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ECONOMICS

In this report:

Malaysia – Downward GDP revision due to pandemic

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Malaysia

Downward GDP revision due to pandemic

The 1Q21 GDP showed a much smaller contraction of 0.5% y/y, a marked improvement over -3.4% y/y in 4Q20. However, the recovery appeared to be lopsided, primarily supported by trade due to an upswing in the global semiconductor cycle as well as the concurrent chip shortage around the world. Domestic demand recovery continued to be weak. Both private consumption and investment remained the main drags on GDP growth.

We have lowered our 2021 GDP outlook after having reduced the 2Q21 GDP projection. Although growth will be supported by the low base of -17.1% y/y in 2Q20 GDP, trade primarily from global semiconductor upswing and primary related activities, firm commodity prices and domestic activities from the stimulus measures, the resurgence of rising Covid cases and the lack of clarity and transparency of using HIDE would weigh on the potential outlook. A combination of HIDE and MCO 3.0 risks raising the levels of insolvency or winding-up of businesses. Besides, those under the B40 group and lower end of M40 would be vulnerable.

On that note, we have lowered our 2Q21 GDP projection to around 9%–12%. Hence, we have reduced our 2021 GDP outlook by 0.5% to 5.5% (base case) while our upside has been slashed by 1.0% to 6.0%. Our downside to growth has also been revised to 4.5% from previously 5.0%.

- The 1Q21 GDP showed a much smaller contraction of 0.5% y/y is a marked improvement over the -3.4% y/y in 4Q20. However, the recovery appeared to be lopsided, primarily supported by trade due to an upswing in the global semiconductor cycle as well as the concurrent chip shortage around the world. Domestic demand recovery continued to be weak. Both private consumption and investment remained the main drags on GDP growth.
- What blew away between our +0.7% y/y projection for 1Q21 GDP and the official announcement of -0.5% y/y primarily came from domestic demand, especially private expenditure and net exports where with the variance of overestimation by 0.4% and 0.3% respectively. Also, there was a difference of RM500 million on the inventory level.
- The challenge will now be in 2Q21. The initial projection for 2Q21 GDP is expected to be around 16%–8% y/y. Growth will be supported by the low base of -17.1% y/y in 2Q20 GDP, trade primarily from global semiconductor upswing and primary related activities, firm commodity prices and domestic activities from the stimulus measures.

- However, our initial projection of around 16%–18% in 2Q21 will have to be downgraded. The resurgence of rising Covid cases and restrictive measures now pose more downside risk to growth. More so with the lack of clarity and transparency over the use of the Hotspot Identification for Dynamic Engagement (HIDE) system starting 7 May.
- The HIDE list tracks visitors based on the MySejahtera app. While the list would enable the owners of the premises and the public to take appropriate action, it has caused confusion among the public and businesses especially the SMEs. Even if a visitor is found to be high-risk and rejected by the business owner from entering the outlet, the person would be listed to have visited the outlet.
- And businesses listed in HIDE will need to clean and sanitise. It will certainly impact them from the negative publicity and may take longer than expected to recover. There is a need for clarity and transparency. Those listed on the HIDE system need not necessarily mean that their business premises face higher risk of having an infection than others.
- Added with MCO 3.0 and lack of clarity over HIDE, the risk of more businesses falling into insolvency or winding up could not be ruled out. It will also add pressure on household income and employment, especially those in the B40 group and to some degree the lower end of M40.
- On that note, we have lowered our 2Q21 GDP projection to around 9%–12%. Hence, we have reduced our 2021 GDP outlook by 0.5% to 5.5% (base case) while our upside has been slashed by 1.0% to 6.0%. Our downside to growth has also been revised to 4.5% from 5.0% previously.

Table 1: Malaysia GDP Growth (Demand Side)

	Quarterly Basis (Q/Q%)								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q	3Q	4Q	1Q21
GDP	-4.2	2.2	3.2	2.6	-7.0	-15.9	21.3	1.8	-4.1
Private Consumption	0.2	2.3	7.3	-1.6	-1.2	-21.9	28.9	-3.0	0.9
Govt. Consumption	-28.4	2.2	2.8	34.2	-25.6	-0.4	7.5	28.7	-23.1
Private Investment	21.9	15.5	-9.9	-18.5	16.6	-13.6	8.7	-14.6	26.4
Govt. Investment	-36.9	-11.3	14.2	46.0	-42.1	-38.0	65.8	33.7	-40.7
Domestic Demand	-4.9	3.9	3.5	2.5	-6.0	-18.6	23.3	1.2	-2.5
Real Exports	-5.9	-0.1	2.0	0.9	-9.7	-15.7	23.8	4.0	3.1
Real Imports	-8.8	2.9	1.9	2.1	-9.1	-15.1	17.0	7.1	6.3
Net Exports	18.8	-19.9	2.9	-9.1	-15.6	-21.3	97.3	-16.1	-22.6
	Yearly Basis (Y/Y%)								
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q	3Q	4Q	1Q21
GDP	4.7	5.0	4.5	3.7	0.7	-17.2	-2.7	-3.4	-0.5
Private Consumption	7.7	7.8	7.1	8.2	6.7	-18.5	-2.1	-3.5	-1.5
Govt. Consumption	6.1	0.0	0.7	1.0	4.9	2.2	6.8	2.4	5.9
Private Investment	1.4	1.5	0.5	3.4	-1.2	-26.1	-10.8	-6.6	1.3
Govt. Investment	-15.1	-7.6	-14.3	-6.7	-14.4	-40.1	-13.1	-20.4	-18.6
Domestic Demand	4.5	4.5	3.5	4.9	3.7	-18.8	-3.3	-4.5	-1.0
Real Exports	0.3	0.6	-1.6	-3.3	-7.2	-21.7	-4.9	-2.1	11.9
Real Imports	-1.6	-2.3	-3.3	-2.3	-2.7	-19.7	-7.9	-3.3	13.0
Net Exports	14.6	32.5	15.3	-11.1	-36.8	-37.9	19.2	10.0	0.8

Source: CEIC/DOSM/AmBank Research

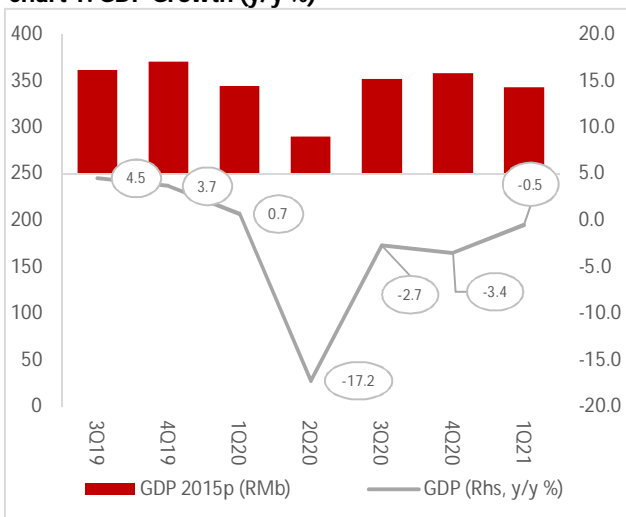
Table 2: Summary of GDP by Supply-Side Approach (q/q, y/y %)

	QoQ%						YoY%					
	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
GDP	2.6	-7.0	-15.9	21.3	1.8	-4.1	3.7	0.7	-17.2	-2.7	-3.4	-0.5
Agriculture, Forestry & Fishing	-12.7	-7.9	8.4	14.3	-13.3	-6.5	-5.5	-8.6	0.9	-0.3	-1.0	0.4
Rubber	-7.8	-7.4	-37.1	41.7	8.5	-9.0	1.9	-18.2	-22.1	-23.9	-10.4	-12.0
Oil Palm	-12.3	-19.5	28.9	12.8	-16.6	-20.5	-16.9	-22.0	7.5	2.6	-2.4	-3.5
Livestock	1.0	-6.6	-2.4	10.8	1.9	-6.0	7.3	8.2	1.3	2.0	2.9	3.5
Other Agriculture	-17.7	10.9	2.9	11.7	-18.7	13.1	6.8	7.1	4.6	4.9	3.6	5.7
Forestry & Logging	-20.3	-13.6	7.1	10.0	-10.8	6.1	-19.0	-23.5	-22.3	-18.9	-9.2	11.5
Marine Fishing	-23.8	0.2	-16.4	37.8	-18.0	-4.2	-2.5	-10.6	-16.1	-12.1	-5.3	-9.6
Aquaculture	-1.3	-24.7	14.6	19.0	-8.2	-24.2	13.4	-0.5	-1.0	1.3	-5.7	-5.1
Mining & Quarrying	12.9	-4.5	-17.0	3.0	9.7	1.2	-2.5	-2.9	-20.8	-7.8	-10.4	-5.0
Crude Oil	13.7	-0.8	-18.1	1.6	5.5	0.8	-5.6	-7.1	-22.7	-6.2	-12.9	-11.5
Natural Gas	14.8	-5.7	-16.6	1.6	12.6	5.0	-2.3	-0.5	-18.5	-8.2	-9.9	0.3
Others	1.6	-14.0	-14.4	17.4	12.6	-15.4	11.4	4.6	-24.0	-12.2	-2.6	-4.2
Manufacturing	2.3	-6.2	-15.9	27.9	2.0	-2.9	3.0	1.4	-18.3	3.3	3.0	6.6
Vegetable & Animal Oils & Fats	20.0	-25.7	38.6	-9.9	-11.7	-21.8	-5.8	-16.4	15.7	11.3	-18.1	-13.8
Food Procession	-8.8	-5.9	11.5	9.5	-10.4	-0.7	8.6	8.3	4.3	4.8	3.0	8.6
Beverages	-1.9	-16.6	-19.6	37.5	0.6	-8.3	2.9	-0.4	-37.3	-9.6	-7.2	2.0
Tobacco Products	-20.5	-4.1	-51.8	188.8	-20.3	-3.2	5.1	-2.8	-68.1	6.1	6.4	7.4
Textile & Wearing Apparel	0.9	-7.0	-33.3	48.5	7.2	-3.9	5.9	3.0	-41.4	-7.1	-1.2	2.1
Leather Products	-18.8	38.4	-34.9	6.6	0.0	52.4	4.9	3.5	-44.7	-22.0	-4.0	5.7
Wood Products	-3.0	-1.8	-42.5	68.8	4.4	-1.5	4.5	2.5	-40.9	-7.5	-0.5	-0.2
Paper Products	-15.6	13.5	-11.8	24.8	-15.5	19.2	4.5	-0.9	-19.7	5.5	5.6	10.9
Printing	22.8	2.9	-42.0	41.2	23.0	3.8	2.1	1.9	-29.3	3.4	3.6	4.5
Refined Petroleum Products	6.7	-3.1	-27.4	21.8	8.6	-0.6	2.3	3.7	-26.5	-8.5	-6.9	-4.5
Chemicals & Chemical Products	3.8	-9.0	-16.9	22.2	5.0	-0.3	1.9	2.1	-14.0	-4.1	-3.0	6.3
Rubber Products	1.9	-22.9	66.7	24.0	4.3	-21.0	6.4	20.6	47.7	62.3	66.2	70.3
Plastic Products	-18.2	-7.0	-8.9	57.1	-19.2	-2.0	2.4	-0.2	-8.0	8.8	7.5	13.3
Non-Metallic Mineral Products	-10.1	-8.7	-34.6	71.9	-3.6	-5.1	4.2	-0.5	-46.4	-7.7	-1.0	2.9
Basic Metals	-4.9	-16.8	-7.1	41.0	-5.0	-16.8	4.8	1.0	-26.7	3.6	3.6	3.7
Fabricated Metal Products	-6.6	4.4	-34.5	39.3	-0.5	9.1	3.1	-0.2	-42.1	-11.1	-5.2	-1.0
Machinery & Equipment	-9.4	48.8	-30.3	13.6	-11.5	49.3	4.5	-0.4	-4.4	6.7	4.3	4.7
Computers & Peripheral Equipment	3.8	-5.5	-15.5	35.2	1.1	-5.3	-6.0	-6.5	-19.0	12.2	9.2	9.4
Electrical Equipment	28.3	-8.3	9.5	-17.0	23.6	-4.0	3.9	-0.9	-6.5	6.9	3.1	7.9
Electronic Compo & Boards, Com Equip and Elect	5.0	4.4	-19.4	24.6	4.2	7.4	2.8	3.8	-8.9	10.2	10.2	10.2
Medical, Precision & Optical, Watches & Clocks	10.2	-36.7	32.6	9.8	9.0	-33.2	3.1	0.5	-7.4	1.5	0.4	5.9
Motor Vehicles & Transport Equipment	21.0	-28.8	-13.3	42.2	23.3	-28.1	4.3	-2.0	-30.1	6.2	8.2	9.4
Furniture	-3.5	13.2	-38.0	54.2	-4.1	15.3	8.9	0.9	-38.3	4.5	3.8	5.8
Other Mfg and Repair & Installation and Equipment	-13.2	-26.3	-35.1	141.5	-14.2	-25.1	6.8	0.5	-35.3	0.2	-0.9	0.7
Construction	-2.1	-7.4	-41.7	65.7	-3.7	-3.6	1.3	-7.9	-44.5	-12.4	-13.9	-10.4
Residential	4.0	-10.2	-39.7	56.0	5.5	-3.9	2.4	-8.1	-39.1	-12.2	-11.0	-4.7
Non-Residential	19.2	-22.1	-31.5	31.6	33.2	-21.6	-8.7	-11.6	-36.8	-16.4	-6.5	-5.9
Civil Engineering	-15.4	3.5	-58.4	128.5	-31.7	9.6	7.0	-5.1	-59.4	-16.7	-32.7	-28.8
Special Trades	-3.2	-4.9	-19.8	37.9	3.9	1.7	4.8	-9.0	-29.7	1.8	9.4	16.9
Services	4.1	-7.3	-16.8	19.6	3.2	-4.8	6.2	3.1	-16.2	-4.0	-4.8	-2.3
Electricity & Gas	-1.2	1.7	-14.1	11.4	1.4	2.1	5.4	4.9	-13.2	-3.9	-1.3	-0.9
Water, Sewerage and Waste Management	3.0	0.1	2.3	2.4	1.6	0.8	6.3	5.7	8.7	8.0	6.5	7.3
Wholesale Trade	-0.1	-14.4	-15.8	32.9	3.5	-13.2	6.0	3.4	-20.5	-4.3	-0.8	0.6
Retail Trade	10.2	-10.6	-22.9	28.5	9.5	-7.1	7.5	2.2	-20.9	-2.4	-3.0	0.8
Motor Vehicles	-6.3	-19.1	-44.4	150.9	-8.8	-16.4	4.5	-2.9	-47.3	5.8	3.0	6.4

Food & Beverage	10.2	-10.3	-32.2	14.5	1.7	-2.7	10.8	3.1	-31.5	-23.3	-29.2	-23.2
Accommodation	1.8	-15.4	-77.1	132.9	-14.2	-10.7	6.9	-4.2	-78.9	-54.0	-61.2	-59.1
Transportation & Storage	4.7	-11.0	-42.1	54.5	-3.4	-3.0	6.8	-2.7	-44.8	-16.6	-23.0	-16.2
ICT	-1.8	3.5	1.5	2.1	-0.2	2.7	6.8	6.7	4.8	5.3	7.1	6.3
Finance	3.3	-2.0	-12.8	22.1	1.6	2.8	5.8	4.2	-9.2	7.9	6.1	11.3
Insurance	7.1	3.3	-9.1	-2.1	14.6	9.1	4.2	6.8	3.6	-1.5	5.4	11.2
Real Estate	0.6	-4.3	-31.0	22.1	-3.2	0.0	5.6	0.2	-32.2	-18.8	-21.9	-18.4
Business Services	7.6	-5.1	-22.7	7.9	-0.8	-3.1	9.5	4.9	-22.4	-14.8	-21.4	-19.7
Private Health	0.2	-4.2	-14.5	15.0	1.3	-4.3	5.9	2.0	-18.5	-5.6	-4.5	-4.7
Private Education	-0.3	-6.3	-13.6	12.3	-2.1	-5.9	6.2	4.3	-13.2	-9.4	-10.9	-10.6
Other Services	1.3	-2.8	-22.9	16.0	-1.0	-2.9	5.7	0.7	-22.5	-11.9	-14.0	-14.0
Govt. Services	9.9	-10.4	0.6	6.1	9.7	-10.0	3.5	4.3	3.5	5.1	4.9	5.4
Import Duties												
	-3.1	-16.6	-3.3	28.2	9.8	-12.5	-4.3	-15.9	-20.3	0.1	13.4	19.1

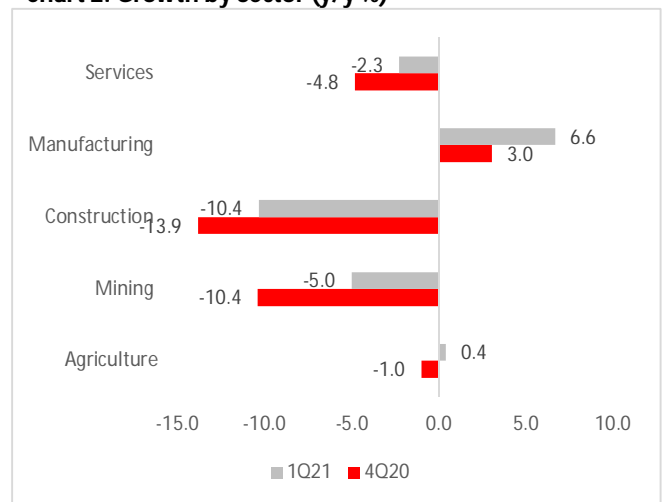
Source: CEIC/DOSM/AmBank Research

Chart 1: GDP Growth (y/y %)



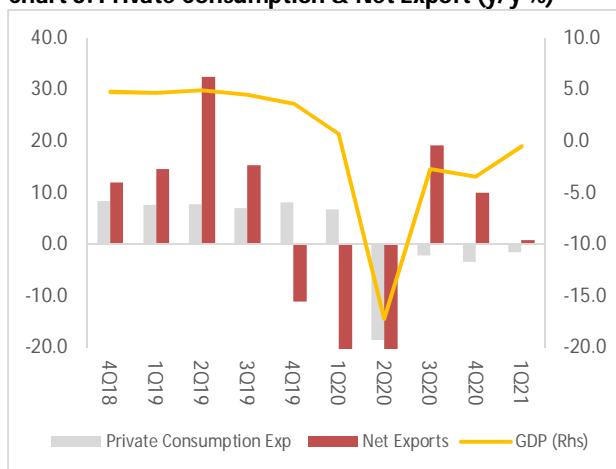
Source: CEIC/AmBank Research

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



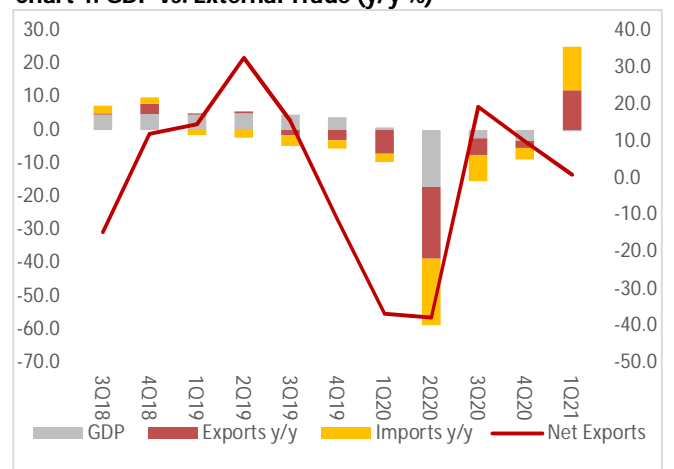
Source: CEIC/AmBank Research

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



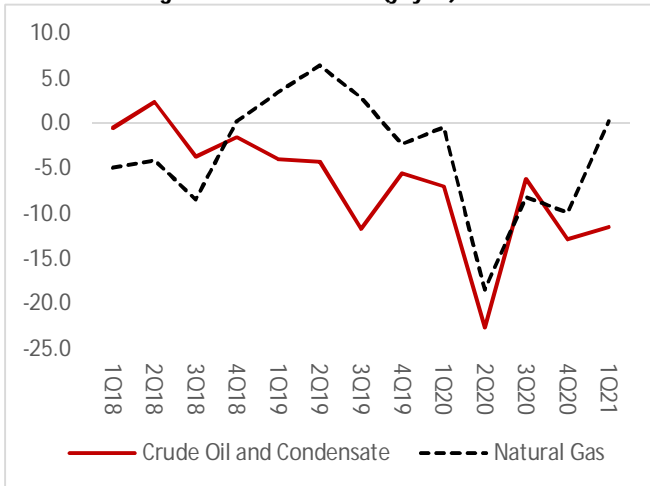
Source: CEIC/AmBank Research

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



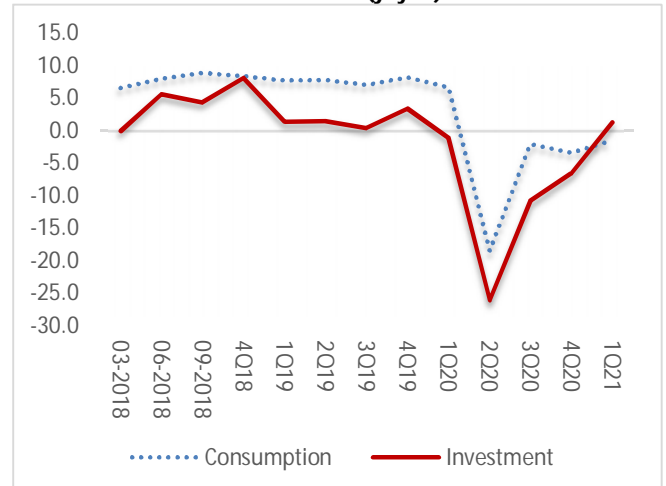
Source: CEIC/AmBank Research

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



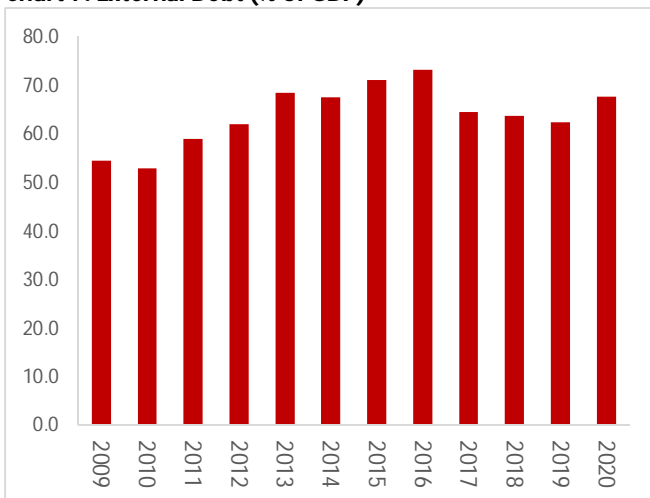
Source: CEIC/AmBank Research

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



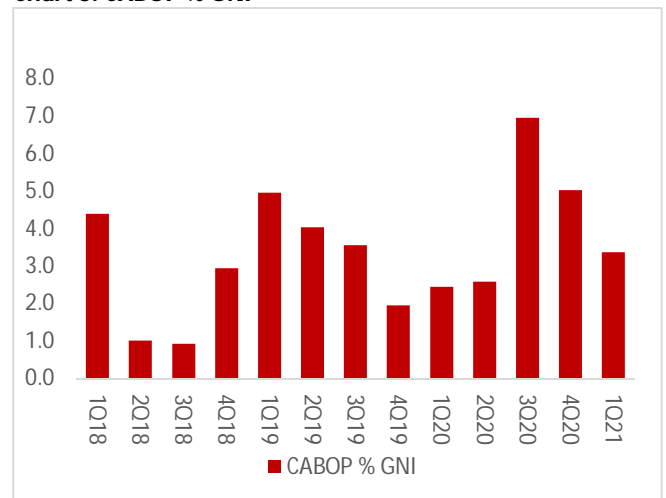
Source: CEIC/AmBank Research

Chart 7: External Debt (% of GDP)



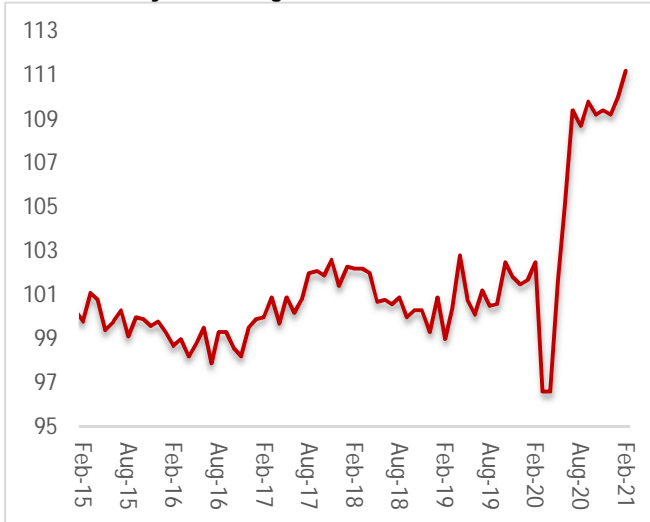
Source: CEIC/AmBank Research

Chart 8: CABOP % GNI



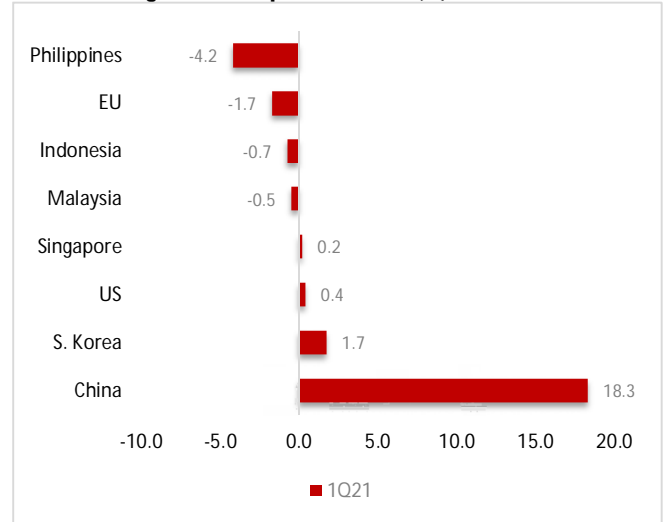
Source: CEIC/AmBank Research

Chart 9: Malaysia Leading Index



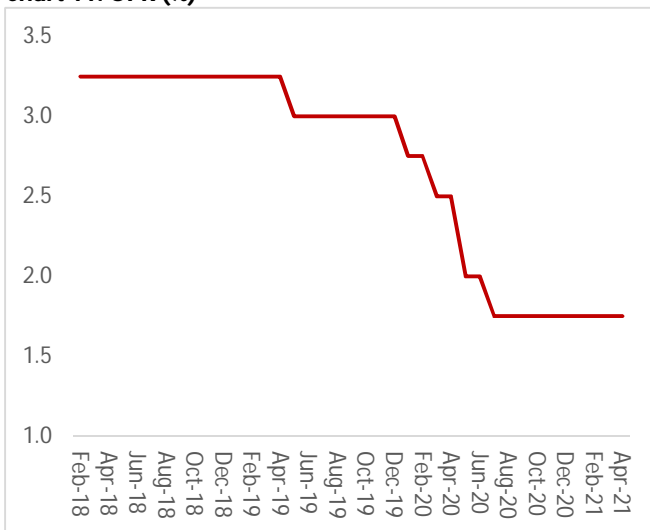
Source: CEIC/AmBank Research

Chart 10: Regional GDP performance (%)



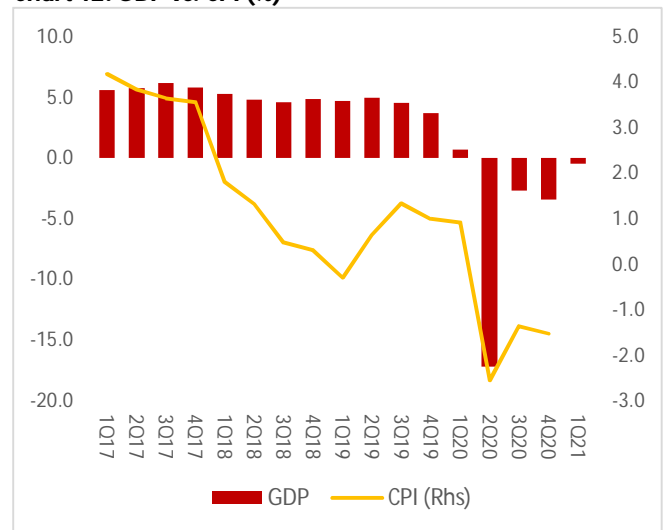
Source: CEIC/AmBank Research

Chart 11: OPR (%)



Source: CEIC/AmBank Research

Chart 12: GDP vs. CPI (%)



Source: CEIC/AmBank Research

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