



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

# BNM Quarterly Bulletin

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# 4Q



**BANK NEGARA MALAYSIA**  
CENTRAL BANK OF MALAYSIA

The BNM Quarterly Bulletin presents a quarterly review of Malaysia's economic, monetary and financial developments. It includes the Bank's latest assessments on the direction of the economy going forward. The Bulletin also provides insights on current economic and financial issues, including highlights of policy initiatives undertaken by Bank Negara Malaysia in pursuit of its mandates.

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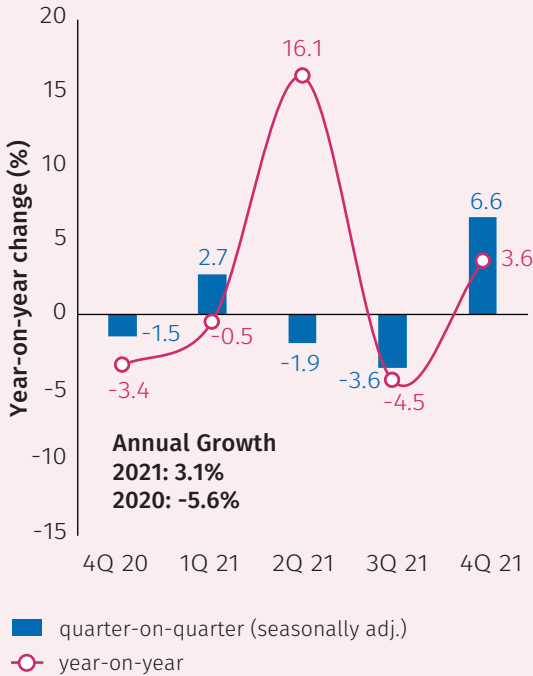
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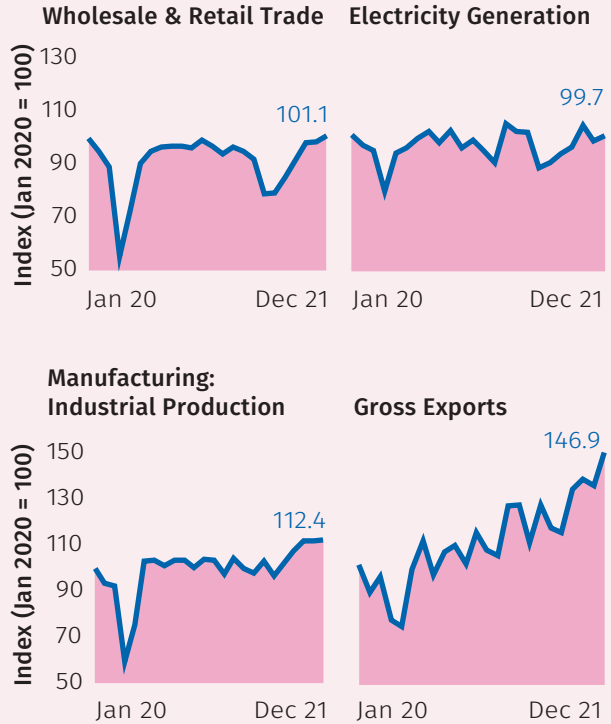
# Highlights: 4Q 2021

## GDP expanded amid easing of containment measures in 4Q 2021

### GDP growth rebounded to 3.6%

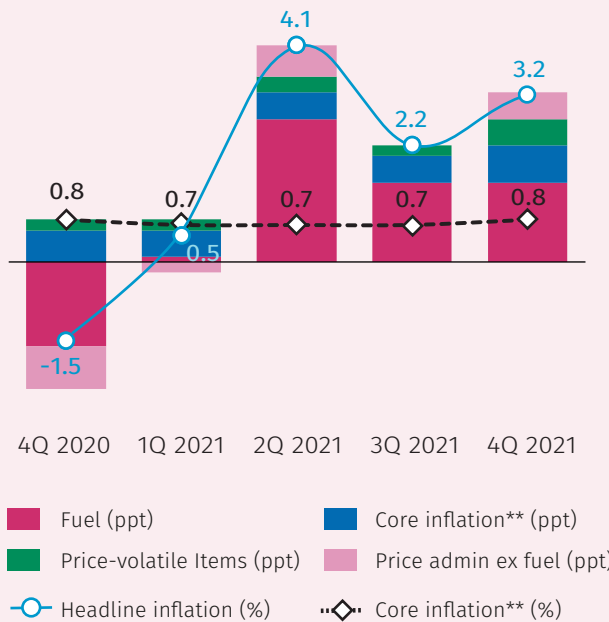


### Domestic activities gradually improved while external trade remained strong



Source: Department of Statistics Malaysia, Bank Negara Malaysia, IHS Markit, Tenaga Nasional Berhad

## Headline inflation increased in 4Q 2021, driven mainly by the lapse in electricity bill discounts



### Key drivers of higher inflation in 4Q 2021



**Price admin ex fuel**  
**Electricity prices normalised** following lapse in electricity bill discounts\*



**Price volatile items**  
**Fresh food prices increased** driven by higher input costs



**Core inflation**  
**Uptick in core inflation** (4Q21: 0.8%; 3Q21: 0.7%) due to improvement in demand conditions amid high costs

\* The electricity bill discount was implemented under the PEMULIH Electricity Discount scheme from July to September 2021, with discounts ranging from 5% to 40% depending on monthly electricity consumption.

\*\* Core inflation is computed by excluding price-volatile and price-administered items.

Source: Department of Statistics Malaysia

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# International Economic Environment

## Highlights

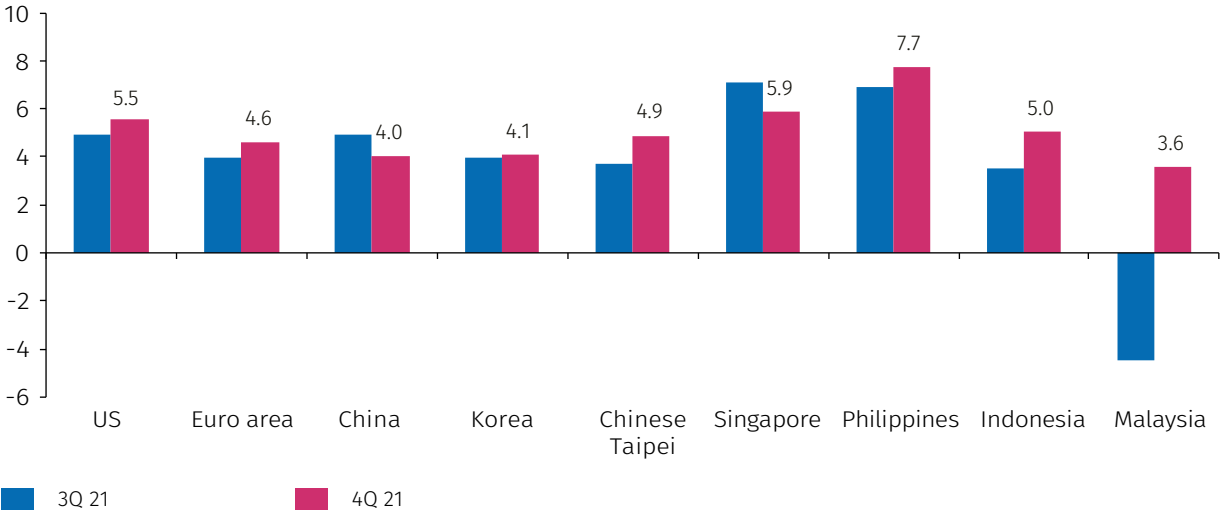
- Global growth continued to recover during the fourth quarter of 2021.
- Regional exports moderated but remained strong.
- Global financial market volatility was elevated.

### Global growth recovery continues

The global economy continued to recover in the fourth quarter of 2021. Services activity initially improved as advanced economies (AEs) reopened. However, towards the end of the quarter, the recovery momentum was affected by measures to contain a resurgence in COVID-19 infections in some countries. The resurgence also dampened consumer confidence, further affecting services activity. Strength in manufacturing and trade activity continued, amid early signs of easing in global supply disruptions. Nonetheless, strains in the global supply chain remained elevated.

## C1 GDP Growth of Selected Economies

Year-on-year change (%)



Source: National authorities

Growth for the US economy improved to 5.5% (3Q 2021: 4.9%), supported by a broad-based improvement in private consumption. This was underpinned by strong wage growth and employment conditions. Exports rebounded, driven by tourist arrivals as international borders reopened and the resumption in production of petrochemical goods which was disrupted by Hurricane Ida. Inflation increased during the quarter as demand conditions improved and commodity prices remained elevated.

In the euro area, the economy grew by 4.6% (3Q 2021: 3.9%), supported by continued normalisation in the services sector as economies fully reopened at the beginning of the quarter. However, the re-tightening of containment measures in response to a rise in COVID-19 cases in November and December dampened mobility and the strength of the recovery. Manufacturing activity continued to be supported by external demand.

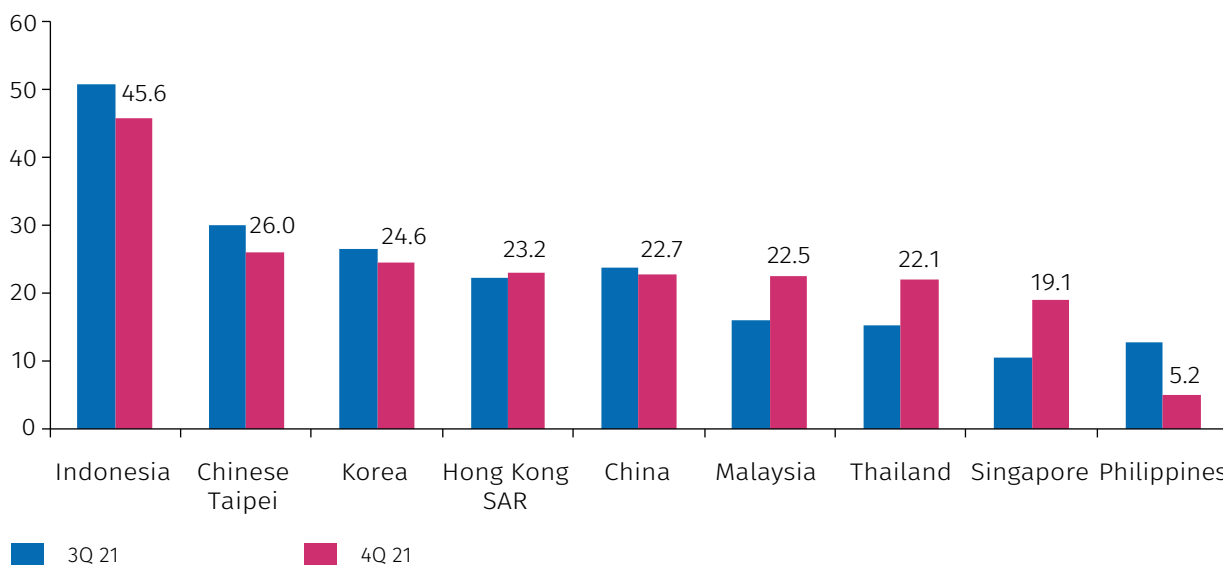
In China, growth moderated to 4% (3Q 2021: 4.9%). This was supported by improvements in manufacturing activity, as disruptions from power outages eased following a ramp-up in coal production. External demand continued to support strong exports growth. However, growth was weighed by services activity, due to the re-imposition of localised lockdowns to contain COVID-19 outbreaks. Growth was also dampened by continued weakness in fixed investments, particularly in infrastructure and real estate.

### Regional export growth remained strong

Exports in regional economies continued to grow at a strong pace during the quarter. This reflected ongoing global demand recovery, particularly for electrical and electronics (E&E) products. Commodity exporters, such as Indonesia and Malaysia, have also benefitted from rising commodity prices. However, exports growth was weighed by ongoing global supply chain disruptions, including raw material and labour shortages, and shipping bottlenecks.

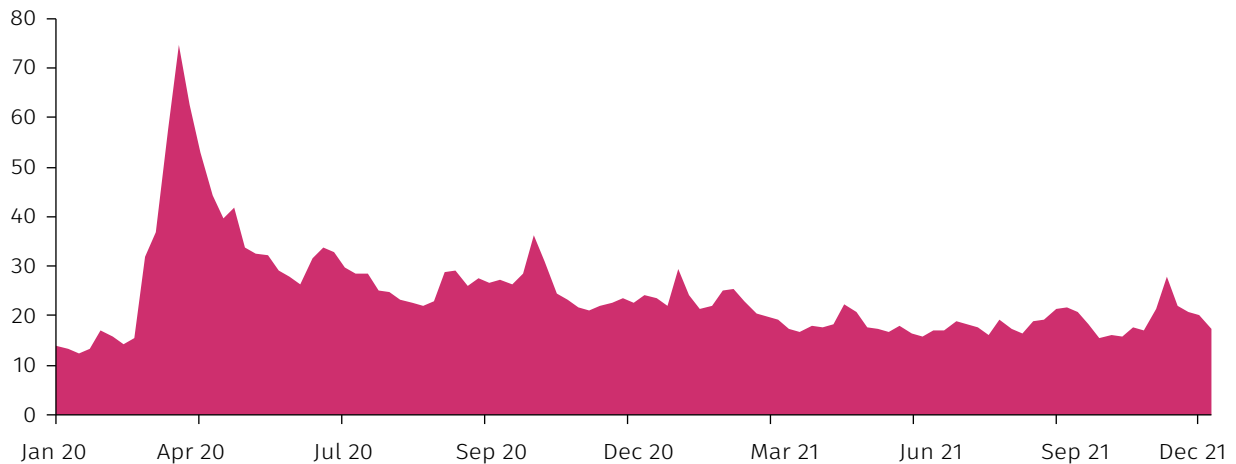
## C2 Exports Growth of Selected Economies (in USD terms)

Year-on-year change (%)



Source: National authorities

## Index



Source: Bloomberg

### Global financial market volatility increased

Volatility in global financial markets increased during the quarter (CBOE VIX: 19.3; 3Q 2021: 18.3). This reflected renewed uncertainties amid the emergence and spread of the Omicron variant. Moreover, several major economies experienced a resurgence in COVID-19 cases which led to re-tightening of containment measures. Spikes in volatility were observed around the release of US labour market indicators. The published data increased uncertainties regarding the pace of monetary policy tightening in the US, before the Federal Open Market Committee

(FOMC) announced its decision on 15 December. Corporate defaults in China's property sector and rising US-China tensions with the delisting of several US-listed Chinese firms also weighed on investor sentiments.

Brent crude oil prices rose to an average of USD80 per barrel during the quarter (3Q 2021 average: USD73 per barrel). Global oil demand continued to recover despite concerns stemming from the emergence of the Omicron variant by the end of November 2021. Oil prices were also supported by the ongoing OPEC+ production cuts, notwithstanding the announcement by the US to release up to 50 million barrels of oil from its strategic petroleum reserves.

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# Developments in the Malaysian Economy

## Highlights

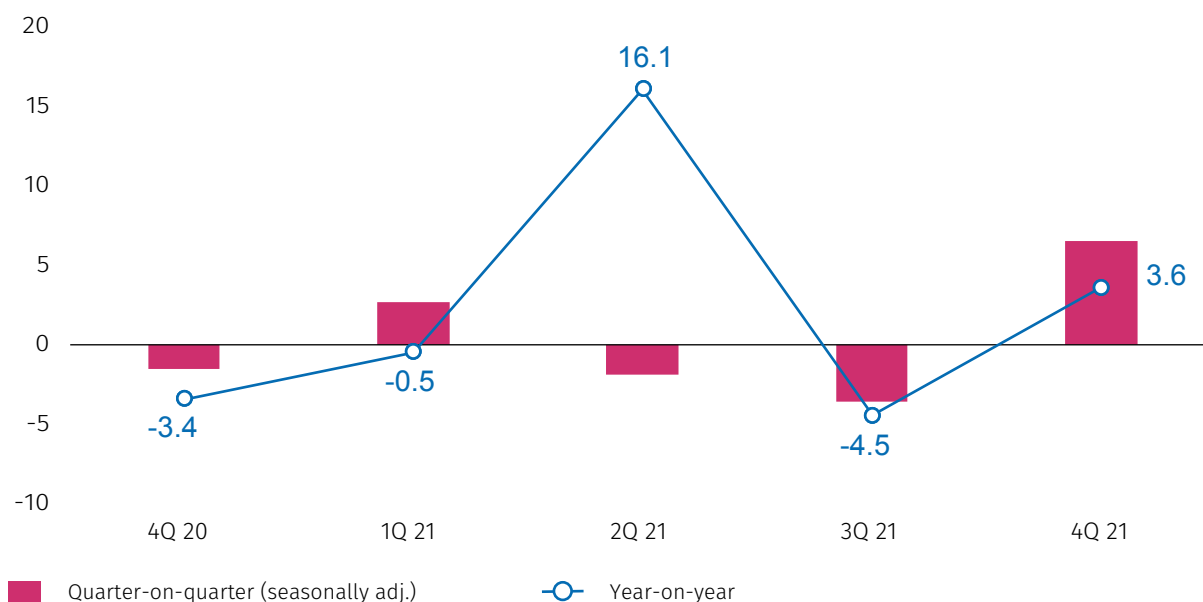
- The Malaysian economy expanded by 3.6% in the fourth quarter of 2021.
- Headline inflation increased to 3.2% during the quarter.
- Larger current account surplus of RM15.2 billion, or 3.6% of GDP.

### GDP growth rebounded in the fourth quarter of 2021

The Malaysian economy registered a positive growth of 3.6% in the fourth quarter of 2021 (3Q 2021: -4.5%). Growth was supported mainly by an improvement in domestic demand as economic activity normalised following the easing of containment measures under the National Recovery Plan (NRP). The improvement also reflected recovery in the labour market as well as continued policy support. In addition, strong external demand amid the continued upcycle in global technology provided a further lift to growth. On the supply side, all economic sectors recorded improvements in growth, led by the services and manufacturing sectors. On the demand side, growth was driven by higher consumption and trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered an increase of 6.6% (3Q 2021: -3.6%).

## C4 Real GDP Growth

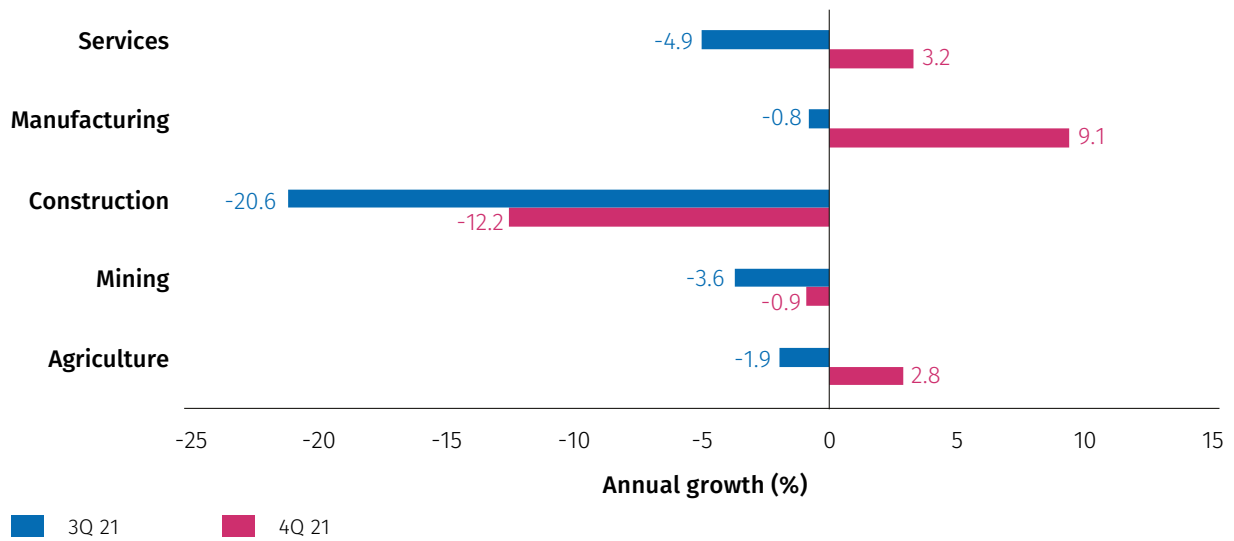
### Period-on-period change (%)



Source: Department of Statistics, Malaysia

C5

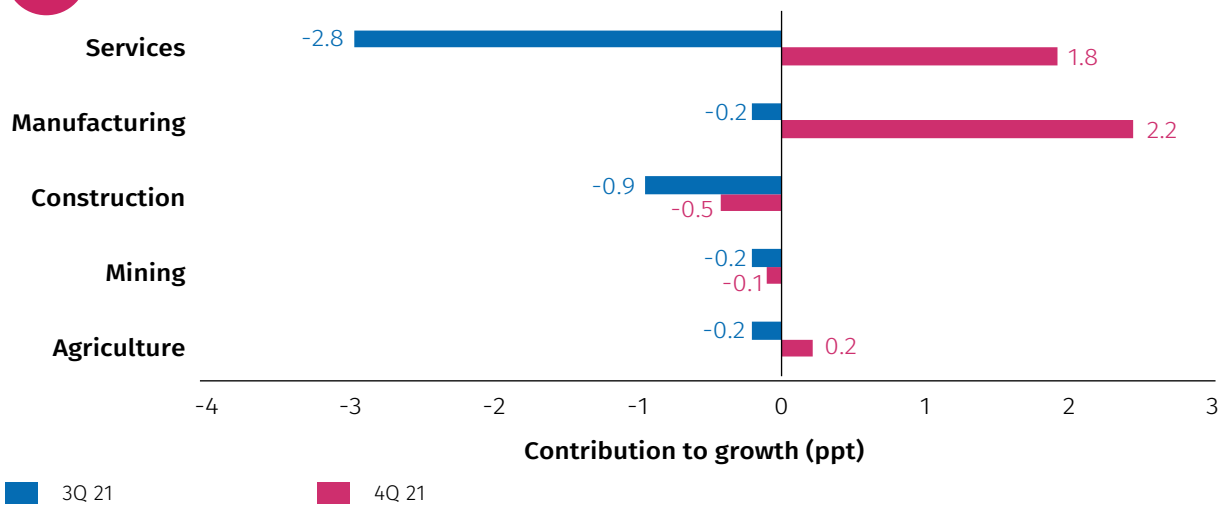
### Annual Growth of Economic Sectors



Source: Department of Statistics, Malaysia

C6

### Contributions of Economic Sectors to Real GDP Growth



Source: Department of Statistics, Malaysia

## Improvements across all economic sectors

All economic sectors recorded an improvement in the fourth quarter of 2021. The services sector turned around to expand by 3.2% (3Q 2021: -4.9%). Consumer-related activities continued to recover amid the reopening of the economy. This was reflected in the higher spending observed within the retail and recreational subsectors. The finance and insurance subsector also continued to grow, driven mainly by higher net insurance premiums. Growth in the information and communication subsector provided further support amid continued demand for data communications services, particularly for e-commerce and e-payment activities.

Growth in the manufacturing sector recorded a marked improvement of 9.1% (3Q 2021: -0.8%). This was driven by continued strength in export-oriented industries such as E&E and primary-related clusters, and recovery in domestic-oriented industries such as consumer- and construction-related clusters. Robust demand for E&E products persisted throughout the quarter in line with the continued tech upcycle. Meanwhile, growth in the primary-related cluster was supported by continued demand for refined petroleum, chemical and plastic products. On

the domestic front, the relaxation of containment measures and increased consumer confidence amid strong vaccination progress facilitated a recovery in demand for consumer products such as food, clothing and vehicles.

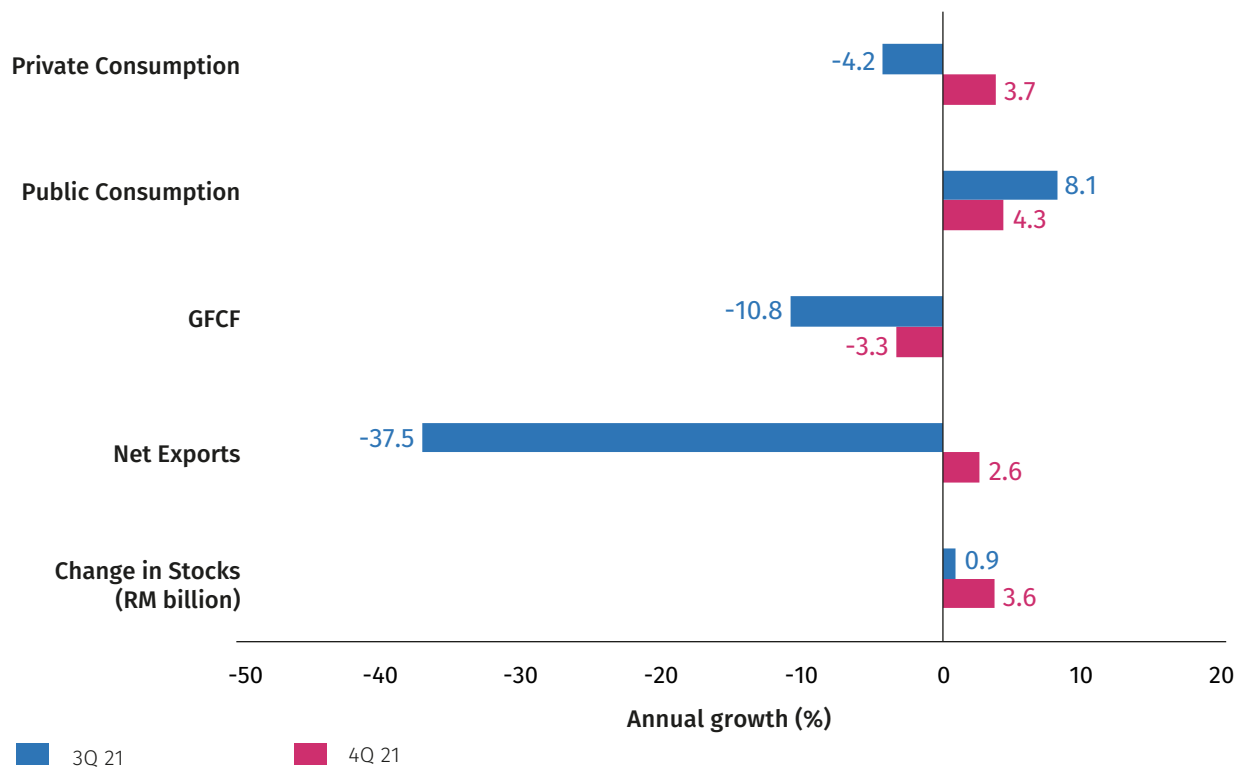
The agriculture sector grew by 2.8% (3Q 2021: -1.9%). The turnaround was driven mainly by an expansion in oil palm output, as fresh fruit bunch yields improved benefiting from the higher rainfalls during the early part of the year. Growth was also supported by the expansion in livestock, other agriculture and forestry subsectors. This more than offset the weaker production in the rubber and fisheries subsectors.

Growth in the construction sector improved with a smaller contraction of 12.2% (3Q 2021: -20.6%). This was supported by higher construction activity, especially in the non-residential and special trade subsectors, following the reopening of the economy.

The mining sector contracted at a slower pace of 0.9% (3Q 2021: -3.6%). Despite some facility closures for maintenance purposes during the quarter, growth was supported by higher production from oil and gas fields including the PETRONAS Floating Liquefied Natural Gas DUA (PFLNG2) facility located in offshore East Malaysia.

C7

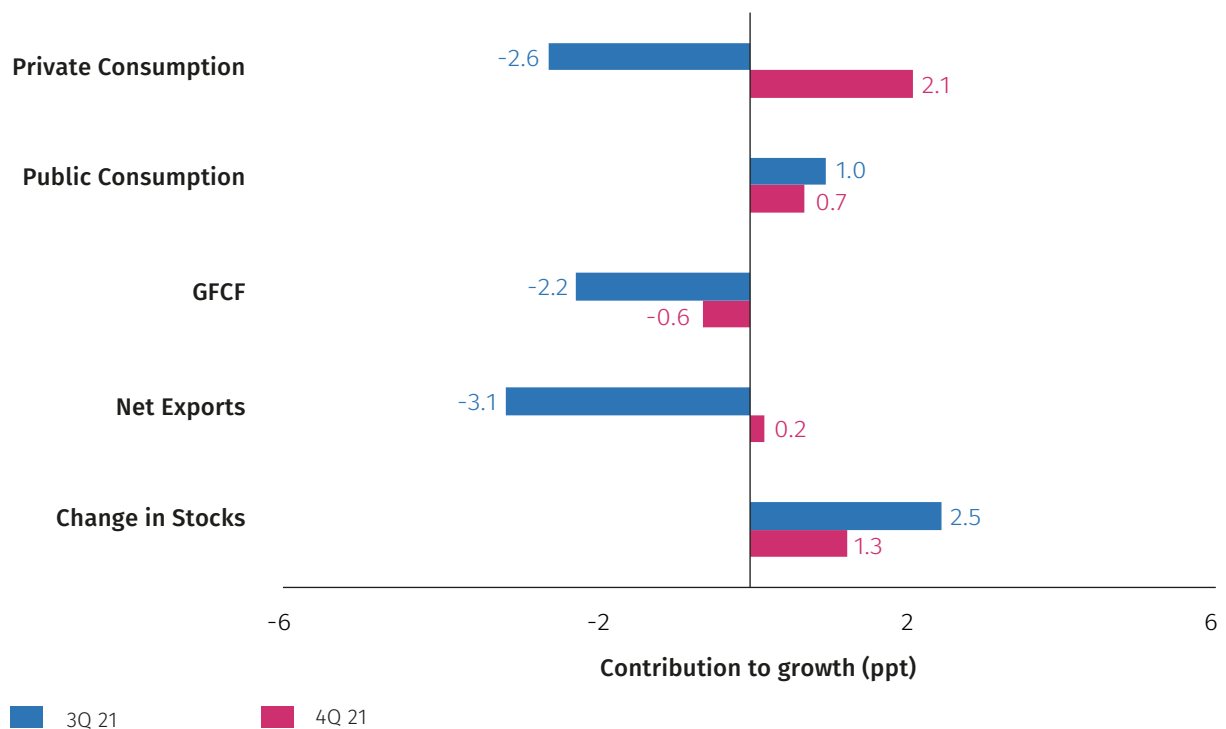
## Annual Growth of Real GDP by Expenditure Components



Source: Department of Statistics, Malaysia

C8

## Contributions of Expenditure Components to Real GDP Growth



Source: Department of Statistics, Malaysia

## Higher domestic demand

Domestic demand grew by 2.3% (3Q 2021: -4.1%) in the fourth quarter of 2021. This was driven by the improvement in private sector expenditure following the loosening of restrictions. On the external front, net exports expanded by 2.6% (3Q 2021: -37.5%) due to higher export growth amid strong external demand.

Private consumption growth turned around to register a positive growth of 3.7% (3Q 2021: -4.2%). The turnaround was mainly supported by the relaxation of containment measures. In

particular, spending on discretionary items such as restaurants and hotels as well as recreational services rebounded during the quarter. Labour market conditions also improved during the same period, as evidenced by stronger employment and wage growth. Furthermore, various policy measures provided additional support to consumer spending.

Public consumption growth expanded at a slower pace of 4.3% (3Q 2021: 8.1%), attributable to a moderate growth in supplies and services expenditure. However, government spending remained supported by COVID-related spending and small maintenance and repair works.

## Improvement in investment activity

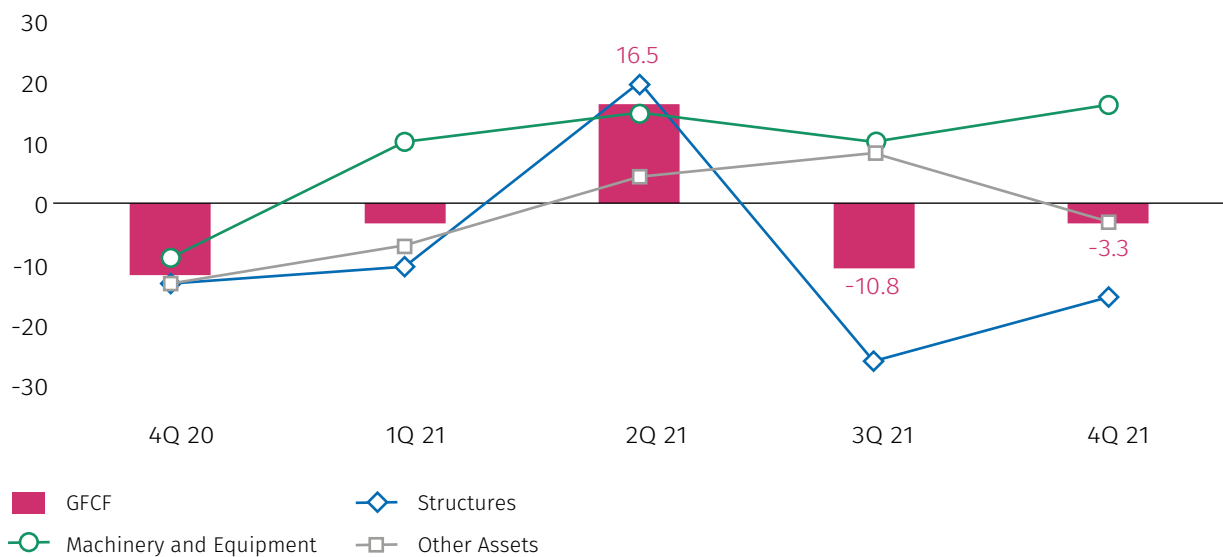
Gross fixed capital formation (GFCF) registered a smaller contraction of 3.3% (3Q 2021: -10.8%), reflecting an improvement in capital spending by both private and public sectors. By type of asset, growth of machinery and equipment (M&E) investment increased further to 16.4% (3Q 2021: 10.2%). Meanwhile, investments in structures and other assets declined by 15.5% and 3.1% respectively (3Q 2021: -26.1% and 8.3% respectively).

Private investment contracted at a slower pace of 3.0% (3Q 2021: -4.8%), supported mainly by higher capital spending on transport and ICT equipment, particularly by firms in the export-oriented sectors. Furthermore, investments in structures also registered a smaller contraction, in line with the construction sector's performance.

Public investment registered a smaller decline of 3.8% (3Q 2021: -28.9%), supported by improvement in capital spending by the General Government and public corporations.

## C9 GFCF Growth by Type of Asset

Year-on-year change (%)



Source: Department of Statistics, Malaysia

## Headline inflation increased during the quarter

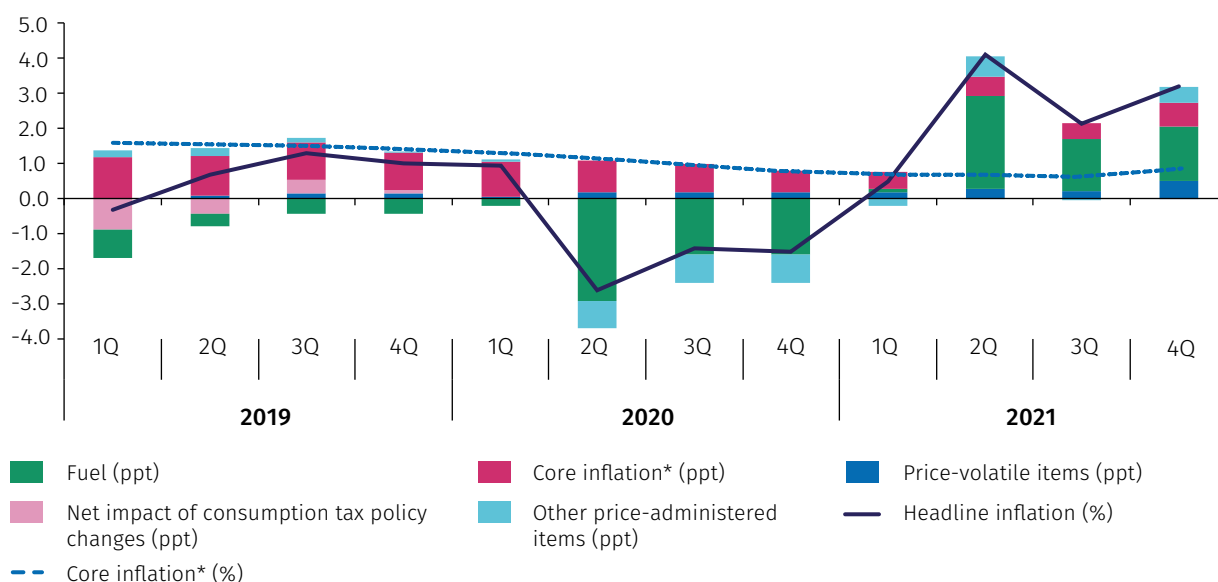
Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 3.2% during the quarter (3Q 2021: 2.2%). The higher inflation during the quarter was due mainly to the normalisation in electricity prices following the lapse in the three-month electricity bill discount implemented in July 2021.<sup>1</sup> In addition, higher prices for some core and price-volatile items further contributed to the increase. The higher inflation for these items reflected improved

demand conditions amid an environment of elevated costs.

As the reopening of the economy gathered momentum, core inflation increased marginally, averaging 0.8% during the quarter (3Q 2021: 0.7%). The increase was largely contributed by discretionary items such as *food away from home, restaurants and hotels, and furniture and furnishings*. Additionally, some consumer items in the non-core CPI basket, particularly fresh food items, recorded relatively high inflation due to seasonal factors and cost pressures from supply-related disruptions.<sup>2</sup>

### C10 Contribution to Headline Inflation by Components

Annual change (%), Contribution to headline inflation (percentage points, ppt)



\* Core inflation is computed by excluding price-volatile and price-administered items. It also excludes the estimated direct impact of consumption tax policy changes.

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

<sup>1</sup> The electricity bill discount was implemented under the PEMULIH Electricity Discount scheme from July to September 2021, with discounts ranging from 5% to 40% depending on monthly electricity consumption.

<sup>2</sup> For instance, these included the adverse weather conditions, foreign labour shortages, elevated feed costs and fertiliser costs.

## Percentage of CPI items (%)



\* Based on the month-on-month inflation for 125 CPI items at the 4-digit level

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

Correspondingly, more broad-based price pressures in the CPI basket were observed throughout the quarter. In particular, the

average share of CPI items recording price increases rose to 52% in the fourth quarter of 2021. (3Q 2021 average: 27%; 2011-2019 average: 45%).

## Labour market conditions improved

The labour market resumed its recovery trajectory in the fourth quarter of 2021, amid the normalisation of economic activity and recovery in demand conditions. The unemployment rate declined further to 4.3% (3Q 2021: 4.7%). This was driven by a stronger recovery in employment (+166 thousand persons), alongside an encouraging expansion of the labour force (+114 thousand persons). The labour force participation rate increased to 68.7% of the working age population (3Q 2021: 68.3%). The underemployment rate also improved (1.8% of labour force; 3Q 2021: 2.0%) while the population outside the labour force declined to 7.36 million persons (3Q 2021: 7.43 million persons). This

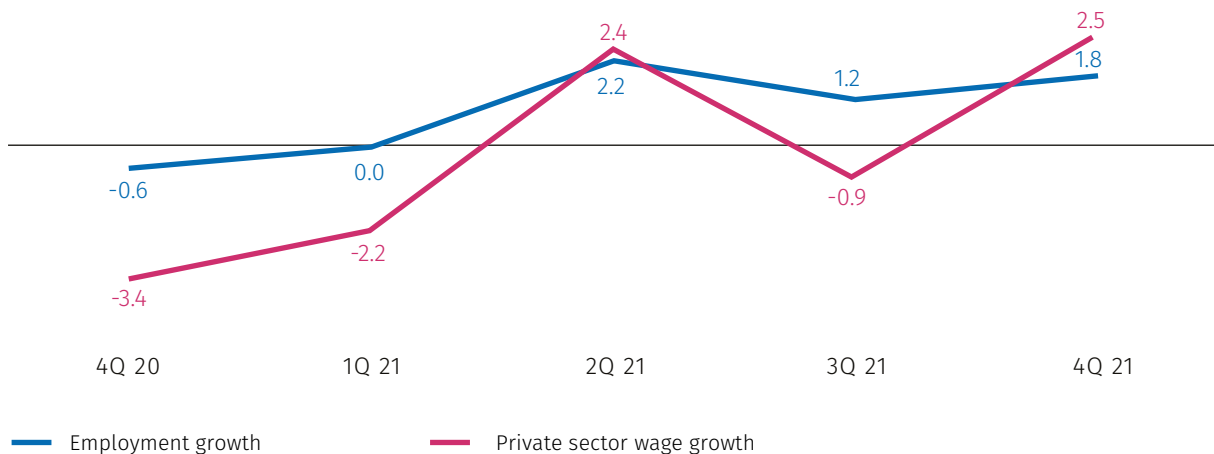
indicates the return of workers to full-time employment and a net re-entry of workers back into the labour force.

Data on jobless claims from SOCSO indicated that retrenchments declined during the quarter (10,878 persons; 3Q 2021: 15,753 persons), while the placement rate of employees into new jobs also increased (45 per 100 people retrenched; 3Q 2021: 31).<sup>3</sup> This suggests improvements in the pace of hiring in the economy.

Private sector wages<sup>4</sup> also improved in the fourth quarter of 2021, growing by 2.5% on a year-on-year basis (3Q 2021: -0.9%). Wages in the manufacturing sector rose at a faster rate of 4.7% (3Q 2021: 2.3%), particularly in the E&E, food,

### C12 Employment and Wage Growth

Year-on-year change (%)



Note: Private sector wage growth refers to wage growth of workers in the manufacturing and services sectors  
Source: Department of Statistics, Malaysia, Bank Negara Malaysia estimates

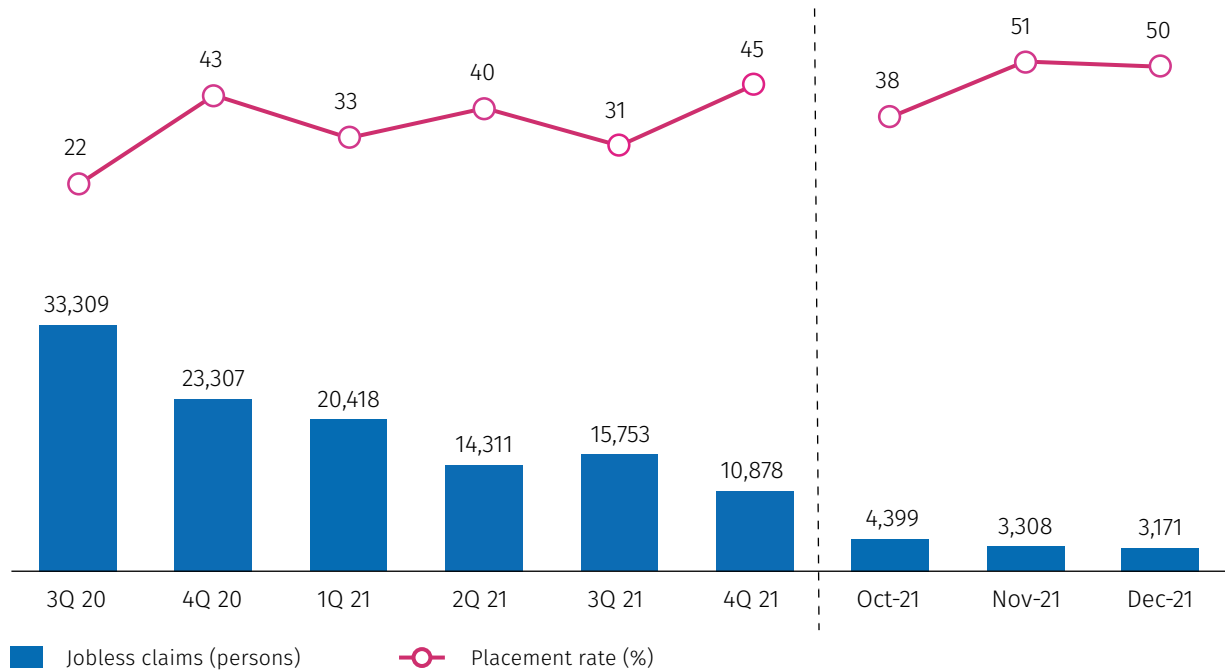
<sup>3</sup> Job losses and retrenchments are proxied by the number of people who apply for the EIS benefits (jobless claims) following loss of employment, while the placement rate refers to the number of people placed in new jobs under the EIS programme for every 100 persons retrenched. Thus, the placement rate is indicative of the pace of hiring, relative to retrenchment activity. EIS data does not include non-standard workers, who may be more significantly affected by the movement restrictions.

<sup>4</sup> Private sector wages refer to sum of wages in the manufacturing and services sectors.

beverage and tobacco, as well as wood products and printing subsectors. Wages in the services sector also recovered (1.2%; 3Q 2021: -2.6%), supported by recovery in wholesale and retail,

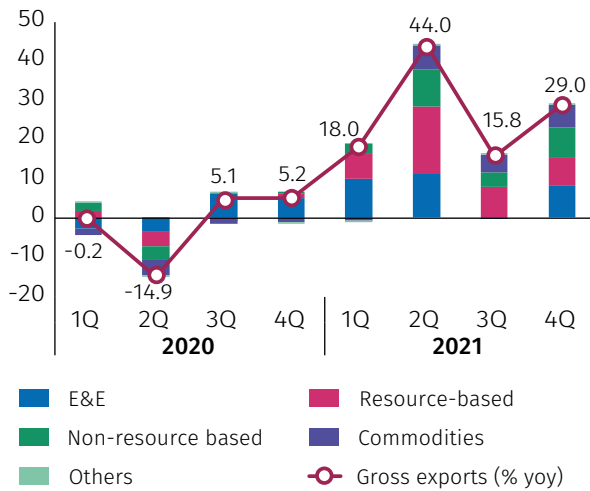
private health, and transportation and storage subsectors. On a quarter-on-quarter basis, private sector wages continued on its improving trend, growing by 4.5% (3Q 2021: 0.7%).

### C13 Jobless Claims and Placement Rate

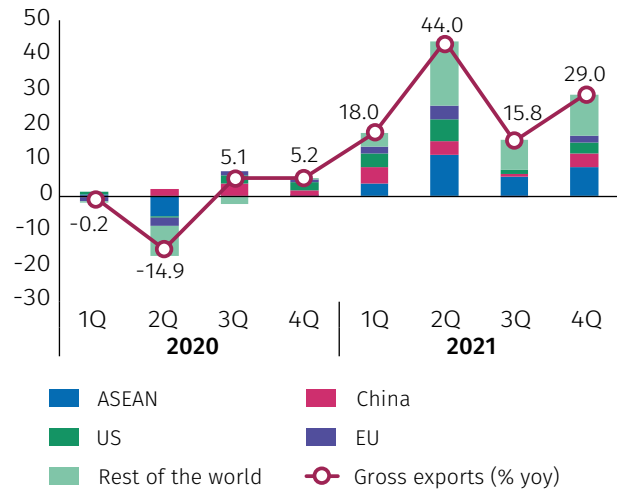


Note: Jobless claims refers to the number of people who applied for the Employment Insurance System (EIS) benefits following loss of employment. The placement rate refers to the number of people placed in new jobs under the EIS for every 100 persons retrenched.  
 Source: Employment Insurance System, Social Security Organisation

Annual change (%), contribution to growth (ppt)



Annual change (%), contribution to growth (ppt)



Source: Department of Statistics, Malaysia

### Robust gross export growth underpinned by strong external demand

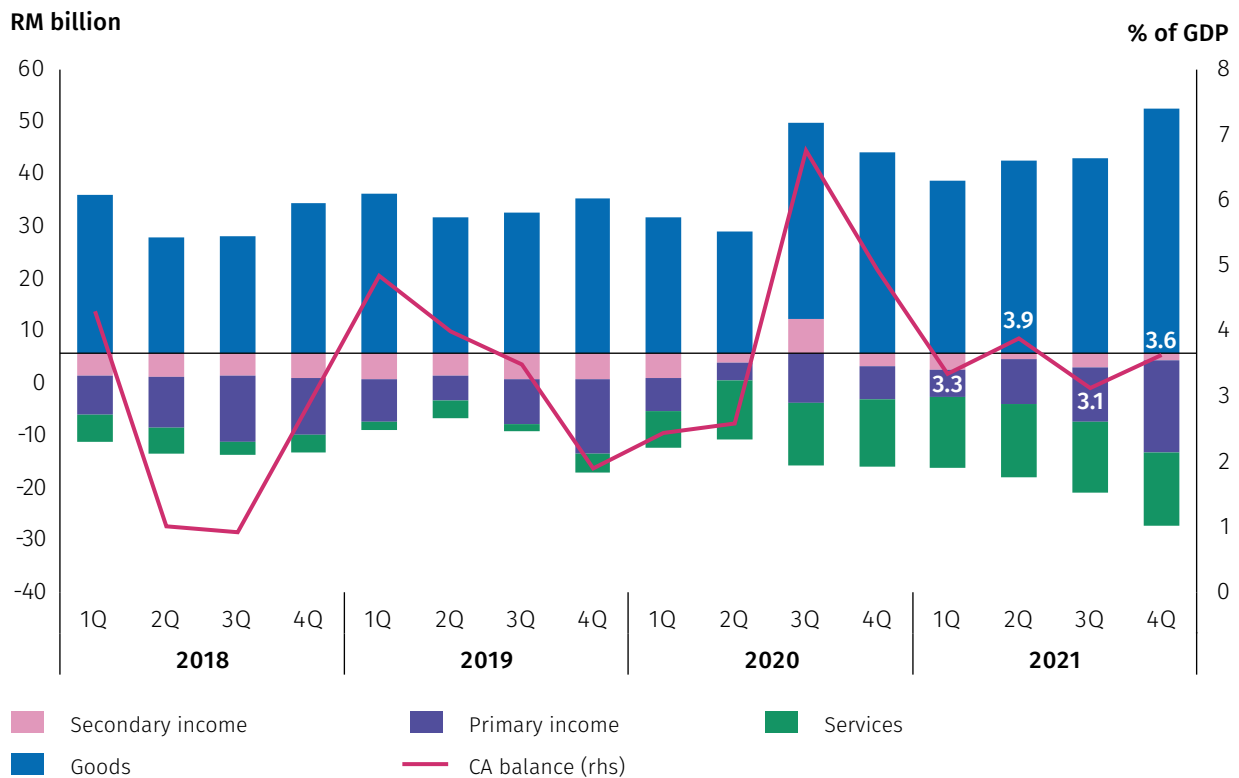
In the fourth quarter of 2021, gross exports grew at a faster pace of 29.0% (3Q 2021: 15.8%) reflecting a broad-based expansion across products amid strong external demand. Gross imports grew by 29.6% (3Q 2021: 21.0%), driven by the expansion in intermediate imports. The trade surplus<sup>5</sup> widened to RM76.2 billion (3Q 2021: RM61.3 billion).

Manufactured exports registered a higher growth of 26.6% (3Q 2021: 12.9%), driven by a turnaround

in E&E (20.6%, 3Q 2021: -0.4%) and stronger non-E&E exports (31.8%, 3Q 2021: 25.2%). The strength in non-E&E exports was largely attributable to the exports of petroleum and chemical products as well as manufactures of metal. The growth of commodity exports remained robust at 45.0% (3Q 2021: 36.7%) supported mainly by CPO, LNG and crude oil exports amid strong commodity prices.

Intermediate imports expanded at a faster pace of 36.2% (3Q 2021: 28.0%) in tandem with the continued expansion in manufactured exports. Capital import growth remained strong at 22.6% (3Q 2021: 22.7%), supported by investment spending amid lifting of containment measures.

<sup>5</sup> The goods and trade surpluses differ because goods for processing, storage and distribution (with no change in ownership) are excluded from the goods account. This is as per the 6th Edition of the Balance of Payments and International Investment Position Manual by the International Monetary Fund (IMF).



Source: Department of Statistics, Malaysia

## Higher current account surplus

The current account of the balance of payments widened to RM15.2 billion, or 3.6% of GDP during the quarter (3Q 2021: RM11.6 billion or 3.1% of GDP). The higher surplus was on account of larger surplus in the goods account.

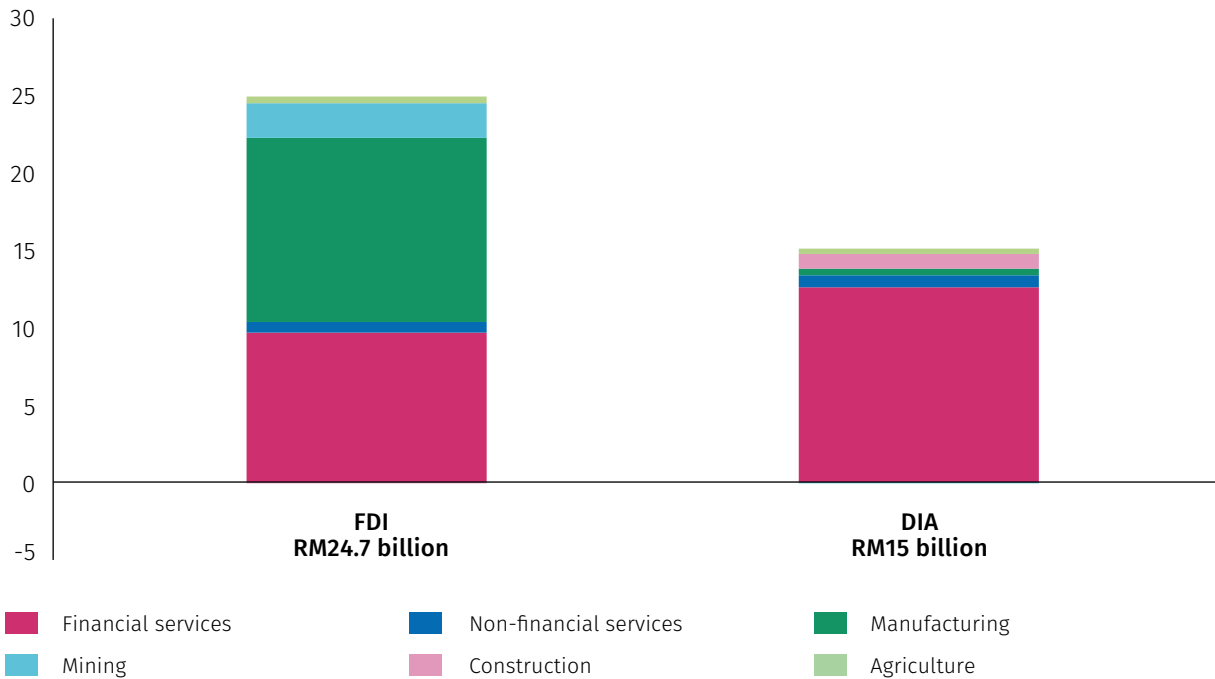
The goods surplus increased to RM51.8 billion (3Q 2021: RM41.2 billion), due mainly to robust expansion in manufactured and commodity exports,

amid strong external demand. The services account registered a broadly sustained deficit (-RM15.5 billion; 3Q 2021: -RM15.2 billion) during the quarter.

The primary income account recorded a larger deficit of RM19.7 billion (3Q 2021: -RM11.3 billion). This was largely attributable to the higher investment income accrued to foreign investors in Malaysia. The secondary income account remained in deficit, albeit narrower (RM1.4 billion; 3Q 2021: -RM3.1 billion), reflecting mainly higher receipts from abroad.

## C16 Direct Investment by Sector

RM billion

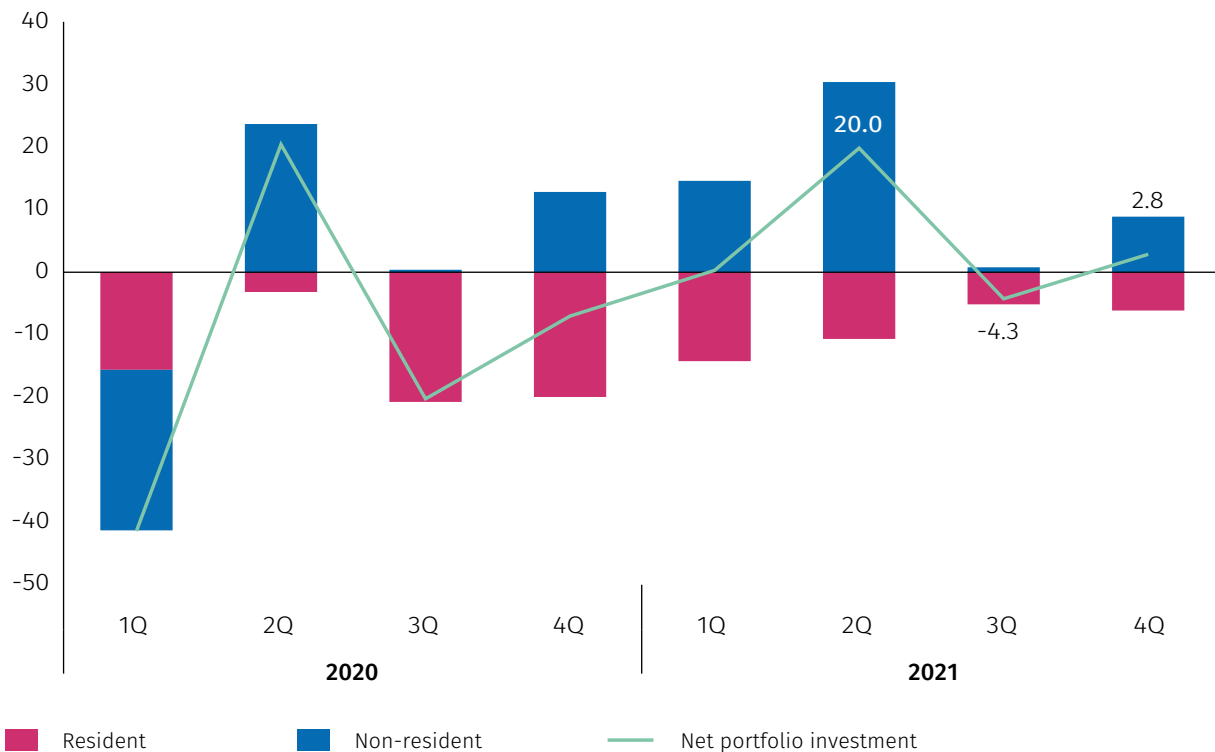


Note: For DIA, positive values refer to net outflows, while negative values refer to net inflows. Figures may not sum due to rounding.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

## C17 Portfolio Investment

RM billion



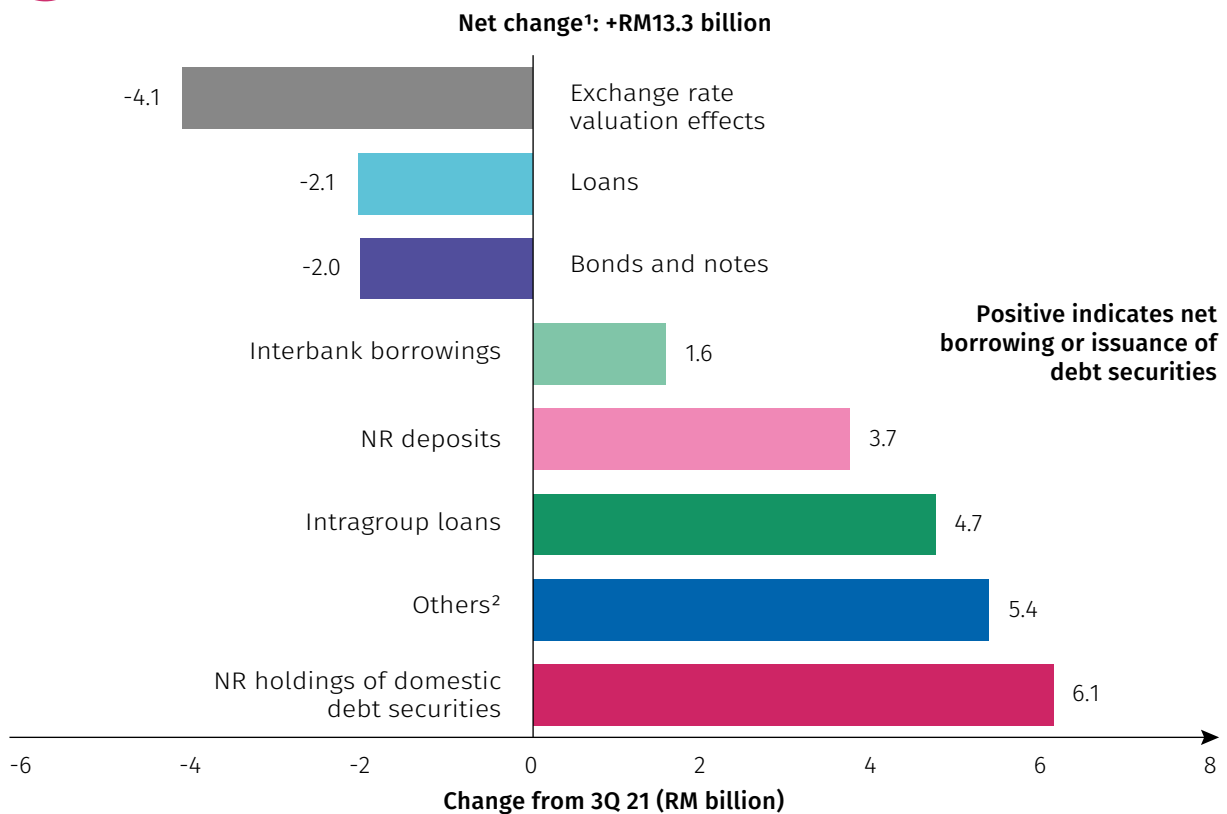
Source: Department of Statistics, Malaysia and Bank Negara Malaysia

## Financial account recorded net outflows

The financial account recorded a net outflow of RM2.2 billion (3Q 2021: +RM22.8 billion), as the outflows in the other investment account more than offset the inflows in the direct and portfolio investment accounts. The direct investment account continued to record net inflows of RM9.7 billion (3Q 2021: +RM17.6 billion), underpinned mainly by larger net inflows in foreign direct investment (FDI) of RM24.7 billion (3Q 2021: +RM12.8 billion). This was driven by higher reinvestment of earnings (+RM14.4 billion; 3Q 2021: +RM9.1 billion) as well as inflows from debt instruments (+RM6.8 billion; 3Q 2021: -RM2.6 billion). The net FDI inflows were mainly channelled into the manufacturing and mining sectors as well as financial services subsector. Direct investment abroad (DIA) turned around to record net outflows of RM15.0 billion in the fourth quarter (3Q 2021: +RM4.7 billion). These investments abroad were primarily channelled into the financial services subsector.

The portfolio investment account recorded a net inflow of RM2.8 billion (3Q 2021: -RM4.3 billion), due to net inflows of non-resident (NR) portfolio investments (+RM8.9 billion; 3Q 2021: +RM0.9 billion) into the domestic debt market (+RM5.7 billion; 3Q 2021: +RM1.4 billion) as well as NR acquisition of domestic equity securities (+RM3.2 billion; 3Q 2021: -RM0.5 billion). These NR net portfolio inflows more than offset higher residents' portfolio investments abroad (-RM6.1 billion; 3Q 2021: -RM5.2 billion), which continued to be driven by institutional investors' equity investment (-RM6.0 billion; 3Q 2021: -RM6.6 billion).

The other investment account turned around to register a net outflow of RM14.0 billion (3Q 2021: +RM8.8 billion). This was due primarily to the interbank lending abroad by the domestic banking system as well as deposits placement abroad by resident entities. Net errors and omissions amounted to -RM10.2 billion during the quarter, or -1.6% of total trade.



<sup>1</sup> Changes in individual debt instruments exclude exchange rate valuation effects

<sup>2</sup> Comprises trade credits, IMF allocation of SDRs and other debt liabilities

Note: Figures may not add up due to rounding

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

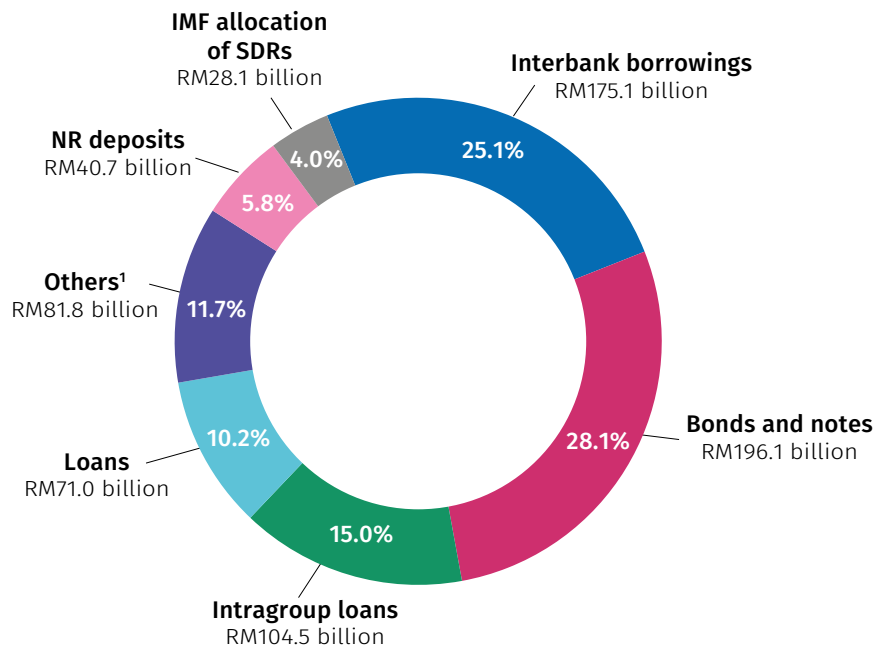
## External debt remained manageable

Malaysia's external debt amounted to RM1,070.3 billion, or 69.3% of GDP as at end-December 2021 (end-September 2021: RM1,057 billion or 70.5% of GDP). The increase primarily reflects higher NR holdings of Government domestic debt securities as well as trade credits and intragroup loans. These were partially offset by exchange rate valuation effects following the stronger ringgit against selected regional and major currencies during the quarter.

Malaysia's external debt remained manageable, given its favourable currency and maturity profiles. Ringgit-denominated external debt amounted to RM372.9 billion and accounted for 34.8% of total external debt (end-September 2021: 34.7%). This was largely in the form of NR holdings of domestic debt securities

(68.4% share of ringgit-denominated external debt) and ringgit deposits (15.9% share) in resident banking institutions. These liabilities were not affected by fluctuations in the ringgit exchange rate.

Foreign currency (FCY) external debt accounted for the remaining RM697.4 billion, or 65.2% of total external debt (end-September 2021: 65.3%). 53.2% of FCY-denominated external debt were by the corporate sector, and were mainly subject to BNM's prudential and hedging requirements. Long-term bonds and notes issued offshore stood at RM196.1 billion, accounting for 28.1% of total FCY-denominated external debt, issued largely by non-financial corporates. Intragroup loans, which accounted for 15.0% of FCY-denominated external debt, were generally on flexible and concessionary terms.



<sup>1</sup> Comprises trade credits and other debt liabilities

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

Interbank borrowings and FCY deposits in the domestic banking system accounted for 30.9% of FCY-denominated external debt. The marginally higher interbank borrowings during the quarter reflects higher intragroup transactions by a few banks in the Labuan International Business and Financial Centre (LIBFC). These funds were sourced from overseas head offices and subsequently placed with non-resident clients, reflecting the 'out-out' nature of the transactions. This was partially offset by maturing interbank borrowings of other LIBFC banks and domestic banking groups amid stable domestic liquidity and funding conditions. Overall, about 80% of outstanding interbank borrowings were in the form of intragroup borrowings from related parties located abroad, which are generally more stable, thereby limiting rollover risks faced by banks. Meanwhile, foreign-currency risk of banks, as measured in terms of the net open position of their FCY-denominated exposures,<sup>6</sup> remained low at 4.2% of banks' total capital (end-September 2021: 4.9%).

From a maturity perspective, 63.2% of total external debt has medium- to long-term tenure (end-September 2021: 63.1%), thereby limiting rollover risks. Short-term external debt accounted for the remaining 36.8% of external debt. Of note, 42.2% of short-term external debt were in the form of intragroup borrowings from parent banks or related multi-national corporates located abroad. About another 15.4% were accounted by trade credits, largely backed by export earnings and are self-liquidating. As at 31 January 2022, international reserves stood at USD116.1 billion, sufficient to finance 7.5 months of retained imports and is 1.2 times the short-term external debt. The international reserves is also adequate to finance 6.4 months of imports of goods and services, a new reserves adequacy indicator as elaborated in the article "Expansion of the Measure on Reserve Coverage of Imports – from Retained Imports to Imports of Goods and Services".

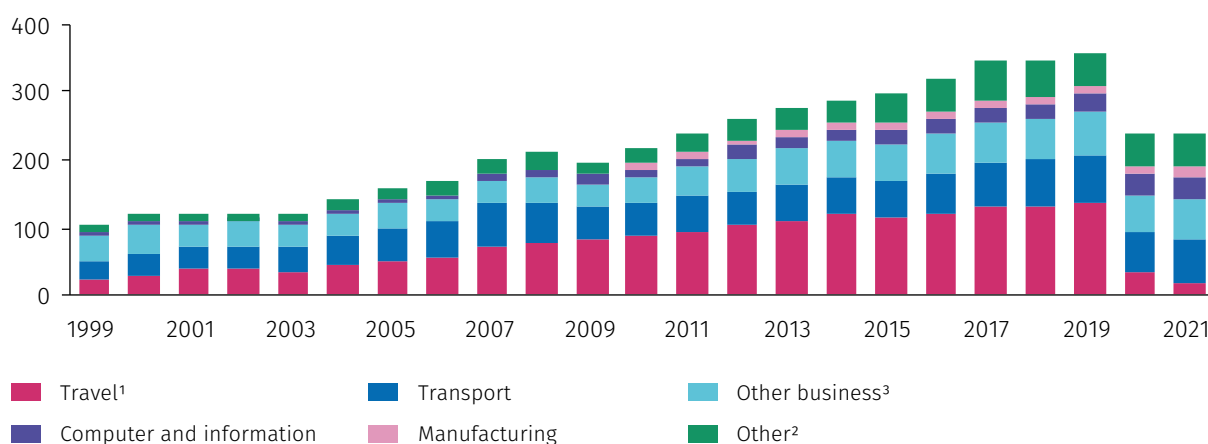
<sup>6</sup> Refers to the aggregated sum of the net short or long foreign currency positions for all currencies across banks.

## Expansion of the Measure on Reserve Coverage of Imports – from Retained Imports to Imports of Goods and Services

One of the indicators used by the Bank to measure international reserve adequacy is the reserve coverage of retained imports,<sup>1</sup> which is communicated on a fortnightly basis. As the economy grew and evolved with higher share of the services sector, this has raised the prominence of services imports in the measure of reserve adequacy. Given this consideration and in line with the international best practice, future fortnightly reporting of Malaysia's international reserves will include the indicator on reserve coverage of imports of goods and services, effective from 22 February 2022.<sup>2</sup>

### C1 Services trade

RM billion



Note: Data prior to 2005 are based on the guideline in the Fifth Edition of the Balance of Payments and International Investment Position Manual (BPM5) of the IMF. Data for 2005 and beyond are based on BPM6.

<sup>1</sup> Includes travel spending for tourism activity.

<sup>2</sup> Includes construction, charges for intellectual property use, personal, culture & recreational services.

<sup>3</sup> Other business services comprise research and development, professional, technical, trade-related and other business services.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

The Bank's reporting of the reserve coverage of retained imports was published as early as in the 1990s. Data on retained imports are available on monthly basis and thereby closely match the fortnightly release of the international reserves data. However, retained imports do not include payment for services, which has grown over the past two decades. From 1999 to 2019, services trade<sup>3</sup> has increased by 246.9%<sup>4</sup> (Chart 1). This was mainly due to higher tourism activity as well as payments for foreign transport services for goods trade. In addition, there was also an expansion in goods import, largely in support of domestic investment activities and production of manufactured goods.

Malaysia's performance on this indicator is in line with regional and peer<sup>5</sup> economies. On historical basis, reserve coverage of imports of goods and services indicator has been in the range of between 5 and 8 months since 2008 – well above the generally-accepted 'rule of thumb' adequacy threshold of 3-months, and demonstrates the ability of the Malaysian economy to withstand against external shocks.

<sup>1</sup> Defined as gross imports subtracted with re-exports. The 12-month average retained imports can be derived from the Monthly Highlight and Statistics Table 3.6.8 (Imports by End-Use; see Appendix 1).

<sup>2</sup> For the international reserves position as at 15 February 2022.

<sup>3</sup> Defined as imports plus exports.

<sup>4</sup> From RM101.3 billion to RM351.3 billion, or a compound annual growth rate (CAGR) of 6.4%.

<sup>5</sup> Based on JP Morgan's Government Bond Index for Emerging Markets.

It is also important to emphasize that the assessment of reserve adequacy should not be solely based on the face value of these indicators. This needs to be complemented with deeper understanding about the country's external position, financial system and broad economic policies. In particular, international reserves is not the only means to meet external obligations.<sup>6</sup> Prevailing assessment indicates that the country's external position<sup>7</sup> is underpinned by its strong economic fundamentals including healthy current account surplus, large foreign currency external assets held by domestic entities<sup>8</sup> and the flexible ringgit exchange rate.

### References

Department of Statistics, Malaysia. 'External Sector', Jabatan Perangkaan Malaysia, Putrajaya.

Greenspan, A., 'Currency reserves and debt'. Remarks before the World Bank Conference on Recent Trends in Reserves Management, Washington, DC, 29 April 1999.

International Monetary Fund, (2016). 'Guidance Note on the Assessment of Reserve Adequacy and Related Considerations'.

### Appendix 1: Calculation of international reserves coverage of retained imports

$$12 \text{ month average retained imports} = \frac{\sum_{i=1}^{12 \text{ months}} \text{Monthly retained imports}^a}{12 \text{ months}}$$

<sup>a</sup>For example, to calculate monthly retained imports for December 2019, the retained imports for the months of January to December 2019 is summed up (i.e. rolling 12-months of retained imports). This number is then divided by 12, to obtain a monthly average. The figures can be obtained from BNM's MHS Table 3.6.8, column S.

<sup>6</sup> Further information can be found in the box article "Malaysia's Resilience in Managing External Debt Obligations and the Adequacy of International Reserves" in BNM's Annual Report 2018.

<sup>7</sup> In addition, it has also been emphasized that Malaysia's external debt position, including short-term external debt, remains manageable. This is supported by the favourable currency and maturity profile on its external debt as well as domestic entities' resilient repayment capacity. Foreign-currency external debt of corporates are also mainly subject to prudential and hedging requirements (refer to the latest assessment on external debt developments on page 25)

<sup>8</sup> Amounting to RM1.1 trillion as at end-2021.

# Monetary and Financial Developments

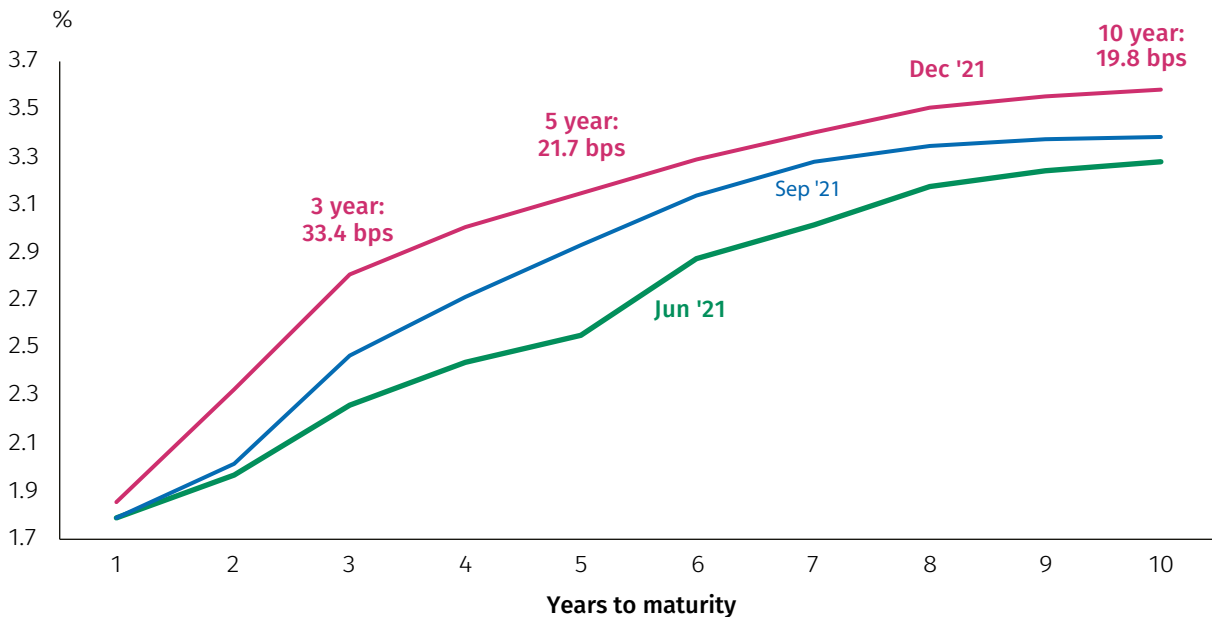
## Highlights

- Bond yields increased, in line with the uptrend in global bond yields.
- Equity market improved and the ringgit appreciated marginally against the US dollar given positive sentiments amid reopening of the domestic economy.
- Retail lending rates remained stable despite increases in interbank rates.
- Higher growth in bank financing amid pickup in economic activity.

### Domestic financial conditions improved due to economic reopening

During the quarter, investor sentiments in the bond market were affected by fresh concerns surrounding the economic impact of the Omicron variant, persistently high inflation in several economies as well as faster-than-expected tightening in global liquidity conditions. The US Federal Open Market Committee (FOMC) announced in its December meeting that it will double the pace in tapering its net asset purchases amid high inflation and a strong labour market recovery. In addition, the median FOMC dot plot indicated at least three interest rate hikes in 2022, compared to September’s median forecast of at least one hike. Global and domestic bond yields increased, as MGS yields rose across the curve with the 3-year, 5-year and 10-year yields rising by 33.4, 21.7 and 19.8 basis points, respectively by the end of quarter.

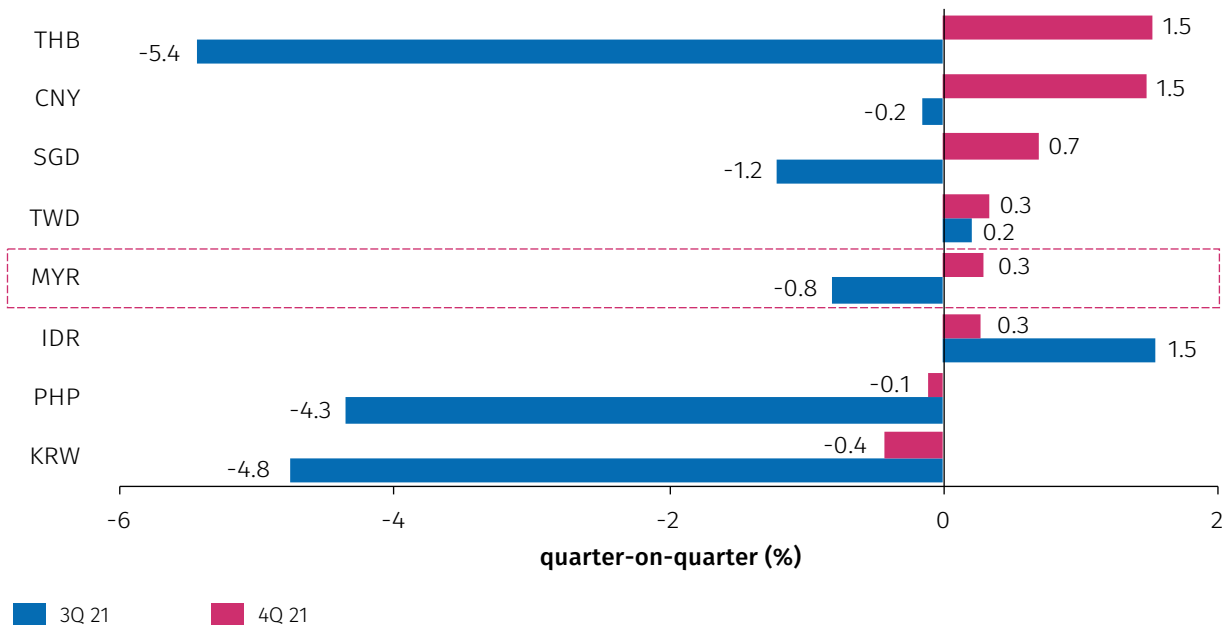
**C20** Trend in MGS Yields



Source: Bank Negara Malaysia

C21

Performance of Regional Currencies Against the US Dollar



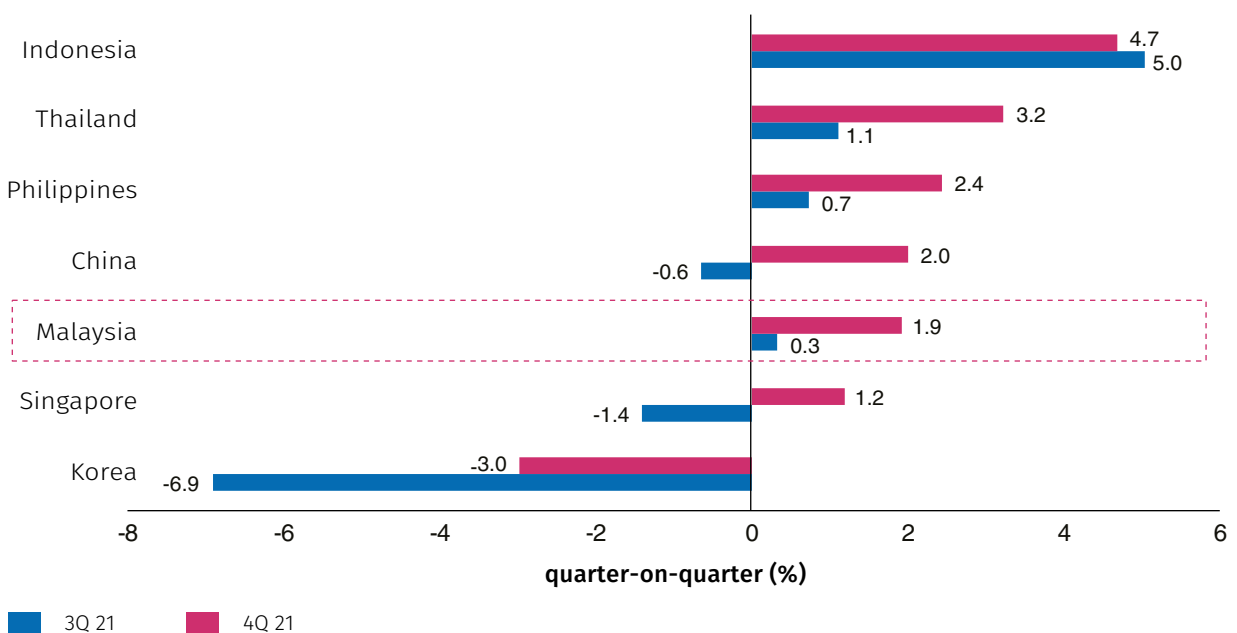
Source: Bank Negara Malaysia and Reuters

The ringgit appreciated and the FBM KLCI rose following the easing of domestic COVID-19 containment measures amid the acceleration of COVID-19 vaccine booster inoculations. In the foreign exchange market, the ringgit appreciated by 0.3% against the US dollar (3Q 2021: -0.8%), in line with the movement of regional currencies.

Additionally, higher commodity prices also provided support towards the ringgit during the quarter. The FBM KLCI closed marginally higher at 1,567.5 points (+1.9%) as at end-December 2021 (end-September: 1,537.8 points), owing to positive performance during the quarter for plantation (+3.5%), financial services (+2.4%) and technology (+2.0%) stocks.

C22

Performance of Regional Equity Markets



Source: Bloomberg

## Retail lending rates remained stable despite increases in interbank rates

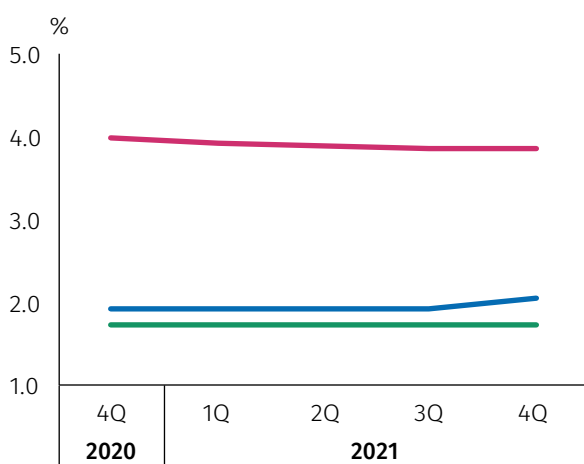
Nominal interest rates in the wholesale market were higher in the fourth quarter of 2021. Interbank rates, particularly at the longer tenures<sup>7</sup>, increased towards the end of the quarter amid banks' preference for more stable funding<sup>8</sup>. In particular, the benchmark 3-month KLIBOR increased by 12 basis points to end the quarter at 2.05% (3Q 2021: 1.93%). The tighter interbank market conditions, however, was temporary, as interbank rates had since normalised in January 2022.

Retail lending rates remained stable during the quarter, with the weighted average base rate (BR) and the weighted average lending rate (ALR) on outstanding loans remaining unchanged at 2.43% and 3.87% respectively.

Nominal fixed deposit (FD) rates were also steady during the quarter, across tenures of 1 to 12 months. Nevertheless, real FD rates<sup>9</sup> decreased in the fourth quarter, reflecting higher inflation expectations as economic activity continued to normalise amid the environment of high input costs.

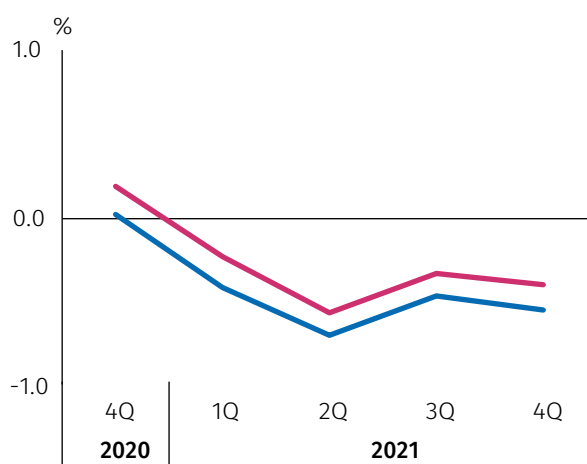
C23

### Interest Rates (at end-period)



— Weighted average lending rate (ALR)  
 — Overnight Policy Rate (OPR)  
 — 3M KLIBOR

Source: Bank Negara Malaysia, Bloomberg and Consensus Economics



— 3M real fixed deposit rate  
 — 12M real fixed deposit rate

<sup>7</sup> Referring to rates for tenures above 1 month.

<sup>8</sup> This was due partly to banks' preference to build precautionary liquidity buffers in anticipation of deposit withdrawals amid the expiry of existing tax exemption for non-individual investors' income in retail money market funds on 1 January 2022.

<sup>9</sup> Real fixed deposit rates are computed as the difference between nominal fixed deposit rates and inflation expectations. Inflation expectations is measured as the average expected rate of inflation over the next 12 months (based on data from Consensus Economics), approximated by an average of the forecasts for the current and next calendar year weighted by their share in the forecasting horizon of 12 months ahead. This is comparable to the use of fixed-horizon forecasts in the literature, including Dovern et al. (2012) and Siklos (2013).

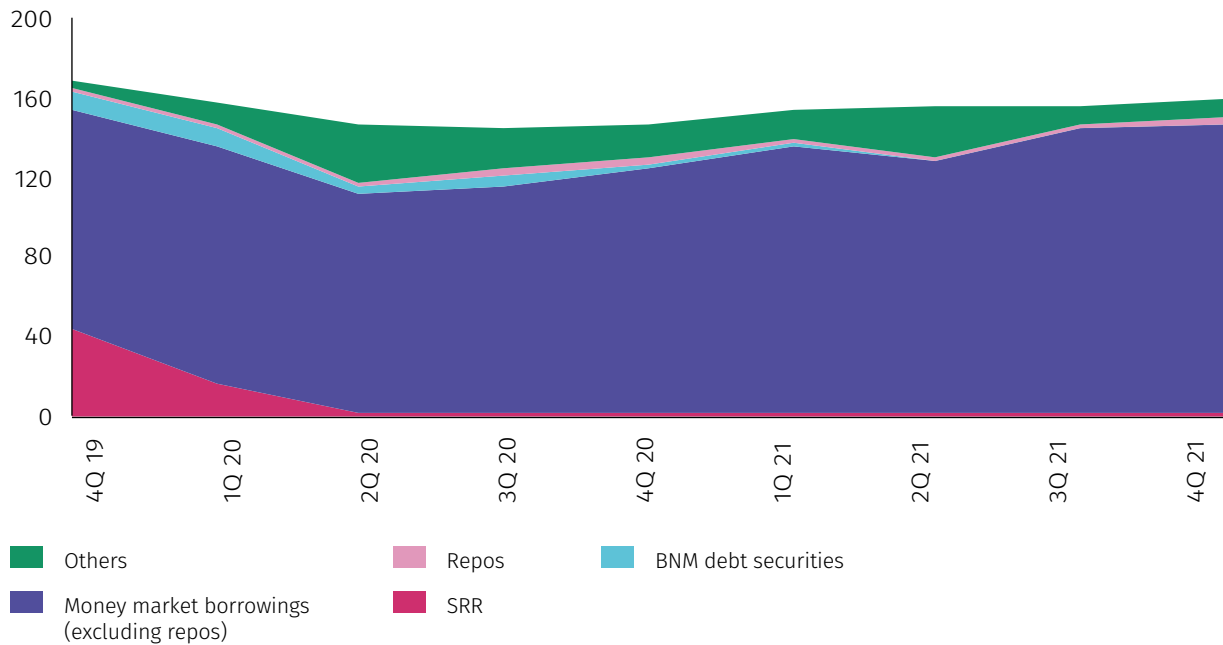
## Banking system liquidity remained sufficient to facilitate financial intermediation

Banking system liquidity remained sufficient at both the institutional and system-wide levels to facilitate financial intermediation activity. The outstanding

liquidity placed with the Bank was higher in the fourth quarter amidst increased liquidity injection operations to meet banks' precautionary demand for liquidity buffers approaching the year-end. At the institutional level, almost all banks maintained surplus liquidity positions with the Bank as at end-December 2021.

### C24 Outstanding Ringgit Liquidity Placed with Bank Negara Malaysia (at end-period)

RM billion



Source: Bank Negara Malaysia

## Higher growth in bank financing amid pickup in economic activity

Net financing grew by 4.7% annually as at end-4Q 2021 (3Q 2021: 3.9%). The increase was mainly contributed by higher outstanding loan<sup>10</sup> growth (4.4%; 3Q 2021: 2.9%) in both the business and household segments, as economic activity picked up. Bank lending continued to be supported by accommodative financing conditions and various policy measures<sup>11</sup> that remained in place. Meanwhile, outstanding corporate bond<sup>12</sup> growth moderated to 5.5% (3Q 2021: 6.5%), as growth in bond redemptions outpaced that of issuances.

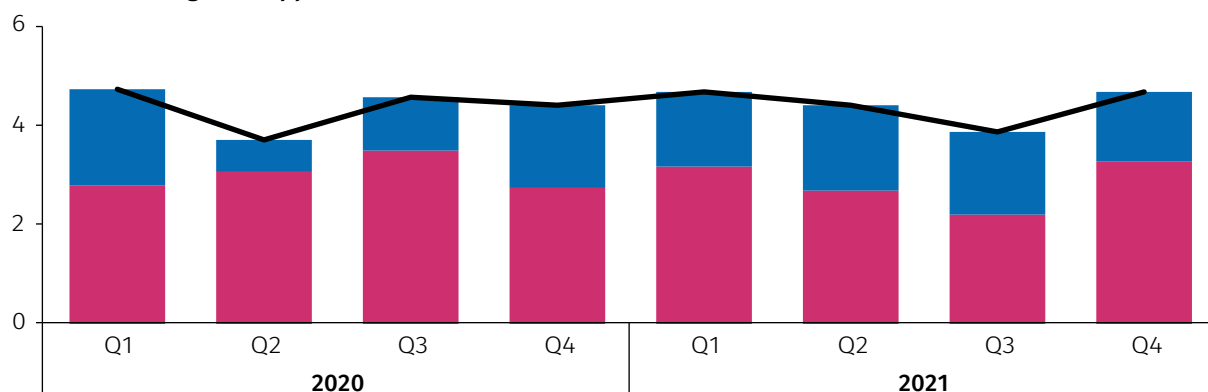
Outstanding household loans grew by 4.2% (3Q 2021: 3.2%) with higher growth across most loan purposes following the easing of movement restrictions. This was reflected in substantially higher loan applications<sup>13</sup> (RM170.8 bn; 3Q 2021: RM114.1 bn) and

loan disbursements (RM109.0 bn; 3Q 2021: RM75.3 bn), particularly for the purchase of houses and passenger cars. On an annual basis, both indicators also experienced strong positive growth, recovering from declines observed in the third quarter.

For businesses, outstanding loan growth increased to 4.8% (3Q 2021: 2.4%) driven mainly by higher working capital loans<sup>14</sup> (7.4%; 3Q 2021: 4.5%), which remained crucial for firms in bridging payment gaps and financing their operations. This is reflected in higher loan disbursements, with non-SMEs, in particular, continuing to draw down on existing credit lines to manage their cash flow needs. Growth in outstanding investment-related loans<sup>14</sup> also recorded some increase (1.4%; 3Q 2021: -0.1%), driven by SMEs. By sector, the increase in outstanding loan growth was mainly driven by the wholesale and retail trade, and manufacturing sectors.

### C25 Contribution to Net Financing Growth

Contribution to growth (ppt)



■ Outstanding banking system and DFI loans
 ■ Outstanding corporate bonds\*
   
— Net financing growth (% yoy)

\*Excludes issuances by Cagamas and non-residents

Source: Bank Negara Malaysia

<sup>10</sup> Loans from the banking system and development financial institutions (DFIs).

<sup>11</sup> These include loan repayment assistance, financing facilities for SMEs, credit guarantee schemes, the Home Ownership Campaign (HOC) and sales tax relief on new vehicles.

<sup>12</sup> Excludes issuances by Cagamas and non-residents.

<sup>13</sup> Loans from the banking system only.

<sup>14</sup> Classification of business loans by purpose is only available for the banking system.

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# The Bank's Policy Considerations

## Highlights

- The Monetary Policy Committee (MPC) maintained the OPR at 1.75% at the November 2021 and January 2022 MPC meetings, considering the current stance of monetary policy to be appropriate and accommodative.
- The monetary policy stance will continue to be determined by new data and their implications on the overall outlook for inflation and domestic growth.

### Monetary policy remains accommodative

At the November 2021 and January 2022 Monetary Policy Committee (MPC) meetings, the MPC maintained the Overnight Policy Rate (OPR) at 1.75%.

At the latest MPC meeting in January, the MPC assessed that the global economy continues to recover, supported by manufacturing and trade activity. Labour market conditions had also improved in many countries. However, several countries reintroduced measures to curb ongoing COVID-19 resurgences, causing some moderation in the pace of recovery in domestic activity, especially services. Inflation remained elevated in a number of countries, driven by both supply and demand factors. Going forward, continued progress in vaccination coverage, advancements in vaccine efficacy, and the availability of anti-viral treatments would allow for better management of the pandemic, hence supporting global growth prospects. The global growth outlook would continue to be affected by uncertainties over the emergence of new variants of concern, risks of prolonged global supply disruptions, and risks of heightened financial market volatility amid adjustments in monetary policy in major economies.

For Malaysia, the latest high-frequency indicators had shown at the time that economic activity rebounded in the fourth quarter, in line with the relaxation of containment measures. For 2021, the MPC had expected growth to be within the projected range of 3% - 4%. Looking ahead, growth was expected to gain further momentum in 2022, driven by the expansion in global demand and higher private sector expenditure amid improvements in the labour market and continued policy support.

Risks to the growth outlook, however, remained tilted to the downside. Such risks may arise from a weaker-than-expected global growth, a worsening in supply chain disruptions, and the emergence of severe and vaccine-resistant COVID-19 variants of concern.

At the January MPC meeting, it was acknowledged that headline inflation had averaged 2.3% for the period January-November 2021. For 2022, average headline inflation was likely to remain moderate as the base effect from fuel inflation dissipates. Underlying inflation, as measured by core inflation, was expected to edge upwards as economic activity normalises amid the environment of high input costs. Nevertheless, core inflation was expected

to be modest, with upside risk contained by the continued slack in the economy and labour market. The outlook, however, continued to be subject to global commodity price developments amid risks from prolonged supply-related disruptions.

The MPC considered the current stance of monetary policy to be appropriate and accommodative. Fiscal and financial measures will continue to cushion the economic impact on businesses and households and provide support to economic activity. The stance of monetary policy will continue to be determined by new data and their implications on the overall outlook for inflation and domestic growth.

## Other policy highlights in the fourth quarter of 2021

Policy highlight	Salient details
<p>Policy Document (PD) on Code of Conduct for Malaysia Wholesale Financial Markets</p>	<ul style="list-style-type: none"> <li>• Issued on 31 December 2021, the PD outlines the requirements to be observed by market participants in the wholesale financial markets (the money market and foreign exchange market, including over-the-counter derivatives market for interest rates and exchange rates).</li> <li>• This PD sets out-               <ul style="list-style-type: none"> <li>o eligibility requirements for dealers and brokers;</li> <li>o market conduct and internal control requirements to safeguard the integrity of the wholesale financial markets; and</li> <li>o the role of industry associations in preserving market integrity.</li> </ul> </li> </ul>
<p>Exposure Draft (ED) on Climate Risk Management and Scenario Analysis</p>	<ul style="list-style-type: none"> <li>• Issued on 27 December 2021, the ED sets out the proposed requirements on climate risk management and scenario analysis.</li> <li>• The proposed requirements aim to-               <ul style="list-style-type: none"> <li>o ensure that financial institutions strengthen the management of financial risks stemming from climate change;</li> <li>o enhance the resilience of the financial sector against climate-related risks; and</li> <li>o facilitate an orderly transition to a low-carbon economy.</li> </ul> </li> <li>• This ED complements the Climate Change and Principle-based Taxonomy (CCPT), the Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF), as well as the VBIAF Sectoral Guides.</li> </ul>
<p>ED on Payment Cards Framework</p>	<ul style="list-style-type: none"> <li>• The ED was issued on 24 December 2021, setting out proposed measures to foster a safe, efficient and transparent payment card industry and ensure that the cost of accepting payment cards is fair and reasonable, thus promoting wider acceptance and usage of payment cards.</li> <li>• The measures include:               <ul style="list-style-type: none"> <li>o revisions to the interchange fee ceilings to reflect the more recent underlying cost; and</li> <li>o measures to empower merchants to manage their payment card acceptance cost and address other distortions and frictions in the payment card market.</li> </ul> </li> </ul>
<p>PD on Management of Customer Information and Permitted Disclosures</p>	<ul style="list-style-type: none"> <li>• Issued on 12 October 2021, the PD sets out the requirements to be observed by financial service providers in handling customer information throughout the information lifecycle. This covers the collection, storage, use, transmission, sharing, disclosure and disposal of customer information.</li> <li>• The PD introduces the following changes:               <ul style="list-style-type: none"> <li>o Enhanced definition of financial service provider</li> <li>o New conditions for permitted disclosures particularly in cases of an order or request made by Polis Diraja Malaysia</li> </ul> </li> </ul>

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# Macroeconomic Outlook

## Highlights

- Global growth is expected to moderate in 2022.
- The Malaysian economy to continue on its recovery path in 2022.
- Headline inflation is projected to moderate in 2022, while core inflation is expected to be modest.

## Slower global growth for 2022

In the January World Economic Outlook (WEO) update, the IMF maintained its projection of global growth for 2021 at 5.9%. Services activity was dampened towards the end of the year due to a resurgence in COVID-19 cases, amid the emergence of the Omicron variant. Manufacturing and trade activity continued, although production was constrained by logistical bottlenecks and material shortages.

For 2022, the IMF is projecting the global economy to continue recovering, but at a slower pace of 4.4% (October WEO: 4.9%). Nevertheless, it remains above the long-term growth average (2011-2018: 3.6%). This reflects downward revisions mainly to the US and China. Global economic prospects will continue to be weighed by the recent rise in COVID-19 cases. With waning vaccine efficacy and the emergence of new VOCs, the rollout of booster vaccines and availability of anti-viral treatments are key to reduce strains on healthcare systems and minimise disruptions to economic activity. In addition, growth prospects are expected to be dampened by ongoing supply disruptions, but this is expected to ease going forward. For China, the continued reliance on strict COVID-19 containment measures will constrain growth. The growth outlook for emerging market economies (EMEs) will also be weighed by tighter global financial conditions amid monetary policy tightening in advanced economies (AEs) due to rising inflationary concerns.

The balance of risks remains tilted to the downside. COVID-19 remains a key source of risks, especially the emergence of new VOCs that render existing vaccines ineffective. There is also a risk that global supply disruptions re-escalate, leading to higher price pressures and faster-than-expected monetary policy normalisation in AEs. In contrast, upside risks to growth could come from faster-than-expected rollout of boosters and anti-viral treatments, especially in EMEs.

**The Malaysian economy is expected to remain on its recovery path in line with continued expansion in global demand and higher private sector spending**

For 2022, the Malaysian economy is expected to remain on its recovery path. Growth will be supported by the continued expansion in global demand and higher private sector expenditure given improving labour market conditions and ongoing policy support. Furthermore, the continuation of major investment projects in both private and public sectors will lend support to growth.

The balance of risks remains tilted to the downside due to external and domestic factors. These include weaker-than-expected global growth, a worsening in supply chain disruptions, and the emergence of severe and vaccine-resistant COVID-19 variants of concern.

**Headline inflation is projected to moderate in 2022, while core inflation is expected to be modest**

In line with earlier assessments, headline inflation averaged higher at 2.5% in 2021 (-1.2% in 2020), due mainly to the cost-push factor of higher global oil prices. Underlying inflation, as measured by core inflation, moderated to 0.7% (1.1% in 2020).

For 2022, average headline inflation is likely to remain moderate as the base effect from fuel inflation dissipates. Core inflation is expected to edge upwards as economic activity normalises amid the environment of high input costs. Nevertheless, core inflation is expected to be modest, with upside risk contained by the continued slack in the economy and labour market. The outlook, however, continues to be subject to global commodity price developments amid risks from prolonged supply-related disruptions.

# Annex



## T1

## GDP by Expenditure Components (at constant 2015 prices)

	Share 2021 (%)	2020		2021				
		4Q	Year	1Q	2Q	3Q	4Q	Year
		Annual growth (%)						
Aggregate Domestic Demand (excluding stocks)	92.7	-4.5	-5.8	-1.0	12.4	-4.1	2.3	1.9
Private sector	74.3	-4.0	-6.0	-0.9	13.0	-4.4	2.4	2.0
<i>Consumption</i>	58.8	-3.5	-4.3	-1.5	11.7	-4.2	3.7	1.9
<i>Investment</i>	15.6	-6.6	-11.9	1.3	17.4	-4.8	-3.0	2.6
Public sector	18.3	-5.7	-4.7	-1.5	9.7	-2.8	1.9	1.6
<i>Consumption</i>	13.8	2.4	3.9	5.9	9.0	8.1	4.3	6.6
<i>Investment</i>	4.5	-20.4	-21.3	-18.6	12.0	-28.9	-3.8	-11.4
Net Exports	6.0	10.0	13.0	0.8	34.3	-37.5	2.6	-5.8
<i>Exports of Goods and Services</i>	69.2	-2.1	-8.9	11.9	37.4	5.1	13.3	15.9
<i>Imports of Goods and Services</i>	63.2	-3.3	-8.4	13.0	37.6	11.7	14.6	18.5
<b>Real GDP</b>	<b>100.0</b>	<b>-3.4</b>	<b>-5.6</b>	<b>-0.5</b>	<b>16.1</b>	<b>-4.5</b>	<b>3.6</b>	<b>3.1</b>
<b>GDP (q-o-q growth, seasonally adjusted)</b>	<b>-</b>	<b>-1.5</b>	<b>-</b>	<b>2.7</b>	<b>-1.9</b>	<b>-3.6</b>	<b>6.6</b>	<b>-</b>

Note: Figures may not add up due to rounding and exclusion of stocks.

Source: Department of Statistics, Malaysia

## T2

## GDP by Economic Activity (at constant 2015 prices)

	Share 2021 (%)	2020					2021				
		1Q	2Q	3Q	4Q	Year	1Q	2Q	3Q	4Q	Year
		Annual growth (%)									
Services	57.0	3.1	-16.2	-4.0	-4.8	-5.5	-2.3	13.5	-4.9	3.2	1.9
Manufacturing	24.3	1.4	-18.3	3.3	3.0	-2.6	6.6	26.6	-0.8	9.1	9.5
Agriculture	7.2	-8.6	0.9	-0.3	-1.0	-2.2	0.2	-1.5	-1.9	2.8	-0.2
Mining	6.7	-2.9	-20.8	-7.8	-10.4	-10.6	-5.0	13.9	-3.6	-0.9	0.7
Construction	3.7	-7.9	-44.5	-12.4	-13.9	-19.4	-10.4	40.3	-20.6	-12.2	-5.2
<b>Real GDP</b>	<b>100.0</b>	<b>0.7</b>	<b>-17.2</b>	<b>-2.7</b>	<b>-3.4</b>	<b>-5.6</b>	<b>-0.5</b>	<b>16.1</b>	<b>-4.5</b>	<b>3.6</b>	<b>3.1</b>

Note: Numbers do not add up due to rounding and exclusion of import duties component.

Source: Department of Statistics, Malaysia

	2020		2021		
	4Q	Year	3Q	4Q	Year
	RM billion				
<b>Current Account</b>	<b>18.6</b>	<b>60.0</b>	<b>11.6</b>	<b>15.2</b>	<b>53.5</b>
(% of GDP)	4.9	4.2	3.1	3.6	3.5
Goods	42.6	138.7	41.2	51.8	170.2
Services	-14.0	-47.4	-15.2	-15.5	-61.1
Primary income	-7.2	-28.6	-11.3	-19.7	-46.2
Secondary income	-2.7	-2.7	-3.1	-1.4	-9.5
<b>Financial Account</b>	<b>-10.2</b>	<b>-76.2</b>	<b>22.8</b>	<b>-2.2</b>	<b>29.7</b>
Direct investment	1.6	2.8	17.6	9.7	32.9
Assets	-4.2	-15.2	-4.7	-17.8	-40.3
Liabilities	5.8	18.0	22.2	27.5	73.1
Portfolio investment	-7.1	-48.2	-4.3	2.8	18.9
Assets	-19.9	-59.3	-5.2	-6.1	-36.2
Liabilities	12.8	11.1	0.9	8.9	55.0
Financial derivatives	-0.9	0.4	0.7	-0.6	-0.2
Other investment	-3.7	-31.1	8.8	-14.0	-21.9
<b>Net errors &amp; omissions<sup>2</sup></b>	<b>-11.0</b>	<b>-2.7</b>	<b>-13.0</b>	<b>-10.2</b>	<b>-36.7</b>
<b>Overall Balance</b>	<b>-2.6</b>	<b>-19.3</b>	<b>21.3</b>	<b>2.5</b>	<b>45.6</b>

Assets: (-) denotes outflows due to the acquisition of assets abroad by residents.

Liabilities: (+) denotes inflows due to the incurrence of foreign liabilities.

<sup>1</sup> In accordance with the Sixth Edition of the Balance of Payments and International Investment Position Manual (BPM6) by the International Monetary Fund (IMF).

<sup>2</sup> As at 1Q 2018, quarterly net E&O excludes reserves revaluation changes. This practice is backdated up to 1Q 2010.

Note: Numbers may not add up due to rounding

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

	2020	2021	
	end-Dec	end-Sept	end-Dec
	RM billion		
<b>Total External Debt</b>	<b>958.1</b>	<b>1,057.0</b>	<b>1,070.3</b>
<i>USD billion equivalent</i>	235.5	252.3	257.0
<b>By instrument</b>			
Bonds and notes <sup>1</sup>	172.7	200.4	197.2
Interbank borrowings <sup>1</sup>	182.1	176.1	176.7
Intragroup loans <sup>1</sup>	128.3	140.2	144.2
Loans <sup>1</sup>	76.5	76.0	73.7
Non-resident holdings of domestic debt securities	220.1	248.9	255.1
Non-resident deposits	94.5	96.4	99.9
IMF allocation of Special Drawing Rights (SDRs)	7.8	28.6	28.1
Others <sup>2</sup>	76.2	90.5	95.3
<b>Maturity profile</b>			
Medium- and long-term	590.7	666.5	676.1
Short-term	367.5	390.5	394.2
<b>Currency denomination</b>			
Ringgit	324.7	367.1	372.9
Foreign	633.4	689.9	697.4
Total debt / GDP (%)	67.6	70.5	69.3
Short-term debt / Total debt (%)	38.4	36.9	36.8
Reserves / Short-term debt (times)	1.2	1.2	1.2 <sup>3</sup>

<sup>1</sup> These debt instruments constitute the offshore borrowings.

<sup>2</sup> Comprise trade credits and miscellaneous.

<sup>3</sup> Based on international reserves as at 31 January 2022.

Note: Figures may not add up due to rounding

Source: Ministry of Finance Malaysia and Bank Negara Malaysia

	2020		2021			2020		2021		
	4Q	Year	3Q	4Q	Year	4Q	Year	3Q	4Q	Year
	Change during the period (RM billion)					Annual growth (%)				
<b>Total net financing</b>	<b>24.0</b>	<b>113.5</b>	<b>29.3</b>	<b>47.5</b>	<b>126.2</b>	<b>4.4</b>	<b>4.4</b>	<b>3.9</b>	<b>4.7</b>	<b>4.7</b>
Outstanding:										
Loans <sup>1,2</sup>	7.6	70.6	18.6	37.4	87.8	3.7	3.7	2.9	4.4	4.4
Business enterprises	-4.0	6.0	3.8	12.2	32.6	0.9	0.9	2.4	4.8	4.8
SMEs <sup>3</sup>	1.0	26.7	4.7	6.3	14.9	9.6	9.6	3.2	4.9	4.9
Non-SMEs	-5.0	-20.7	-0.9	6.0	17.7	-5.2	-5.2	1.8	4.7	4.7
Households	14.4	60.3	10.6	27.3	50.0	5.4	5.4	3.2	4.2	4.2
Corporate bonds <sup>4</sup>	16.4	42.9	10.7	10.1	38.5	6.5	6.5	6.5	5.5	5.5

<sup>1</sup> Loans from the banking system and development financial institutions (DFIs).

<sup>2</sup> Includes loans sold to Cagamas.

<sup>3</sup> Partly reflects the reclassification exercise of SMEs to non-SMEs by financial institutions. Between January 2018 and December 2019, a net amount of RM60.4 billion of outstanding SME loans was reclassified as outstanding non-SME loans. RM38.3 billion was reclassified during the fourth quarter of 2019.

<sup>4</sup> Excludes issuances by Cagamas and non-residents.

Note: Numbers may not add up due to rounding

Source: Bank Negara Malaysia

	2020		2021			2020		2021		
	4Q	Year	3Q	4Q	Year	4Q	Year	3Q	4Q	Year
	During the period (RM billion)					Annual growth (%)				
<b>Total</b>										
Loan applications <sup>1</sup>	224.3	823.8	200.6	263.9	928.2	-0.5	-6.2	-14.4	17.6	12.7
Loan approvals <sup>1</sup>	102.0	353.6	89.2	117.1	394.9	-1.2	-13.8	-9.0	14.8	11.7
Loan disbursements <sup>2</sup>	331.4	1213.1	356.8	417.6	1492.8	-1.0	-5.3	17.5	26.0	23.1
Loan repayments <sup>2</sup>	332.8	1194.0	353.9	392.4	1468.5	2.7	-6.4	23.7	17.9	23.0
<b>Of which:</b>										
<b>Business enterprises<sup>3</sup></b>										
Loan applications	82.8	355.2	86.4	93.1	351.6	-22.2	-11.6	3.6	12.5	-1.0
Loan approvals	42.4	164.0	46.7	51.3	172.4	-14.6	-14.5	21.8	20.9	5.1
Loan disbursements	231.9	867.6	281.5	308.7	1131.9	-2.0	-4.1	37.6	33.1	30.5
Loan repayments	238.2	869.2	276.8	302.2	1114.4	3.1	-4.3	31.9	26.8	28.2
<b>SMEs<sup>4</sup></b>										
Loan applications	43.7	181.0	38.4	46.4	171.2	-14.3	-7.4	-8.7	6.1	-5.4
Loan approvals	17.8	61.9	15.2	19.7	67.9	-0.6	-8.1	1.3	10.9	9.6
Loan disbursements	73.3	256.8	73.7	84.5	312.2	3.2	-13.2	15.8	15.3	21.6
Loan repayments	71.8	244.0	72.2	78.5	301.8	-3.7	-19.3	30.7	9.4	23.7
<b>Non-SMEs<sup>3</sup></b>										
Loan applications	39.0	174.2	48.0	46.7	180.4	-29.5	-15.6	16.1	19.5	3.6
Loan approvals	24.6	102.0	31.4	31.5	104.5	-22.5	-18.0	35.1	28.1	2.4
Loan disbursements	158.7	610.8	207.8	224.2	819.7	-4.2	0.3	47.5	41.3	34.2
Loan repayments	166.4	625.1	204.6	223.6	812.5	6.3	3.2	32.3	34.4	30.0
<b>Households</b>										
Loan applications	141.6	468.6	114.1	170.8	576.6	18.8	-1.7	-24.4	20.6	23.0
Loan approvals	59.6	189.6	42.5	65.9	222.6	11.2	-13.3	-28.7	10.5	17.4
Loan disbursements	99.5	345.5	75.3	109.0	360.9	1.3	-8.0	-24.0	9.5	4.5
Loan repayments	94.6	324.9	77.1	90.2	354.1	1.8	-11.5	1.2	-4.6	9.0

<sup>1</sup> Loan applications and approvals for all segments include data from the banking system only.

<sup>2</sup> Loan disbursements and repayments for all segments include data from the banking system and development financial institutions (DFIs). With effect from 1 April 2020, an automatic moratorium was implemented on loan/financing repayments/payments by household and SME borrowers for a period of 6 months.

<sup>3</sup> Includes domestic non-bank financial institutions, domestic financial institutions, government, domestic other entities and foreign entities.

<sup>4</sup> Partly reflects the reclassification exercise of SMEs to non-SMEs by financial institutions.

Note: Numbers may not add up due to rounding

Source: Bank Negara Malaysia

	2020				2021			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q <sup>p</sup>
Return on equity (%) <sup>1</sup>	10.0	8.8	9.1	8.4	8.2	9.7	9.4	9.6
Return on assets (%) <sup>1</sup>	1.2	1.0	1.1	1.0	0.9	1.1	1.1	1.1
	<b>RM million</b>							
Net interest income	12,696	9,936	13,639	13,903	14,175	14,630	13,711	14,616
Add: Fee-based income	2,583	2,308	2,851	3,154	3,189	2,880	2,861	3,116
Less: Operating cost <sup>2</sup>	8,607	8,189	8,460	8,828	11,442	8,998	8,776	9,362
Gross operating profit	6,672	4,054	8,030	8,229	5,922	8,511	7,796	8,370
Less: Impairment <sup>3</sup> and other provisions	2,763	2,401	3,275	5,930	1,543	2,155	2,689	1,781
Gross operating profit after provision	3,908	1,653	4,755	2,299	4,379	6,357	5,107	6,589
Add: Other income <sup>1</sup>	4,382	4,738	3,593	3,145	2,719	3,231	2,677	2,368
<b>Pre-tax profit<sup>1</sup></b>	<b>8,290</b>	<b>6,391</b>	<b>8,348</b>	<b>5,444</b>	<b>7,098</b>	<b>9,587</b>	<b>7,784</b>	<b>8,957</b>
	<b>Annual growth (%)</b>							
Return on equity (percentage points) <sup>1</sup>	-1.4	-3.3	-3.1	-3.8	-1.7	0.9	0.3	1.2
Return on assets (percentage points) <sup>1</sup>	-0.13	-0.36	-0.35	-0.42	-0.21	0.10	0.03	0.13
Net interest income	2.1	-17.3	7.4	6.0	11.6	47.2	0.5	5.1
Add: Fee-based income	1.3	-11.9	6.8	-2.5	23.5	24.8	0.3	-1.2
Less: Operating cost <sup>2</sup>	2.7	-2.8	-1.9	-3.5	32.9	9.9	3.7	6.1
Gross operating profit	1.1	-34.7	19.1	14.3	-11.2	109.9	-2.9	1.7
Less: Impairment <sup>3</sup> and other provisions	1,583.6	645.4	299.4	15,627.1 <sup>4</sup>	-44.1	-10.3	-17.9	-70.0
Gross operating profit after provision	-39.3	-71.9	-19.7	-67.9	12.0	284.5	7.4	186.6
Add: Other income <sup>1</sup>	79.1	11.6	-15.3	21.3	-37.9	-31.8	-25.5	-24.7
<b>Pre-tax profit<sup>1</sup></b>	<b>-6.7</b>	<b>-36.9</b>	<b>-17.9</b>	<b>-44.2</b>	<b>-14.4</b>	<b>50.0</b>	<b>-6.8</b>	<b>64.5</b>

<sup>1</sup> Banking system profits are aggregated at the entity level. The aggregated results for 2019 onwards are subsequently adjusted for dividend income received from domestic banking subsidiaries (previously added at both the parent and subsidiary levels). The adjustment is reflected under 'Other income'. Differences in comparative pre-tax figures reported in previous Quarterly Bulletins are estimated to range between 5.5% and 10.7%.

<sup>2</sup> Refers to staff costs and overheads.

<sup>3</sup> Refers to 12 Months Expected Credit Losses (ECL), Lifetime ECL Not Credit Impaired and Lifetime ECL Credit Impaired based on the Malaysian Financial Reporting Standard 9 (MFRS 9).

<sup>4</sup> Reflects i) a significant increase in precautionary provisions set aside by banks amid continued uncertainty in the economic outlook; and ii) base effects from notably lower credit costs recorded during the fourth quarter of 2019 due to higher writebacks and recoveries. The net impaired loans ratio (impaired loans net of provisions) remains broadly unchanged from the year before at 1.0%, while the total provisions to total loans ratio increased to 1.7% in December 2020 (December 2019: 1.3%). For further details, please refer to the BNM Monthly Statistical Bulletin.

<sup>p</sup> Preliminary

Source: Bank Negara Malaysia

	2020	2021			
	4Q	1Q	2Q	3Q	4Q <sup>p</sup>
	<b>RM million</b>				
<b>Life Insurance &amp; Family Takaful</b>					
Excess income over outgo	9,313	-630	4,314	5,129	3,755
<b>General Insurance &amp; General Takaful</b>					
Operating profit	912	710	1,076	928	349
Claims ratio (%)	52	55	51	52	60
	<b>Annual growth (%)</b>				
<b>Life Insurance &amp; Family Takaful</b>					
Excess income over outgo	141.3	94.6	-73.6	-36.1	-59.7
<b>General Insurance &amp; General Takaful</b>					
Operating profit	25.0	30.2	-6.7	21.5	-61.8
Claims ratio (percentage points)	-6.3	-4.7	-1.6	-3.8	8.0

<sup>p</sup> Preliminary

Source: Bank Negara Malaysia

	2020		2021 <sup>p</sup>		
	4Q	Year	3Q	4Q	Year
	RM billion				
Revenue	77.0	225.1	51.5	75.9	233.8
<i>Annual growth (%)</i>	10.2	-14.9	10.9	-1.5	3.8
Operating expenditure	53.7	224.6	50.7	63.5	231.5
<i>Annual growth (%)</i>	-23.0	-14.7	-11.0	18.1	3.1
<b>Current account</b>	<b>23.3</b>	<b>0.5</b>	<b>0.8</b>	<b>12.4</b>	<b>2.2</b>
Net development expenditure	20.2	50.1	22.1	13.3	63.3
<i>Annual growth (%)</i>	3.1	-4.8	82.5	-34.3	26.3
COVID-19 Fund <sup>2</sup>	10.4	38.0	5.0	14.3	37.7
<b>Overall balance</b>	<b>-7.3</b>	<b>-87.6</b>	<b>-26.3</b>	<b>-15.1</b>	<b>-98.8</b>
<b>Memo:</b>					
Total net expenditure	84.3	312.7	77.8	91.0	332.5
<i>Annual growth (%)</i>	-5.7	-1.0	5.1	8.0	6.3
Total Federal Government debt (as at end-period)	879.6	879.6	969.3	979.8	979.8
Domestic Debt	649.8	649.8	708.5	714.0	714.0
External Debt	229.8	229.8	260.8	265.9	265.9
<i>Non-resident holdings of RM-denominated debt</i>	206.1	206.1	234.9	240.4	240.4
<i>Offshore borrowing</i>	23.7	23.7	26.0	25.5	25.5

p Preliminary

Note:

<sup>1</sup> Numbers may not add up due to rounding.

<sup>2</sup> 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.

Source: Ministry of Finance, Malaysia and Bank Negara Malaysia