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ECONOMICS

In this report:

Malaysia – 2021 growth hinges on vaccine roll-out & virus containment

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Monday, 15 February 2021

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Malaysia

2021 growth hinges on vaccine roll-out & virus containment

The poor showing in 4Q2020 GDP that came in at -3.4% is within expectations. It was dragged by the rising number of Covid-19 cases and restrictive measures that ensued. Thus, the full-year GDP fell by 5.6%, the worst since -7.4% in the 1998 Asian financial crisis. The Covid-19 pandemic, followed by the restrictive measures and domestic noises impacted private consumption and both private and public investment. All sectors, except manufacturing, performed badly in 4Q2020. Growth was supported by net exports, manufacturing and public consumption. A key point to note is that the current account surplus of RM62.1bil (4.4% of GDP) in 2020 is the highest in 9 years — supported by goods account (RM139.1bil) and narrower secondary income deficit (RM2.7bil).

Looking into 2021, the economy should recover, supported by improving global GDP and trade, stimulus measures, the Covid-19 pandemic's containment and deployment of vaccines that will boost both consumer and business sentiments. Overall investments are expected to improve and so are the major economic sectors. Thus, capex expansion will take place in 2021. However, the upside to 2021 growth will be dampened by the rise in Covid-19 cases and restrictive measures imposed in January. It will be felt in 1Q2021 but less impactful compared to the April 2020 restrictive measures. Still, we remain concerned over the micro, small and midsize businesses. On that note, for the full year of 2021, the GDP is likely to hover around 5.2%–5.9% in 2021.

- As expected, the 4Q2020 GDP performed worse than the previous quarter, impacted by the rise in the number of Covid-19 cases and restrictive measures imposed to contain the spread of the virus. The 4Q GDP contraction of 3.4% y/y was within our expectations of between -3.2% and -3.5% following a revised -2.6% y/y in 3Q2020.
- With three consecutive quarters of negative growth and the largest being in 2Q2020 of -17.1% y/y, the full-year GDP shrank by 5.6%, which is marginally higher than our -5.5%. It is the biggest contraction since -7.4% reported during the Asian financial crisis in 1998. Besides, the nominal GDP fell by 6.3% due to the deflationary impact. It is the first contraction since -7.4% in 2009 global financial crisis.
- In line with the Covid-19 rising cases and restrictive measures to contain the virus spread and base effect, the GDP grew slowly by 1.8% q/q in 4Q2020 from a strong 21.3% q/q in 3Q2020. The poor showing in 4Q2020 was reflected in the monthly GDP performance. All three months contracted — October (-4.7% y/y); November (-4.0% y/y) and December (-1.7% y/y).

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- The Covid-19 pandemic and restrictive measures to contain the virus spread dampened private consumption and weighed on both private and public and investment. Businesses experienced difficulties in sourcing and receiving raw materials that resulted in longer delivery times and a sharp rise in input costs. With weakened demand and uncertainties, plus all the major economic sectors (except manufacturing) reporting a decline during the quarter under review, capex remained weak in 2020. However, government consumption, net exports and manufacturing provided some cushion to the downside.
- A key point to note is that the current account surplus in 2020 of RM62.1bil (4.4% of GDP) versus RM50.9bil (3.4% of GDP) in 2019 is the highest in 9 years. It was supported by goods account (RM139.1bil) and narrower secondary income deficit (RM2.7bil). And in 4Q2020, the current of surplus of RM19.0bil or 5.0% of GDP was aided by higher net exports of goods (RM42.9bil) and a smaller deficit in primary income (RM7.1bil).
- Looking into 2021, the economy should recover, supported by improving global GDP and trade, stimulus measures, the Covid-19's pandemic containment and the deployment of vaccines that will boost both consumer and business sentiments. Overall investments are s expected to improve and so are the major economic sectors. Thus, capex expansion will take place in 2021.
- However, the upside to 2021 growth will be dampened by the increase in Covid-19 cases and restrictive measures imposed in January. It will be felt in 1Q2021 but less impactful compared to the April 2020 restrictive measures. Still, we remain concerned over the micro, small and midsize businesses. On that note, for the full year of 2021, the GDP is likely to hover around 5.2%–5.9% in 2021.

Table 1: Malaysia GDP Growth (Demand Side)

	Quarterly Basis (Q/Q%)							
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q	3Q	4Q
GDP	-4.4	2.2	3.2	2.7	-7.0	-15.9	21.3	1.8
Private Consumption	0.1	2.3	7.3	-1.6	-1.1	-21.9	28.9	-3.0
Govt. Consumption	-28.2	2.2	2.8	34.2	-25.6	-0.4	7.5	29.0
Private Investment	24.8	15.2	-9.3	-20.0	16.9	-13.2	11.8	-18.0
Govt. Investment	-39.0	-11.3	11.9	52.0	-41.2	-38.7	48.6	49.9
Domestic Demand	-4.9	3.8	3.6	2.5	-5.9	-18.6	23.3	1.3
Real Exports	-6.1	0.1	1.6	1.2	-9.6	-15.7	23.7	4.2
Real Imports	-8.9	2.9	1.8	2.2	-9.0	-15.2	16.9	7.2
Net Exports	17.1	-18.5	-0.5	-7.8	-15.8	-20.6	97.5	-14.9
	Yearly Basis (Y/Y%)							
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q	3Q	4Q
GDP	4.5	4.8	4.4	3.6	0.7	-17.1	-2.6	-3.4
Private Consumption	7.7	7.8	7.0	8.1	6.7	-18.5	-2.1	-3.4
Govt. Consumption	6.3	0.3	1.0	1.2	5.0	2.3	6.9	2.7
Private Investment	0.6	1.5	0.4	4.3	-2.3	-26.4	-9.3	-7.0
Govt. Investment	-13.7	-7.8	-14.6	-8.0	-11.3	-38.7	-18.6	-19.8
Domestic Demand	4.5	4.5	3.5	4.8	3.7	-18.7	-3.3	-4.4
Real Exports	0.1	0.5	-2.1	-3.4	-7.1	-21.7	-4.7	-1.8
Real Imports	-1.6	-2.3	-3.5	-2.4	-2.5	-19.7	-7.8	-3.3
Net Exports	13.0	32.9	12.0	-12.4	-37.0	-38.6	21.9	12.4

Source: CEIC/DOSM/AmBank Research

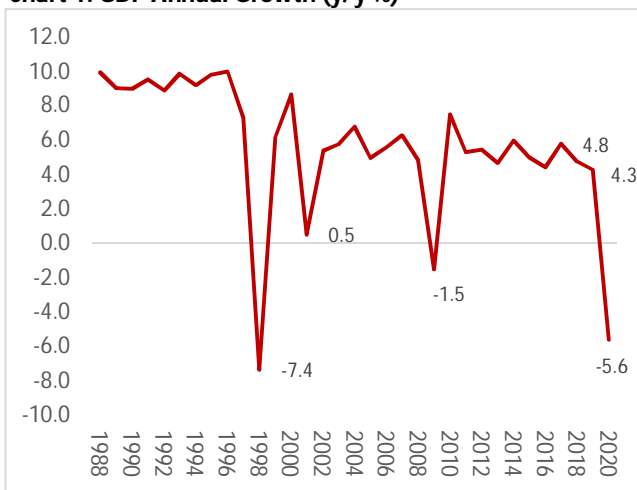
Table 2: Summary of GDP by Supply-Side Approach (q/q, y/y%)

	QoQ%						YoY%					
	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
GDP	3.2	2.7	-7.0	-15.9	21.3	1.8	4.4	3.6	0.7	-17.1	-2.6	-3.4
Agriculture, Forestry & Fishing	15.4	-12.3	-8.4	9.0	13.8	-12.6	4.0	-5.7	-8.7	1.0	-0.5	-0.7
Rubber	45.1	-7.8	-7.4	-37.1	41.7	8.5	7.2	1.9	-18.2	-22.1	-23.9	-10.4
Oil Palm	18.2	-12.3	-19.5	28.9	12.8	-16.6	8.4	-16.9	-22.0	7.5	2.6	-2.4
Livestock	10.4	0.6	-6.7	-2.3	11.2	1.4	6.9	7.5	8.2	1.3	2.0	2.9
Other Agriculture	8.8	-15.5	8.4	4.7	9.4	-15.7	3.9	6.1	6.4	4.5	5.0	4.7
Forestry & Logging	5.3	-20.3	-13.6	7.1	10.0	-10.8	-9.5	-19.0	-23.5	-22.3	-18.9	-9.2
Marine Fishing	36.0	-25.8	0.7	-16.4	37.8	-18.0	-1.4	-3.0	-10.6	-15.1	-14.0	-4.9
Aquaculture	16.2	-1.3	-24.7	14.6	19.0	-8.2	-8.3	13.4	-0.5	-1.0	1.3	-5.7
Mining & Quarrying	-11.1	13.7	-4.2	-17.3	3.5	9.1	-4.1	-3.4	-2.0	-20.0	-6.8	-10.6
Crude Oil	-14.6	13.0	-1.0	-17.9	2.9	4.4	-12.5	-6.3	-5.2	-21.5	-5.4	-12.7
Natural Gas	-10.2	15.4	-5.8	-16.7	1.9	13.4	2.4	-2.6	0.0	-18.7	-7.6	-9.2
Others	0.2	7.6	-9.8	-18.0	15.4	7.0	3.2	6.8	2.7	-20.2	-8.1	-8.7
Manufacturing	1.2	2.3	-6.1	-15.9	28.0	2.0	3.6	3.0	1.5	-18.3	3.3	3.0
Vegetable & Animal Oils & Fats	-6.4	20.0	-25.7	38.6	-9.9	-11.8	-8.4	-5.8	-16.4	15.6	11.4	-18.2
Food Processing	8.9	-8.8	-5.9	11.5	9.5	-10.4	10.8	8.6	8.3	4.3	4.8	3.0
Beverages	-4.8	-1.9	-16.8	-19.6	37.5	0.6	3.2	3.1	-0.6	-37.5	-9.8	-7.4
Tobacco Products	-13.1	-20.5	-4.7	-51.8	188.2	-20.3	4.6	5.1	-3.4	-68.2	5.4	5.7
Textile & Wearing Apparel	-6.4	0.9	-7.0	-33.3	48.5	7.2	5.5	5.9	3.0	-41.4	-7.1	-1.2
Leather Products	-24.4	-18.8	37.7	-35.6	7.5	0.0	5.7	4.9	3.0	-45.5	-22.6	-4.6
Wood Products	7.9	-3.0	-1.8	-42.5	68.8	4.4	6.0	4.6	2.5	-40.9	-7.6	-0.6
Paper Products	-4.9	-15.6	13.4	-11.8	24.9	-15.5	4.8	4.6	-0.9	-19.8	5.4	5.5
Printing	-3.6	23.0	2.9	-41.7	40.6	23.1	5.3	2.1	1.9	-29.0	3.7	3.8
Refined Petroleum Products	-2.1	6.7	-3.1	-27.4	22.1	8.0	3.1	2.3	3.7	-26.5	-8.2	-7.2
Chemicals & Chemical Products	9.6	3.8	-8.8	-17.1	22.5	5.2	2.2	2.0	2.3	-14.0	-3.9	-2.6
Rubber Products	12.7	1.9	-22.8	66.7	24.0	4.3	7.1	6.3	20.6	47.8	62.6	66.5
Plastic Products	32.8	-18.2	-7.0	-8.9	57.1	-19.2	0.6	2.3	-0.2	-8.0	8.9	7.6
Non-Metallic Mineral Products	-0.3	-9.9	-8.8	-34.8	71.7	-3.6	4.3	4.2	-0.4	-46.6	-8.0	-1.5
Basic Metals	-0.2	-4.9	-16.8	-7.1	41.0	-5.0	3.8	4.8	1.0	-26.7	3.6	3.6
Fabricated Metal Products	-9.2	-6.7	4.7	-34.9	39.4	-0.5	3.9	2.9	-0.3	-42.3	-11.4	-5.5
Machinery & Equipment	1.8	-9.4	48.9	-30.3	13.6	-11.5	5.5	4.5	-0.4	-4.3	6.8	4.4
Computers & Peripheral Equipment	-2.3	3.8	-5.2	-15.7	35.4	1.1	11.8	-6.0	-6.2	-19.0	12.3	9.4
Electrical Equipment	-27.4	28.3	-8.3	9.5	-17.0	23.6	0.0	3.9	-0.9	-6.5	6.9	3.1
Electronic Compo & Boards, Com Equip and Elect	2.9	5.0	4.6	-19.5	24.6	4.3	2.3	2.8	3.8	-8.9	10.2	9.4
Medical, Precision & Optical, Watches & Clocks	0.1	10.1	-36.7	32.6	9.7	9.0	2.7	3.2	0.5	-7.3	1.6	0.4
Motor Vehicles & Transport Equipment	-6.4	21.1	-28.7	-13.4	42.3	23.3	7.4	4.3	-1.8	-30.0	6.3	8.3
Furniture	-9.0	-3.4	13.2	-37.9	54.1	-4.1	6.9	9.0	0.9	-38.3	4.6	3.8
Other Mfg and Repair & Installation and Equipment	55.3	-13.1	-26.2	-34.7	140.3	-14.2	3.1	6.7	0.6	-35.0	0.5	-0.7
Construction	5.6	-2.3	-7.4	-41.9	66.7	-3.9	-1.4	1.0	-7.9	-44.5	-12.4	-13.9
Residential	9.0	4.5	-10.8	-40.2	57.1	6.1	-3.1	3.1	-8.1	-39.2	-12.3	-11.0
Non-Residential	1.5	17.1	-21.6	-32.2	34.2	30.9	-11.9	-10.0	-11.7	-36.8	-16.4	-6.6
Civil Engineering	11.3	-15.5	3.5	-58.3	128.3	-31.7	5.2	6.7	-5.1	-59.4	-16.7	-32.7
Special Trades	-4.8	-3.2	-4.9	-19.8	38.0	4.0	0.0	4.6	-9.0	-29.8	1.8	9.4

Services	4.3	4.1	-7.3	-16.8	19.6	3.2	5.8	6.2	3.1	-16.2	-4.0	-4.9
Electricity & Gas	0.6	-1.2	1.6	-14.1	11.5	1.4	5.0	5.4	4.9	-13.3	-3.9	-1.3
Water, Sewerage and Waste Management	3.1	3.0	0.1	2.3	2.3	1.6	6.3	6.2	5.6	8.8	7.9	6.5
Wholesale Trade	10.5	-0.1	-14.4	-15.8	32.9	3.5	6.2	5.9	3.4	-20.5	-4.4	-0.8
Retail Trade	4.2	10.2	-10.6	-22.9	28.5	9.5	8.0	7.3	2.1	-20.9	-2.4	-3.1
Motor Vehicles	25.1	-6.2	-19.1	-44.4	150.9	-8.8	2.5	4.4	-2.9	-47.3	5.8	2.9
Food & Beverage	2.1	10.3	-10.3	-32.2	14.5	1.7	10.2	10.8	3.1	-31.5	-23.2	-29.2
Accommodation	6.6	1.9	-15.5	-77.0	132.9	-14.3	6.6	6.9	-4.3	-78.9	-53.9	-61.2
Transportation & Storage	2.4	4.7	-11.0	-42.1	54.5	-3.4	6.8	6.8	-2.7	-44.8	-16.6	-23.1
ICT	1.6	-1.8	3.5	1.6	2.1	-0.2	6.1	6.8	6.7	4.9	5.4	7.1
Finance	2.7	3.4	-1.9	-12.6	21.9	1.5	4.3	5.9	4.2	-9.0	7.9	6.1
Insurance	2.9	7.2	3.2	-9.2	-2.1	14.6	3.9	3.1	6.6	3.4	-1.7	5.2
Real Estate	1.9	0.7	-4.4	-30.9	22.1	-3.2	4.6	5.1	0.1	-32.2	-18.8	-21.9
Business Services	-1.6	7.6	-5.1	-22.7	8.0	-0.7	9.2	9.4	4.9	-22.4	-14.8	-21.4
Private Health	-0.9	0.4	-4.2	-14.5	15.0	1.3	6.0	5.8	2.0	-18.5	-5.5	-4.6
Private Education	7.2	-0.2	-6.3	-13.5	12.1	-2.0	5.5	5.9	4.2	-13.3	-9.3	-10.9
Other Services	2.1	1.3	-2.8	-22.9	16.0	-1.0	5.5	5.8	0.7	-22.6	-12.0	-14.0
Govt. Services	4.5	9.8	-10.3	0.6	6.1	9.7	3.1	3.6	4.3	3.5	5.1	4.9
Import Duties	1.7	-3.1	-17.5	1.3	23.9	9.9	34.7	-3.3	-16.0	-17.7	0.2	13.6

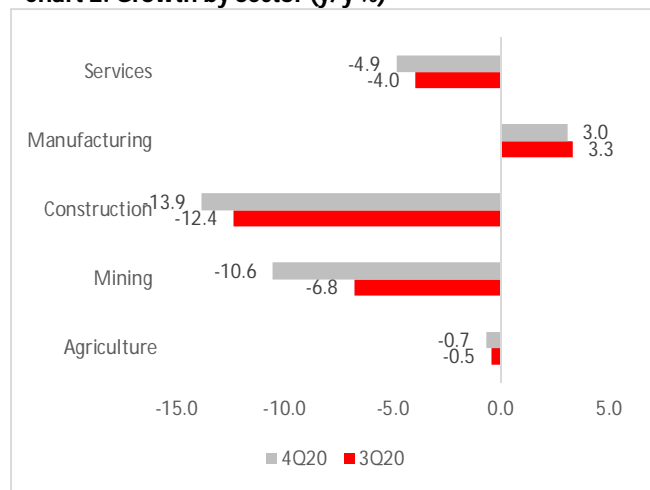
Source: CEIC/DOSM/AmBank Research

Chart 1: GDP Annual Growth (y/y %)



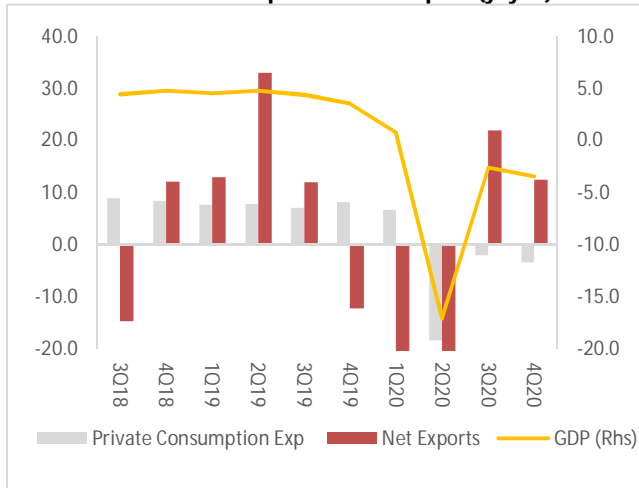
Source: CEIC/AmBank Research

Chart 2: Growth by Sector (y/y %)



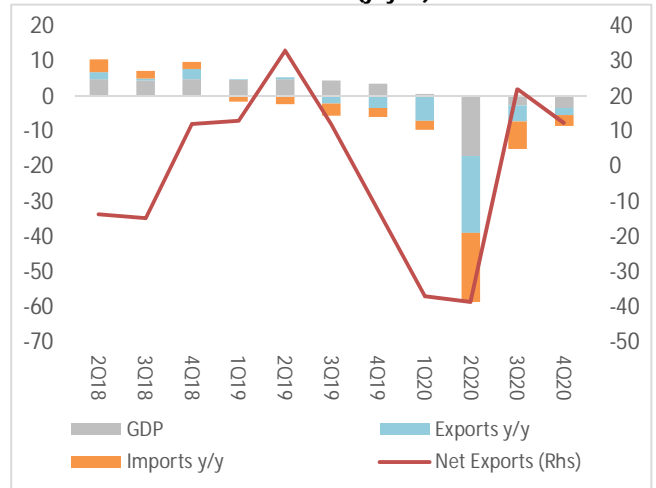
Source: CEIC/AmBank Research

Chart 3: Private Consumption & Net Export (y/y %)



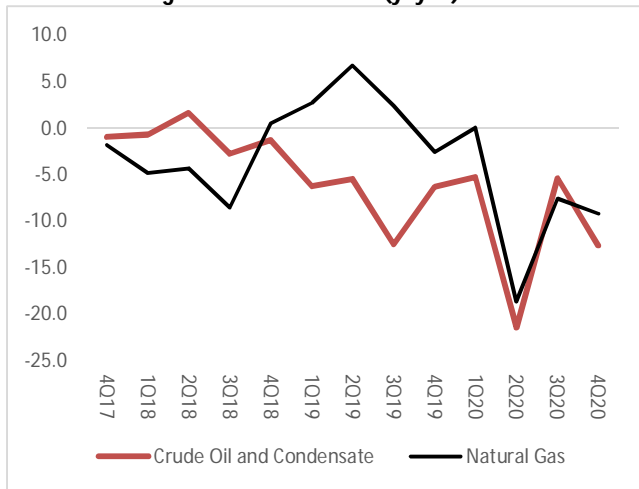
Source: CEIC/AmBank Research

Chart 4: GDP vs. External Trade (y/y %)



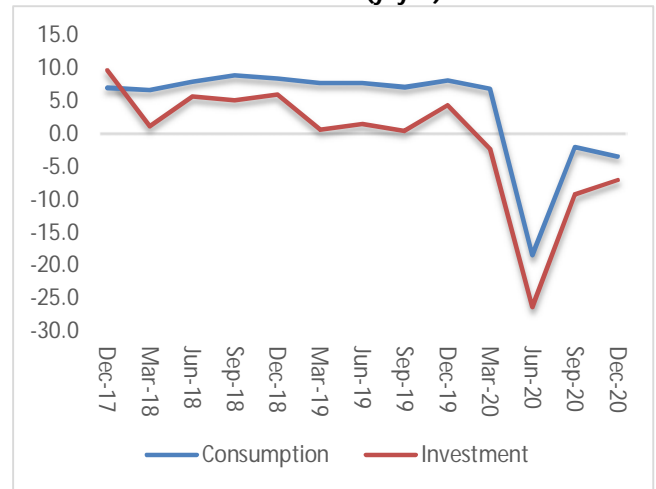
Source: CEIC/AmBank Research

Chart 5: Mining Sector Breakdown (y/y %)



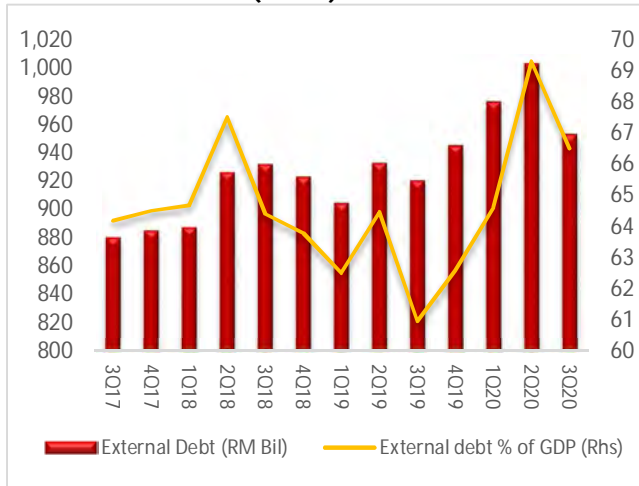
Source: CEIC/AmBank Research

Chart 6: Private Sector Activities (y/y %)



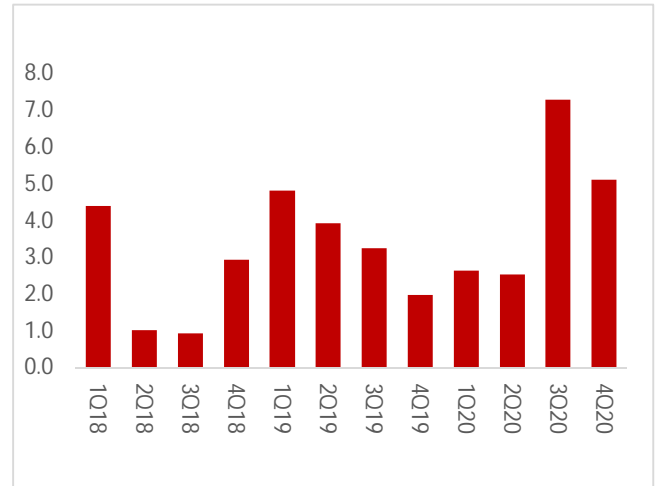
Source: CEIC/AmBank Research

Chart 7: External Debt (RM bil)



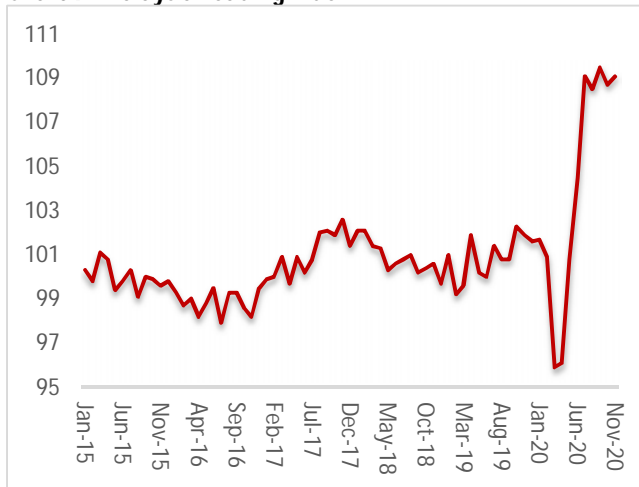
Source: CEIC/AmBank Research

Chart 8: CABOP % GNI



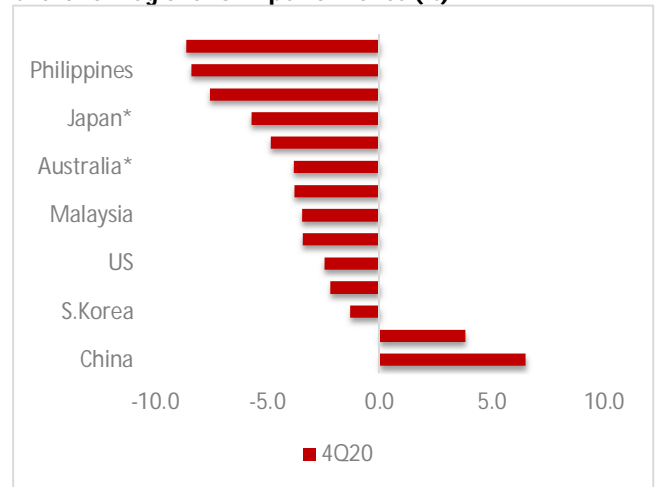
Source: CEIC/AmBank Research

Chart 9: Malaysia Leading Index



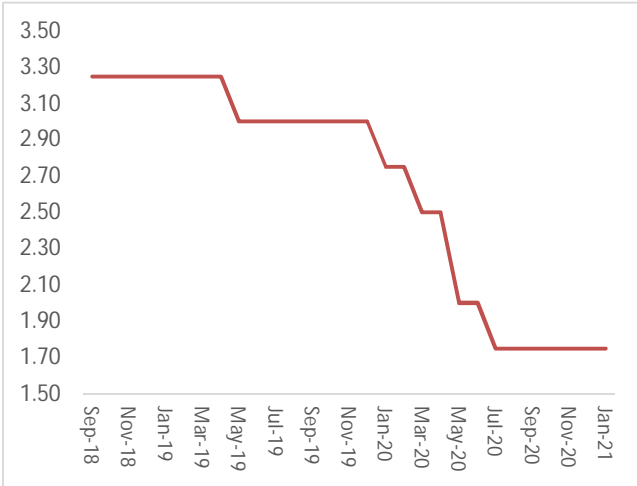
Source: CEIC/AmBank Research

Chart 10: Regional GDP performance (%)



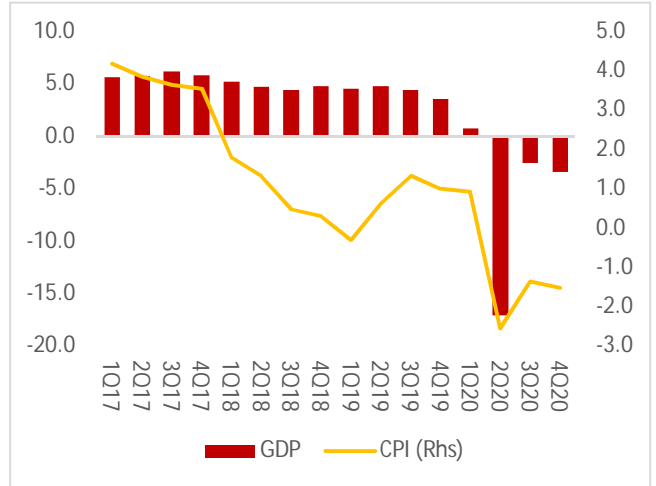
Source: CEIC/AmBank Research; Notes: Countries marked with asterisk (*) represent growth rate as at 3Q20.

Chart 11: OPR (%)



Source: CEIC/AmBank Research

Chart 12: GDP vs. CPI (%)



Source: CEIC/AmBank Research

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