



MALAYSIAN ECONOMIC STATISTICS REVIEW (MESR)



OVERALL ECONOMIC PERFORMANCE 2021

INTRODUCTION

The COVID-19 pandemic is an unprecedented global phenomenon. The virus is being transmitted at a worrying speed, infecting millions of people and causing economic activity to almost halt as countries take measures in mitigating the spread of the virus. The emergence of new variants namely Delta and Omicron threaten the trajectory of global economic recovery.

Although Malaysia encountered a high infection rate of COVID-19 in 2021, the country's economic performance is showing signs of revival along with the progressive vaccination rates towards herd immunity. A total of 26.0 million people have received at least one dose of the vaccine while 25.6 million people have been fully vaccinated. This brings the full vaccination rate to 78.5 per cent. Additional booster shots were initiated on 22 November 2021, and to date, a total of 6.9 million people have received them.

WORLD'S ECONOMY

2021 was an afflicted year for the world in its endeavours to revive the slumped economy since the emergence of COVID-19. The International Monetary Fund (IMF) projected global economic growth of 5.9 per cent in 2021 after recording a 3.1 per cent drop in the previous year (IMF, October 2021), which was the second sharpest economic downturn since World War II.

The recovery of the world economy is estimated in light of the development of vaccination programmes around the globe that restore confidence, as well as the wide-ranging economic reopening. The strengthening of prospects among commodity-exporting countries of the Emerging Market and Developing Economies also contributed to the overall global economic growth during the year.

Nevertheless, global inflation, supply disruptions in developed countries, and worsening COVID-19 virus transmission with the newly evolved mutations, notably in low-income developing countries, are the downside risks that threaten the global economic reconstruction, further driving the economy to grow below the projection in 2021. The global economy is expected to remain beneath the pre-pandemic peaks for a long period (World Bank, June 2021).

“ Global economic growth of 5.9% in 2021 ”

Source: IMF, October 2021



According to the regional group, the 2021 Gross Domestic Product (GDP) in Europe is projected to surge by 5.4 per cent, mainly driven by the Euro Area and the United Kingdom (UK). While the United States of America (USA) is forecasted to advance at a rate of 6.0 per cent. Meanwhile, countries in the Asian region are expected to chalk up by 6.5 per cent with China and India growing above the group growth average. However, the ASEAN-5 that comprises Indonesia, Thailand, Vietnam, the Philippines and Malaysia is estimated to grow slower at 2.9 per cent. Other regions such as the Middle East and Central Asia and Sub-Saharan Africa are projected to grow by 4.1 per cent and 3.7 per cent respectively.

MALAYSIA'S ECONOMY

Towards the end of 2021, a livelier economy is expected to be seen in Malaysia as most states transition to Phase Four of the National Recovery Plan (NRP). Based on the first nine-month performance in 2021, Malaysia's economy grew by 3.0 per cent compared to a negative 6.4 per cent in the same period in 2020. However, the level of national GDP attained in 2021 is expected to be 3.8 per cent below the pre-pandemic projection (the first nine months of 2019), apart from the Manufacturing Sector which registered a value added of RM245.4 billion in 2021 compared to RM234.6 billion (2019).

The Services, Manufacturing, and Mining & quarrying sectors showed positive growth in the three quarters of 2021 where the Services sector grew by 1.4 per cent. This growth was supported by the Finance and Insurance (12.5%) subsector and Information & Communication (6.1%).

The Manufacturing sector expanded by 9.7 per cent, driven by export-oriented industries which grew by 12.1 per cent. The main subsector that drove the growth were Petroleum, chemicals, rubber & plastic products (15.3%).

The Mining & quarrying sector also recorded a growth of 1.3 per cent. This performance was driven by the Natural gas subsector which increased to 7.6 per cent. The Construction and Agriculture sectors showed better growth although they remained negative at 2.6 per cent and 1.2 per cent respectively. This was driven by the Specialised construction activities (25.2%) and the Other agriculture subsector (5.9%), respectively.

On the demand side, the performance of the first nine months of 2021 for Private Final Consumption Expenditure recorded a growth of 1.3 per cent compared to a negative 4.6 per cent in 2020, while Government Final Consumption Expenditure increased by 7.7 per cent. However, Gross Fixed Capital Formation recorded a growth of negative 0.02 per cent, recovering from a negative 15.3 per cent in the previous year.

The COVID-19 pandemic has shaken the country's economy, especially the Tourism industry. However, this situation is straightened out by the Information and communication technology (ICT) industry that rose due to the implementation of the Movement Control Order (MCO). The contribution of ICT to the economy in 2020 was RM320.0 billion with a double-digit growth of 10.4 per cent compared to 7.3 per cent in the previous year. The digital economy continues to shine as businesses begin to shift to digital platforms and e-commerce, further showing positive developments despite the country facing severe challenges following the COVID-19 pandemic.

Chart 1: Gross Domestic Product at Constant 2015 Prices for the Period of January – September from 2015-2021

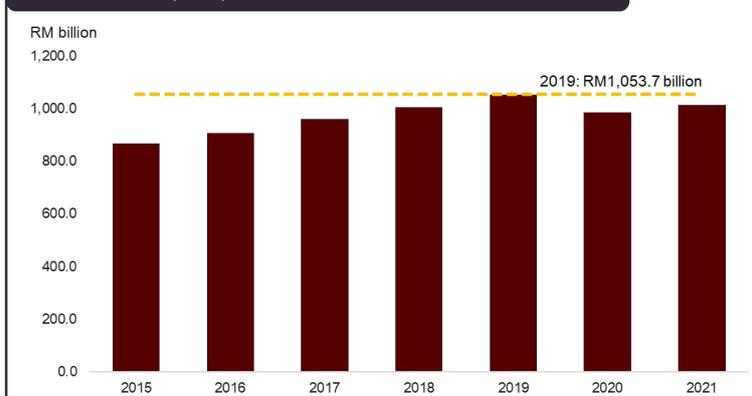
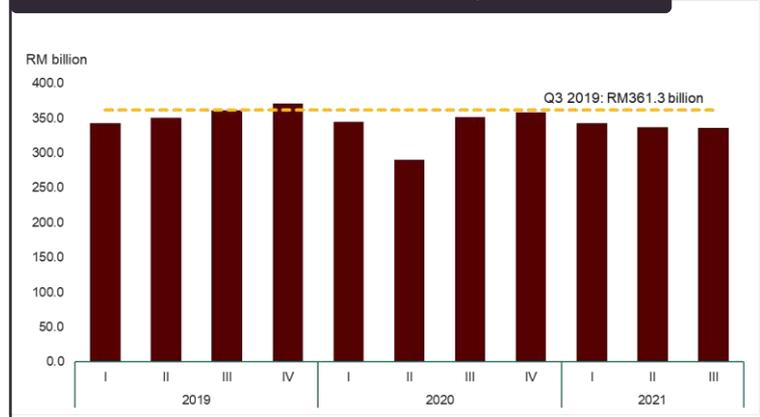


Chart 2: Gross Domestic Product at Constant 2015 Prices, Q1 2019-Q3 2021



SERVICES - WHOLESALE AND RETAIL TRADE SUBSECTOR

The Wholesale & Retail Trade subsector began to show recovery in June 2020 aftershocks that occurred in April and May following the outbreak of COVID-19 earlier in that year. The implementation of the MCO on 18 March 2020 which resulted in the restriction of many economic activities has had a significant impact on this subsector whereby sales declined 35.2 per cent in April 2020.

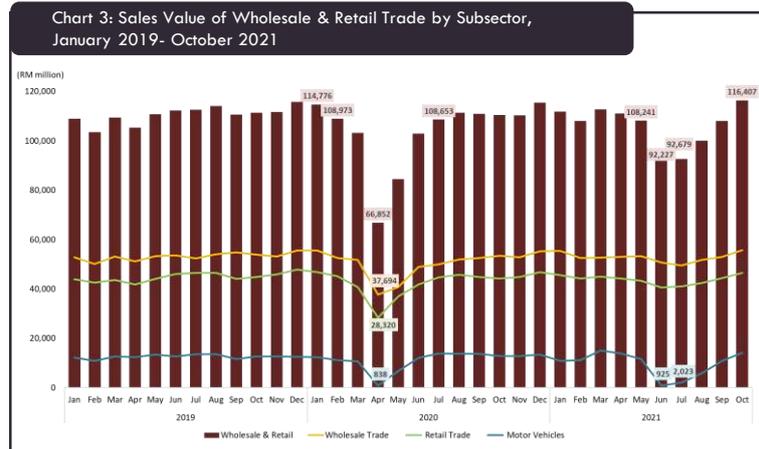
On a year-on-year basis, this subsector showed a significant recovery in April 2021, registering total sales of RM111.1 billion as compared to RM66.9 billion recorded in the same month of the previous year. The good performance was due to the base effect from the very steep fall in April 2020, the first whole month of MCO. All subsectors showed a significant increase, namely Retail Trade which increased by RM16.0 billion; followed by Wholesale Trade at RM15.3 billion and Motor Vehicles at RM13.0 billion.

Nevertheless, the increasing momentum declined slightly in June and July 2021 following the re-implementation of the MCO due to a significant increase in COVID-19 cases. The Motor Vehicles subsector was the most affected with sales registered at RM925.3 million in June 2021 as compared to RM11.6 billion recorded in the previous month.

For the first ten months of 2021, sales of the Wholesale and Retail Trade subsector rose 3.8 per cent, registering RM1.1 trillion as compared to RM1.0 trillion in the same period last year. This was mainly contributed by the increase in the Wholesale Trade and Retail Trade subsectors by 6.6 per cent to RM527.8 billion and 4.3 per cent to RM437.4 billion respectively. However, the Motor Vehicles subsector declined by 11.0 per cent to record RM96.1 billion.

Table 1: Sales Value and Percentage Change, January-October 2020 and January-October 2021

	Sales (RM million)		Percentage Change (%)
	Jan-Oct 2020	Jan-Oct 2021	
Wholesale Trade	495,250	527,833	6.6
Retail Trade	419,332	437,425	4.3
Motor Vehicles	108,029	96,145	-11.0
Total	1,022,611	1,061,402	3.8



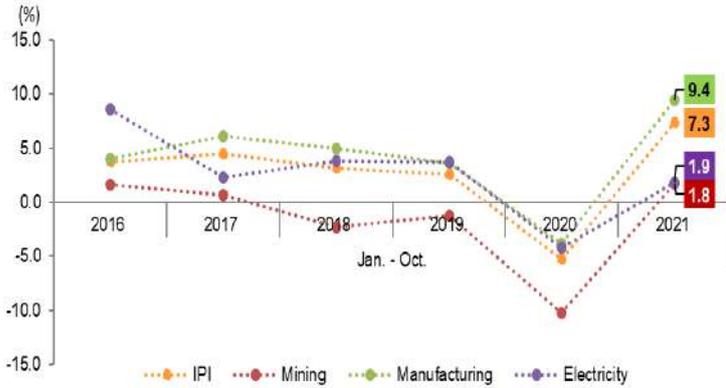
MANUFACTURING

The Industrial Production Index (IPI) in the first 10 months of 2021 recorded an increase of 7.3 per cent as compared to the same period of the previous year (Jan. - Oct. 2020: -5.2%). The expansion of IPI was driven by all sectors: Manufacturing index (9.4%), Electricity index (1.9%) and Mining index (1.8%) (Chart 4).

The increment recorded in Manufacturing sector was driven by exports-oriented output which grew by 11.7 per cent while domestic-oriented output increased by 4.5 per cent. The largest contributor to the Manufacturing sector was Petroleum, chemical, rubber & plastic products (14.8%), Electrical & electronics products (14.0%) and Non-metallic mineral products, basic metal & fabricated metal products (3.0%).

The sales value of Manufacturing sector registered an increase of 15.1 per cent (Jan. - Oct. 2020: -3.3%) amounted to RM1,268.5 billion as compared to the same period of 2020. The increase was attributed by Petroleum, chemical, rubber & plastics products (28.2%), Electrical & electronics products (13.7%) and Food, beverages & tobacco products (11.2%). The number of employees engaged during the period rose by 2.4 per cent (Jan. - Oct. 2020: -2.3%) to register 2.24 million persons while salaries & wages paid increased by 2.6 per cent (Jan. - Oct. 2020: -1.1%) to RM74.2 billion.

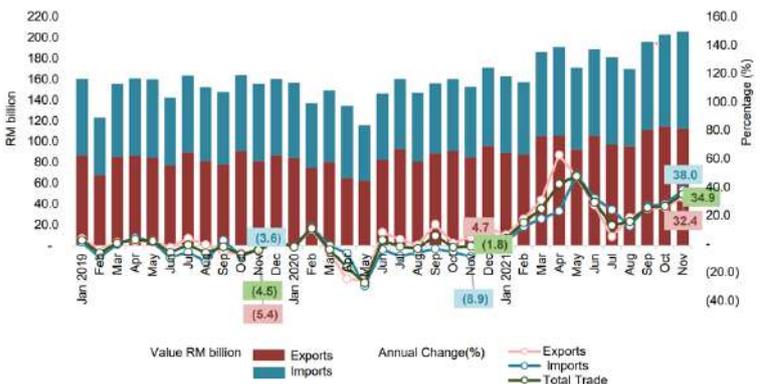
Chart 4: Industrial Production Index (Year-on-Year) for the Period of January – October from 2016 – 2021



EXTERNAL SECTOR - MERCHANDISE TRADE

Malaysia's total trade hit RM2 trillion mark for the first time in history, surged 24.6 per cent in the period of 11 months of 2021 compared to a 4.2 per cent decrease noted in the same period of 2020. Exports and imports soared by 25.7 per cent to RM1,116.0 billion and 23.3 per cent to RM894.4 billion, respectively. The increase in exports was attributed to higher exports of Electrical & electronics (E&E) products (+RM56.2 billion, +16.1%), Refined petroleum products (+RM31.1 billion, +63.6%), Palm oil & palm oil-based products (+RM30.9 billion, +47.7%) and Rubber gloves (+RM21.2 billion, +67.7%). Meanwhile, the main contributors to the rise in imports were E&E Products and Refined Petroleum Products with increases of RM54.2 billion (+23.6%) and RM25.3 billion (+48.9%), respectively. The significant expansion of Malaysia's trade was observed especially in the second quarter of 2021 with exports and imports boosted by 44.0 per cent and 33.3 per cent, respectively attributable to the low base in corresponding period of previous year and better external demand along with the global economic growth and health recovery.

Chart 5: External Trade Statistics, January 2019 – November 2021 (Value and Annual Percentage Change)



PRODUCER PRICE INDEX (PPI)

Malaysia's Producer Price Index (PPI) experienced a slowdown due to the outbreak of COVID-19 pandemic which started in February 2020. The PPI decreased from 107.4 point in December 2019 to hit a low of 99.7 point in May 2020 and the index climbed to 105.1 point in December 2020. The PPI started the year 2021 at 107.2 point and by February 2021, the index breached the pre-pandemic level (December 2019) at 108.8 point and has since continued its uptrend momentum to reach a high of 116.3 in November 2021. This scenario was attributed to the rise in commodities prices (oil palm & petroleum) and electrical & electronic on the back of strong global demand as most developed countries open up their economy.

The PPI for the period January until November 2021 recorded a growth rate of 9.4 per cent compared to a negative 2.7 per cent in 2020. This growth was influenced by the increment in the Agriculture, forestry & fishing and mining sectors which grew at 32.3 per cent and 40.8 per cent respectively. Meanwhile, the Manufacturing sector recorded a growth of 5.3 per cent and the Water supply sector grew at a slower pace of 0.5 per cent. On the other hand, Electricity and gas supply was the only sector that recorded negative growth of 0.5 per cent.

Chart 6: Producer Price Index, January 2019 – November 2021

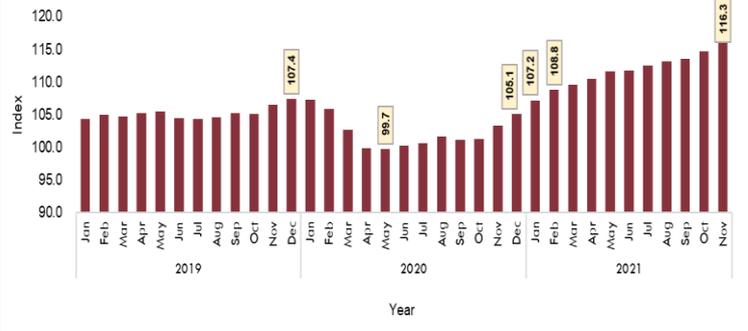


Table 2: Index and Percentage Change, January - November 2020 and January - November 2021

Sector	Index		Percentage Change (%)
	Jan - Nov 2020	Jan - Nov 2021	
Agriculture, forestry and fishing	107.6	142.4	32.3
Mining	65.4	92.1	40.8
Manufacturing	105.5	111.1	5.3
Electricity and gas supply	117.2	116.6	-0.5
Water supply	111.6	112.2	0.5
Total	102.2	111.8	9.4

LABOUR MARKET

The year 2021 had seen uneven recovery of Malaysia's labour force situation amid a continuous battle against COVID-19 pandemic. Employment continued to record gradual increases in 2021 as compared to 2020. In March 2021, employment rose to 15.33 million persons which surpassed the 15.29 million marked as of the end of 2019. Looking at the average number of employment for ten months in 2021, the number edged up 1.5 per cent as against 2020. Albeit, the increase was not as high as the growth recorded during the pre-pandemic. In relation to this, the implementation of the National Recovery Plan (NRP) and acceleration of the population vaccination during the second half of the year had also supported a better employment situation and subsequently the number stood at 15.55 million as of October 2021. In the meantime, unemployment rate remained above 4.0 per cent throughout 2021. After a gradual month-on-month decline to 4.5 per cent in May 2021, the rate peaked to 4.8 per cent in June as most economic activities came to a halt due to full lockdown. Amid transitions and progress made throughout the NRP period, unemployment rate continued to trend down ever since August and subsequently posted 4.3 per cent in October 2021, the lowest rate since April 2020. Nevertheless, the unemployment rate remained higher than between 3.2 to 3.4 per cent recorded in 2019.

Meanwhile, on the demand side, total jobs in economic sector were still lower than 8.66 million jobs recorded in 2019. Nevertheless, quarter-on-quarter, the number trend up to 8.41 million jobs as of the third quarter of 2021. The number of vacancies which reflected jobs opening also remained lower than the quarterly average of 205 thousand jobs vacancies in 2019, recording 174.0 thousand job vacancies in the third quarter of 2021. Towards the end of 2021, the labour market is set to gain recovery momentum as reflected by the labour force situation in October 2021.

Chart 7: Employed Persons and Employment-to-Population Ratio, January 2019 - October 2021

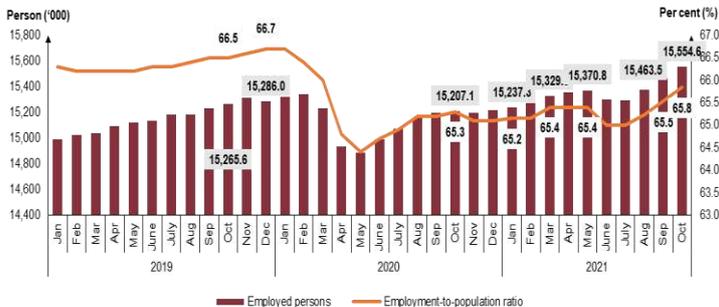


Chart 8: Unemployed Persons and Unemployment Rate, January 2019 - October 2021

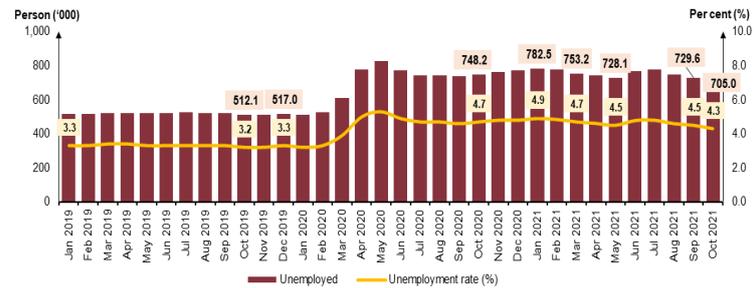


Chart 9: Employed Persons and Employment-to-Population Ratio, Q1 2019 - Q3 2021



Chart 10: Unemployed and Unemployment Rate, Q1 2019 - Q3 2021

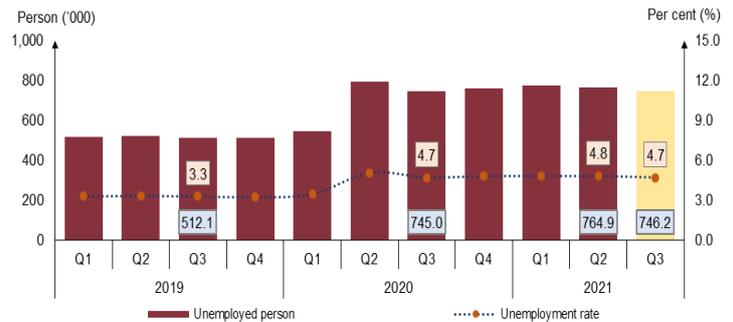
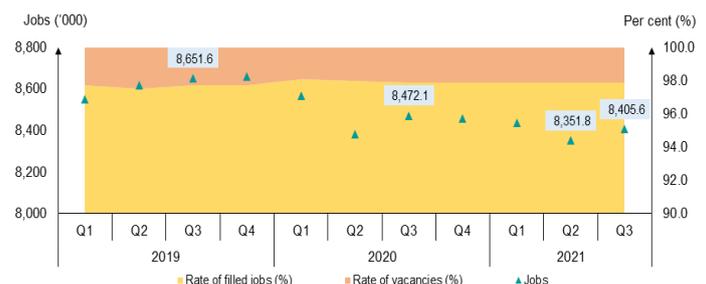


Chart 11: Jobs, Filled Jobs and Vacancies, Q3 2019 - Q3 2021



“ Malaysia’s growth trajectory for 2022 forecast to expand in the range of 5.5% – 6.5% ”

Source: Malaysia Economic Outlook 2022 (MoF)

MALAYSIA’S ECONOMY

Malaysia Economic Outlook 2022 (MoF) reported that Malaysia’s growth trajectory for 2022 is forecast to expand in the range of 5.5% – 6.5% (Table 3). Four 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. The normalisation of economic activities underpinned by mass vaccination is anticipated to boost Services sector especially Wholesale and retail trade subsector and domestic tourism-related activities. The projected growth of Manufacturing sector is also in line with the expected rising demand from export-oriented industries with gradual improvement.

Overall, the projections of economic growth are based on further expansion in global and domestic economic activities, fuelled by progressive vaccination rates amid losses in the large scale floods at the end of 2021. Nonetheless, the domestic demand recovery is also projected anchored by private consumption, following the gradual improvement in the labour market and consumer sentiments. Stronger external demand, especially for electrical and electronics (E&E) products and major commodities, is expected to support the surge in exports.

Table 3: GDP by Kind of Economic Activity, 2018-2022

Kind of Economic Activity	Year on Year (Percent Change %)				
	Actual			Projections	
	2018	2019	2020	2021 ¹	2022 ¹
Agriculture	0.1	2.0	-2.2	-0.8	3.9
Mining and quarrying	-2.2	-0.6	-10.6	1.5	-0.3
Manufacturing	5.0	3.8	-2.6	8.1	4.7
Construction	4.2	0.4	-19.4	-0.8	11.5
Services	6.9	6.2	-5.5	2.6	7.0
GDP at purchasers' prices	4.8	4.4	-5.6	3.0 - 4.0	5.5 - 6.5

Source: Department of Statistics Malaysia

Note: 1- Economic Outlook 2022 by Ministry of Finance Malaysia

NEAR TERM ECONOMIC OUTLOOK

A more determined outlook in the near future is anticipated in line with the easing of COVID-19 containment measures that allow the resumption of economic activities. This is reflected by the favourable performance of the Leading Index (LI) with the index level remained above 100.0 points in October 2021. The LI's annual growth increased by 0.3 per cent to reach 109.5 points. In view of businesses, they are expecting a strong business performance over the next six months (October 2021 to March 2022) as indicated by Business Tendency Statistics. The positive vibe is reflected by the overall net balance which jumped to +24.1 for the period October 2021 to March 2022 compared to -21.7 recorded for the period July to December 2021. However, the recent floods could have led to supply chain disruption and caused significant losses to businesses in the affected areas. This incident is indirectly expected to affect production in the said area.



LABOUR MARKET PROSPECT

More economic, social, and recreational activities had resumed since all states had transitioned to Phase 4 of the NRP. The relaxation of interstate travel is anticipated to have a significant impact on domestic tourism-related industries including arts, entertainment, and recreation, as well as transportation activities, allowing them to restore business momentum. On top of this, various programmes and initiatives have been introduced in assisting the affected groups. Furthermore, the Malaysian government's Budget 2022, which among others focuses on rejuvenating the labour market restoring business capabilities, generating and retaining jobs as well as increase social protection, may support the businesses as well as employees, hence accelerating the recovery of the labour market. These positive developments have steered further resumption of economic activity in Malaysia, which may boost labour demand and lead to the creation of more job opportunities, hence laying the foundation for continuous labour market recovery. Concerning this, MoF through Malaysia Economic Outlook 2022 projected that employment will rise by 2.3 per cent to 15.5 million in 2022 while unemployment rate is expected to fall to 4.0 per cent.

Nevertheless, the recent devastating flood that hit the central and east coast regions of the country may attribute to slower recovery considering the high concentration of economy and employment especially in Selangor and W.P. Kuala Lumpur. On another note, WHO's warning on the rising number of new COVID-19 cases due to Omicron variant may also post a challenge towards recovery efforts.

Chart 12: Leading Composite Index (Long Term Trend = 100) and Business Cycle, January 1991 to October 2021

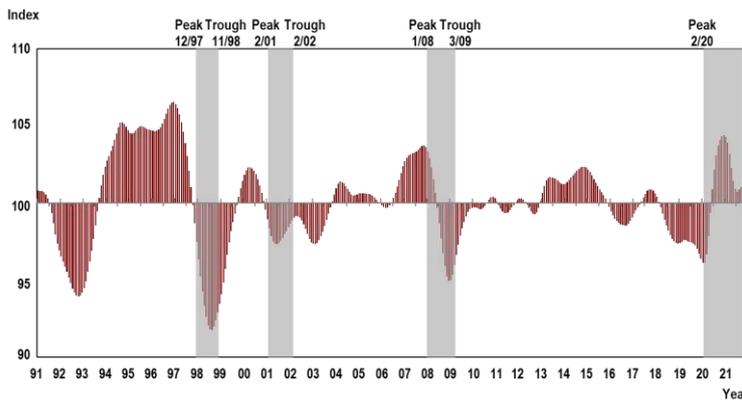


Chart 13: Net Balance of Business Performance Expectation for Upcoming Six Months, Q4 2018 – Q1 2022

