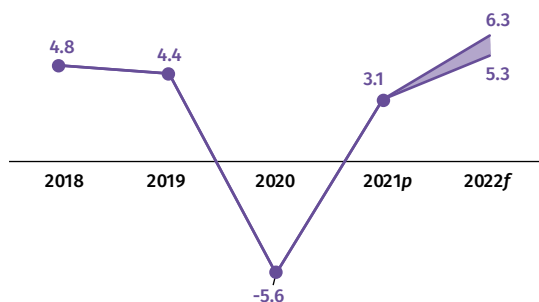


Key Highlights on Economic Development and Outlook

Firmer recovery in Malaysia's GDP in 2022...

Real GDP growth (Annual change, %)



p Preliminary
f Forecast

Key drivers of growth in 2022 (Annual change, %)

Demand

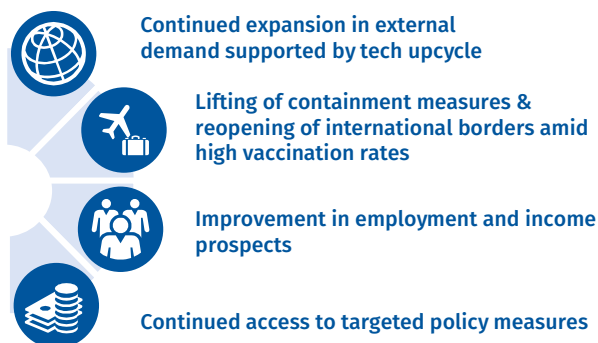


Supply



...supported by external and domestic factors amid a challenging environment

Major Contributors to Growth

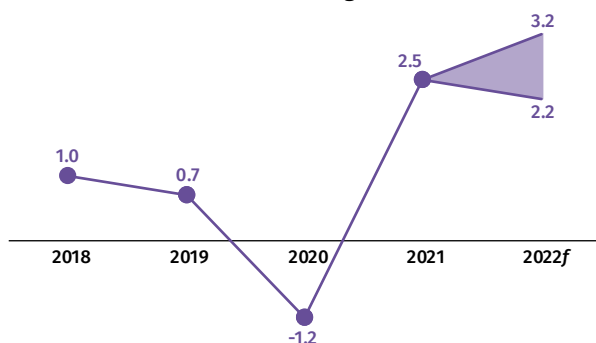


Key Challenges

- ▶ **COVID-19 pandemic developments**
Emergence of vaccine-resistant variants causing a resurgence
- ▶ **Ongoing geopolitical conflicts**
Commodity price shocks and disruptions to supply chain and trade
- ▶ **Elevated cost and price pressures**
Cost of living and profitability concerns weighing on household and business sentiments

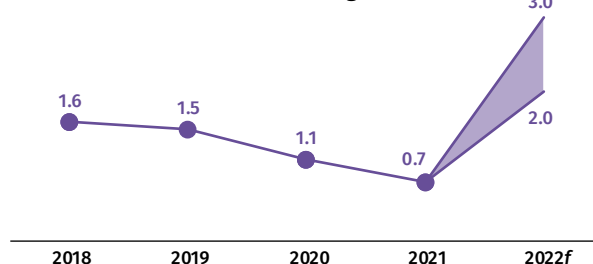
Headline inflation to average between 2.2% and 3.2% in 2022 amid higher core inflation

Headline inflation (Annual change, %)



f Forecast

Core inflation¹ (Annual change, %)



f Forecast

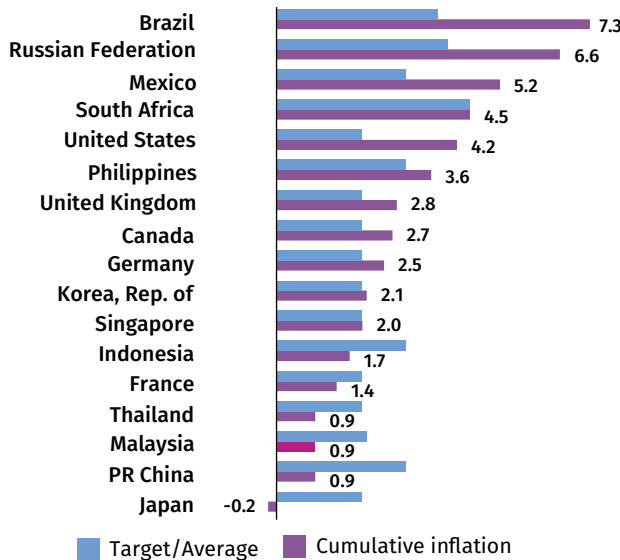
¹ Core inflation is computed by excluding price-volatile, price-administered items and the direct impact from consumption tax policy changes

Key Highlights on Box Articles

An Anatomy of Inflation: Effects from the Prolonged Pandemic

While higher CPI inflation is common globally, country-specific factors have partly contained the extent of inflationary pressure in Malaysia at this juncture

Cumulative CPI Inflation (Dec19 to Dec21; Annualised %)



Factors that could contain inflationary pressures for Malaysia:

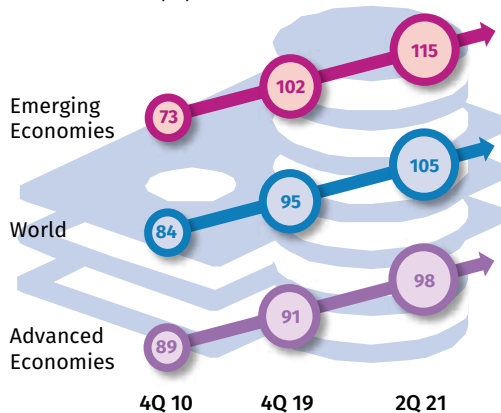
- 1 Continued spare capacity in the economy** amid a gradual recovery
- 2 Policy interventions** such as price ceilings
- 3 Relatively less severe disruptions**, reflecting factors such as proximity to global manufacturing hub

Source: National authorities and Bank Negara Malaysia estimates

Recovery Prospects in the Global Economy: Lessons from a Corporate Balance Sheet Perspective

Corporate debt has increased with higher financing needs during the pandemic

Corporate debt Share of GDP (%)



Critical to balance between short- and long-term economic goals

Timely, Direct, and Proportionate Policy Support

Unprecedented policies cushioned the downturn but requires recalibration as demand conditions improve.

Structural Reforms to Enhance Economic Resilience

Labour market flexibility and stronger insolvency laws could expedite resource reallocation and increase productivity.

Well-Capitalised Banks to Ensure Macroeconomic and Financial Stability

Healthy bank balance sheets disincentivise continued lending to zombie firms.

Source: Bank for International Settlements (BIS) Credit Database