



PRESS RELEASE

Third Quarter 2021 GDP Performance: Malaysia's Full Year Economic Growth Expected To Remain Positive

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MEDIA STATEMENT

MINISTER OF FINANCE MINISTRY OF FINANCE MALAYSIA

Malaysia's Gross Domestic Product (GDP) increased by 3.0% in the first nine months of 2021, compared to a 6.4% contraction in the same period last year. This is despite the fact that the GDP contracted by 4.5% year-on-year (YoY) in the third quarter of 2021 (Q3 2021), reflecting challenges caused by strict containment measures to stem the surge in new cases caused by more virulent COVID-19 variants of concern (VOCs).

In terms of monthly GDP performance, the **contraction narrowed to 1.1% in September** from **7.6% in July and 4.7% in August 2021**, indicating improvements in economic and social activities as the National COVID-19 Immunisation Programme (PICK) gained momentum, allowing more states to shift towards Phase 4 of the Nationa

Recovery Plan.

"Despite headwinds throughout the third quarter of 2021, various key economic indicators point to strong recovery momentum, especially as the nation enters the fourth quarter of the year (Q4 2021) and into 2022.

This includes improvements in the labour market, as the unemployment rate declined to 4.5% in September, as well as a 24.7% increase in exports and an 11.6% increase in manufacturing sales during the same month. Furthermore, in Q3 2021, we saw an increase in both business and consumer confidence as tracked by MIER, as well as RM12.8 billion in net foreign direct investments (FDI), bringing the total net FDI for the first nine months of this year to more than RM30 billion," said Finance Minister, Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz.

In terms of Malaysia's financial system,

1. The **banking system has a healthy liquidity coverage ratio**, which stood at 154.4% in September 2021, with gross and net impaired loan ratios remaining relatively stable at 1.6% and 1.0%, respectively.
2. **Malaysia's international reserves remained high** at USD116.1 billion as at end-October 2021, sufficient to finance 8.1 months of retained imports and is 1.3 times total short-term external debt.
3. **Outstanding business loans increased by 2.4% in Q3 2021** (2Q 2021: 1.3%), supported by higher working capital loan growth. This was driven by the wholesale and retail trade, restaurants and hotels subsector, and manufacturing sector, in line with the resumption of more economic activities.

In terms of the capital markets,

1. **The FBMKLCI rose 2.2% in Q3 2021**, with retail investors contributing RM11.3 billion in net investment. The unit trust segment also saw the Net Asset Value increase by 3.5% to RM537.9 billion as of end-September 2021, accounting for nearly 30% of the total Bursa Malaysia market capitalisation. Since August, net inflows of RM3.5 billion has been recorded from foreign investors.
2. **The Ringgit bond market has also seen a marked increase in foreign investors' confidence**. Notably, foreign holdings in Malaysian government bonds accounted for RM231 billion or 25% of the total outstanding long-term government bonds. The secondary market remains resilient and government primary issuances continue to be supported with year-to-date average bid-to-cover ratio of 2.1 times.

MOVING FORWARD

Malaysia's economy **is on track for recovery, premised on the reopening of more than 90% of the economic sectors, and resumption of most social activities**. The recovery will be supported by high levels of vaccination, where nearly 76% of the entire population is fully vaccinated, or 95% of adults and 78% of adolescents. Thus far, over 730,000 booster doses have been administered to frontliners as well as vulnerable groups, providing additional safeguards to our health care system in the event of a new wave of COVID-19 cases and more threatening VOCs.

"With the recovery momentum seen during the first nine months of 2021, Malaysia's **GDP is on track to achieve growth of between 3% and 4% in 2021, and further expand between 5.5% and 6.5% in 2022**, in line with **projections by the IMF and World Bank at 6.0% and 5.8%**, respectively. Growth will be driven primarily by an expansionary Budget 2022, normalisation in economic and social activities premised on high vaccination rates, resumption of projects with high multiplier effects and strong external demand, especially from major trading partners," said Tengku Zafrul.

The **Government will continue to protect lives and livelihoods from the threat of COVID-19 while also ensuring that the country's medium-to long-term economic growth prospects remain strong**. The Governr.

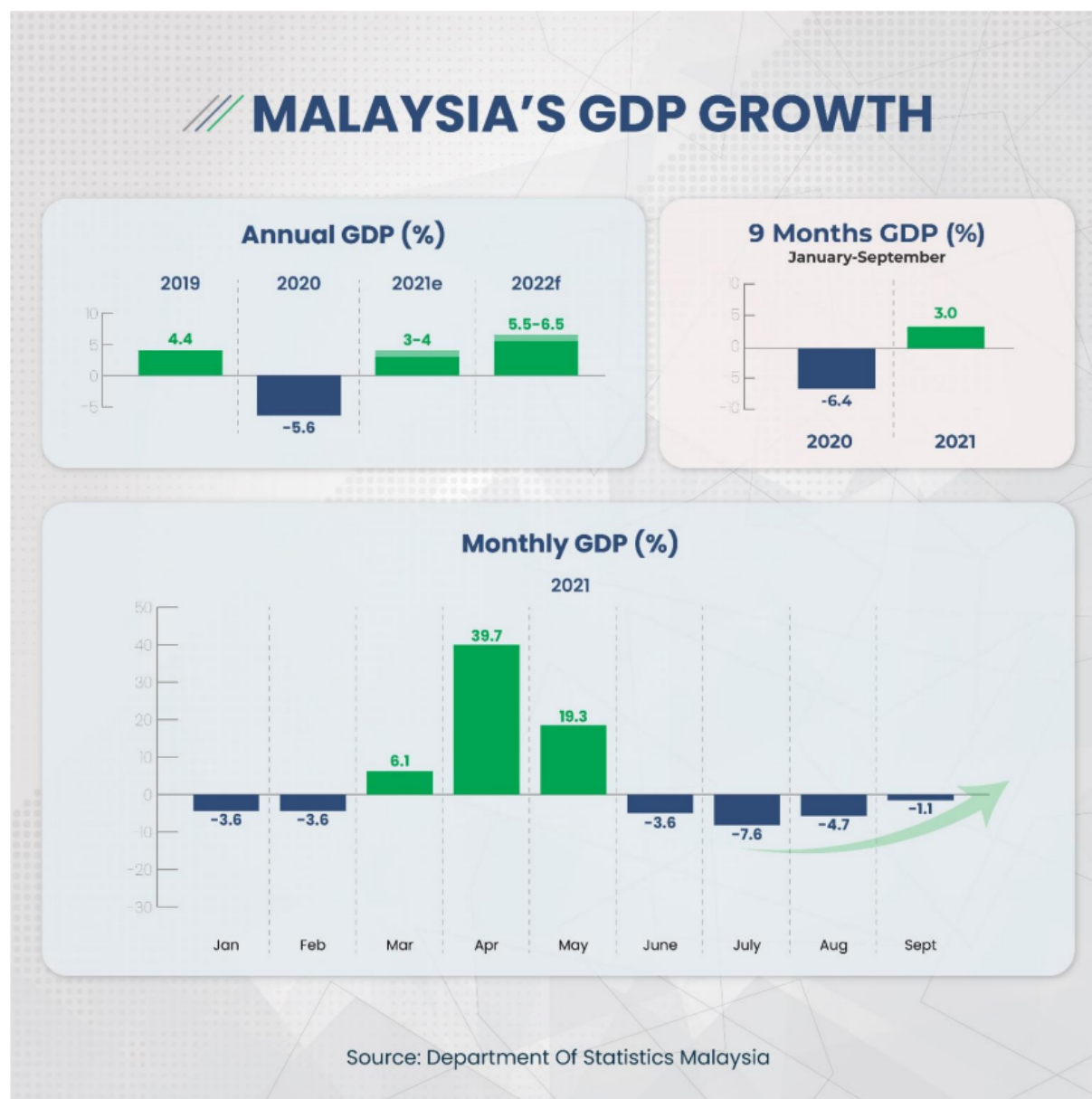
is committed to responding strategically, proactively, and decisively, while also attempting to limit the COVID-19 pandemic's long-term economic consequences.

YB Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz

Minister of Finance

12 November 2021

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