitment to achieving the goals. The Government's continuous effort and support to facilitate the SDG-related investors is vital to maintaining and attracting more investment. Furthermore, approval of guarantees, grants and loans could be tied towards achieving the SDGs agenda. For example, the imposition of environmental and social impact assessment before financing approval and constant monitoring ensures the adherence of investors to the policies.

TABLE 2.5.1. Selected Policy Instruments to Attract Investment in the SDGs

National Policies for Promoting Investment in SDG Sectors	
Investment incentives of host countries	<ul style="list-style-type: none"> • Incentives to attract SDG-related projects • Conditioning incentives on SDG-related investor performances • Special Economic Zones focusing on SDGs
Investment targeting, facilitation and aftercare	<ul style="list-style-type: none"> • Specific targeting of SDG-related investment • Preparation of SDG project pipelines • Image-building (advertising host economy as an SDG champion) • Priority treatment by local investment promotion agency in the establishment process of SDG investment • Aftercare services after the establishment of SDG investors
Investment guarantees and loans for outward investments related to the SDGs	<ul style="list-style-type: none"> • Conditioning investment guarantees and loans to prior environmental and social impact assessment • Linking guarantees and loans to SDG-related investor performance • Providing guarantees and loans exclusively for investments in SDG sectors
National Policies for Regulating the Entry of Investment Relevant to the SDGs	
Rules regarding entry and admission of foreign investment	<ul style="list-style-type: none"> • SDG-related approval requirements for investment • Full or partial entry restrictions in SDG-relevant sectors • National security-related FDI screening mechanism covering SDG-relevant sectors
International Investment Agreements	
Promotes and protects foreign investment	<ul style="list-style-type: none"> • Flag SDGs as a core treaty objective • Confirm contracting parties' right to regulate • Prohibit lowering of environmental and social standards as a means for attracting investment

Source: United Nations Conference on Trade and Development

Conclusion

Malaysia's declining private investment trend is associated with low-cost labour and labour-intensive industries that no longer have a good value proposition to attract and promote productive investment. Thus, there is a need to promote quality investment, particularly in high technology and skill- and knowledge-intensive investment. As the key drivers of growth, services and manufacturing sectors need to strive and move up the value chain by venturing into high value-added, innovation and R&D activities. The shift to high value-added, innovation and R&D activities are the main elements that provide the impetus for Malaysia to move out of the middle-income trap.

Therefore, Malaysia has to transform its investment policy structure in line with the sustainable growth plan. Studies have shown there is great potential in SDG-related investments, especially in improving transport infrastructure and accelerating digital adoption. Given this potential, it is worthwhile for the Government to promote quality investment aligned to the SDGs. It is also important for the Government to attract quality investment that can foster sustainable and environmental-friendly economic growth alongside the target of a high-income nation.

Public-sector capital spending continues to complement the private sector in developing the country. Among the main projects involved are the continuation of large-scale transport-related projects, such as Mass Rapid Transit Line 2 (MRT2), LRT3, RTS and Pan Borneo Highway as well as new projects such as MRT3 and upgrading of Klang Valley Double Track Phase 2 (KVDT 2). In addition, projects through the JENDELA plan will improve the country's digital infrastructure. Capital outlays from these projects are expected to provide the impetus for **public investment** to rebound to 24.1%. However, **public consumption** is projected to expand marginally by 1.1% in line with spending optimisation and prudent financial management. Nevertheless, the Government will continue to further improve public services delivery and facilitate economic activities.

In line with the expansion in domestic economic activities, the national income in current prices is expected to increase by 7.4%. Similarly, the **GNS** is anticipated to expand by 5.5%, with total investment envisaged to increase by 6.9% to RM316.5 billion. The share of GNS is projected to remain significant at 23.5% of GNI, primarily contributed by the private sector. The savings-investment gap is expected to remain in surplus at RM55.6 billion or 3.5% of GNI. This provides ample liquidity in the financial system, which can be mobilised to finance long-term productive investments without sourcing external funds.

Income

Better income prospects for workforce

Economic activities are expected to normalise to the pre-pandemic level in 2022 with more employment opportunities and better prospects for wages. Efforts to increase productivity gains through digitalisation and upskilling, particularly among the lower-paid industries, are also expected to contribute to a larger **CE**. Given these expectations, the share of CE to GDP is projected to sustain at 37.3% in 2022, as shown in Figure 2.8. This marginal improvement will pose a challenge in achieving

the long-term CE target of 40% of GDP in 2025, as specified in the Twelfth Malaysia Plan, 2021 – 2025 (12MP). For Malaysia to achieve a more balanced profit sharing between employees and capital owners in the economy, industries must reward employees with a decent wage level commensurate with their qualification and productivity performance.

The share of **GOS** of GDP is forecast to dip to 59.6%, with a substantial percentage of GOS still held by capital owners. Income for capital owners is projected to increase by 5.9%, while mixed-income for the self-employed group will expand by 9.1% in 2022. Despite the anticipation of significant growth in the number of independent entrepreneurs or self-employed in the future work landscape, these groups are expected to continue facing difficulties in securing a decent source of income post-pandemic as most of them would continue participating in low-paid economic activities. Thus, in 2022, the share of mixed-income to GDP is projected to improve slightly to 20.6%.

The fiscal impact from the subsidy's expenditure, particularly for wage subsidy programme and special grants assistance for MSMEs under the COVID-19 Fund, will be cushioned by the expected improvements in domestic demand and external trade, enhancement of service tax collection as well as strategic efforts to expand the tax base in the near term. Thus, income from taxes on production and imports is expected to increase by 3.5%, while subsidies expenditure will decrease by 48% in 2022. As a result, **taxes less subsidies on production and imports** are expected to increase by 34.3% in 2022.

External Sector

Robust trade to continue

In 2022, **gross exports** are expected to increase by 1.5% across all sectors, benefitting from robust global trade growth and improvements in supply chains. Exports of manufactured goods are anticipated to grow by 1.5%, underpinned by higher demand

for E&E and non-E&E products. Ramped-up digitalisation is expected to propel the demand for semiconductors, particularly electronic integrated circuits, processors and controllers, which will accelerate the growth of the E&E products by 2.4%. Additionally, the emergence of digital healthcare as a new sector, with increased usage of medical devices, such as electro-medical equipment, ultra-violet and X-ray apparatus, is expected to boost exports for the E&E products. Similarly, exports of non-E&E are expected to improve marginally by 0.9%, mainly contributed by higher demand for petroleum products, rubber products as well as chemicals and chemical products.

Exports of agriculture goods are forecast to increase by 1.2%, supported by higher demand for palm oil and palm oil-based agriculture products and natural rubber. Similarly, export earnings from mining goods are anticipated to expand by 1.4%, contributed by higher demand from major markets for crude petroleum (1.4%) and LNG (1%).

Gross imports are expected to increase by 1.7%, on account of higher demand in intermediate, capital and consumption goods amid strengthening economic recovery and resumption of investment activities. Imports of intermediate goods are anticipated to grow by 1.2%, attributed to the expansion in manufacturing and construction sectors. With the acceleration in the implementation of major infrastructure projects, imports of capital goods are projected to increase by 2.5%. Subsequently, imports of consumption goods are estimated to rise by 2.1% following higher demand from households as consumer spending improves due to better employment and income prospects.

The **current account balance** is expected to record a surplus at RM55.6 billion or 3.5% of GNI, in line with continuous recovery in industrial and investment activities. A surplus of RM178.9 billion is estimated to be registered in the goods account, following higher receipts with the rebound in growth among major trading partners across all economic sectors, particularly due to the

global technology upcycle. On the other hand, the services account is anticipated to register a lower deficit of RM57.6 billion with increasing payments in travel and other services accounts. Similarly, payments for transport services are estimated to widen to RM57.3 billion, following continuous reliance on foreign transport services amid the expansion in trade activities. Receipts are anticipated to increase to RM25.3 billion, supported by improved earnings from air travel and cargo handling services provided by domestic companies.

Acceleration in the global vaccine rollouts and relaxation in travel restrictions are expected to stimulate travelling activities. The travel account is projected to register a lower deficit of RM14.5 billion. Receipts from travel account are anticipated to increase to RM16.1 billion. Nonetheless, the receipts are anticipated to be smaller to offset residents' spending abroad at RM30.5 billion due to pent-up demand. Meanwhile, a wider deficit of RM11.2 billion is expected in the other services account in line with higher payments attributed to expansion in the services, manufacturing and construction sectors.

The primary income account is projected to record a wider deficit of RM54.4 billion, following higher payments by foreign investors in line with the resumption of ongoing investment activities and the increase in compensation for foreign professionals. Net outflows in the secondary income account are expected to record RM11.3 billion due to remittances by foreign workers driven by robust domestic economic activities.

Prices

Projected to moderate

The **inflation rate** is forecast to record 2.1% in 2022, following better economic prospects and stable crude oil prices. Consumption demand for goods and services by households is expected to be supported by expectations of improved employment conditions. Furthermore, the projected growth in private investment activities and the implementation of the 12MP

will further augment domestic demand. The **PPI rate** is forecast to stabilise following the anticipated recovery of the domestic and global economies.

Labour Market

Stable labour market leads to better employment prospects

The normalisation of economic activities to the pre-pandemic level will stimulate strong labour demand and spur a fast-track recovery in the labour market. As a result, the **unemployment rate** is anticipated to fall and return to the full employment level at 4% in 2022. The **total employment** is projected to further expand by 2.3% to 15.5 million persons, with the services sector remaining as the major source of employment at 64.8%, followed by manufacturing (16.6%) and agriculture (10.2%) sectors, as shown in Table 2.14 and Table 2.15.

With the expectations of better global health performance and gradual opening of country borders, greater cross-border labour mobility is anticipated. Hence, the number of low-skilled **foreign workers** and **expatriates** is projected to increase with the acceleration of construction and main projects that were temporarily suspended during the pandemic. Nonetheless, the Government will continue to encourage productivity improvements through automation and digitalisation, particularly in labour-intensive industries. These efforts are expected to reduce the reliance on migrant workers, thus allowing for more job opportunities in the market for Malaysians.

Labour productivity is projected to improve by 3.7% to RM95,300 in 2022, mainly contributed by the services sector following robust tourism activities as travel restrictions are lifted in phases upon reaching mass vaccination. Similarly, the average monthly **salaries and**

wages is expected to improve by 6.7% to RM3,270 in line with improvements in labour productivity and favourable economic growth. Subsequently, the overall CE is also expected to increase in 2022.

Conclusion

The global economy is expected to rebound in 2021, resulting from efforts undertaken by various countries to mitigate the impact of the pandemic. These include fiscal stimulus, policy support, accommodative financial conditions and vaccine rollouts, which improved business and consumer sentiments. The growth momentum is anticipated to continue into 2022, supported particularly by the release of pent-up demand, an uptick in investment and trade activities, and the proliferation of digital transformation.

In line with favourable global growth prospects, Malaysia's GDP is expected to grow between 3% – 4% in 2021 and further expand in the range of 5.5% – 6.5% in 2022. The growth is projected to be driven by normalisation in economic activities arising from a high nationwide vaccination rate, resumption of projects with high multiplier effects, strong external demand and targeted travel activities, particularly for business, health and education purposes. Nevertheless, there are still downside risks to the country's economic prospects. These include a prolonged COVID-19 outbreak with the emergence of new variants, volatility in global financial markets, slower labour market recovery, commodity supply shocks and geopolitical uncertainties. Notwithstanding, the Government will ensure efforts to strengthen the nation's economic fundamentals to secure prosperous, inclusive and sustainable economic growth.

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CHAPTER 3

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CHAPTER 3

Monetary and Financial Developments

Overview

Financial market remains resilient

The monetary and financial conditions remain accommodative and supportive of economic activities throughout the crisis brought by the COVID-19 pandemic. Monetary operations are supported by vibrant money and foreign exchange markets and intermediation activities. The banking sector remains strong, backed by sufficient liquidity and capital buffers. Likewise, the capital market exhibits resilience, underpinned by ample domestic liquidity and a supportive policy environment. The accommodative and expansionary policy stance will continue to support economic recovery. Nonetheless, risks from the resurgence of COVID-19 cases, possible delay in easing containment measures, limited economic activities, and faster-than-expected policy normalisation by major central banks may impact financial market performance.

Monetary Developments

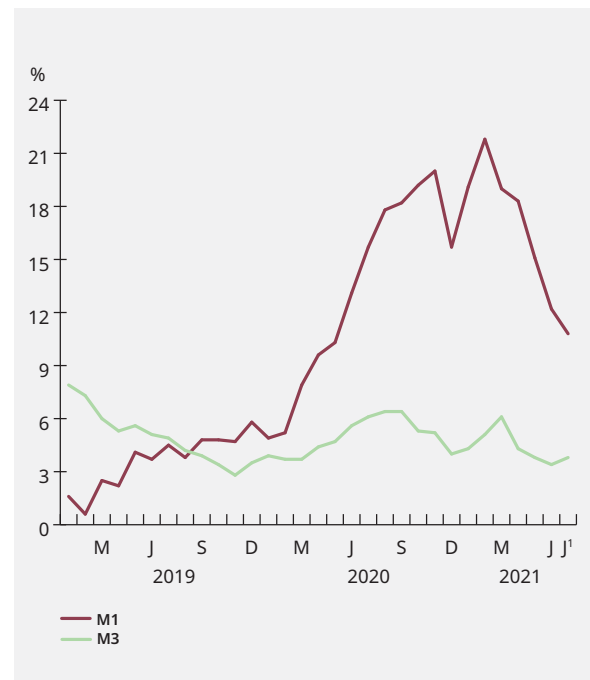
Monetary policy remains supportive of economic recovery

Monetary policy in 2021 remains accommodative in cushioning the adverse economic impact of the prolonged nationwide lockdown while providing support for recovery. The policy also ensures that price pressures remain manageable. In the first seven months of 2021, the Overnight Policy Rate (OPR) was held steady at 1.75%. Meanwhile, efforts to ensure sufficient liquidity to support financial intermediation activity remain in place. The Statutory Reserve Requirement (SRR) stood at 2.00% since March 2020, in addition to

the extension of flexibility given to banking institutions to use the Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) to meet their SRR compliance until December 2022.

In tandem with the OPR, the interest rates in the banking system continued to remain stable in the first seven months of 2021. Commercial banks' average lending rate and weighted base rate were relatively unchanged at 3.43% and 2.43%, respectively, compared to the same period last year. Similarly, the average interest rate on savings deposits of commercial banks was held steady at 0.58% during the same period. Meanwhile, the fixed deposits of 1-month to 12-month maturities ranged from 1.48% to 1.70%.

FIGURE 3.1. Monetary Aggregates (% change)



¹ End-July 2021
Source: Bank Negara Malaysia

Between January and July 2021, monetary aggregates continued to expand further. As at end-July 2021, M1 or narrow money grew at a rate of 10.8% to RM550.8 billion continuously buoyed by higher currency in circulation (13.7%) and demand deposits (9.9%) while M3 expanded by 3.8% to RM2,106.4 billion. The expansion was mainly driven by higher net foreign assets in the financial sector amid net portfolio inflows and the continued extension of credit to the private sector, especially through loans. In the near term, the money supply is expected to continue to be supported by the extension of credit to the private sector amid the resumption of economic activity.

Moving forward, monetary policy is expected to remain accommodative and supportive of economic recovery. Nevertheless, given uncertainties surrounding the pandemic, the future stance of monetary policy will continue to be guided by new data and information. This is to ensure that risks on growth prospects are minimised while maintaining price stability.

TABLE 3.1. Factors Affecting M3, January – July 2020 and 2021

	CHANGE (RM BILLION)	
	2020	2021
M3	68.1	65.4
Net claims on Government	62.8	9.5
Claims on Government	81.9	31.2
Less: Government deposits	19.1	21.7
Claims on private sector	38.9	28.1
Loans	29.4	26.9
Securities	9.5	1.2
Net foreign assets ¹	28.5	36.3
Bank Negara Malaysia	14.6	29.3
Banking system	13.9	7.0
Other influences	-62.1	-8.5

¹ Includes exchange rate revaluation losses/gains
Note: Total may not add up due to rounding
Source: Bank Negara Malaysia

Performance of Ringgit

Continued volatility in the exchange rate

At the beginning of the year, the ringgit, alongside other regional currencies, appreciated against the US dollar. The appreciation was driven by optimism over the global growth recovery amid the roll-out of vaccination programmes. However, from the second week of January 2021, the ringgit depreciated against the US dollar. Selling pressures at the domestic market, triggered by the nationwide lockdown or Movement Control Order 2.0 (MCO 2.0) to combat the spread of COVID-19 cases, weighed down on the ringgit.

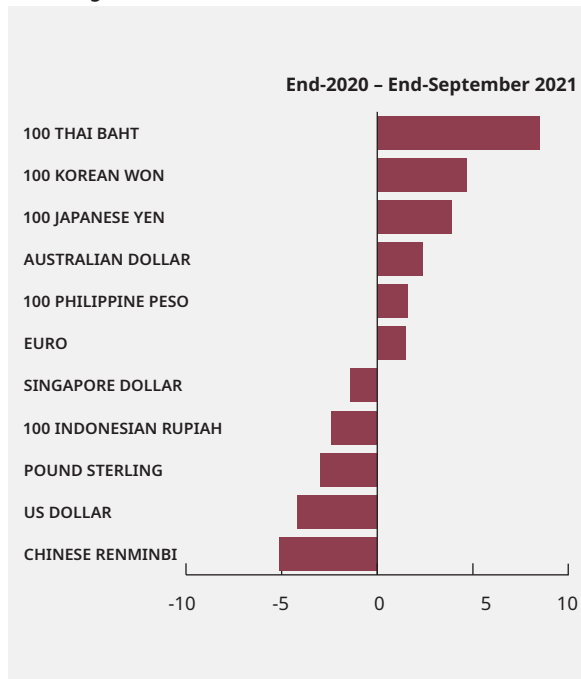
In March 2021, the ringgit and most regional currencies depreciated within the range of 0.4% and 6.7%. The surge in the US Treasury yields in anticipation of faster US economic recovery had caused investors to shift to US Treasuries, leading to the strengthening of the US dollar. Nevertheless, the ringgit appreciated against the Japanese yen (3.7%), the euro (1.3%), Thailand baht (1.1%) and Korean won (0.7%) during the month.

The ringgit strengthened against the US dollar in April 2021. The decline in US Treasury yields was due to the market expecting that the Fed would commence the tapering of its asset purchase programme at a later date. This situation, coupled with firmer crude oil prices, led to non-resident portfolio inflows into the domestic bond market hence supporting the ringgit. Nonetheless, downside risks from the extension to the MCO 3.0 from 12 May 2021 continued to dampen investors' risk appetite.

As at end-September, the ringgit depreciated by 4.2% against the US dollar. The trend was driven by the path of the pandemic both globally and domestically, which affected the growth outlook. This was further intensified by shifting expectations surrounding the timeline of the Fed's tapering of its asset purchase programme and monetary policy lift-offs.

Moving forward, these factors are expected to influence the movements in ringgit. Over the medium-term, sustained economic recovery coupled with strong fundamentals are expected to support the ringgit.

FIGURE 3.2. Performance of Ringgit against Selected Currencies (% change)



Source: Bank Negara Malaysia

Banking Sector Performance

Banking sector remains well-capitalised

The capacity of the banking sector to absorb losses remained strong. In addition, the sector is well-capitalised to withstand potential risks and sustain credit intermediation in the economy. This strong position is supported by healthy capital and liquidity level coupled with resilient asset quality and prudent loan loss reserves. As at end-July 2021, the excess total capital buffer¹ remained stable at RM129.2

billion with the capital ratios, namely Common Equity Tier 1 Capital, Tier 1 Capital, and Total Capital Ratios, at healthy levels of 14.7%, 15.2%, and 18.5%, respectively. The ratios were well above the Basel III minimum regulatory levels of 4.5%, 6%, and 8% of risk-weighted assets, respectively.

Banking sector earnings declined in 2020, dragged by the pre-emptive provisioning in anticipation of higher losses. Nevertheless, the pre-tax profit of the sector increased by 2.8% to RM21.1 billion in the first seven months of 2021. The higher pre-tax profit was attributed to improved net interest income from lower cost of funds and lower provisions made during the period. The banking operating conditions continued to improve, supported by a strong balance sheet and robust liquidity. These were reflected by the returns on assets and equity, which remained relatively steady at 1.2% and 10.4%, respectively. The prospect of the banking sector remains forthcoming, supported by digitalisation initiatives, agile work culture, improved customer experience and enhanced enterprise risk management.

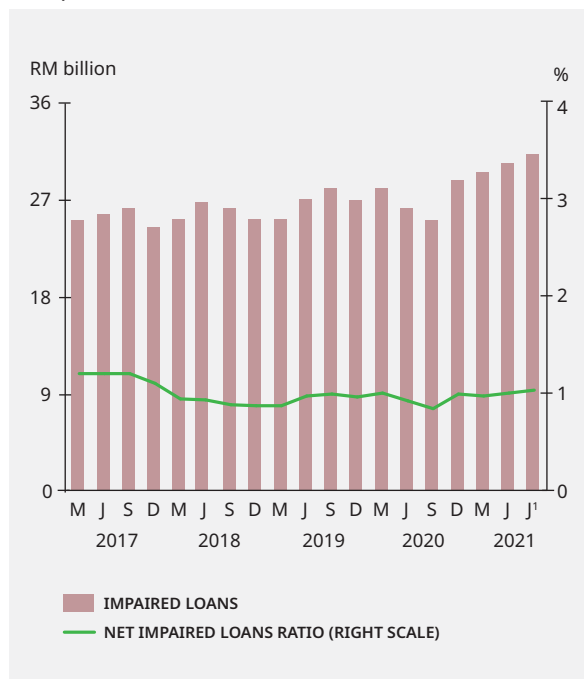
The loan quality of the banking sector continued to remain resilient with a stable net impaired loans ratio of 1.03% as at end-July 2021. The loan loss coverage ratio (including regulatory reserves) remained healthy at 128%. Meanwhile, the Liquidity Coverage Ratio was at 152%, well above the 100% minimum requirement. Notwithstanding the adverse effects of the pandemic on the economy, Malaysia's banking system remained resilient, backed by prudent underwriting, ample liquidity and deposit-driven funding.

Lending activities improved, underpinned by the relaxation of more economic sectors and the speed-up of vaccination rates. From January to July 2021, loan approvals increased by 16.1% to RM215.4 billion, while loan disbursements rose by 22.3% to RM803.4

¹ Excess total capital buffer refers to the total capital above the banks' regulatory minima, which also includes the capital conservation buffer (2.5% of risk-weighted assets) and bank-specific higher minimum requirements.

billion. Overall, total loans outstanding expanded by 3.1% to RM1,862.8 billion as at end-July 2021.

FIGURE 3.3. Banking System: Impaired Loans and Net Impaired Loans Ratio (End-period)



¹ End-July 2021
Source: Bank Negara Malaysia

Lending to businesses slowed down, reflecting cautious sentiment amid the resurgence in COVID-19 cases. Loan approvals to businesses declined by 3.1% to RM78.3 billion as at end-July 2021. Nevertheless, total loan disbursements to businesses increased by 21.6% to RM524.3 billion, representing 65.3% of total loans disbursed. The disbursements were mainly channelled to manufacturing, accounting for 23.4% of total loan disbursed, followed by wholesale and retail trade, restaurants and hotels (18.8%) and finance, insurance, and business activities (7.2%) sectors. Loans outstanding to the business sector grew by 1.3% to RM642.2 billion, accounting for 34.5% of total loans outstanding.

Household borrowings expanded faster, with loan approvals improving by 41.6% to RM126.9 billion. Similarly, loans disbursed to households

rose by 10.5% to RM184.7 billion, mainly for consumption credit (11.4%), purchase of residential properties (5.5%) and passenger cars (2.7%). This was attributed to, among others, the measures announced in the various Government stimulus packages. As at end-July 2021, total household loans outstanding expanded by 4.2%, amounting to RM1,094.9 billion, constituting 58.8% of total loans outstanding in the banking sector.

TABLE 3.2. Banking System: Loan Indicators, January - July 2020 and 2021

	RM BILLION		CHANGE (%)	
	2020	2021	2020	2021
Total¹				
Loans applications	447.9	523.0	-10.7	16.8
Loans approvals	185.5	215.4	-22.0	16.1
Loans disbursements	657.1	803.4	-7.3	22.3
Loans outstanding ^{2,3}	1,806.1	1,862.8	4.5	3.1
<i>of which:</i>				
Businesses				
Loans applications	201.0	180.2	-1.5	-10.3
Loans approvals	80.8	78.3	-12.5	-3.1
Loans disbursements	431.0	524.3	-4.3	21.6
Loans outstanding ³	634.1	642.2	3.9	1.3
Households				
Loans applications	227.6	323.7	-18.4	42.2
Loans approvals	89.6	126.9	-30.1	41.6
Loans disbursements	167.1	184.7	-16.3	10.5
Loans outstanding ³	1,050.9	1,094.9	4.3	4.2

¹ Includes foreign entities, other domestic entities, Government and others

² Includes loans sold to Cagamas

³ As at end-period

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

The banks were responsive to the plight of individuals and businesses affected during the pandemic. The six-month automatic moratorium on loan repayments introduced under the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) in April 2020 provided immediate cash flow relief to households and businesses. In October 2020, following the

gradual easing of the MCO, banks transitioned toward a more targeted repayment assistance that focused on borrowers who continued to require financial assistance, such as individuals in the B40 category and microenterprises.

When the nationwide full-lockdown was reimposed in June 2021, the repayment assistance programme was expanded to a broader group of borrowers under the People and Economic Strategic Empowerment Programme Plus (PEMERKASA+) and People and Recovery of the Economy (PEMULIH) packages. Borrowers were given the option of a moratorium or reduction in monthly instalments. In addition, banks also offered other forms of assistance that cater to borrowers' specific financial circumstances. From 1 June to 10 September 2021, around 2.6 million individuals and 86,000 small and medium enterprises (SMEs) had obtained repayment assistance, with the total value of outstanding loans amounting to RM469.4 billion.

As at end-June 2021, the overall household debt² was valued at RM1,335.4 billion compared to total household financial assets³ (RM2,900.5 billion). In terms of household debt to gross domestic product, the ratio has fallen to 89.6% as at end-June 2021 (end-2020: 93.2%) due to the recovery in economic growth recorded during the first half of 2021. The bulk of the debt is for wealth accumulation, such as residential properties (57.3%), non-residential properties (6%) and investment in securities (5.3%). The resilience of the overall household sector remains supported by prudent median debt service ratios (DSR) and ample financial buffers. This is also reflected by lending, which continues to be underpinned by sound underwriting standards and loan affordability assessments by banks. Moving forward, household debt levels will be closely monitored. Meanwhile, recalibration of existing macroprudential measures will be dependent on the likelihood of build-up of risks in the property market and household indebtedness.

TABLE 3.3. Banking System: Loans Outstanding by Sector, End-July 2020 and 2021

	RM BILLION		SHARE (%)	
	2020	2021	2020	2021
Businesses	634.1	642.2	35.1	34.5
Non-SMEs ¹	352.4	349.8	19.5	18.8
SMEs	281.8	292.4	15.6	15.7
<i>Selected sectors</i>				
Primary agriculture	34.6	32.7	1.9	1.8
Mining and quarrying	9.0	8.9	0.5	0.5
Manufacturing ²	122.4	129.0	6.8	6.9
Electricity, gas and water supply	14.7	14.5	0.8	0.8
Wholesale and retail trade, restaurants and hotels	134.4	142.9	7.4	7.7
Construction	91.6	91.0	5.1	4.9
Real estate	113.8	108.6	6.3	5.8
Transport, storage and communication	39.8	38.4	2.2	2.1
Finance, insurance and business activities	162.8	158.7	9.0	8.5
Households	1,050.9	1,094.0	58.2	58.8
<i>of which:</i>				
Purchase of residential properties	600.1	640.7	33.2	34.4
Purchase of non-residential properties	80.5	79.1	4.5	4.2
Purchase of passenger cars	146.2	151.8	8.1	8.1
Consumption credit	134.2	131.4	7.4	7.1
<i>of which:</i>				
Credit cards	35.3	31.4	2.0	1.7
Personal use	98.9	100.0	5.5	5.4
Purchase of securities	66.3	68.8	3.7	3.7
Others	0.0	0.0	0.0	0.0
Other sectors	121.0	125.7	6.7	6.7
Total³	1,806.1	1,862.8	100.0	100.0

¹ Non-SMEs refers to large corporations, including foreign entities, other domestic entities, Government and others

² Including agro-based

³ Total = Businesses + Households + Other sectors

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

² Extended by both banks and non-bank financial institutions.

³ Assets held by households including deposits, investments in unit trust funds and equities, insurance/takaful policies and Employees Provident Fund (EPF) savings.

FEATURE ARTICLE 3.1

Environmental, Social and Governance Practices: Toward Enhancing Corporate Resilience in Malaysia

Introduction

The COVID-19 pandemic has adversely impacted the economy and businesses in countries around the world. Nevertheless, amid the economic adversity caused by the pandemic, reports have emerged of firms with high environmental, social and governance (ESG) ratings and ESG-based investment portfolios being able to weather the adverse conditions better compared to non-ESG rated companies. Moreover, this is the first time ESG has held up well through such a significant economic downturn as a product category (Harris, 2020). Previously, most investors viewed that investing in ESG implies lower returns. However, the challenges faced by the market in 2020 proved otherwise (Tett, 2020).

The need for Public Listed Companies (PLCs) to pay closer attention to issues related to ESG continues to soar. This is because more investors and shareholders expect greater transparency and strong company policies on the environment, social well-being, and multiple stakeholder groups. Portfolios with substantial capital invested in firms with high environmental and social impact benefited from superior risk-return performance, attracting institutional investors seeking profitable opportunities. Furthermore, ethical investors interested in making a social impact on top of generating financial returns are also attracted to ESG investments for their returns and stability.

In Malaysia, ESG investment is still at a nascent stage. Nevertheless, companies with good ESG performance have proven to be more resilient and better positioned to innovate and capitalise on ESG opportunities during the COVID-19 pandemic. However, the empirical measurements are more apparent from a longer-term view, marked with stable returns over a period of time. While worldwide stock prices plummeted severely during the first quarter of 2020, most ESG-based indices could still outperform the non-ESG based indices. As for the Malaysian capital market, the performance of the ESG index (FTSE4Good Bursa Malaysia Index (F4GBM)) has outperformed FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) by 3.4% from 31 December 2013 to 30 June 2021 (Bursa Malaysia, 2021). The trend of F4GBM returns against FBM KLCI is shown in Figure 3.1.1.

FIGURE 3.1.1. KL Stock Exchange Performance: F4GBM vs FBM KLCI, 1 January 2015 to 30 June 2021



Source: Bursa Malaysia, 2021

Environmental, Social and Governance Components of Investment

The ESG is a set of standards of non-financial factors (Figure 3.1.2.) for socially conscious investors to screen potential investments. The United Nations Global Compact introduced ESG for Principles for Responsible Investment (PRI) (Kell, 2018). According to the report published by Morningstar (2021a), sustainable investing has become increasingly relevant due to the climate crisis and the growing criticism of the shareholder-primary view of the corporation. However, there is no universal categorisation for ESG. The term varies according to the industry, company and business model.

FIGURE 3.1.2. *Environmental, Social and Governance*



Source: Corporate Finance Institute, 2021

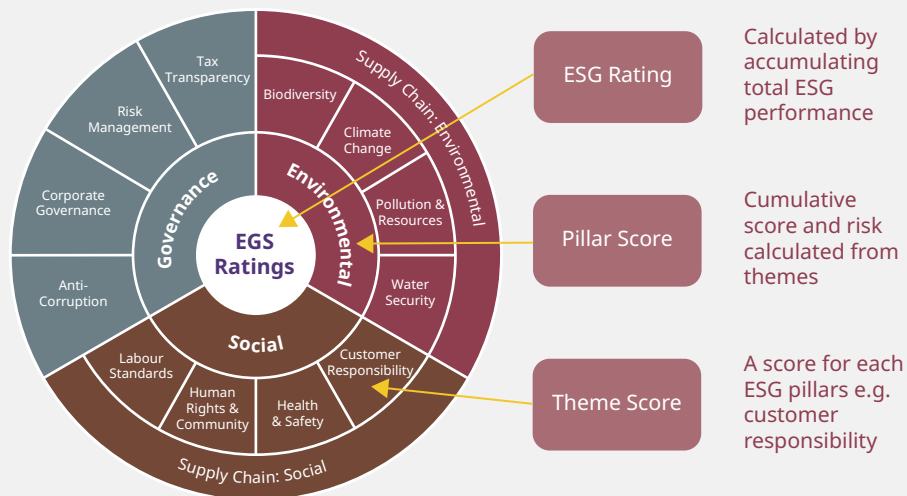
In most cases, the ESG criteria measure firms' commitment towards environmental, social and governance-related issues. For example, the environmental criteria consider how a company performs as a steward of nature in relation to carbon emission, water usage, water pollution, waste, renewable and non-renewable resources. The social criteria examine how the firm manages its relationships with employees, suppliers, customers, and their communities. It could also be related to workplace diversity, health and safety, labour strikes, child labour and workers' welfare. Meanwhile, the governance criteria deal with, among others, a company's leadership and management philosophy, policy, board diversity, effort to combat corruption, shareholders' rights, and board management. Potential investors will apply the ESG criteria when considering environmental, social and governance issues which cannot be measured through traditional financial analysis.

Environmental, Social and Governance Ratings and Why They Matter

Company products that gained positive screening from investors are usually related to green investing and have higher ESG scores. In contrast, companies earning negative screening include those involved in alcohol, tobacco, firearm and gambling, as well as having labour and human rights violations and non-compliance of environmental standards, as defined by the United Nations Global Compact Principles. Nowadays, investors using ESG scores will be more cautious in their investment strategies as a poor score can significantly lead to an unsatisfactory rating. If a PLC receives a poor rating, its stock might be considered an unsustainable asset and excluded from investors' portfolios. If multiple investors follow this reasoning, this can eventually have a negative impact on the company's stock price (Stoppa, n.d.). Figure 3.1.3. shows the ESG rating.

Businesses can benefit from practising ESG mainly in four ways. Firstly, ESG helps firms increase or maintain their corporate reputation by communicating ESG issues to investors, customers and

FIGURE 3.1.3. Environmental, Social and Governance Ratings



Source: Malaysia Petroleum Resources Corporation, 2021

stakeholders. This will raise awareness and create business opportunities for the firm, given the changing economic, social and environmental landscape. Moreover, ESG enhances a firm’s ability to operate and become more adaptable by helping firms achieve business objectives and respond to crises. Secondly, ESG helps firms identify short and long-term risks, such as material and labour force shortages. Thirdly, ESG encourages firms to create opportunities by pushing for more innovation. For instance, while addressing ESG issues, firms may need to develop new products or services to meet current market requirements. Fourthly, applying ESG criteria in workforce evaluation will allow greater insight into talent recruitment and retention issues.

Most companies are keen to improve and respond to ESG concerns, mainly due to the pressure from institutional and retail investors to adopt ESG practices. It is also due to accountability towards stakeholders as ESG disclosure is deemed more resilient and sustainable in the long term. Institutional funds are riding the ESG wave by joining the United Nations supported PRI network of investors. To date, several local institutional investors have joined PRI, including Khazanah Nasional Berhad in 2017, the Public Services Pension Fund (KWAP) in 2018 and the Employees Provident Fund (EPF) in 2019 (Ng, 2020).

The increasing relevance and importance of ESG are also becoming more apparent among Malaysian PLCs. For example, a manufacturer invested a few hundred million ringgits for conducive workers’ accommodation to comply with the Workers’ Minimum Standards of Housing and Amenities Act 1990 [Act 446] and the ESG requirement (Chan, 2021). Previously, the manufacturer failed to provide proper accommodation for its workers (Idris, 2021), resulting in its removal from three ESG indexes, namely the F4GBM, FTSE4Good ASEAN 5 and MSCI Emerging Markets ESG (Cheah, 2021). Similarly, the plantation sector has been in the limelight primarily due to deforestation and labour related issues. This had resulted in foreign shareholdings in the plantation sector declining over the years (The Star, 2021). Therefore, by complying with ESG practices and reporting, Malaysia’s plantation companies will be deemed more favourably by financial institutions and funds.

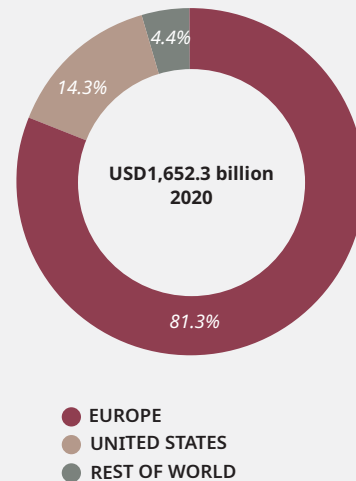
The Growth of Environmental, Social and Governance Fund

The appetite for ESG-related funds has increased at the international level after the 2008 – 2009 financial crisis, and it became more evident during the COVID-19 pandemic. The pandemic had affected worldwide economic systems and forced governments and businesses to adopt more progressive and sustainable development and planning. As a result, ESG-related funds

outperformed other conventional funds in 2020. Furthermore, the surge in ESG flows was influenced by public policy supporting the transition to a low-carbon economy where market rules and tax regimes were restructured to encourage climate-friendly investments (Jessop & Howcroft, 2021).

In 2020, ESG-themed funds rose by 29% to USD1.65 trillion globally (Figure 3.1.4.), with Europe dominating more than 80% of the funds received (Morningstar, 2021b). Sustainable funds are also more attractive than ever for US investors (Morningstar, 2021a). The ESG funds captured USD51.1 billion of net new assets from US investors. This is a 143% increase compared to 2019, where only USD21 billion flowed into funds that apply ESG principles. The findings are also supported by a study conducted by the Forum for Sustainable and Responsible Investment (US SIF) Foundation in 2020. The study estimated that one in three US dollars of overall assets managed in the United States is subject to some sustainable investment strategy. Even the fundamental consideration of ESG issues to enhance investment performance has become widespread among conventional investment managers, who are beginning to recognise the materiality of ESG and the opportunities in security selection (Morningstar, 2021a).

FIGURE 3.1.4. Global Sustainable Fund Flows 2020



Source: Morningstar, 2021b

To support the growth of ESG-focused investments domestically, Bursa Malaysia and FTSE launched the nation's first ESG index in December 2014, the F4GBM Index. Since its launching, the number of constituents in the index has tripled from 24 to 76 as of June 2021. Out of 76 constituents, 42% are from mid-cap companies in the FTSE Bursa Malaysia Mid 70 Index (FBM 70), while companies in the large-cap FBM KLCI and small-cap FTSE Bursa Malaysia Small Cap Index (FBM SCAP) represent 29% each, of the total share. The index's sectoral representatives are described in Table 3.1.1.

TABLE 3.1.1. Sector Representatives in F4GBM

Index Component Mix	Sector Reach		
FBM KLCI 29%	Consumer 18%	Property 8%	Industrial 6%
FBM 70 42%	Financial 17%	Transportation 7%	Technology 5%
FBM SCAP 29%	Telecommunication 10%	Plantation 7%	Healthcare 4%
71% are Shariah compliant	Energy 8%	Utilities 7%	REITs 3%

Source: Bursa Malaysia-FTSE Russell, 2021

Currently, Malaysia is the fourth largest green financial market in ASEAN, after Singapore, Indonesia and the Philippines, and the market has grown to USD1.3 billion in 2019 (The Malaysian Reserve, 2021). In Malaysia, there are 22 qualified Sustainable and Responsible Investment (SRI) funds as of July 2021 (Securities Commission Malaysia, 2021), as shown in Table 3.1.2. In April 2021, the Government issued the world's first sovereign Sustainability Sukuk via the issuance of USD800 million 10-year trust certificates. Concurrently, the Government also successfully issued USD500 million 30-year Trust Certificates (Wakalah Sukuk). Both tranches of the sukuk received an overwhelming response from international and domestic investors where it was oversubscribed by 6.4 times. The positive development will undoubtedly pave the way for other Malaysian issuers to tap into the ESG funding base to address ESG concerns.

TABLE 3.1.2. *Sustainable and Responsible Investment Funds*

FUND	TYPE OF COLLECTIVE INVESTMENT SCHEME	DATE OF QUALIFICATION
InterPac Social Enterprise and Responsibility Fund	Wholesale Fund	26 Feb 2018
BIMB ESG Sukuk Fund	Unit Trust Fund	23 May 2018
Public e-Islamic Sustainable Millennial Fund	Unit Trust Fund	15 Oct 2019
Singular Value Fund	Wholesale Fund	11 Nov 2019
Singular Asia Flexible Fund	Wholesale Fund	11 Nov 2019
Maybank Global Sustainable Equity-I Fund	Unit Trust Fund	09 Mar 2020
AmIslamic Global SRI	Unit Trust Fund	06 Apr 2020
United-i Asia ESG Income Fund	Unit Trust Fund	15 Oct 2020
RHB i-Global Sustainable Disruptors Fund	Unit Trust Fund	13 Nov 2020
Maybank Global Sustainable Technology Fund	Unit Trust Fund	23 Dec 2020
Public e-Carbon Efficient Fund	Unit Trust Fund	13 Jan 2021
Affin Hwang SGD Bond Fund	Unit Trust Fund	27 Jan 2021
BIMB-ARABESQUE Global Shariah Sustainable Equity Fund	Unit Trust Fund	03 Feb 2021
RHB Global Impact Fund	Wholesale Fund	04 Feb 2021
TA Global Absolute ESG Alpha Fund	Unit Trust Fund	16 Feb 2021
RHB Sustainable Global Thematic Fund	Wholesale Fund	17 Feb 2021
Makmur myWakaf Fund	Unit Trust Fund	25 Feb 2021
Nomura Global Sustainable Equity Fund	Unit Trust Fund	06 May 2021
United-i ESG Series - Conservative Income Fund	Wholesale Fund	19 May 2021
MIDF Amanah ESG Mustadamah Fund	Unit Trust Fund	20 May 2021
United ESG Series - Conservative Bond Fund	Unit Trust Fund	01 Jul 2021
BIMB-Arabesque Global Shariah-ESG AI Technology Fund	Unit Trust Fund	23 Jul 2021

Source: Securities Commission Malaysia, 2021

Issues Faced by Public Listed Companies in Disclosing Environmental, Social and Governance Practices

Most of the PLCs, either large or small, try to adhere to the ESG standard. One of the significant barriers is their lack of sufficient resources or internal capacity to undertake more complex sustainability-related practices and processes, such as those aimed at addressing the impacts of climate change. This is especially true for smaller PLCs. The business case is somewhat unclear for some PLCs as sustainability benefits often materialise in the long-term and are sometimes intangible (Bursa Malaysia, 2021). Table 3.1.3. shows that although PLCs tend to have a high compliance disclosure on sustainability, there is still a lot of room for improvement in terms of the quality of the disclosure.

TABLE 3.1.3. Sustainability Disclosure Reviews for Public Listed Companies, 2017 – 2019

REVIEW OF FIRST-TIME REPORTERS	AVERAGE COMPLIANCE LEVELS	AVERAGE QUALITY SCORES
2017 PLCS with market capitalisation ≥ RM2 billion	90%	47%
2018 PLCs with market capitalisation ≥ RM1 billion	90%	49%
2019 PLCs with market capitalisation < RM1 billion	93%	59%

Source: Bursa Malaysia Sustainability Report, 2020

The unprecedented impact of the COVID-19 pandemic has underscored the value of solid ESG practices in enhancing the business resilience of PLCs, especially in times of crisis. Nevertheless, numerous international sustainability-related standards and frameworks are problematic since every standard and framework has established a distinctive approach to sustainability reporting. For instance, some of these revolve around contribution to general sustainable development while others aim to satisfy the specific informational needs of investors. Each standard and framework also cater to the needs of different stakeholder groups, and even what is considered material lacks uniformity. Overall, the inevitable overlaps, similarities, and differences have led to confusion and fragmentation. This is particularly true for companies that have to prepare the report using multiple standards, which can be complex and costly (Bursa Malaysia, 2021).

Conclusion

The COVID-19 pandemic has affected company performance and investments worldwide. Nevertheless, it has increased awareness among PLCs and small and medium enterprises to engage more aggressively in ESG practices for survival. The prospects of ESG investment was not affected during the pandemic. In fact, ESG-conscious and loyal investors continue to support companies practising ESG standards. Moving forward, the demand for greater transparency, workers' welfare, renewable energy and green infrastructure is expected to be stronger. By adopting ESG practices, companies would improve investment prospects, embark on reforms and hasten the recovery process from the pandemic, hence enhancing corporate resilience in Malaysia.

Capital Market Performance

Fundraising activities continue to be vibrant

In the first seven months of 2021, gross funds raised in the capital market increased by 13.4% to RM163 billion. The upbeat performance was contributed by higher fundraising activities by the private sector. Fundraising activities by the private sector increased significantly by 43.1% to RM65.6 billion, while funds raised by the public sector decreased marginally by 0.5% to RM97.4 billion.

Gross funds raised by the private sector through the corporate bond market rebounded by 40.2% to RM63.8 billion. The bulk of new issuances was medium-term notes, accounting for 97.1% of total corporate bonds. The majority of the funds was raised by the finance, insurance, real estate, and business services sector, accounting for 55.8% of total corporate bond issuances. This is followed by the electricity, gas and water (21.2%) and construction (8.6%) sectors. The funds raised were mainly used to finance infrastructure projects, new business activities and working capital.

For the first seven months of 2021, gross funds raised by the public sector via the issuances of MGS and MGII decreased marginally by 0.5% to RM97.4 billion. The issuance of MGS stood at RM48.5 billion, while MGII was RM48.9 billion. At the same time, the capital bond inflow reached RM20.8 billion. Meanwhile, foreign holdings of MGS and MGII stood at 40.4% and 7.8%, respectively, as at end-July 2021. The funds raised were utilised to finance development expenditure and stimulus packages.

In terms of MGS and corporate bond yields, during the first seven months of 2021, the trend was generally higher across all tenures. Following significant adjustments during the

first quarter of 2021, bond yields in advanced economies consolidated as major central banks maintained accommodative policy stances against expected transitional inflation. This benefitted emerging market's fixed income assets by making their yield relatively more

TABLE 3.4. *Funds Raised in the Capital Market, January – July 2020 and 2021*

	RM MILLION	
	2020	2021
Public Sector		
Government securities		
Malaysian Government Securities	49,969.9	48,482.7
Malaysian Government Investment Issues	47,916.4	48,895.2
New issues of debt securities	97,886.3	97,377.9
Less: Redemptions	38,000.0	39,000.0
Net funds raised by the public sector	59,886.3	58,377.9
Private Sector		
Shares¹/Warrants		
Initial Public Offers	292.1	1,775.9
Rights Issues	-	-
Warrants	-	-
New issues of shares/warrants	292.1	1,775.9
Debt securities²		
Straight bonds	386.5	780.0
Convertible bonds	-	-
Islamic bonds	3,200.0	1,056.2
Medium-term notes	41,966.7	62,012.9
New issues of debt securities	45,553.2	63,849.2
Less: Redemptions	29,073.9	45,045.7
Net issues of debt securities	16,479.2	18,803.5
Net funds raised by the private sector	16,771.3	20,579.4
Total net funds raised	76,657.6	78,957.3

¹ Excludes funds raised by the exercise of Employee Share Option Scheme, Transferable Subscription Rights, Warrants and Irredeemable Convertible Unsecured Loan Stocks

² Excludes short-term papers in conventional and Islamic principles

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

attractive to international investors seeking higher returns. From January to July 2021, the 1-year, 3-year, 5-year, and 10-year MGS yields increased within the range of 3 to 52 basis points (bps). In the corporate bond market, yields on the 5-year AAA-rated, AA-rated and A-rated securities increased within the range of 6 to 43 bps as investors' appetite for corporate debt improved.

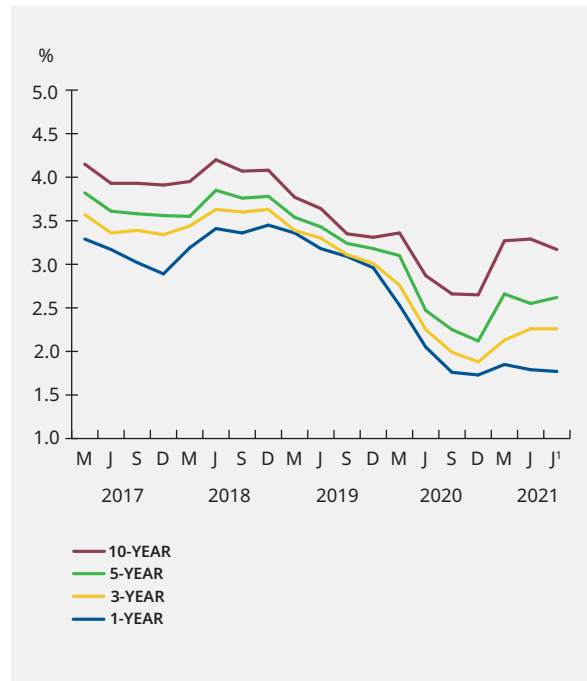
Funds raised through the domestic equity market increased to RM1.8 billion, contributed by the new issuance of initial public offerings (IPOs). The IPOs were attributed to, among others, a significant listing from the digital services sector. The positive sentiment among investors was partly due to businesses adapting to the challenging environment while embracing digital technology in running their operations.

TABLE 3.5. New Issuance of Corporate Bonds by Sector, January - July 2020 and 2021

	RM MILLION		SHARE (%)	
	2020	2021	2020	2021
Agriculture, forestry and fishing	-	1,939.2	0.0	3.0
Manufacturing	306.0	45.0	0.7	0.1
Construction	4,639.5	5,490.7	10.2	8.6
Electricity, gas and water	3,185.0	13,505.4	7.0	21.2
Transport, storage and communication	1,120.0	1,400.0	2.5	2.2
Finance, insurance, real estate and business services	32,791.7	35,604.9	72.0	55.8
Government and other services	3,301.0	5,195.0	7.2	8.1
Wholesale and retail trade, restaurant and hotels	210.0	668.9	0.5	1.0
Total	45,553.2	63,849.2	100.0	100.0

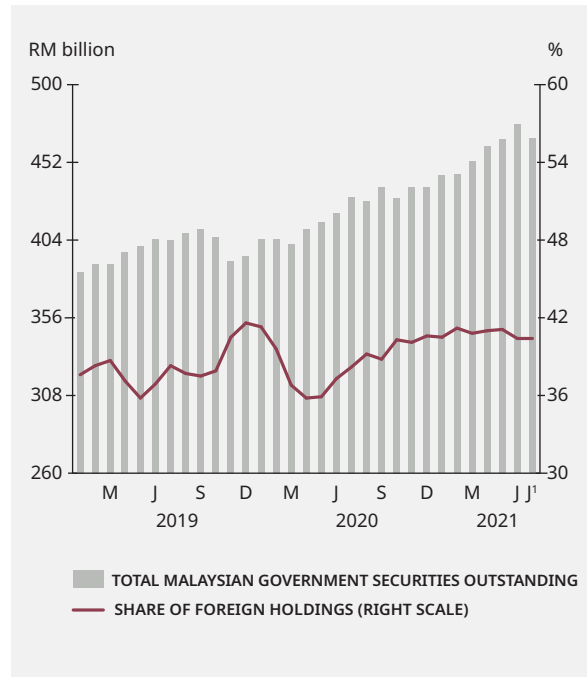
Note: Includes corporate bonds issued by Cagamas and non-resident corporations
 Total may not add up due to rounding
 Source: Bank Negara Malaysia

FIGURE 3.4. Malaysian Government Securities Indicative Yields (End-period)

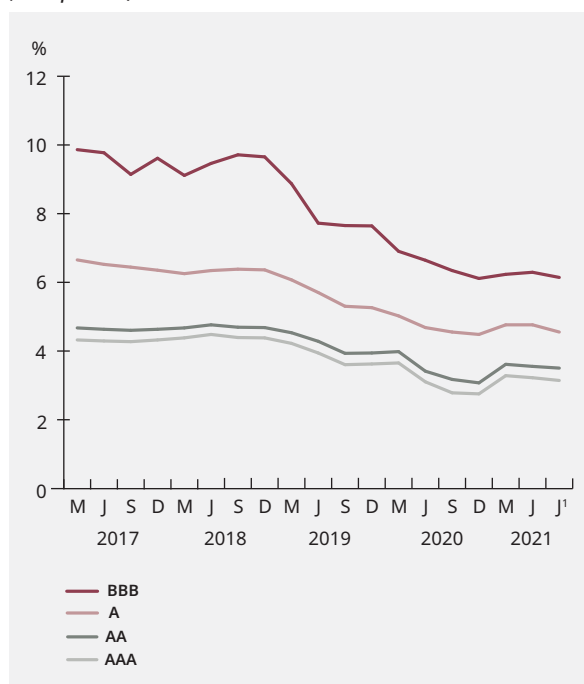


¹ End-July 2021
 Source: Bank Negara Malaysia

FIGURE 3.5. Share of Foreign Holdings in Total Malaysian Government Securities Outstanding (End-period)



¹ End-July 2021
 Source: Bank Negara Malaysia

FIGURE 3.6. 5-Year Corporate Bond Yields (End-period)


¹ End-July 2021
Source: Bank Negara Malaysia

The FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI), along with major regional bourses, began the year on a softer note amid bearish sentiment due to uncertainties following the spike in COVID-19 cases. Furthermore, the implementation of MCO 2.0 increased uncertainty and heightened the risk in the local market. As a result, FBM KLCI ended January 2021 lower at 1,566.40 points (end-December 2020: 1,627.21 points).

The roll-out of the National COVID-19 Immunisation Programme (PICK) on 24 February 2021 provided a boost to the market. This was reflected by strong buying interests, where the local bourse ended the month higher at 1,577.75 points. The FBM KLCI entered a bullish trend in March 2021. The index reached a high of 1,639.83 points on 10 March, supported by stronger Wall Street performance and a lower daily average of domestic COVID-19 cases.

As at April 2021, the FBM KLCI declined to 1,601.65 points. A weaker manufacturing Purchasing Manager's Index in China partly

TABLE 3.6. Bursa Malaysia: Selected Indicators, End-September 2020 and 2021

	2020	2021
Indices		
FBM KLCI	1,504.82	1,537.80
FBM EMAS	10,831.56	11,311.08
FBM 100	10,660.70	10,998.02
FBM SCAP	12,835.21	16,078.70
FBM ACE	9,914.01	7,158.90
Total turnover¹		
Volume (million units)	1,271,710.10	1,201,645.98
Value (RM million)	749,007.22	729,218.25
Average daily turnover¹		
Volume (million units)	6,911.47	6,602.45
Value (RM million)	4,070.69	4,006.69
Market capitalisation (RM billion)	1,638.72	1,802.13
Total number of listed companies		
Main Market	765	762
ACE Market	133	143
LEAP Market	34	42
Market liquidity		
Turnover value/market capitalisation (%)	45.7	40.5
Market concentration		
10 highest capitalised stocks/market capitalisation (%)	32.0	31.3

¹ Based on market transactions and direct business transactions between January and September
Source: Bursa Malaysia

contributed to the softer market risk appetite. Meanwhile, following the surge in COVID-19 cases and the emergence of the Delta variant, the Government reimposed a total national lockdown (MCO 3.0) and subsequently implemented Phase 1 of the National Recovery Plan in June 2021. In addition, the World Bank had revised the domestic growth downward

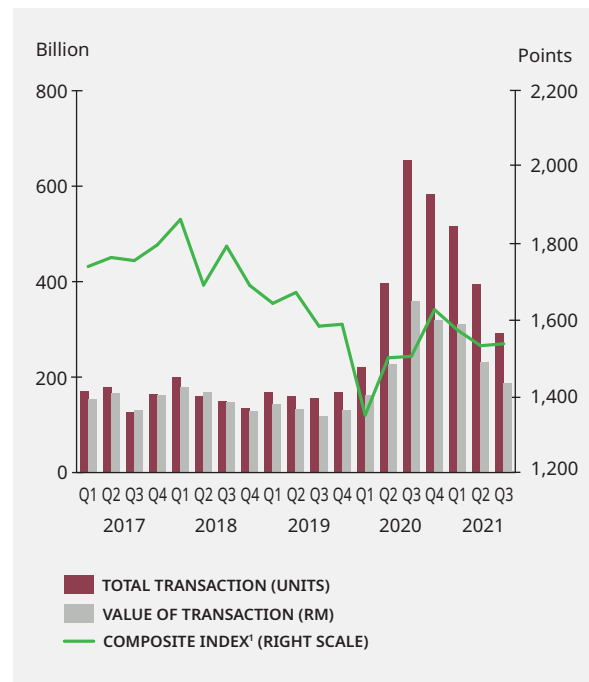
due to slower-than-expected economic recovery and vaccine roll-out. These factors dampened the market’s risk-on sentiment as investors offloaded their positions in the local equity. Consequently, the local bourse fell to 1,532.63 points as at end-June 2021.

The FBM KLCI breached the 1,600 psychological level and closed at 1,601.38 points in August 2021 from higher investor’s risk appetite. The improvement was propelled by a positive net foreign funds’ inflow into the local equity market during the month, the first since June 2019 and better-than-expected corporate earnings. Market confidence was further bolstered by a significant national percentage of the fully vaccinated adult population at 64.2% by end-August 2021.

At the end of September 2021, the local bourse lost 63.58 points or 3.97% to close at 1,589.19 points. This was due to the likelihood of the Fed reducing its monthly bond purchases as early as November 2021 signalling that interest rate hike may occur sooner than expected. In addition, the property market shock in China and geopolitical tensions dampened local market sentiment. Nevertheless, the gradual reopening of the local economy is expected to improve market sentiment, leading to a possible rebound in FBM KLCI performance.

For the first nine months of 2021, the market capitalisation rose by 10% to RM1,802.13 billion. The overall market⁴ remains vibrant, with market transacted value recording RM729.2 billion, while the total volume of shares traded was 1,201.6 billion units. From January to September 2021, the market velocity registered 54%, while market volatility was 9.1%. Meanwhile, the foreign holdings based on market capitalisation in the local bourse stood at 13% at end-September 2021. The domestic equity market is expected to gain support from sustained economic recovery along with the release of pent-up demand and a higher vaccination rate accomplished through PICK.

FIGURE 3.7. Performance of Bursa Malaysia



¹ As at end-period
Source: Bursa Malaysia

FIGURE 3.8. Performance of Selected Stock Markets (% change)



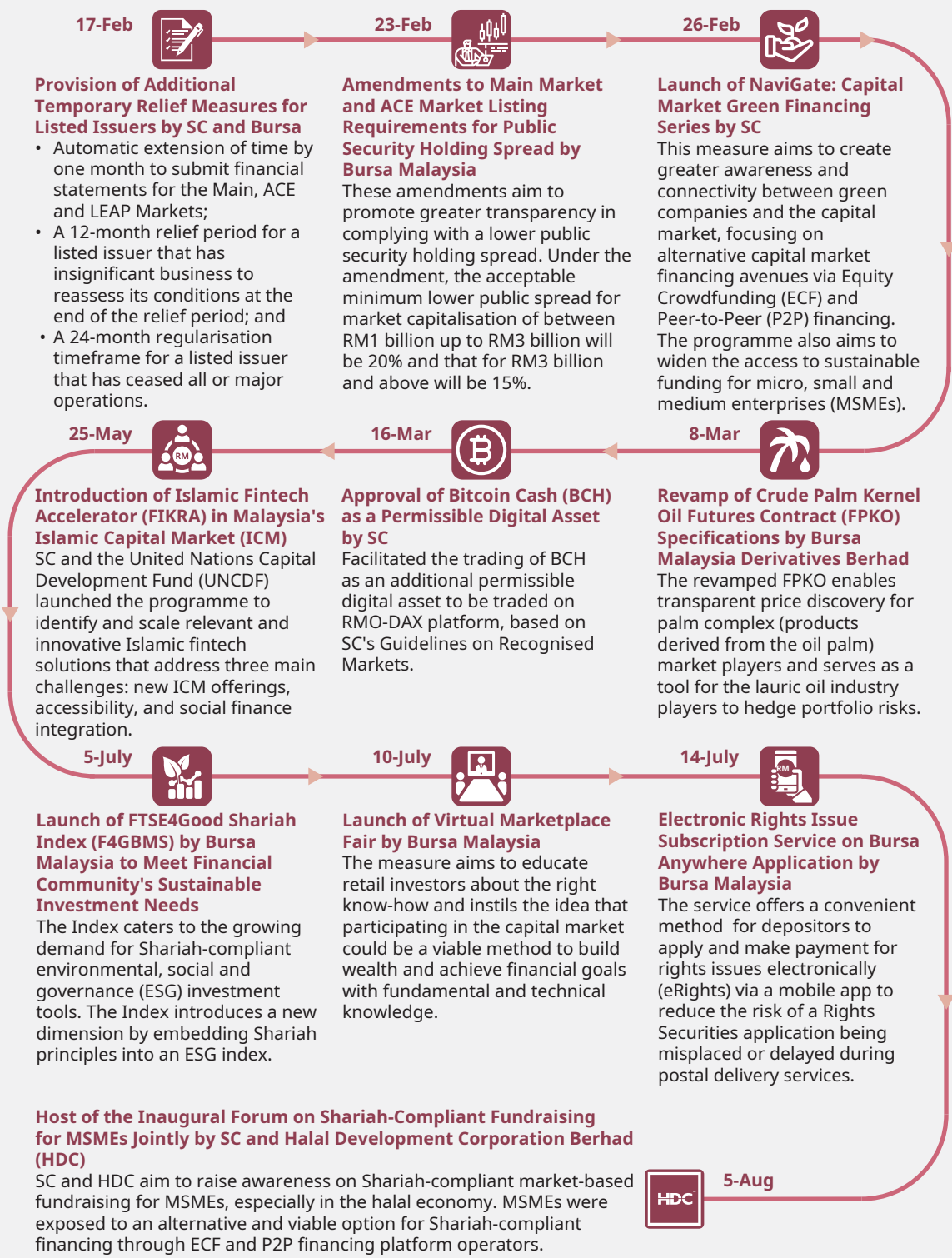
Source: Bloomberg

⁴ Comprises of Main, ACE and LEAP markets.

INFORMATION BOX 3.1

Key Capital Market Measures

Ten key capital market measures were undertaken in the first eight months of 2021 to enhance liquidity and efficiency in the capital market. The measures implemented by Securities Commission Malaysia (SC) and Bursa Malaysia are as follows:



Islamic Banking and Capital Market Performance

Islamic banking and capital market remain resilient to complement economic recovery

The Islamic banking sector remains robust despite experiencing challenges from the more stringent implementation of MCO following the resurgence of COVID-19 cases. As at end-July 2021, total Islamic banking assets expanded by 9.1% to RM1,132.5 billion⁵, constituting 34.8% of the total market share. Similarly, total Islamic financing outstanding increased further by 5.6% to RM831.6 billion. Financing to the household sector, which accounts for 64.5% of total financing, was mainly for the purchase of residential properties (13.8%) and passenger cars (10%). The demand in the household sector remains strong, supported by various stimulus packages and the reopening of all economic sectors through the ramp-up of mass vaccination exercise.

To continue empowering and building the social resilience of businesses, Islamic financial institutions piloted several initiatives such as blended finance and liquidity facility for SMEs under the current economic condition. The iTEKAD programme was launched to help low-income micro-entrepreneurs generate sustainable income through microfinancing and structured training through social finance instruments. There is also Skim CAKNA which provides an avenue for Government vendors to address their liquidity needs as the scheme allows vendors to sell outstanding invoices to Islamic banks.

The Islamic Capital Market (ICM) continues to gain traction in Malaysia. As at end-July 2021, the domestic size of ICM was valued at RM2,254 billion, accounting for 65.7% of RM3,433 billion of Malaysia's total capital market. Meanwhile, during the first seven months of 2021, sukuk issuances amounted to RM151.3 billion or 66% of total bonds issuances. As at end-July 2021, sukuk outstanding stood at RM1,080 billion or 63.5% of total bonds outstanding.

TABLE 3.7. *Islamic Banking: Key Indicators¹, End-July 2020 and 2021*

	RM BILLION		CHANGE (%)	
	2020	2021	2020	2021
Assets	857.6	935.7	6.3	8.9
Financing	650.3	691.1	9.3	6.3
Primary agriculture	18.6	16.6	13.8	-10.4
Mining and quarrying	4.2	4.7	15.4	9.7
Manufacturing ²	30.3	34.4	10.2	13.7
Electricity, gas and water supply	5.4	6.1	61.5	11.9
Wholesale and retail trade, restaurants and hotels	32.0	36.2	14.2	13.0
Construction	35.3	32.2	0.3	-8.7
Real estate	31.6	31.3	9.5	-0.7
Transport, storage and communication	20.0	18.3	15.2	-8.8
Finance, insurance and business activities	33.8	38.2	6.0	13.0
Education, health and others	33.7	27.8	66.8	-17.6
Households	399.6	439.6	8.8	10.0
Others	5.7	5.7	-62.1	-0.7
Liabilities	794.0	868.6	6.1	9.4
Deposits and Investment Account	633.1	685.8	3.7	8.3
Investment	0.6	0.4	-19.7	-22.2
Savings	58.1	71.2	31.4	22.4
Demand	99.7	116.0	20.5	16.3
Investment account	97.1	113.5	20.5	16.9
Others	474.7	498.2	-1.6	5.0

¹ Excluding DFIs

² Including agro-based

Note: Total may not add up due to rounding

Source: Bank Negara Malaysia

In April 2021, the Government issued the world's first sovereign sustainability sukuk via the issuance of USD800 million of 10-year trust certificates. Concurrently, the Government also successfully issued USD500

⁵ Includes Development Financial Institutions (DFIs).

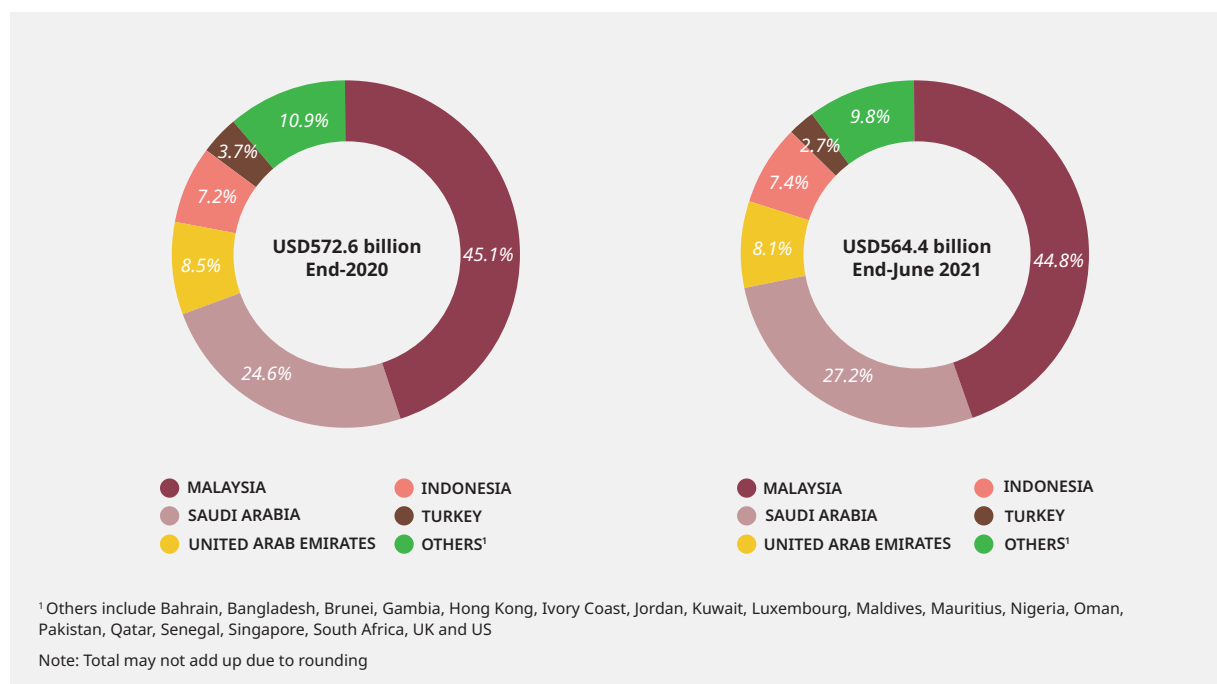
million of 30-year trust certificates (Wakalah Sukuk). Both tranches of the sukuk received an overwhelming response from both international and domestic investors, where it was oversubscribed by 6.4 times. Malaysia's position as one of the world's largest sukuk issuer continues to strengthen, accounting for 32.8% from USD113.4 billion of the overall global sukuk issuances as at end-June 2021.

Shariah-compliant securities continue to generate interest, with 748 (79.1%) of 946 Public Listed Companies adhering to Shariah-principles. As at end-July 2021, the market capitalisation of Shariah-compliant securities stood at RM1,173.9 billion or 67.8% of the overall market capitalisation.

Moving forward, the Islamic financial industry will play a facilitative role in accelerating the post-pandemic recovery. This is driven by the ability of Islamic finance principles

to integrate with environmental, social and governance (ESG) elements, supportive regulatory environment and continuous efforts to promote Shariah-compliant products. For example, the first cohort of Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) sectoral guides on palm oil, renewable energy and green energy efficiency was released on 31 March 2021. Meanwhile, the second cohort VBIAF sectoral guides on oil and gas, manufacturing, construction and infrastructure will be published by the end of the year. These sectoral guides serve as an impact-based risk management toolkit to facilitate credit or investment decisions by financial institutions. Furthermore, product development will also be enhanced to meet the needs of stakeholders from various sectors. One of these areas includes financing for the halal sector and Shariah-compliant Sustainable and Responsible Investment (SRI).

FIGURE 3.9. Global Sukuk Outstanding by Country (% share)



Source: Malaysia International Islamic Financial Centre

Conclusion

Monetary policy is expected to remain accommodative and supportive of economic recovery while ensuring prices remain manageable. Meanwhile, the financial market is anticipated to continue to be vibrant. The positive outlook will be underpinned by the Capital Market Master Plan 3 (CMP3) and Blueprint 3.0⁶ initiatives, ongoing stimulus measures, infrastructure projects and future strategic projects under the Twelfth Malaysia Plan, 2021 – 2025.

The lifting of containment measures of the pandemic and the eventual reopening of all economic sectors will bode well for overall market performance. However, downside risks persist. The risks include the reimposition of stringent containment measures, weaker-than-expected global growth recovery and a faster-than-expected pace of policy normalisation by major central banks. Thus, various measures will be undertaken to ensure markets remain dynamic, orderly and resilient. These include accelerating the adoption of Value-based Intermediation (VBI) principles, enhancing the focus on the halal economy and emphasising digital solutions development. Attention will also be given to promoting ESG investments, supporting the transition towards a low-carbon nation status, adopting international best practices, and improving governance.

⁶ A new financial sector blueprint.

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STATISTICAL ANNOTATION

The Statistics Appendix provides time series data on the key economic variables. Each table contains current selected economic data. Percentage changes are provided for important variables as an indication of economic trends. In addition, percentage of totals and footnotes are also provided where necessary. The sum of the component figures may not be tally with the subtotal or total due to rounding. In some series, historical figures have been revised. Estimates for 2021 are based on six to eight months data and forecasts for 2022 have been provided where appropriate. Unless otherwise stated, the source of data is from the Ministry of Finance, Malaysia.

The Compilation of Gross Domestic (GDP) Product by Income Approach

GDP can be measured by using three approaches namely Production, Expenditure and Income Approach. Conceptually, GDP by these three approaches produce the same results. The compilation of GDP based on Income Approach states that all economic expenditures should equal the total income generated by the production of all economic goods and services. Thus, this method enables factors of income and the return to factors of production to be measured by economic activity. The income components are Compensation of Employees, Gross Operating Surplus and Taxes less Subsidies on Production and Imports. GDP by Income Approach is calculated as follows:

where;

- CE - Compensation of Employees
- GOS - Gross Operating Surplus
- (T-S) - Taxes less Subsidies on Production and Imports

Components of GDP by Income Approach

GDP by Income Approach	=	<p>Compensation of Employees Salaries, wages, allowances, bonuses and Commissions Payments in kind to paid employees: free medical attention, free accommodation, free food etc Employer's social contribution +</p> <p>Gross Operating Surplus Operating surplus Mixed income Consumption of fixed capital +</p> <p>Taxes less Subsidies on Production and Imports Taxes on products Other taxes on production Subsidies on products Other subsidies on production</p>
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Acronyms and Abbreviations

NPISHs	Non-profit institutions serving households
US	United States
ASEAN	Association of Southeast Asian Nations
IMF	International Monetary Fund
GDP	Gross Domestic Product
FBM-KLCI	Financial Times Stock Exchange (FTSE) Bursa Malaysia Kuala Lumpur Composite Index
MSIC	Malaysia Standard Industrial Classification
SITC	Standard International Trade Classification
PT3	Pentaksiran Tingkatan 3
PMR	Penilaian Menengah Rendah
SRP	Sijil Rendah Pelajaran
LCE	Lower Certificate of Education
SPM	Sijil Pelajaran Malaysia
MCE	Malaysian Certificate of Education
STPM	Sijil Tinggi Pelajaran Malaysia
MHSC	Malaysian Higher School Certificate
n.a.	Not available
cont'd	Continued
n.e.c.	Not elsewhere classified
etc.	et cetera

1.1. SELECTED SOCIOECONOMIC STATISTICS

Malaysia

Indicator	2017	2018	2019	2020 ¹⁰	2021 ¹¹
Demographic Statistics					
Population ¹ ('000)					
Total	32,023	32,382	32,523	32,584	32,655
Male	16,543	16,721	16,765	16,763	16,771
Female	15,480	15,661	15,758	15,821	15,884
Sex ratio ²	107	107	106	106	106
Population density (per square kilometre)	97	98	98	99	99
Dependency ratio (%)					
Total ³	43.6	43.4	43.4	43.5	43.6
Young age ⁴	34.7	34.1	33.7	33.4	33.0
Old age ⁵	9.0	9.3	9.7	10.1	10.6
Life expectancy at birth					
Total	74.4	74.6	74.8	75.1	75.6
Male	72.1	72.3	72.5	72.8	73.2
Female	77.1	77.2	77.4	77.8	78.3
	2016	2017	2018	2019	2020
Education					
Primary school enrolment rate ⁶ (%)	97.2	97.9	97.9	98.1	98.2
Secondary school enrolment rate ⁷ (%)	90.0	91.1	91.1	92.5	92.4
Higher education institutions enrolment ⁸	1,346,858	1,325,699	1,343,830	1,323,449	1,224,098
Pupil-teacher ratio					
Primary schools	11.6	11.6	11.6	11.6	12.0
Secondary schools	12.6	12.0	12.0	11.0	11.0
Literacy rate ⁹ (%)	95.6	95.9	95.9	96.0	96.3

¹ Data refers to mid-year population estimates based on the adjusted 2010 Population and Housing Census of Malaysia

² The number of males per 100 females

³ The ratio of the number of persons aged 0–14 years and 65 years and above to the number of persons aged 15–64 years

⁴ The ratio of the number of persons aged 0–14 years to the number of persons aged 15–64 years

⁵ The ratio of the number of persons aged 65 years and above to the number of persons aged 15–64 years

⁶ Percentage of school aged children between 6+ and 11+ years at primary level in Government and private schools

⁷ Percentage of school aged children between 12+ and 16+ years at secondary level in Government and private schools

⁸ Includes public university, private higher education institutions, polytechnic and community college

⁹ Aged 15 years and above with formal education, excluding non-Malaysian citizens

¹⁰ Preliminary

¹¹ Estimate

1.1. SELECTED SOCIOECONOMIC STATISTICS (cont'd)
Malaysia

Indicator	2016	2017	2018	2019	2020
Health					
Population per doctor	632	554	530	482	441
Official beds strength in public sector ¹²	45,678	46,194	46,611	46,988	48,305
Information Technology					
Mobile-cellular penetration rate per 100 inhabitants (%)	139.9	131.2	130.2	135.4	133.6
Mobile-broadband penetration rate per 100 inhabitants (%)	91.8	109.3	113.0	123.7	118.7
Infrastructure					
Rural electricity coverage (% of housing unit)	95.7	96.1	96.4	97.0	97.4
Electricity index	108.5	111.3	115.4	119.2	114.8
	2009	2012	2014	2016	2019
Poverty Structure¹³					
Incidence of absolute poverty (% of households)					
Total	3.8	1.7	0.6	0.4	0.2
Urban	1.7	1.0	0.3	0.2	0.2
Rural	8.4	3.4	1.6	1.0	0.8
Incidence of relative poverty (% of households)					
Total	19.3	19.2	15.6	15.9	16.9
Urban	17.9	17.9	13.7	11.1	12.8
Rural	13.1	15.1	14.4	33.0	33.2

¹² Comprising Ministry of Health (MOH) hospitals (includes special medical institutions) and non-MOH Hospitals (university hospitals and military hospitals).

¹³ Based on 2019 Household Income and Basic Amenities Survey year

Source: Department of Statistics; Malaysian Communications and Multimedia Commission; Ministry of Education; Ministry of Environment and Water, Malaysia. Ministry of Higher Education; Ministry of Health and Ministry of Rural Development

2.1. KEY ECONOMIC DATA OF SELECTED COUNTRIES

	Real GDP (% Growth)	GDP Per Capita ¹ (USD)	Consumer Price Index (%)	Unemployment Rate ² (%)	Current Account Balance (USD billion)	Gross International Reserves (USD billion)	Exports ³ (USD billion)	Imports ⁴ (USD billion)
Advanced Economies								
2018	2.3	51,291.3	2.0	5.1	412.6	-	15,850.0	15,481.4
2019	1.7	51,979.2	1.4	4.8	336.5	-	15,549.8	15,276.8
2020	-4.5	49,439.8	0.7	6.6	173.8	-	13,943.8	13,722.9
2021 ⁵	5.2	51,905.9	2.8	5.8	245.5	-	16,665.8	16,365.6
2022⁶	4.5	54,117.5	2.3	5.0	200.3	-	18,295.1	18,039.1
United States								
2018	2.9	62,769.7	2.4	3.9	-438.2	125.0	1,664.0	2,614.2
2019	2.3	65,051.9	1.8	3.7	-472.1	128.9	1,643.2	2,567.4
2020	-3.4	63,358.5	1.2	8.1	-616.1	145.8	1,431.6	2,407.5
2021 ⁵	6.0	69,375.4	4.3	5.4	-796.1	251.2 ⁹	984.4 ⁸	1,628.3 ⁸
2022⁶	5.2	74,725.0	3.5	3.5	-868.0	-	-	-
Euro Area								
2018	1.9	-	1.8	8.2	409.0	-	3,875.7	3,395.7
2019	1.5	-	1.2	7.6	316.0	-	3,807.2	3,383.2
2020	-6.3	-	0.3	7.9	282.6	-	3,468.2	3,037.5
2021 ⁵	5.0	-	2.2	8.0	375.3	-	-	-
2022⁶	4.3	-	1.7	8.1	428.1	-	-	-
Singapore								
2018	3.5	66,675.8	0.4	2.1	57.9	287.7	413.0	370.9
2019	1.3	65,641.3	0.6	2.3	53.4	279.5	390.8	359.3
2020	-5.4	59,794.6	-0.2	3.0	59.8	362.3	362.5	329.8
2021 ⁵	6.0	66,263.4	1.6	2.7	60.1	418.1 ⁹	293.4 ⁹	259.4 ⁹
2022⁶	3.2	69,129.0	1.5	2.5	62.3	-	-	-
Republic of Korea								
2018	2.9	33,433.2	1.5	3.8	77.5	403.7	604.9	535.2
2019	2.2	31,936.8	0.4	3.8	59.7	408.8	542.2	503.3
2020	-0.9	31,638.5	0.5	3.9	75.3	443.1	512.5	467.6
2021 ⁵	4.3	35,195.5	2.2	3.8	81.3	463.9 ⁹	411.9 ⁹	390.6 ⁹
2022⁶	3.3	36,791.5	1.6	3.7	79.8	-	-	-
Japan								
2018	0.6	39,818.8	1.0	2.4	177.8	1,322.0	738.1	748.5
2019	0.0	40,689.8	0.5	2.4	176.5	1,368.9	705.6	721.0
2020	-4.6	40,088.6	0.0	2.8	164.4	1,440.2	641.3	635.5
2021 ⁵	2.4	40,704.3	-0.2	2.8	176.9	1,450.4 ¹⁰	496.5 ⁹	489.5 ⁹
2022⁶	3.2	43,118.8	0.5	2.4	178.5	-	-	-
EMDEs								
2018	4.6	11,079.8	4.9	-	-64.5	-	9,237.8	9,041.0
2019	3.7	11,336.3	5.1	-	2.7	-	9,098.6	8,896.9
2020	-2.1	10,951.6	5.1	-	201.8	-	8,196.1	7,861.3
2021 ⁵	6.4	11,508.9	5.5	-	324.5	-	10,154.6	9,618.9
2022⁶	5.1	11,964.6	4.9	-	247.7	-	10,808.8	10,377.4

2.1. KEY ECONOMIC DATA OF SELECTED COUNTRIES (cont'd)

	Real GDP (% Growth)	GDP Per Capita ¹ (USD)	Consumer Price Index (%)	Unemployment Rate ² (%)	Current Account Balance (USD billion)	Gross International Reserves (USD billion)	Exports ³ (USD billion)	Imports ⁴ (USD billion)
China								
2018	6.8	9,849.0	2.1	3.8	24.1	3,351.9	2,486.7	2,135.7
2019	6.0	10,170.1	2.9	3.6	102.9	3,388.7	2,499.5	2,078.4
2020	2.3	10,511.3	2.4	4.2	274.0	3,536.0	2,590.2	2,057.2
2021 ⁵	8.0	11,891.2	1.1	3.8	277.1	3,588.1 ⁹	2,095.2 ⁹	1,730.7 ⁹
2022⁶	5.6	12,990.0	1.8	3.7	275.7	-	-	-
India								
2018	6.5	1,997.0	3.4	-	-57.2	397.8	324.8	514.5
2019	4.0	2,098.9	4.8	-	-24.6	461.8	324.3	486.1
2020	-7.3	1,929.7	6.2	-	24.0	588.4	276.3	372.9
2021 ⁵	9.5	2,116.4	5.6	-	-30.4	643.0 ⁹	254.7 ⁹	350.8 ⁹
2022⁶	8.5	2,312.9	4.9	-	-44.6	-	-	-
ASEAN-5⁷								
2018	5.4	12,341.6	2.9	-	2.7	-	-	-
2019	4.9	12,797.4	2.1	-	30.1	-	-	-
2020	-3.4	12,210.4	1.4	-	52.9	-	-	-
2021 ⁵	2.9	12,457.6	2.0	-	16.6	-	-	-
2022⁶	5.8	13,057.2	2.4	-	21.0	-	-	-
Indonesia								
2018	5.2	3,947.3	3.3	5.2	-30.6	120.7	180.1	188.7
2019	5.0	4,196.3	2.8	5.2	-30.3	129.2	167.7	171.3
2020	-2.1	3,921.6	2.0	7.1	-4.5	135.9	163.3	141.6
2021 ⁵	3.2	4,225.0	1.6	6.6	-3.1	144.8 ⁹	120.6 ⁸	106.2 ⁸
2022⁶	5.9	4,538.2	2.8	6.0	-12.7	-	-	-
Malaysia								
2018	4.8	11,079.8	1.0	3.3	8.0	101.4	248.7	218.0
2019	4.4	11,231.4	0.7	3.3	12.8	103.6	240.2	205.0
2020	-5.6	10,231.3	-1.2	4.5	14.3	107.7	234.6	190.7
2021 ⁵	3.0 - 4.0	11,124.7	2.4	4.6 - 4.8	14.1	115.2 ¹⁰	188.7 ⁹	152.3 ⁹
2022⁶	5.5 - 6.5	12,295.7	2.1	4.0	15.6	-	-	-

¹ Expressed in current USD price except for Advanced Economies, EMDEs and ASEAN-5 (Purchasing Power Parity (PPP) dollars per person)

² Composites for the country groups are averages of national unemployment rates weighted by labour force in the respective countries

³ Expressed in Exports of Merchandise and Services except for Advanced Economies, EMDEs and ASEAN-5 (Exports of Merchandise only)

⁴ Expressed in Imports of Merchandise and Services except for Advanced Economies, EMDEs and ASEAN-5 (Imports of Merchandise only)

⁵ Estimate

⁶ Forecast

⁷ Indonesia, Malaysia, Philippines, Thailand and Viet Nam

⁸ As at 31 July 2021

⁹ As at 31 August 2021

¹⁰ As at 30 September 2021

Sources: International Monetary Fund (IMF), World Economic Outlook (October 2021); IMF Database; World Trade Organization Trade Statistics; Department of Statistics and Ministry of Finance Malaysia

3.1. GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY

at constant 2015 prices, Malaysia
RM million

Kind of Economic Activity	2018	2019	2020 ²	2021 ³	2022 ⁴
Agriculture	99,637 (0.1)	101,580 (2.0)	99,367 (-2.2)	98,532 (-0.8)	102,416 (3.9)
Mining and quarrying	103,557 (-2.2)	102,897 (-0.6)	91,993 (-10.6)	93,340 (1.5)	93,086 (-0.3)
Manufacturing	304,843 (5.0)	316,283 (3.8)	307,924 (-2.6)	332,743 (8.1)	348,547 (4.7)
Construction	66,194 (4.2)	66,453 (0.4)	53,556 (-19.4)	53,110 (-0.8)	59,244 (11.5)
Services	772,990 (6.9)	820,857 (6.2)	775,717 (-5.5)	796,222 (2.6)	852,298 (7.0)
Utilities	36,109 (5.0)	38,297 (6.1)	37,802 (-1.3)	39,743 (5.1)	42,394 (6.7)
Wholesale and retail trade	227,166 (8.2)	242,704 (6.8)	228,015 (-6.1)	232,229 (1.8)	252,510 (8.7)
Food & beverages and accommodation	45,502 (9.0)	49,889 (9.6)	36,668 (-26.5)	33,844 (-7.7)	36,312 (7.3)
Transportation and storage	50,208 (6.3)	53,631 (6.8)	41,902 (-21.9)	42,881 (2.3)	46,936 (9.5)
Information and communication	79,110 (8.2)	84,327 (6.6)	89,378 (6.0)	94,582 (5.8)	99,986 (5.7)
Finance and insurance	89,088 (5.4)	93,353 (4.8)	95,858 (2.7)	104,363 (8.9)	110,055 (5.5)
Real estate and business services	63,745 (7.8)	68,842 (8.0)	58,395 (-15.2)	55,403 (-5.1)	60,174 (8.6)
Other services ¹	67,170 (5.5)	70,913 (5.6)	63,469 (-10.5)	62,630 (-1.3)	66,482 (6.1)
Government services	114,891 (4.7)	118,901 (3.5)	124,229 (4.5)	130,546 (5.1)	137,450 (5.3)
(+) Import duties	16,546 (-8.5)	16,240 (-1.8)	15,324 (-5.6)	17,363 (13.3)	18,750 (8.0)
GDP at purchasers' prices	1,363,766 (4.8)	1,424,310 (4.4)	1,343,880 (-5.6)	1,391,311 (3.0 - 4.0)	1,474,342 (5.5 - 6.5)

¹ Community, social and personal services, private non-profit services to households and domestic services of households

² Preliminary

³ Estimate

⁴ Forecast

Note: Figures in parentheses are annual percentage changes

Source: Department of Statistics and Ministry of Finance, Malaysia

3.2. INDEX OF SERVICES
2015 = 100, Malaysia

	Weights (%)	2017	2018	2019	2020	2021 ¹
		Annual Change (%)				
Services	100.0	6.7	7.3	6.4	-8.0	1.2
Wholesale & retail trade, food & beverages and accommodation	45.2	7.0	7.8	6.6	-9.7	0.4
Wholesale and retail trade	37.9	7.0	7.7	6.1	-6.2	2.4
Food and beverages	5.7	7.4	9.3	10.2	-20.4	-8.1
Accommodation	1.6	5.8	6.3	6.8	-49.8	-32.7
Business services and finance	26.8	5.9	6.4	6.1	-4.0	3.6
Finance and insurance	16.0	4.8	5.3	4.6	2.6	9.3
Professional, scientific & technical and administrative & support services	7.2	8.7	9.1	9.3	-10.3	-3.5
Real estate	3.6	5.3	5.1	5.2	-17.9	-9.8
Information & communication and transportation & storage	21.9	7.4	7.4	6.5	-5.4	2.7
Information and communication	12.9	8.4	8.3	6.5	5.7	4.8
Transportation and storage	9.0	5.9	6.0	6.5	-22.5	-1.7
Other services	6.1	6.2	6.7	6.4	-22.1	-10.7
Arts, entertainment & recreation and personal services & other activities	2.6	6.4	8.1	8.0	-42.1	-26.1
Private education	1.9	6.3	5.3	4.9	-7.5	-9.8
Private health	1.6	5.6	6.0	5.5	-6.7	3.9

¹ January to June 2021

Source: Department of Statistics, Malaysia

3.3. INDUSTRIAL PRODUCTION INDEX

2015 = 100, Malaysia

Subsector	Weights (%)	2017	2018	2019	2020	2021 ¹
		Annual Change (%)				
Total Industrial Production	100.00	4.4	3.1	2.4	-4.4	8.2
Mining	25.14	0.4	-2.1	-1.3	-10.4	3.0
Electricity	6.61	2.6	3.7	3.3	-3.7	1.7
Manufacturing	68.25	6.1	4.8	3.6	-2.7	10.4
Export-oriented industries	45.82	6.5	4.5	2.9	-0.7	12.8
Manufacture of vegetable and animal oils and fats	3.71	17.8	-0.2	-1.4	-3.9	-14.9
Manufacture of textiles	0.58	4.4	2.9	4.4	-13.2	15.8
Manufacture of wearing apparel	0.60	11.7	5.6	6.1	-11.4	2.6
Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1.44	3.5	5.6	4.9	-12.1	11.1
Manufacture of coke and refined petroleum products	9.36	3.5	3.3	2.7	-10.6	13.5
Manufacture of chemicals and chemical products	6.37	4.3	4.4	1.8	-7.1	9.3
Manufacture of rubber products	2.22	6.4	5.2	6.8	48.9	43.4
Manufacture of plastics products	2.26	2.8	4.1	2.9	2.1	14.6
Manufacture of computer, electronics and optical products	13.89	7.5	6.8	2.9	2.5	15.3
Manufacture of electrical equipment	2.20	6.4	2.7	3.4	0.9	11.4
Manufacture of machinery and equipment n.e.c.	2.14	6.6	4.3	3.5	1.1	9.8
Manufacture of furniture	1.04	6.1	4.6	8.1	-7.0	0.9
Domestic-oriented industries	22.44	5.3	5.3	5.0	-6.6	5.2
Manufacture of food products	3.68	5.8	6.9	6.8	4.9	8.9
Manufacture of beverages	0.65	9.1	3.1	2.8	-14.5	9.4
Manufacture of tobacco products	0.52	2.1	1.8	5.8	-16.0	-15.4
Manufacture of leather and related products	0.15	6.4	3.8	5.1	-17.9	18.0
Manufacture of paper and paper products	1.15	5.6	4.2	4.3	-2.9	14.4
Printing and reproduction of recorded media	0.93	4.6	3.9	4.2	-5.1	4.7
Manufacture of basic pharmaceuticals, medicinal chemical and botanical products	0.38	4.8	5.9	4.2	14.5	14.3
Manufacture of other non-metallic mineral products	2.97	4.5	5.5	4.5	-14.3	2.4
Manufacture of basic metals	2.35	5.4	4.2	4.0	-4.8	1.8
Manufacture of fabricated metal products, except machinery and equipment	3.79	4.9	4.9	3.7	-15.5	6.3
Manufacture of motor vehicles, trailers and semi-trailers	3.17	4.8	6.6	7.0	-1.7	2.7
Manufacture of other transport equipment	1.19	3.7	3.9	4.8	-13.2	3.1
Other manufacturing	0.74	5.3	5.2	5.3	-7.6	3.4
Repair and installation of machinery and equipment	0.76	11.2	7.2	3.9	-8.5	-0.6

¹ January to August 2021

Source: Department of Statistics, Malaysia

3.4. GROSS NATIONAL INCOME BY DEMAND AGGREGATES

Malaysia
RM million

Type of Expenditure	2018	2019	2020 ³	2021 ⁴	2022 ⁵
Current Prices					
A. Final consumption expenditure					
Public	173,289	176,710	184,043	191,334	193,641
Private	831,388	904,158	861,758	917,972	1,006,409
B. Gross fixed capital formation					
Public ¹	104,546	94,450	74,320	73,504	93,031
Private	245,819	252,572	222,238	227,063	237,043
C. Changes in inventories and valuables ²	-4,387	-28,596	-17,016	-4,630	-13,602
D. Exports of goods and services	992,511	987,481	870,272	1,027,614	1,086,802
E. Imports of goods and services	895,405	873,618	779,011	918,233	965,523
F. Gross Domestic Product at purchasers' prices (A+B+C+D-E)	1,447,760	1,513,157	1,416,605	1,514,624	1,637,800
G. Balance of primary income	-45,082	-39,496	-28,584	-40,003	-54,370
H. Gross National Income (F+G)	1,402,677	1,473,662	1,388,021	1,474,621	1,583,430
Constant 2015 Prices					
A. Final consumption expenditure					
Public	170,030	173,080	179,913	185,307	187,287
Private	776,054	835,711	799,447	832,024	893,133
B. Gross fixed capital formation					
Public ¹	100,249	89,504	70,421	69,071	85,751
Private	235,343	239,077	210,639	213,619	219,110
C. Changes in inventories and valuables ²	-8,678	-13,987	-4,346	-719	-9,237
D. Exports of goods and services	917,462	907,877	827,086	950,809	990,625
E. Imports of goods and services	826,694	806,952	739,280	858,799	892,328
F. Gross Domestic Product at purchasers' prices (A+B+C+D-E)	1,363,766	1,424,310	1,343,880	1,391,311	1,474,342
G. Balance of primary income	-28,708	-21,856	-13,711	-18,584	-24,753
H. Gross National Income (F+G)	1,335,058	1,402,454	1,330,169	1,372,726	1,449,588

¹ Includes investment of public corporations

² Includes statistical discrepancy arising from balancing

³ Preliminary

⁴ Estimate

⁵ Forecast

Source: Department of Statistics and Ministry of Finance, Malaysia

3.5. PRIVATE CONSUMPTION INDICATORS

Malaysia

Indicator	2017	2018	2019	2020	2021
Imports of consumption goods ¹ (RM million)	71,037	73,031	74,155	74,134	54,341 ²
Bursa Malaysia (end-period)					
FBM-KLCI	1,796.81	1,690.58	1,588.76	1,627.21	1,537.80 ³
Market capitalisation (RM billion)	1,906.84	1,700.37	1,711.84	1,817.29	1,802.13 ³
Sales number (units)					
Passenger cars	514,675	533,202	550,179	480,965	243,851 ²
Motorcycles	434,850	471,782	546,813	498,327	408,102 ⁴
Production of televisions ('000 units)	11,446	12,609	9,935	12,229	10,291 ²
Outstanding balance of credit card (RM million, end-period)	38,659	39,920	41,192	36,056	32,333 ⁵
Banking system's consumption credit (RM million, end-period)	267,666	294,568	296,276	305,039	297,119 ⁵

¹ Refers to imports by broad economic categories published by the Department of Statistics, Malaysia

² January to August 2021

³ End-September 2021

⁴ January to September 2021

⁵ End-August 2021

Source: Bank Negara Malaysia, Bursa Malaysia, Malaysian Automotive Association, Motorcycle & Scooter Assemblers and Distributors Association of Malaysia and Department of Statistics, Malaysia

3.6. PRIVATE INVESTMENT INDICATORS
Malaysia

Indicator	2017	2018	2019	2020	2021
Imports (RM million)					
Capital goods ¹	115,566	112,453	100,179	90,733	66,733 ³
Intermediate goods ¹	478,933	462,212	467,211	429,190	347,628 ³
Loan disbursements by banking system (RM million)					
Manufacturing	213,738	236,624	258,602	253,200	217,639 ³
Construction	77,674	89,885	90,046	77,782	62,833 ³
Housing loans (RM million, end-period)					
Government ²	55,882	63,464	80,675	89,985	93,947 ³
Banking system	519,631	562,665	604,847	647,883	672,100 ⁴
Production of construction materials					
Cement roofing tiles ('000 units)	36,073	35,472	43,484	47,874	25,814 ³
Ready-mixed concrete ('000 cubic metres)	30,323	32,047	34,067	34,841	23,414 ³
Iron and steel bars and rods ('000 metric tonnes)	1,698	1,853	1,404	1,296	487 ³
Sales of commercial vehicles (units)	61,950	65,512	54,108	48,469	29,906 ³

¹ Refers to imports by broad economic categories published by the Department of Statistics, Malaysia

² Based on principal amount

³ January to August 2021

⁴ End-August 2021

Source: Bank Negara Malaysia, Department of Statistics Malaysia, Malaysian Automotive Association and Public Sector Home Financing Board

3.7. MALAYSIA'S TRADE WITH MAJOR TRADING PARTNERS

RM million

		2017	2018	2019	2020		2021 ¹	
		RM million	RM million	RM million	RM million	share (%)	RM million	share (%)
Total	Total Trade	1,771,349	1,883,391	1,844,483	1,784,308	100.0	1,406,779	100.0
	Exports	934,927	1,003,587	995,072	983,827	55.1	778,488	55.3
	Imports	836,422	879,804	849,411	800,481	44.9	628,291	44.7
	Net	98,505	123,783	145,661	183,345	10.3	150,197	10.7
China	Total Trade	290,402	314,564	316,598	331,440	100.0	265,646	100.0
	Exports	125,957	139,147	140,931	159,223	48.0	118,482	44.6
	Imports	164,445	175,417	175,667	172,217	52.0	147,164	55.4
	Net	-38,488	-36,269	-34,735	-12,994	-3.9	-28,682	-10.8
Singapore	Total Trade	228,357	243,320	226,574	215,824	100.0	166,264	100.0
	Exports	135,628	140,249	137,078	142,146	65.9	109,187	65.7
	Imports	92,729	103,071	89,497	73,678	34.1	57,076	34.3
	Net	42,899	37,178	47,581	68,467	31.7	52,111	31.3
United States	Total Trade	153,955	155,758	165,220	178,785	100.0	137,574	100.0
	Exports	88,680	90,811	96,542	109,080	61.0	89,946	65.4
	Imports	65,275	64,947	68,678	69,705	39.0	47,628	34.6
	Net	23,406	25,864	27,863	39,376	22.0	42,318	30.8
Japan	Total Trade	139,208	134,242	129,592	124,142	100.0	97,462	100.0
	Exports	75,597	70,385	65,998	62,561	50.4	49,187	50.5
	Imports	63,611	63,858	63,594	61,581	49.6	48,275	49.5
	Net	11,986	6,527	2,403	981	0.8	912	0.9
Taiwan	Total Trade	78,716	96,390	94,077	91,907	100.0	72,241	100.0
	Exports	23,962	32,814	37,032	33,874	36.9	25,371	35.1
	Imports	54,755	63,576	57,046	58,033	63.1	46,870	64.9
	Net	-30,793	-30,762	-20,014	-24,160	-26.3	-21,500	-29.8
Thailand	Total Trade	98,649	105,685	100,595	79,640	100.0	62,660	100.0
	Exports	50,508	57,061	56,318	45,339	56.9	33,900	54.1
	Imports	48,141	48,624	44,277	34,300	43.1	28,760	45.9
	Net	2,367	8,437	12,042	11,039	13.9	5,140	8.2
Hong Kong	Total Trade	61,724	89,972	80,688	82,363	100.0	58,781	100.0
	Exports	47,713	74,831	66,624	68,167	82.8	47,503	80.8
	Imports	14,011	15,141	14,064	14,196	17.2	11,278	19.2
	Net	33,703	59,690	52,561	53,971	65.5	36,224	61.6
Indonesia	Total Trade	71,510	72,397	70,226	66,283	100.0	57,646	100.0
	Exports	33,631	31,907	31,328	29,589	44.6	23,368	40.5
	Imports	37,879	40,490	38,898	36,694	55.4	34,279	59.5
	Net	-4,249	-8,583	-7,570	-7,106	-10.7	-10,911	-18.9
Republic of Korea	Total Trade	67,705	73,521	73,058	80,826	100.0	54,397	100.0
	Exports	28,586	34,237	34,230	34,714	42.9	23,613	43.4
	Imports	39,119	39,284	38,828	46,113	57.1	30,784	56.6
	Net	-10,532	-5,047	-4,599	-11,399	-14.1	-7,171	-13.2
India	Total Trade	61,384	62,840	62,872	55,334	100.0	43,539	100.0
	Exports	34,531	36,343	38,587	30,404	54.9	26,816	61.6
	Imports	26,853	26,497	24,285	24,930	45.1	16,723	38.4
	Net	7,678	9,846	14,303	5,473	9.9	10,094	23.2

¹ January to August 2021

Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

3.8. EXTERNAL TRADE INDICES
2010 = 100, Malaysia

Commodity Section	Weights ¹ (%)	2017	2018	2019	2020	2021 ²
		Annual Change (%)				
Export Unit Value Indices						
Total	100.0	7.2	1.6	0.8	-2.5	7.3
Food	3.5	6.9	3.2	2.5	3.4	3.9
Beverages and tobacco	0.6	7.6	6.6	7.5	3.5	3.1
Crude materials, inedible	2.7	14.2	-6.9	-0.7	-0.6	6.8
Mineral fuels, lubricants, etc.	16.1	27.8	16.4	0.1	-24.9	16.8
Animal and vegetable oils and fats	6.0	13.3	-14.6	-9.7	22.5	47.0
Chemicals	7.8	11.5	3.9	-0.7	0.5	5.4
Manufactured goods	9.7	4.8	1.4	-2.8	-1.1	4.5
Machinery and transport equipment	42.3	1.2	-0.8	2.5	1.1	1.0
Miscellaneous manufactured articles	10.9	3.2	1.6	2.2	0.7	1.9
Miscellaneous transactions and commodities	0.4	12.3	2.2	-5.1	-8.2	4.7
Import Unit Value Indices						
Total	100.0	6.1	2.0	-0.3	-3.0	2.1
Food	6.8	8.9	2.6	2.5	2.3	1.9
Beverages and tobacco	0.6	3.6	2.6	2.7	1.7	1.6
Crude materials, inedible	3.3	16.8	-6.0	-0.3	0.4	11.7
Mineral fuels, lubricants, etc.	12.9	32.5	21.7	-10.1	-27.0	9.3
Animal and vegetable oils and fats	1.1	25.8	-13.9	-12.0	15.1	45.1
Chemicals	10.5	4.1	2.4	0.3	-0.6	2.5
Manufactured goods	13.4	5.0	1.8	0.4	-0.3	4.1
Machinery and transport equipment	41.8	2.0	-0.7	1.7	-0.9	-1.9
Miscellaneous manufactured articles	7.6	2.2	-1.0	0.4	-0.08	-0.2
Miscellaneous transactions and commodities	2.0	4.7	-6.3	10.2	23.6	4.7

¹ Weights based on values of Malaysia imports and exports of merchandise during 2015

² Annual changes was calculated based on monthly unit value indices of January to August 2021

Source: Department of Statistics, Malaysia

3.9. PRODUCTION, EXPORTS VOLUME AND VALUE OF MAJOR PRIMARY COMMODITIES

Malaysia

Major Commodities	2017	2018	2019	2020	2021 ¹
Palm oil					
Production ('000 tonnes)	19,919	19,516	19,858	19,137	13,306 ²
Volume ('000 tonnes)	15,188	15,364	17,429	16,214	9,152
Value (RM million)	46,086	38,655	39,128	45,647	37,373
Natural rubber					
Production ('000 tonnes)	740	603	640	515	269 ³
Volume ('000 tonnes)	616	639	631	565	422
Value (RM million)	4,726	3,774	3,773	3,286	2,905
Crude petroleum					
Volume ('000 tonnes)	15,736	16,496	12,452	13,095	6,995
Value (RM million)	28,255	36,649	26,346	18,843	13,655
Liquefied natural gas (LNG)					
Volume ('000 tonnes)	26,794	23,955	25,498	24,083	17,283
Value (RM million)	41,417	42,322	42,484	29,868	22,670

¹ January to August 2021² January to September 2021³ January to July 2021

Source: Bank Negara Malaysia, Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

3.10. DIRECTION OF MAJOR EXPORTS
Malaysia

Exports	2017			2018		
	'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)
Electrical and Electronics (E&E)						
Total		343,070	100.0		381,545	100.0
Singapore		61,417	17.9		64,135	16.8
Hong Kong		35,934	10.5		58,579	15.4
United States		49,169	14.3		47,277	12.4
China		50,388	14.7		55,473	14.5
European Union		47,805	13.9		46,912	12.3
Non-E&E						
Total		422,788	100.0		455,527	100.0
China		53,757	12.7		60,301	13.2
Singapore		64,518	15.3		64,373	14.1
United States		35,575	8.4		40,195	8.8
European Union		37,049	8.8		42,660	9.4
Indonesia		27,402	6.5		25,092	5.5
Palm oil						
Total	15,188	46,085	100.0	15,364	38,655	100.0
India	1,942	5,649	12.3	2,183	5,104	13.2
European Union	1,770	5,436	11.8	1,829	4,723	12.2
China	1,613	4,582	9.9	1,695	3,932	10.2
Philippines	731	2,168	4.7	703	1,725	4.5
Pakistan	779	2,362	5.1	964	2,474	6.4
Natural rubber						
Total	616	4,726	100.0	639	3,774	100.0
China	297	2,225	47.1	312	1,796	47.6
European Union	158	1,252	26.5	159	966	25.6
United States	24	179	3.8	17	105	2.8
United Arab Emirates	3	22	0.5	11	65	1.7
Iran	33	250	5.3	35	207	5.5
Crude petroleum						
Total	15,736	28,255	100.0	16,496	36,649	100.0
Australia	4,545	8,266	29.3	5,034	11,397	31.1
India	3,220	5,656	20.0	3,607	7,960	21.7
Thailand	3,651	6,565	23.2	2,750	6,105	16.7
Japan	726	1,337	4.7	546	1,189	3.2
Singapore	1,365	2,489	8.8	1,851	4,058	11.1
Liquefied natural gas (LNG)						
Total	26,794	41,417	100.0	23,955	42,322	100.0
Japan	14,843	24,144	58.3	11,207	20,781	49.1
China	4,355	5,642	13.6	5,789	8,874	21.0
Republic of Korea	3,821	5,826	14.1	3,345	5,780	13.7
Thailand	374	481	1.2	541	806	1.9
Taiwan	2,944	4,827	11.7	2,811	5,627	13.3

¹ January to August 2021

Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

2019			2020			2021 ¹		
'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)	'000 tonnes	RM million	share (%)
	373,118	100.0		386,292	100.0		282,721	100.0
	60,424	16.2		69,832	18.1		53,703	19.0
	54,786	14.7		57,537	14.9		40,678	14.4
	51,060	13.7		52,857	13.7		38,802	13.7
	49,651	13.3		53,901	14.0		37,014	13.1
	46,866	12.6		38,324	9.9		26,202	9.3
	467,468	100.0		463,206	100.0		390,289	100.0
	66,421	14.2		82,859	17.9		63,572	16.3
	65,625	14.0		64,350	13.9		49,846	12.8
	42,753	9.1		53,562	11.6		49,286	12.6
	41,783	8.9		36,752	7.9		32,855	8.4
	26,175	5.6		25,015	5.4		20,502	5.3
17,429	39,128	100.0	16,214	45,647	100.0	9,152	37,373	100.0
4,244	8,915	22.8	2,602	7,149	15.7	1,904	8,033	21.5
1,990	4,525	11.6	1,827	5,224	11.4	954	3,974	10.6
2,368	5,057	12.9	2,600	6,961	15.2	1,064	3,766	10.1
630	1,401	3.6	685	1,952	4.3	390	1,561	4.2
971	2,207	5.6	892	2,404	5.3	364	1,512	4.0
631	3,773	100.0	565	3,286	100.0	422	2,905	100.0
309	1,812	48.0	293	1,640	49.9	205.3	1,363	46.9
143	880	23.3	108	655	19.9	81.0	597	20.5
25	150	4.0	19	113	3.4	21.3	152	5.2
11	66	1.7	27	156	4.8	21.6	141	4.9
27	166	4.4	20	118	3.6	9.6	60	2.1
12,452	26,346	100.0	13,095	18,843	100.0	6,995	13,655	100.0
3,266	6,890	26.2	3,219	5,060	26.9	2,303	4,453	32.6
3,177	6,604	25.1	2,780	3,832	20.3	1,049	1,952	14.3
2,559	5,535	21.0	2,030	2,911	15.4	1,439	2,872	21.0
509	1,071	4.1	1,318	1,981	10.5	737	1,482	10.9
1,383	2,934	11.1	965	1,372	7.3	364	713	5.2
25,498	42,484	100.0	24,083	29,868	100.0	17,283	22,670	100.0
9,352	16,804	39.6	10,638	14,070	47.1	7,700	10,494	46.3
7,130	10,265	24.2	6,003	6,812	22.8	5,929	7,531	33.2
4,805	7,767	18.3	5,107	6,207	20.8	2,665	3,271	14.4
1,251	2,194	5.2	1,130	1,434	4.8	586	778	3.4
2,431	4,869	11.5	664	932	3.1	127	179	0.8

3.11. EXPORTS OF MANUFACTURED GOODS

Malaysia
RM million

	2017	2018	2019	2020	2021 ²	
					share (%)	
Electrical and electronics	343,070	381,545	373,118	386,292	282,721	42.0
Petroleum products	71,813	76,161	71,511	61,889	59,908	8.9
Chemicals and chemical products	47,138	57,715	57,477	50,736	44,701	6.6
Optical and scientific equipment	32,395	36,563	39,905	42,220	29,651	4.4
Machinery, equipment and parts	40,133	40,668	41,599	39,446	31,054	4.6
Other manufactures ¹	27,584	29,835	31,233	38,801	27,525	4.1
Rubber products	26,308	26,491	25,841	44,302	50,573	7.5
Manufactures of metal	37,937	44,664	41,490	36,830	35,880	5.3
Iron and steel products	12,562	15,504	21,961	23,552	17,348	2.6
Palm oil-based manufactured products	23,785	22,783	23,338	21,006	19,966	3.0
Processed food	19,713	19,414	21,773	21,283	15,505	2.3
Transport equipment	15,605	18,033	19,143	18,460	10,091	1.5
Wood products	16,369	15,944	15,777	16,084	10,355	1.5
Textiles, apparels and footwear	15,329	14,901	15,531	13,951	10,122	1.5
Manufactures of plastics	14,504	14,538	14,978	13,187	10,335	1.5
Non-metallic mineral products	5,996	7,273	9,079	8,346	6,786	1.0
Paper and pulp products	4,691	4,950	6,405	6,363	5,421	0.8
Jewellery	6,714	6,656	6,974	4,157	3,494	0.5
Beverages and tobacco	4,213	3,435	3,452	2,593	1,574	0.2
Total	765,859	837,071	840,586	849,498	673,010	100.0

¹ Includes animal feed, printed matter, miscellaneous manufactured articles, etc

² January to August 2021

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

3.12. SOURCE OF MAJOR IMPORTS

Malaysia

RM million

Imports	2017		2018		2019		2020		2021 ¹	
		share (%)		share (%)		share (%)		share (%)		share (%)
Electrical and Electronic (E&E)										
Total	252,922	100.0	262,623	100.0	245,538	100.0	253,000	100.0	194,218	100.0
China	61,293	24.2	65,688	25.0	64,090	26.1	68,025	26.9	55,612	28.6
Taiwan	37,756	14.9	45,907	17.5	40,497	16.5	42,649	16.9	31,921	16.4
United States	31,166	12.3	29,549	11.3	27,180	11.1	30,413	12.0	19,931	10.3
Chemicals and chemical products										
Total	74,508	100.0	82,934	100.0	81,589	100.0	74,296	100.0	61,848	100.0
China	13,022	17.5	14,268	17.2	13,976	17.1	13,882	18.7	13,331	21.6
United States	5,619	7.5	6,242	7.5	9,173	11.2	8,508	11.5	5,728	9.3
Singapore	8,774	11.8	8,934	10.8	7,695	9.4	6,705	9.0	5,714	9.2
Petroleum products										
Total	75,360	100.0	86,015	100.0	77,480	100.0	60,007	100.0	55,473	100.0
Singapore	28,487	37.8	38,252	44.5	29,334	37.9	17,453	29.1	15,149	27.3
China	7,994	10.6	7,414	8.6	10,506	13.6	7,643	12.7	9,865	17.8
Republic of Korea	4,577	6.1	6,106	7.1	7,284	9.4	6,157	10.3	5,444	9.8
Machinery, equipment and parts										
Total	78,575	100.0	73,778	100.0	69,638	100.0	60,129	100.0	44,076	100.0
China	19,436	24.7	20,306	27.5	19,964	28.7	19,126	31.8	15,686	35.6
Japan	10,583	13.5	8,918	12.1	7,816	11.2	7,031	11.7	5,050	11.5
United States	7,580	9.6	7,528	10.2	7,182	10.3	6,550	10.9	4,140	9.4
Manufactures of metal										
Total	43,649	100.0	46,148	100.0	47,132	100.0	47,024	100.0	35,747	100.0
China	11,274	25.8	12,542	27.2	11,763	25.0	9,881	21.0	9,236	25.8
Japan	5,170	11.8	5,292	11.5	4,866	10.3	5,197	11.1	4,956	13.9
India	3,635	8.3	3,473	7.5	4,987	10.6	7,020	14.9	1,774	5.0

¹ January to August 2021

Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation

3.13. BALANCE OF PAYMENTS

Malaysia
RM million

Components	2017			2018		
	Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net
Balance on goods and services	960,778	866,524	94,255	992,511	895,405	97,106
Goods	801,394	684,281	117,113	830,137	715,516	114,621
Services	159,384	182,243	-22,859	162,375	179,889	-17,515
Transport	19,256	48,878	-29,622	20,524	48,212	-27,688
Travel	78,944	46,475	32,470	79,178	48,961	30,218
Other services	61,183	86,890	-25,707	62,672	82,717	-20,045
Primary income	53,706	92,365	-38,658	60,414	105,496	-45,082
Compensation of employees	7,082	11,929	-4,848	6,793	14,450	-7,657
Investment income	46,625	80,435	-33,811	53,621	91,046	-37,426
Secondary income	16,797	34,097	-17,300	15,602	35,330	-19,729
Balance on current account	1,031,281	992,985	38,296	1,068,527	1,036,232	32,295
% of Gross National Income			2.9			2.3
Capital account			-26			-89
Financial account			-4,730			11,430
Direct investment			16,171			10,103
Assets			-24,234			-23,431
Liabilities			40,405			33,535
Portfolio investment			-15,358			-49,396
Financial derivatives			-197			981
Other investment			-5,346			49,742
Balance on capital and financial accounts			-4,756			11,341
Net errors and omissions			-17,132			-35,878
Overall balance			16,409			7,758

¹ January to June 2021

Note: Total may not add up due to rounding

Source: Department of Statistics, Malaysia

2019			2020			2021 ¹		
Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net	Credits (+)	Debits (-)	Net
987,481	873,618	113,863	870,272	779,011	91,261	510,943	464,036	46,906
817,260	692,522	124,738	777,665	638,955	138,709	469,565	392,289	77,276
170,221	181,096	-10,875	92,607	140,055	-47,448	41,377	71,747	-30,370
21,707	47,632	-25,925	13,658	41,010	-27,352	7,170	22,953	-15,783
82,143	51,309	30,833	12,558	20,209	-7,651	130	7,171	-7,041
66,371	82,155	-15,783	66,391	78,836	-12,445	34,077	41,623	-7,546
65,344	104,840	-39,496	53,921	82,505	-28,584	36,540	51,730	-15,190
6,614	15,843	-9,229	6,012	14,137	-8,125	3,174	6,786	-3,612
58,730	88,997	-30,267	47,909	68,368	-20,459	33,367	44,944	-11,577
16,905	38,355	-21,450	27,130	29,800	-2,670	9,791	14,803	-5,012
1,069,731	1,016,813	52,918	951,323	891,315	60,007	557,274	530,569	26,705
		3.6			4.3			3.7
		371			-428			-313
		-38,024			-76,155			8,998
		6,555			2,756			5,591
		-31,154			-15,219			-17,804
		37,709			17,975			23,395
		-32,403			-48,202			20,348
		-478			407			-370
		-11,697			-31,116			-16,570
		-37,653			-76,583			8,685
		-6,849			-2,721			-13,553
		8,416			-19,297			21,837

3.14. CONSUMER PRICE INDEX BY REGION
2010 = 100, Malaysia

Groups	Weights ¹ (%)	2017	2018	2019	2020	2021 ²
		Annual Change (%)				
Malaysia						
Total	100.0	3.7	1.0	0.7	-1.2	2.3
Food and non-alcoholic beverages	29.5	4.0	1.6	1.7	1.3	1.4
Alcoholic beverages and tobacco	2.4	0.2	-0.1	1.5	0.3	0.6
Clothing and footwear	3.2	-0.3	-2.0	-2.0	-0.8	-0.4
Housing, water, electricity, gas and other fuels	23.8	2.2	2.0	1.9	-1.7	1.0
Furnishings, household equipment and routine household maintenance	4.1	2.1	0.3	1.4	0.3	1.3
Health	1.9	2.5	0.8	0.7	1.1	0.5
Transport	14.6	13.2	1.6	-3.1	-10.0	11.0
Communication	4.8	-0.4	-1.7	0.4	1.1	0.0
Recreation services and culture	4.8	1.9	-0.4	0.7	0.4	0.5
Education	1.3	1.7	1.1	1.4	1.0	0.2
Restaurants and hotels	2.9	2.5	1.6	1.2	0.5	0.2
Miscellaneous goods and services	6.7	1.2	-1.4	0.4	2.7	0.8
Peninsular Malaysia						
Total	100.0	4.0	1.0	0.7	-1.1	2.3
Food and non-alcoholic beverages	29.0	4.1	1.7	1.8	1.4	1.6
Alcoholic beverages and tobacco	2.4	0.2	0.1	1.6	0.4	0.7
Clothing and footwear	3.3	-0.2	-2.0	-2.0	-0.7	-0.4
Housing, water, electricity, gas and other fuels	23.6	2.4	2.2	2.0	-1.7	1.4
Furnishings, household equipment and routine household maintenance	4.2	2.2	0.5	1.6	0.3	1.4
Health	1.9	2.6	0.7	0.7	1.1	0.6
Transport	14.7	13.2	1.5	-3.1	-9.6	10.6
Communication	4.9	-0.3	-1.8	0.4	1.2	0.0
Recreation services and culture	4.9	2.0	-0.4	0.7	0.6	0.6
Education	1.4	1.6	1.2	1.5	0.9	0.3
Restaurants and hotels	3.0	2.6	1.5	1.2	0.5	0.2
Miscellaneous goods and services	6.7	1.2	-1.3	0.4	2.7	0.7

¹ Weights based on Household Expenditure Survey 2016

² January to August 2021

Source: Department of Statistics, Malaysia

3.14. CONSUMER PRICE INDEX BY REGION (cont'd)

2010 = 100, Malaysia

Groups	Weights ¹ (%)	2017	2018	2019	2020	2021 ²
		Annual Change (%)				
Sarawak						
Total	100.0	3.0	0.6	0.1	-1.8	1.8
Food and non-alcoholic beverages	33.5	2.6	1.6	1.0	0.6	0.9
Alcoholic beverages and tobacco	2.7	-0.1	-1.9	0.6	0.2	0.3
Clothing and footwear	2.8	-1.2	-2.2	-2.5	-0.9	-0.4
Housing, water, electricity, gas and other fuels	21.9	0.8	0.8	0.9	-1.8	-1.0
Furnishings, household equipment and routine household maintenance	3.8	2.2	-0.9	0.7	-0.2	0.8
Health	1.5	2.3	2.1	1.3	1.4	0.4
Transport	14.0	15.2	1.8	-4.1	-13.6	14.8
Communication	4.6	-0.6	-1.6	0.4	0.6	0.0
Recreation services and culture	4.8	0.6	-0.1	0.3	-0.5	-1.6
Education	0.9	1.1	1.2	0.5	2.8	-0.6
Restaurants and hotels	2.4	2.0	1.6	2.1	0.5	0.5
Miscellaneous goods and services	7.1	1.6	-1.8	-0.4	2.5	1.0
Sabah and Federal Territory of Labuan						
Total	100.0	3.0	0.7	0.2	-1.9	1.4
Food and non-alcoholic beverages	31.3	3.6	1.6	0.5	0.2	0.5
Alcoholic beverages and tobacco	2.1	0.2	-0.5	1.2	0.1	0.3
Clothing and footwear	2.9	-0.9	-2.3	-1.9	-1.0	-0.5
Housing, water, electricity, gas and other fuels	28.1	1.0	1.1	1.2	-2.2	-1.5
Furnishings, household equipment and routine household maintenance	3.6	1.1	-0.1	0.4	-0.4	0.7
Health	1.1	1.7	1.1	0.7	1.1	0.4
Transport	13.7	11.7	1.6	-3.2	-10.9	12.5
Communication	4.6	-0.2	-1.0	0.1	0.4	0.0
Recreation services and culture	3.7	2.0	-0.8	0.5	-0.1	2.3
Education	0.8	1.2	1.2	0.9	0.4	-0.4
Restaurants and hotels	2.0	1.3	1.5	1.2	0.1	0.1
Miscellaneous goods and services	6.1	0.6	-2.4	0.3	1.5	1.0

¹ Weights based on Household Expenditure Survey 2016² January to August 2021

Source: Department of Statistics, Malaysia

3.15. CONSUMER PRICE INDEX BY STRATUM
2010 = 100, Malaysia

Groups	Weights ¹ (%)	2017	2018	2019	2020	2021 ²
		Annual Change (%)				
Rural						
Total	100.0	3.7	0.8	0.3	-1.5	2.2
Food and non-alcoholic beverages	35.6	3.6	1.0	0.9	0.9	1.4
Alcoholic beverages and tobacco	3.0	0.1	-0.1	1.6	0.1	0.1
Clothing and footwear	3.6	-0.1	-0.9	-0.5	-0.5	-0.1
Housing, water, electricity, gas and other fuels	19.9	1.8	1.4	1.8	-2.5	0.8
Furnishings, household equipment and routine household maintenance	3.7	1.8	0.2	0.7	0.1	0.4
Health	2.0	1.7	0.6	0.6	1.7	0.5
Transport	14.6	13.8	1.5	-3.6	-11.2	11.7
Communication	4.4	-0.1	-0.9	0.5	1.0	0.1
Recreation services and culture	3.6	1.7	-0.4	1.0	0.8	0.3
Education	0.9	1.2	0.5	0.5	0.5	0.2
Restaurants and hotels	2.4	1.5	1.1	1.0	0.7	0.1
Miscellaneous goods and services	6.3	1.1	-1.2	0.8	2.2	1.0
Urban						
Total	100.0	3.8	1.0	0.7	-1.1	2.2
Food and non-alcoholic beverages	28.4	4.0	1.8	1.8	1.4	1.5
Alcoholic beverages and tobacco	2.3	0.2	-0.1	1.5	0.4	0.7
Clothing and footwear	3.2	-0.4	-2.4	-2.2	-0.9	-0.5
Housing, water, electricity, gas and other fuels	24.5	2.4	2.0	1.8	-1.6	1.1
Furnishings, household equipment and routine household maintenance	4.2	2.3	0.3	1.6	0.3	1.4
Health	1.8	2.8	0.8	0.7	1.1	0.5
Transport	14.6	13.0	1.5	-3.1	-9.8	10.8
Communication	4.9	-0.3	-1.9	0.4	1.1	0.0
Recreation services and culture	5.0	1.9	-0.4	0.6	0.4	0.5
Education	1.4	1.7	1.2	1.5	1.1	0.2
Restaurants and hotels	3.0	2.7	1.5	1.3	0.4	0.2
Miscellaneous goods and services	6.7	1.2	-1.5	0.4	2.7	0.7

¹ Weights based on Household Expenditure Survey 2016

² January to August 2021

Source: Department of Statistics, Malaysia

3.16. CONSUMER PRICE INDEX BY STATE

2010 = 100, Malaysia

States	2017	2018	2019	2020	2021 ²
	Annual Change (%)				
Total					
Malaysia	3.7	1.0	0.7	-1.2	2.3
Kedah and Perlis	3.9	0.3	0.2	-1.8	2.2
Pulau Pinang	4.0	0.9	1.1	-0.8	2.0
Perak	3.3	0.7	0.6	-1.3	2.3
Selangor and Federal Territory of Putrajaya	3.9	1.1	0.9	-0.6	2.4
Federal Territory of Kuala Lumpur	3.7	1.4	1.2	-0.6	2.0
Melaka	4.1	0.8	0.1	-1.9	2.0
Negeri Sembilan	4.2	1.2	0.7	-1.6	2.3
Johor	4.2	1.1	0.6	-1.4	2.2
Pahang	3.1	0.6	0.3	-1.2	2.6
Kelantan	3.5	0.7	0.4	-1.5	2.9
Terengganu	3.1	0.4	0.1	-1.3	3.3
Sabah and Federal Territory of Labuan	3.0	0.7	0.2	-1.9	1.4
Sarawak	3.0	0.6	0.1	-1.8	1.8
Food and Non-Alcoholic Beverages					
Malaysia	4.0	1.6	1.7	1.3	1.4
Kedah and Perlis	4.3	0.4	1.0	0.7	0.9
Pulau Pinang	4.4	1.7	1.8	1.3	0.8
Perak	3.3	1.1	1.5	1.6	1.3
Selangor and Federal Territory of Putrajaya	4.2	1.6	1.9	2.0	2.1
Federal Territory of Kuala Lumpur	4.5	4.0	3.5	0.7	1.2
Melaka	4.8	1.4	1.3	0.7	1.0
Negeri Sembilan	3.6	1.6	1.5	1.2	1.3
Johor	4.6	1.7	1.9	1.5	1.3
Pahang	2.5	1.1	0.9	1.4	1.9
Kelantan	3.4	1.0	1.0	0.9	1.9
Terengganu	2.8	1.1	1.2	1.4	2.0
Sabah and Federal Territory of Labuan	3.6	1.6	0.5	0.2	0.5
Sarawak	2.6	1.6	1.0	0.6	0.9

¹ January to August 2021

Source: Department of Statistics, Malaysia

3.17. CORE INDEX

2010 = 100, Malaysia

Groups	Weights ¹ (%)	2017	2018	2019	2020	2021 ²
		Annual Change (%)				
Total	100.0	2.4	1.0	1.1	1.1	0.7
Food and non-alcoholic beverages	26.5	3.6	1.8	2.1	1.2	1.1
Alcoholic beverages and tobacco	-	-	-	-	-	-
Clothing and footwear	4.5	-0.3	-2.0	-2.0	-0.8	-0.4
Housing, water, electricity, gas and other fuels	26.5	2.7	2.4	2.1	1.3	0.5
Furnishings, household equipment and routine household maintenance	5.5	2.1	0.3	1.4	0.3	1.3
Health	2.6	2.5	0.8	0.7	1.1	0.5
Transport	6.5	2.7	-0.8	-3.1	0.1	0.6
Communication	6.5	-0.4	-1.7	0.4	1.1	0.0
Recreation services and culture	6.6	1.9	-0.4	0.7	0.4	0.5
Education	1.8	1.7	1.1	1.4	1.0	0.2
Restaurants and hotels	3.9	2.5	1.6	1.2	0.5	0.2
Miscellaneous goods and services	9.1	1.2	-1.4	0.4	2.7	0.8

¹ Weights based on Household Expenditure Survey 2016

² January to August 2021

Source: Department of Statistics, Malaysia.

3.18. PRODUCER PRICE INDEX - LOCAL PRODUCTION

2010 = 100, Malaysia

Sectors and Stage of Processing	Weights ¹ (%)	2017	2018	2019	2020	2021 ²
		Annual Change (%)				
Sector (MSIC 2008)						
Total	100.0	6.7	-1.1	-1.4	-2.7	8.2
Agriculture, forestry and fishing	6.7	7.0	-13.9	-4.0	15.7	36.6
Mining	7.9	24.7	17.5	-3.7	-36.3	30.2
Manufacturing	81.6	5.3	-1.8	-0.9	-0.4	4.3
Electricity and gas supply	3.4	1.9	1.1	1.5	-0.4	-0.7
Water supply	0.3	-0.1	0.3	-2.2	-0.2	0.7
Producer Price Index by Stage of Processing						
Total	100.0	6.7	-1.1	-1.4	-2.7	8.2
Crude materials for further processing	16.4	14.8	2.6	-3.9	-12.3	29.3
Intermediate materials, supplies and components	56.1	6.7	-1.9	-1.4	-0.5	5.9
Finished goods	27.5	0.9	-2.4	0.6	-0.1	-0.2

¹ Weights based on Economic Census 2016² January to August 2021

Source: Department of Statistics, Malaysia

3.19. LABOUR FORCE
Malaysia

	2017	2018	2019	2020	2021 ⁴
Labour force ('000)	14,980.1	15,280.3	15,581.6	15,667.7	15,936.2
Employment ('000)	14,476.8	14,776.0	15,073.4	14,956.7	15,179.0
Unemployment ('000)	503.3	504.3	508.2	711.0	757.2
Unemployment rate (%)	3.4	3.3	3.3	4.5	4.8
Labour force participation rate¹ (%)					
Total	68.0	68.3	68.7	68.4	68.5
Male	80.1	80.4	80.8	80.6	80.8
Female	54.7	55.2	55.6	55.3	55.3
Number of collective agreements signed in the current year²	269	294	298	187	85
Number of workers covered (thousands)	60.6	46.3	-	-	-
Labour productivity³	3.8	2.4	2.3	-5.5	6.0
Agriculture	2.2	-0.1	0.3	-1.8	-1.2
Mining and quarrying	-4.8	4.0	-0.2	-8.5	4.1
Manufacturing	3.9	2.4	1.7	-2.6	13.6
Construction	6.8	3.4	3.6	-15.7	8.6
Services	4.3	3.5	2.9	-6.0	3.7
Foreign workers ('000)	1,797.4	2,015.8	1,999.6	1,483.4	1,106.0⁵

¹ The ratio of the labour force to the working age population (15-64 years), expressed as percentage

² Based on the information in the Collective Agreement and the feedback from the employer for which has been given cognisance by the Industrial Court for the year

³ Annual change (%)

⁴ For the first half of 2021

⁵ As at end-August 2021

Source: Department of Statistics, Ministry of Home Affairs and Ministry of Human Resources Malaysia

3.20. EMPLOYMENT BY INDUSTRY

'000 persons, Malaysia

Industry ¹	2017	2018	2019	2020		2021 ⁴	
					share (%)		share (%)
Total employment²	14,476.8	14,776.0	15,073.4	14,956.7	100.0	15,179.0	100.0
Agriculture, forestry and fishing	1,635.0	1,570.3	1,541.1	1,566.0	10.5	1,531.4	10.1
Mining and quarrying	97.2	90.8	91.0	82.2	0.5	71.8	0.5
Manufacturing	2,513.3	2,499.9	2,681.5	2,498.0	16.7	2,520.4	16.6
Construction	1,258.9	1,257.8	1,276.4	1,173.4	7.8	1,134.4	7.5
Services	8,970.9	9,355.2	9,481.5	9,637.1	63.9	9,921.0	65.4
Electricity, gas, steam and air conditioning supply	62.2	68.8	71.4	76.4	0.5	96.8	0.6
Water supply; sewerage, waste management and remediation activities	81.0	88.6	88.8	83.7	0.6	78.1	0.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,485.4	2,544.6	2,594.5	2,765.6	18.5	2,798.8	18.4
Transportation and storage	658.2	697.9	667.6	689.2	4.6	664.4	4.4
Accommodation and food and beverage service activities	1,323.2	1,473.4	1,549.7	1,540.0	10.3	1,409.7	9.3
Information and communication	220.3	216.4	213.9	223.4	1.5	282.2	1.9
Financial and insurance/takaful activities	369.0	338.6	335.1	372.1	2.5	407.0	2.7
Real estate activities	84.5	97.2	92.1	82.1	0.5	91.4	0.6
Professional, scientific and technical activities	348.1	367.7	385.7	379.3	2.5	432.2	2.8
Administrative and support service activities	677.2	747.6	806.2	801.9	5.4	727.3	4.8
Public administration and defence; compulsory social security	742.2	720.2	737.1	734.9	4.9	909.9	6.0
Education	880.3	988.7	962.3	937.6	6.3	1,031.8	6.8
Human health and social work activities	588.0	551.2	527.7	559.6	3.7	626.6	4.1
Arts, entertainment and recreation	84.3	85.6	79.0	58.2	0.4	61.5	0.4
Others service activities	260.1	264.8	266.1	267.0	1.8	217.0	1.4
Activities of households as employers ³	106.9	103.9	104.3	66.1	0.4	86.2	0.6

¹ Industry is classified according to the 'Malaysia Standard Industrial Classification (MSIC) 2008 Ver. 1.0'

² Total includes 'Activities of extraterritorial organisations and bodies'

³ Labour Force Survey does not classify the subsistence goods-and services-producing activities of households as persons who are economically active. Therefore, the classification of industry by MSIC 2008 for 'Activities of households as employers; undifferentiated goods-and services-producing activities of household for own use' only accounted for 'Activities of household as employers'

⁴ For the first half of 2021

Source: Department of Statistics, Malaysia

3.21. ACTIVE REGISTRANTS
Malaysia

	2017	2018	2019	2020		2021 ²	
					share (%)		share (%)
Total Active Registrants (end-period)	262,756	154,850	299,648	56,930	100.0	151,143	100.0
Age							
19 and below	27,829	20,959	36,966	3,702	6.5	27,994	18.5
20 – 24	177,111	104,868	199,476	18,729	32.9	52,242	34.6
25 – 29	46,460	22,039	49,080	13,261	23.3	30,883	20.4
30 and above	11,356	6,984	14,126	21,238	37.3	40,024	26.5
Gender							
Male	91,528	54,979	109,227	28,477	50.0	63,007	41.7
Female	171,228	99,871	190,421	28,453	50.0	88,136	58.3
Educational Level							
Less than PT3/PMR/SRP/LCE	766	402	924	1,025	1.8	1,449	1.0
PT3/PMR/SRP/LCE	2,870	1,438	2,516	1,849	3.2	3,008	2.0
SPM/MCE	51,245	7,557	14,754	17,357	30.5	75,723	50.1
Skills Certificate ¹	7,787	2,248	8,663	-	-	-	-
MHSC/STPM, Matriculation, Diploma and Degree	200,088	143,205	272,791	17,398	30.6	28,862	19.1
Employment Status							
Unemployed	129,581	71,852	137,712	16,782	29.5	18,591	12.3

¹ Malaysian Skills Certificate (SKM), other skills certificate and non-technical skills certificate

² January to June 2021

Note: Covers job seekers registered with Labour Department through JobsMalaysia and within valid registration period for data prior 2020. Beginning 2020, data are provided by Social Security Organisation obtained via MyFutureJobs portal. The figures for certain variables for Active Registrants may not add up total actual active registrants. As of now, some variables are not mandatory to be filled-up by Job Seekers hence may not add up to the overall total

Source: Ministry of Human Resources and Social Security Organisation, Malaysia

3.22. VACANCIES AND PLACEMENTS

Malaysia

	2017	2018	2019	2020		2021 ³	
					share (%)		share (%)
Number of Vacancies by Occupational Category¹	1,473,376	1,095,020	974,612	745,304	100.0	1,130,700	100.0
Managers	11,164	4,762	8,563	35,964	4.8	45,940	4.1
Professionals	41,171	21,334	31,900	110,175	14.8	198,761	17.6
Technician and associate professionals	16,904	19,466	34,429	89,954	12.1	134,029	11.9
Clerical support workers	14,083	7,690	11,554	55,985	7.5	74,831	6.6
Service and sales workers	63,335	34,926	42,462	135,058	18.1	185,405	16.4
Skilled agricultural, forestry and fishery workers	12,212	5,633	2,089	3,846	0.5	4,591	0.4
Craft and related trade workers	35,244	25,063	31,982	49,426	6.6	79,751	7.1
Plant and machine operators and assemblers	151,779	127,391	147,321	81,418	10.9	98,153	8.7
Elementary occupation	1,127,484	848,755	664,312	183,478	24.6	309,239	27.3
Number of Vacancies by Sector	1,473,376	1,095,020	974,612	745,304	100.0	1,130,700	100.0
Agriculture, forestry and fishing	264,216	240,470	204,324	18,547	2.5	40,611	3.6
Mining and quarrying	2,730	3,108	3,435	1,325	0.2	4,095	0.4
Manufacturing	617,308	421,582	351,942	190,278	25.5	265,774	23.5
Construction	255,851	191,045	141,783	55,590	7.5	78,484	6.9
Services	333,271	238,815	273,128	479,564	64.3	741,736	65.6
Number of Placements by Sector²	20,369	14,138	-	160,554	100.0	167,537	100.0
Agriculture, forestry and fishing	1,382	1,326	-	2,982	1.9	2,115	1.3
Mining and quarrying	7	16	-	422	0.3	330	0.2
Manufacturing	12,325	8,557	-	33,899	21.1	24,158	14.4
Construction	652	538	-	7,689	4.8	9,293	5.5
Services	6,003	3,701	-	115,562	72.0	131,641	78.6

¹ Classification of occupational groups is based on the Malaysia Standard Classification of Occupations (MASCO) 2013

² Data for 2018 covers period from January to Jun 2018. Data was not available for 2019.

³ January to June 2021

Note: Definition of vacancies refers to job vacancy listings by employers in public (selected only) and private sector on JobsMalaysia. The job listing includes non-substantive vacancies such as sales person, promoter, insurance agent and part-time workers as well as foreign workers. Prior 2020, data was obtained from Labour Department through JobsMalaysia portal. Beginning 2020, data are provided by Social Security Organisation obtained via MyFutureJobs portal

Source: Ministry of Human Resources, and Social Security Organisation, Malaysia

4.1. INTEREST RATES
Malaysia

	Average rates during the period (%)				Average rates during the period in 2021 (%)							
	2017	2018	2019	2020	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.
Overnight interbank	2.98	3.19	3.05	2.10	1.74	1.75	1.73	1.72	1.73	1.72	1.74	1.74
1-week interbank	3.03	3.26	3.12	2.14	1.77	1.77	1.77	1.77	1.77	1.77	1.77	1.77
3-month interbank	3.38	3.66	3.46	2.39	1.91	1.91	1.92	1.92	1.92	1.91	1.89	1.90
Commercial banks												
Fixed deposits												
3-month	2.92	3.14	2.98	1.95	1.57	1.58	1.56	1.56	1.56	1.56	1.56	1.55
12-month	3.09	3.31	3.17	2.13	1.75	1.75	1.75	1.70	1.70	1.70	1.70	1.70
Savings deposit	0.96	1.04	1.01	0.61	0.47	0.47	0.46	0.46	0.58	0.58	0.58	0.58
Weighted Base Rate ¹ (BR)	3.62	3.88	3.76	2.76	2.42	2.42	2.43	2.42	2.42	2.43	2.43	2.43
Base lending rate (BLR)	6.67	6.89	6.78	5.83	5.49	5.49	5.49	5.49	5.49	5.49	5.49	5.49

¹ Effective from 2 January 2015, the BR replaced the BLR as the main reference rate for new retail floating rate loans and financing facilities
Source: Bank Negara Malaysia

4.2. BROAD MONEY (M3)Malaysia
RM million

	End-period				
	2017	2018	2019	2020	2021 ⁴
Broad money (M3) ¹	1,736,445	1,894,517	1,961,554	2,040,994	2,104,910
Transaction balances	421,552	425,722	450,471	517,571	548,505
Currency in circulation ²	92,388	94,297	100,159	117,687	131,729
Demand deposits	329,164	331,425	350,312	399,884	416,776
Broad quasi-money	1,314,893	1,468,796	1,511,083	1,523,423	1,556,404
Savings deposits	150,505	157,387	169,975	212,341	237,503
Fixed deposits	823,165	920,662	952,127	922,462	910,563
Negotiable instruments of deposits (NIDs)	8,154	11,547	12,671	7,448	1,734
Repurchase agreements (Repos)	-	-	-	-	-
Foreign currency deposits	133,268	151,496	156,727	159,902	190,515
Other deposits	199,800	227,704	219,583	221,270	216,090
Factors Affecting M3					
Net claims on Government	1,736,445	1,894,517	1,961,554	2,040,994	2,104,910
Claims on Government	129,824	183,634	194,584	252,804	263,818
Less: Government deposits	56,848	65,550	61,854	70,806	94,338
Claims on private sector	1,745,091	1,892,470	1,976,463	2,046,172	2,075,969
Loans	1,537,001	1,645,784	1,715,637	1,769,764	1,796,493
Securities	208,090	246,686	260,825	276,408	279,475
Net foreign assets ³	517,269	522,402	521,814	525,605	571,173
Bank Negara Malaysia	406,832	411,768	423,781	424,524	454,697
Banking system	110,437	110,634	98,033	101,081	116,475
Other influences	-655,739	-703,989	-731,307	-783,587	-806,049

¹ Exclude interplacements among banking institutions² Exclude holdings by the banking system³ Includes exchange rate revaluation losses/gains⁴ End-August 2021

Note: Data based on BNM Monthly Statistical Bulletin (August 2020). Total may not add up due to rounding

Source: Bank Negara Malaysia

4.3. KEY EXCHANGE RATES
Malaysia

	RM to one unit of foreign currency ¹					Change (%)				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021 ²
	End-December				End-September					
Special Drawing Rights (SDR)	5.7709	5.7558	5.6592	5.7798	5.9199	4.2	0.3	1.7	-2.1	-2.4
US dollar	4.0620	4.1385	4.0925	4.0130	4.1880	10.4	-1.8	1.1	2.0	-4.2
Singapore dollar	3.0392	3.0322	3.0387	3.0354	3.0770	2.1	0.2	-0.2	0.1	-1.4
100 Japanese yen	3.6020	3.7475	3.7655	3.8891	3.7423	6.7	-3.9	-0.5	-3.2	3.9
Pound sterling	5.4660	5.2532	5.3722	5.4653	5.6352	0.8	4.1	-2.2	-1.7	-3.0
Euro	4.8510	4.7340	4.5852	4.9324	4.8598	-2.6	2.5	3.2	-7.0	1.5
100 Thai baht	12.4334	12.7006	13.6827	13.3990	12.3540	0.7	-2.1	-7.2	2.1	8.5
100 Indonesian rupiah	0.0300	0.0286	0.0295	0.0286	0.0293	11.3	4.9	-3.1	3.1	-2.4
100 Korean won	0.3801	0.3721	0.3540	0.3698	0.3532	-2.1	2.1	5.1	-4.3	4.7
100 Philippine peso	8.1232	7.8739	8.0720	8.3569	8.2239	11.4	3.2	-2.5	-3.4	1.6
Chinese renminbi	0.6230	0.6017	0.5866	0.6143	0.6475	3.6	3.5	2.6	-4.5	-5.1

¹ US dollar (USD) rates are the average of buying and selling rates at noon in the Kuala Lumpur Interbank Foreign Exchange Market. Rates for foreign currencies other than USD are cross rates derived from rates of these currencies against the USD and the RM/USD rate

² End-December 2020 – End-September 2021

Source: Bank Negara Malaysia

4.4. COMMERCIAL BANKS: LOANS OUTSTANDING BY PURPOSE AND SECTOR

Malaysia

	2017		2018		2019		2020		2021	
	December		December		December		December		August	
	RM million	share (%)	RM million	share (%)	RM million	share (%)	RM million	share (%)	RM million	share (%)
Purpose										
Purchase of securities	37,505	3.4	34,092	3.0	30,854	2.7	30,019	2.6	28,688	2.5
Purchase of transport vehicles	94,928	8.6	93,847	8.3	89,343	7.7	89,277	7.7	84,435	7.2
of which:										
Purchase of passenger cars	88,244	8.0	87,221	7.7	82,901	7.2	82,676	7.1	78,060	6.7
Purchase of residential property	386,446	35.2	403,993	35.6	422,262	36.6	440,600	37.9	448,097	38.3
Purchase of non-residential property	172,212	15.7	172,369	15.2	173,313	15.0	172,214	14.8	169,579	14.5
Purchase of fixed assets other than land and building	6,620	0.6	7,415	0.7	8,945	0.8	9,186	0.8	8,507	0.7
Personal use	33,627	3.1	35,546	3.1	36,628	3.2	37,359	3.2	35,545	3.0
Credit card	35,459	3.2	36,240	3.2	37,098	3.2	32,277	2.8	28,859	2.5
Purchase of consumer durables	98	0.0	84	0.0	73	0.0	65	0.0	58	0.0
Construction	36,601	3.3	38,668	3.4	40,607	3.5	41,877	3.6	43,265	3.7
Working capital	253,462	23.1	266,129	23.4	264,855	23.0	261,781	22.5	276,035	23.6
Other purpose	41,343	3.8	46,591	4.1	49,621	4.3	48,137	4.1	47,804	4.1
Total Loans¹	1,098,300	100.0	1,134,973	100.0	1,153,597	100.0	1,162,792	100.0	1,170,871	100.0
Sector²										
Primary agriculture	21,944	2.0	20,167	1.8	18,763	1.6	17,570	1.5	17,603	1.5
Mining and quarrying	5,726	0.5	6,202	0.5	7,542	0.7	7,034	0.6	6,957	0.6
Manufacturing (including agro-based)	81,072	7.4	87,060	7.7	94,548	8.2	90,824	7.8	96,371	8.2
Electricity, gas and water supply	10,076	0.9	11,140	1.0	11,246	1.0	9,691	0.8	10,468	0.9
Wholesale and retail, restaurants and hotels	94,179	8.6	99,387	8.8	101,281	8.8	104,790	9.0	109,233	9.3
Construction	51,381	4.7	56,131	4.9	57,140	5.0	60,561	5.2	59,038	5.0
Real estate	89,355	8.1	87,171	7.7	83,669	7.3	82,817	7.1	79,957	6.8
Transport, storage and communication	21,661	2.0	21,616	1.9	20,875	1.8	21,310	1.8	20,711	1.8
Finance, insurance and business services	71,548	6.5	81,821	7.2	82,491	7.2	79,401	6.8	82,015	7.0
Education, health and others	19,980	1.8	18,815	1.7	20,924	1.8	21,821	1.9	25,629	2.2
Household sector	622,330	56.7	636,842	56.1	648,438	56.2	659,476	56.7	655,040	55.9
Other sector ³	9,049	0.8	8,621	0.8	6,680	0.6	7,495	0.6	7,849	0.7

¹ Includes loans sold to Cagamas² Definitions of economic sectors/industries are based on MSIC 2000³ Includes loans to individual businesses

Note: Data based on BNM Monthly Statistical Bulletin (August 2021). Total may not add up due to rounding

Source: Bank Negara Malaysia

4.5. GOVERNMENT AND CORPORATE BOND YIELDS

Malaysia

	2017	2018	2019	2020	2021								
					Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
Malaysian Government Securities market indicative yield (%)													
1-year	2.89	3.45	2.96	1.73	1.75	1.76	1.85	1.84	1.79	1.79	1.77	1.78	1.78
3-year	3.34	3.63	3.01	1.88	1.84	1.94	2.13	2.37	2.31	2.26	2.26	2.34	2.47
5-year	3.56	3.78	3.18	2.12	2.07	2.37	2.66	2.58	2.60	2.55	2.62	2.68	2.93
10-year	3.91	4.08	3.31	2.65	2.71	3.09	3.27	3.15	3.24	3.29	3.17	3.21	3.38
5-year corporate bond yields (%)													
AAA	4.33	4.39	3.63	2.76	2.71	2.81	3.29	3.24	3.23	3.23	3.15	3.10	3.23
AA	4.64	4.69	3.95	3.08	3.08	3.16	3.62	3.54	3.57	3.56	3.51	3.46	3.53
A	6.36	6.37	5.27	4.49	4.49	4.55	4.77	4.69	4.78	4.77	4.56	4.52	4.63
BBB	9.62	9.66	7.65	6.12	5.96	5.93	6.24	6.04	6.23	6.30	6.15	6.07	6.17

Source: Bank Negara Malaysia

4.6. BURSA MALAYSIA: SELECTED INDICATORS

	2017	2018	2019	2020	2021 ³
Indices¹					
Composite	1,796.81	1,690.58	1,588.76	1,627.21	1,537.80
FBM EMAS	12,942.57	11,527.51	11,323.49	11,761.93	11,311.08
FBM ACE	6,603.55	4,317.49	5,226.59	10,734.69	7,158.90
Trading volume² (million units)	641,315.6	643,208.1	653,085.5	1,855,808.5	1,201,646.0
Main Market	430,833.7	420,153.9	453,037.4	1,072,204.6	753,489.3
ACE Market	156,155.6	104,049.2	103,750.4	638,349.2	383,110.2
LEAP Market	4.8	80.6	332.8	187.7	159.4
Daily Average	2,639.2	2,646.9	2,676.6	7,483.1	6,602.5
Trading value² (RM million)	614,822.8	625,496.4	525,225.9	1,068,009.6	729,218.3
Main Market	578,620.9	579,691.7	483,252.3	855,623.4	599,399.3
ACE Market	29,040.4	19,781.8	21,404.7	176,370.0	120,410.0
LEAP Market	1.4	5.1	33.2	37.8	34.2
Daily Average	2,530.1	2,574.1	2,152.6	4,306.5	4,006.7
Number of listed companies	905	915	929	936	947
Main Market	788	783	772	767	762
ACE Market	115	119	129	135	143
LEAP Market	2	13	28	34	42
Market capitalisation¹ (RM billion)	1,906.8	1,700.4	1,711.8	1,817.3	1,802.1
Main Market	1,881.9	1,680.3	1,682.5	1,765.0	1,752.7
ACE Market	15.6	12.1	18.8	35.6	33.4
LEAP Market	0.2	0.9	2.4	3.1	4.1
Market capitalisation/GDP (%)	146.6	124.7	120.2	135.2	-

¹ End-period

² Based on market transactions and direct business transactions

³ End-September 2021

Source: Bursa Malaysia

4.7. ISLAMIC BANKS: LOANS OUTSTANDING BY PURPOSE AND SECTOR

Malaysia

	2017		2018		2019		2020		2021	
	December		December		December		December		August	
	RM million	share (%)	RM million	share (%)	RM million	share (%)	RM million	share (%)	RM million	share (%)
Purpose										
Purchase of securities	32,443	6.8	41,622	7.4	47,995	7.9	51,032	7.7	51,370	7.5
Purchase of transport vehicles	74,266	15.5	75,161	13.3	77,821	12.7	86,262	13.1	87,588	12.9
of which:										
Purchase of passenger cars	71,852	15.0	72,875	12.9	75,613	12.4	84,752	12.8	86,072	12.6
Purchase of residential property	132,956	27.8	158,613	28.1	182,522	29.9	207,208	31.4	223,925	32.9
Purchase of non-residential property	40,943	8.5	46,114	8.2	52,026	8.5	56,493	8.5	57,905	8.5
Purchase of fixed assets other than land and building	2,231	0.5	3,041	0.5	3,563	0.6	3,733	0.6	4,210	0.6
Personal use	35,145	7.3	58,881	10.4	59,831	9.8	64,098	9.7	65,021	9.5
Credit card	3,200	0.7	3,680	0.7	4,094	0.7	3,779	0.6	3,474	0.5
Purchase of consumer durables	19	0.0	24	0.0	21	0.0	14	0.0	13	0.0
Construction	11,063	2.3	17,457	3.1	17,907	2.9	17,330	2.6	17,758	2.6
Working capital	117,920	24.6	126,750	22.5	133,398	21.8	138,342	20.9	139,096	20.4
Other purpose	28,767	6.0	32,757	5.8	31,891	5.2	32,541	4.9	30,663	4.5
Total Financing¹	478,954	100.0	564,099	100.0	611,068	100.0	660,831	100.0	681,022	100.0
Sector²										
Primary agriculture	14,234	3.0	15,842	2.8	17,175	2.8	16,445	2.5	16,319	2.4
Mining and quarrying	5,259	1.1	5,271	0.9	3,376	0.6	3,547	0.5	4,242	0.6
Manufacturing (including agro-based)	21,497	4.5	24,292	4.3	27,555	4.5	30,185	4.6	33,903	5.0
Electricity, gas and water supply	2,271	0.5	2,919	0.5	4,516	0.7	4,758	0.7	5,087	0.7
Wholesale and retail, restaurants and hotels	21,276	4.4	25,869	4.6	30,401	5.0	33,141	5.0	35,621	5.2
Construction	22,210	4.6	35,189	6.2	34,533	5.7	33,767	5.1	29,210	4.3
Real estate	25,419	5.3	27,846	4.9	30,163	4.9	31,360	4.7	31,251	4.6
Transport, storage and communication	15,786	3.3	16,506	2.9	18,567	3.0	17,520	2.7	17,676	2.6
Finance, insurance and business services	34,450	7.2	30,004	5.3	32,068	5.2	34,200	5.2	35,486	5.2
Education, health and others	21,846	4.6	29,140	5.2	19,381	3.2	30,472	4.6	27,791	4.1
Household sector	282,474	59.0	344,264	61.0	378,754	62.0	419,215	63.4	438,242	64.4
Other sectors ³	12,231	2.6	6,958	1.2	14,581	2.4	6,222	0.9	6,194	0.9

¹ Includes loans sold to Cagamas

² Definitions of economic sectors/industries are based on MSIC 2000

³ Includes loans to individual businesses

Note: Data based on BNM Monthly Statistical Bulletin (August 2021). Total may not add up due to rounding

Source: Bank Negara Malaysia

5.1. PROGRESS OF SUSTAINABLE DEVELOPMENT GOALS BY INDICATOR

Malaysia

No.	Available Indicator	Unit	Year	Value
SDG 1: No Poverty				
1.	Households below the international poverty line	%	2016	0.02
			2019	0.01
2.	Households below the national poverty line	%	2016	7.6
			2019	5.6
3.	Multidimensional Poverty Index		2016	0.015
			2019	0.011
4.	Number of recipients of assistance	('000)	2018	571.2
			2019	561.2
5.	Population using safely managed drinking water services	%	2018	95.6
			2019	95.7
6.	a. Number of deaths attributed to disasters per 100,000 population		2018	0.1
			2019	0.0
	b. Number of affected people with damaged homes attributed to disasters per 100,000 population		2018	158.0
			2019	266.0
SDG 2: Zero Hunger				
1.	Prevalence of underweight among children under 5 years of age	%	2015	12.4
			2019	14.1
2.	Prevalence of stunting among children under 5 years of age	%	2015	17.7
			2019	21.8
3.	Prevalence of wasting of children under 5 years of age	%	2015	8.0
			2019	9.7
4.	Prevalence of overweight among children under 5 years of age	%	2015	7.1
			2019	5.6
5.	Prevalence of anaemia (women aged 15-49 years)	%	2015	34.8
			2019	29.9
6.	a. Number of semen (animal genetic resources)	('000)	2018	24.4
			2019	23.5
	b. Number of local live purebred cattle (animal genetic resources)		2018	573
			2019	655
7.	Local breeds at risk of extinction		2018	99.9
			2019	99.9

No.	Available Indicator	Unit	Year	Value
SDG 3: Good Health and Well-Being				
1.	Maternal mortality ratio per 100,000 live births	Ratio	2018	23.5
			2019	21.1
2.	Births attended by skilled health personnel	%	2018	99.6
			2019	99.6
3.	Under-five mortality rate per 1,000 live births	Ratio	2018	8.8
			2019	7.7
4.	Neonatal mortality rate per 1,000 live births	Ratio	2018	4.6
			2019	4.1
5.	Number of new HIV infections per 1,000 uninfected population	Ratio	2018	0.2
			2019	0.2
6.	Tuberculosis incidence per 100,000 population	Ratio	2017	80.8
			2018	79.0
7.	Malaria incidence per 1,000 population	Ratio	2018	0.1
			2019	0.1
8.	Hepatitis B notification rate per 100,000 population	Ratio	2018	14.5
			2019	15.7
9.	Mass Drug Administration coverage among targeted population in filarial endemic	%	2018	100.0
			2019	98.8
10.	a. Probability of dying between the exact ages 30 and 70 years from cardiovascular disease	%	...	...
	b. Probability of dying between the exact ages 30 and 70 years from cancer		2019	11.3
		
	c. Probability of dying between the exact ages 30 and 70 years from diabetes		...	...
d. Probability of dying between the exact ages 30 and 70 years from chronic respiratory disease	%	...	...
		2019	1.3	
11.	Suicide mortality rate per 100,000 population	Ratio	2018	0.09
			2019	0.04
12.	a. Coverage of treatment interventions for Opioids	%	2018	30.9
			2019	26.1
	b. Coverage of treatment interventions for Amphetamine Type Stimulant (ATS)		2018	19.5
			2019	14.9
13.	Prevalence of Heavy Episodic Drinking (HED) among 18 years old and above	%	...	...
			2019	1.0

No.	Available Indicator	Unit	Year	Value
14.	Death rate of road traffic injuries per 100,000 population	Ratio	2018	19.4
			2019	19.0
15.	Married women who use modern methods for family planning	%	...	...
			2014	47.7
16.	a. Adolescent birth rate (aged 10-14 years) per 1,000 women	Ratio	2018	0.1
			2019	0.1
	b. Adolescent birth rate (aged 15-19 years) per 1,000 women	Ratio	2018	8.5
			2019	8.2
17.	a. Household expenditures on health (10%)	%	...	...
			2016	2.0
	b. Household expenditures on health (25%)	%	...	...
			2016	0.2
18.	Mortality rate attributed to unsafe water, unsafe sanitation and lack of hygiene per 100,000 population (reported by MOH facilities)	Ratio	2018	0.7
			2019	0.7
19.	Mortality rate due to the accidental poisoning by and exposure to noxious substance per 100,000 population (reported by MOH facilities only)	Ratio	2018	0.3
			2019	0.2
20.	Age-standardized prevalence of current tobacco use among persons aged 15 years and older		...	...
			2019	20.7
21.	a. Proportion of the target population covered by DTP (3rd dose)	%	2018	100.2
			2019	98.4
	b. Proportion of the target population covered by MMR (2nd dose)	%	2018	110.7
			2019	106.5
	c. Proportion of the target population covered by HPV (last dose in the schedule)	%	2018	82.2
			2019	84.4
22.	a. Density and distribution of doctors per 1,000 population	Ratio	2018	1.9
			2019	2.1
	b. Density and distribution of dentist per 1,000 population	Ratio	2018	0.3
			2019	0.3
	c. Density and distribution of pharmacist per 1,000 population	Ratio	2018	0.4
			2019	0.6
	d. Density and distribution of registered nurse per 1,000 population	Ratio	2018	3.3
			2019	3.3
	e. Density and distribution of midwifery personnel per 1,000 population	Ratio	2018	1.7
			2019	1.7

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No.	Available Indicator	Unit	Year	Value
23.	Capacity and health emergency preparedness	%	2017	100.0
			2018	92.0
24.	Bloodstream infections due to selected antimicrobial resistant organisms	%	2018	3.3
			2019	3.0
SDG 4: Quality Education				
1.	a. Proportion of children people in grades 2/3 achieving at least a minimum proficiency level in reading	%	2017	98.3
			2018	98.0
	b. Proportion of children people in grades 2/3 achieving at least a minimum proficiency level in mathematics	%	2017	98.8
			2018	98.6
	c. Proportion of children the end of primary achieving at least a minimum proficiency level in reading	%	2018	94.5
			2019	95.0
	d. Proportion of children at the end of primary achieving at least a minimum proficiency level in mathematics	%	2018	80.5
			2019	83.1
	e. Proportion of young people at the end of lower secondary achieving at least a minimum proficiency level in reading	%	2018	78.3
			2019	82.2
	f. Proportion of young people at the end of lower secondary achieving at least a minimum proficiency level in mathematics	%	2018	42.3
			2019	56.4
2.	Proportion of children aged 24-59 months who are developmentally on track in health	%	...	...
3.	Participation rate in preschool		2018	87.8
			2019	89.7
4.	Participation rate in education and formal training in the previous 12 months		2018	10.3
			2019	9.9
5.	Adults with information and communication technology (ICT) skills in using copying and pasting techniques to duplicate or transfer information within document	%	2018	81.5
			2019	81.8
6.	Gender parity index for participation rate in preschool (female/male)		2018	1.01
			2019	1.02
7.	Achieving proficiency in literacy skill (15 years and above)	%	2018	94.9
			2019	95.0
8.	Basic services for electricity offered by schools	%	2018	100.0
			2019	100.0
9.	Teachers with minimum organized teacher training for preschool	%	2018	100.0
			2019	100.0

No.	Available Indicator	Unit	Year	Value
SDG 5: Gender Equality				
1.	Number of non-muslim women aged 20-24 years old who were married before 18 years		2018	2,496
			2019	2,392
2.	a. Seats held by women in Senate	%	2018	17.0
			2019	18.0
	b. Seats held by Parliament of Malaysia women in House of Representatives	%	2018	14.4
			2019	14.9
	c. Seats held by women as Cabinet Ministers	%	2018	17.9
			2019	17.9
	d. Seats held by Parliament of Malaysia women as Deputy Ministers	%	2018	14.8
			2019	15.4
3.	Women in managerial positions	%	2018	24.7
			2019	23.3
4.	Women aged 15-49 who use contraceptive use	%	...	...
			2014	89.3
5.	Mobile phone ownership by individuals	%	2018	96.0
			2019	95.7
SDG 6: Clean Water Sanitation				
1	Safely managed drinking water services	%	2018	95.6
			2019	95.7
2	Safely managed sanitation services	%	2016	99.7
			2019	99.7
3	Proportion of bodies of water with good ambient water quality	%	2017	90.0
			2018	93.0
4	Proportion of transboundary basin area with an operational arrangement for water cooperation	%	2018	3.4
			2019	3.4
SDG 7: Affordable and Clean Energy				
1.	Access to electricity	%	2016	99.9
			2019	99.9
2.	Renewable energy share in the total primary energy supplied	%	2017	7.1
			2018	7.2
3	Energy intensity (toe/ GDP at constant price 2015 (RM Million))		2017	75.6
			2018	73.3

No.	Available Indicator	Unit	Year	Value
SDG 8: Decent Work and Economic Growth				
1.	Annual growth rate of real GDP per capita	%	2018	3.7
			2019	4.0
2.	Annual growth rate of real GDP per employed person	%	2018	2.3
			2019	2.3
3.	Share of employment in the informal sector	%	2017	10.8
			2019	9.3
4.	Mean monthly salaries & wages of employees	RM	2018	3,087
			2019	3,224
5.	Unemployment rate	%	2018	3.3
			2019	3.3
6.	Proportion of youth not in education, employment or training	%	2018	12.5
			2019	11.6
7.	a. Incidence rates of fatal occupational injuries per 100,000 workers	Ratio	2018	12.5
			2019	12.7
	b. Incidence rates of non-fatal occupational injuries per 100,000 workers	Ratio	2018	1,013.3
			2019	1,065.7
8.	Growth rate of tourism to GDP	%	2018	7.6
			2019	7.9
9.	a. Number of commercial bank branches per 100,000 adults	Ratio	2018	10.2
			2019	10.1
	b. Number of automated teller machines (ATMs) per 100,000 adults	Ratio	2018	46.6
			2019	44.7
10.	Adults with an account at a financial institution	%	2018	95.5
			2019	96.0
SDG 9: Industry Innovation and Infrastructure				
1.	a. Number of passengers by rails	million	2018	260.4
			2019	283.3
	b. Number of passengers at airport	million	2018	102.4
			2019	109.4
	c. Freight volumes and containers handled by KTMB	('000 tonnes)	2018	5,944
			2019	5,973
	d. Cargo handled by airport	('000 tonnes)	2018	965.8
			2019	942.6

No.	Available Indicator	Unit	Year	Value
	e. Cargo throughput by port	('000 000 tonnes)	2018	570.7
			2019	595.5
2.	Manufacturing value added per capita	RM	2018	9,413
			2019	9,709
3.	Manufacturing employment as 2017 a proportion of total employment	%	2018	16.9
			2019	17.3
4.	Share manufacturing value added of SMEs to GDP	%	2018	34.4
			2019	34.6
5.	Proportion of Small and Medium Enterprise (SME) with a loan or line of credit	%	...	...
			2015	53.8
6.	Research and development expenditure as a proportion of GDP	%	2016	1.4
			2018	1.0
7.	Number of researchers per million inhabitants		2016	2,325
			2018	2,127
8.	Medium and high-tech industry value added ratio in total manufacturing value added (at constant prices)		2018	45.8
			2019	45.7
9.	Population covered by a mobile network	%	2018	96.3
			2018	96.7
SDG 10: Reduced Inequalities				
1.	Compounded annual growth rate among Bottom 40	%	2016	5.8
			2019	3.4
2.	Households below 50 per cent of median income	%	2016	15.9
			2019	16.9
3.	Compensation of employees by kind of economic activity at current prices	%	2018	35.8
			2019	35.9
4.	Remittance costs as a proportion of the amount remitted	%	2018	2.8
			2019	2.4
SDG 11: Sustainable Cities and Communities				
1.	a. Number of deaths attributed to disasters per 100,000 population	Ratio	2018	0.1
			2019	0.0
	b. Number of affected people with damaged homes attributed to disasters per 100,000 population	Ratio	2018	158.0
			2019	266.0
2.	Annual mean levels of fine particulate matter in cities	(PM10) (µg/m3)	2017	35.0
			2018	28.0

No.	Available Indicator	Unit	Year	Value
SDG 12: Responsible Consumption and Production				
1.	Number of participations in international multilateral environmental agreements		2017	13
			2018	13
2.	a. Quantity of clinical wastes handled	(tonnes '000)	2018	31.4
			2019	33.8
	b. Scheduled waste managed	(tonnes '000)	2018	2,355.1
			2019	4,013.2
SDG 13: Climate Action				
1.	a. Number of deaths attributed to disasters per 100,000 population	Ratio	2018	0.1
			2019	0.0
	b. Number of affected people with damaged homes attributed to disasters per 100,000 population	Ratio	2018	158.0
			2019	266.0
2.	CO2 eq emissions	(tonnes (million))	2011	280.0
			2014	314.3
SDG 14: Life Below Water				
1	a. Malaysia Marine Water Quality Index in coastal area with excellent status (number of station)		2018	124
			2019	37
	b. Malaysia Marine Water Quality Index in estuary area with excellent status (number of station)		2018	18
			2019	3
	c. Malaysia Marine Water Quality Index in island area with excellent status (number of station)		2018	82
			2019	34
2.	Coverage of protected areas in relation to marine areas	%	2019	5.3
			2020	5.3
SDG 15: Life on Land				
1.	Forest area as a proportion of total land area	%	2017	55.6
			2018	55.3
2.	Important sites for terrestrial and freshwater biodiversity that are covered	%	2017	9.9
			2018	10.0
3.	Number of wildlife crime cases for possession/ own use category		2018	1,132
			2019	1,041

No.	Available Indicator	Unit	Year	Value
SDG 16: Peace, Justice and Strong Institutions				
1.	Number of intentional homicide cases per 100,000 population	Ratio	2018	1.0
			2019	1.0
2.	Children aged 1-5 years who experienced any physical punishment and/or psychological aggression by caregivers in the past month		...	...
			2016	70.8
3.	Unsentenced detainees as of prisoner (%)	%	2018	27.0
			2019	27.5
4.	Federal Government expenditures as a proportion of original approved budget	%	2018	102.4
			2019	100.9
5.	Number of complaints on public services		2018	4,128
			2019	6,165
6.	Civil servant with disabilities in public service	%	2018	0.3
			2019	0.3
SDG 17: Partnerships for the Goals				
1.	Share government revenue as a proportion of GDP	%	2018	16.1
			2019	17.3
2.	Share of Federal Government tax revenue and expenditure	%	2018	60.9
			2019	55.5
3.	Fixed-broadband penetration rate per 100 inhabitants	Ratio	2018	8.2
			2019	8.9
4.	Individuals using the Internet	%	2018	81.2
			2019	84.2
5.	Value of financial and technical assistance committed to developing countries	RM '000	2018	6,675.1
			2019	11,720.6
6.	Worldwide weighted World Trade tariff-average	%	2016	4.5
			2017	3.8
7.	Share of global exports	%	2018	1.3
			2019	1.3
8.	Statistical indicators for 2018 50.9 2019 Sustainable Development Goals monitoring	%	2018	50.9
			2019	55.2

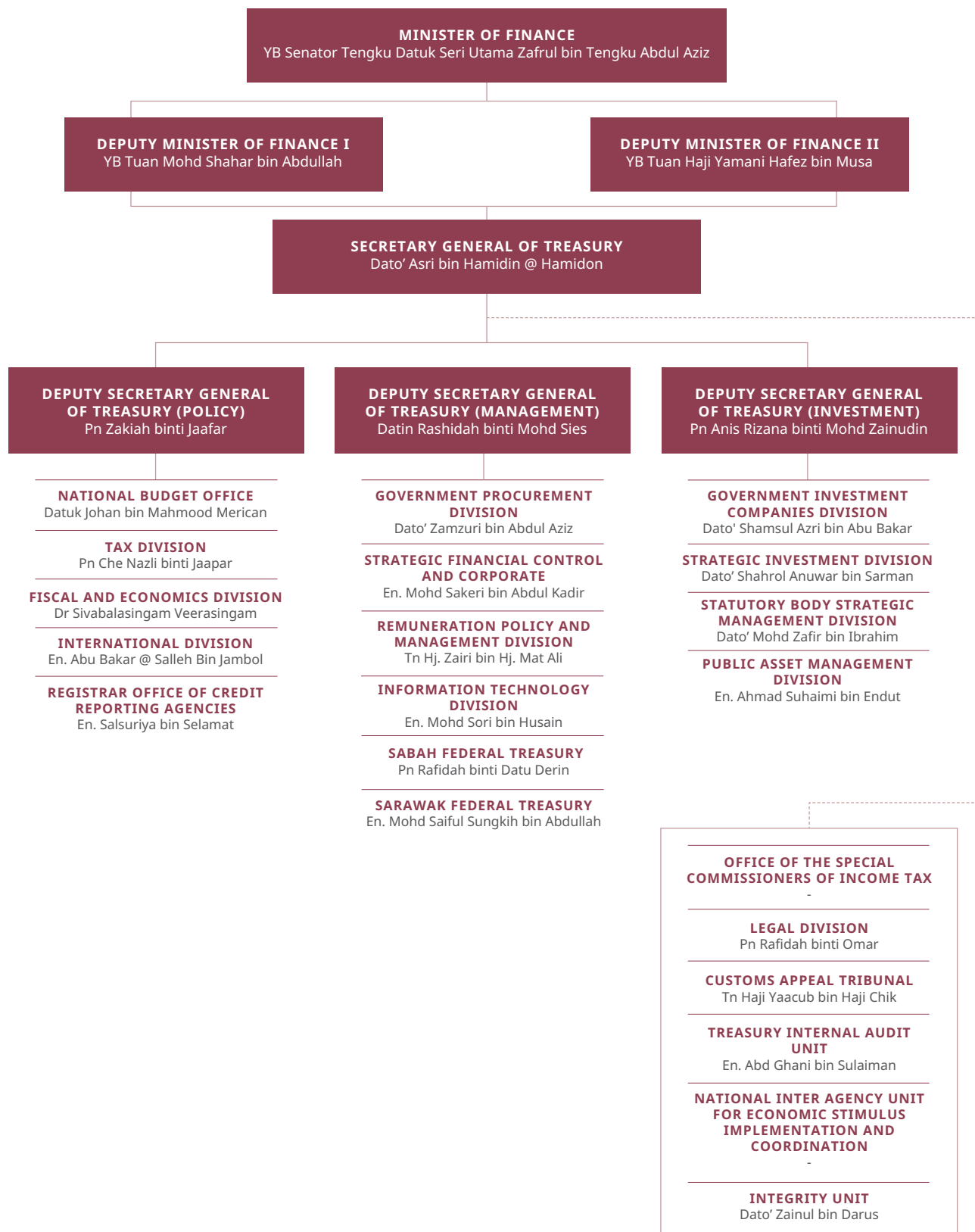
Note: ... indicates data not available

Source: Malaysia Voluntary National Review 2021

ORGANISATION OF THE MINISTRY OF FINANCE MALAYSIA



TREASURY OF MALAYSIA



ISSN 2637-0239



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