



**社会经济研究中心**  
**SOCIO-ECONOMIC**  
**RESEARCH CENTRE**

## **CIMB TOWN HALL ENGAGEMENT**

# **2021: Turning Hope into Reality**

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**Executive Director**  
10 February 2021

# Outline



**What is the path of global growth?**



**Malaysia: Cautious optimism**



**2021: The Redefining Year for Malaysia**

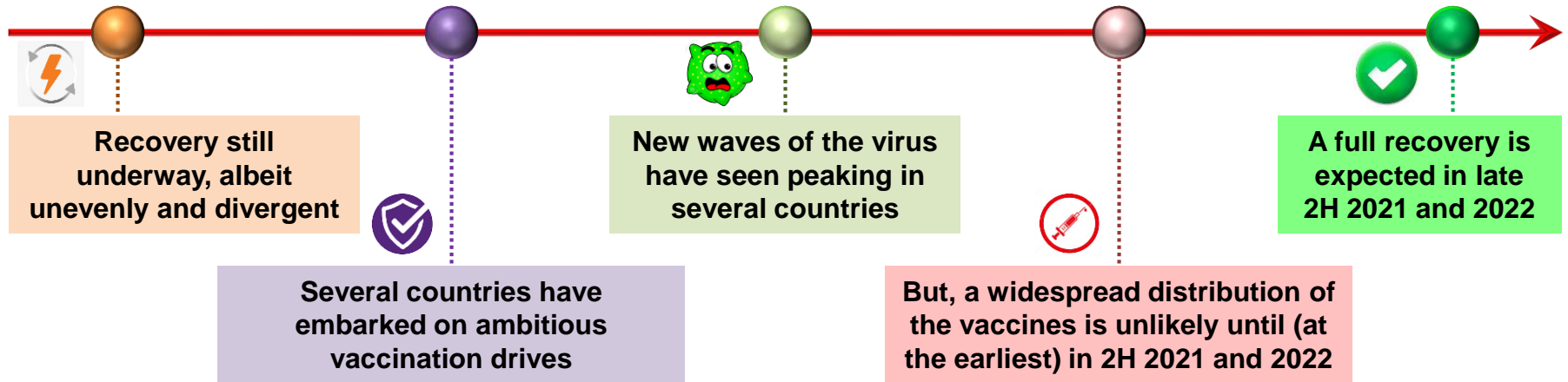
## Global economy

- Recovery still underway, albeit unevenly and divergent
- Vaccines distribution and accelerated mass vaccination programs are key to stronger recovery path ahead



# The global economy is healing

## STARTING 2021 ON CAUTIOUS OPTIMISM



## DIFFERING STRENGTH AND PACE OF RECOVERY

### Advanced economies ...

- The US growth is well ahead of the euro area

### Emerging economies ...

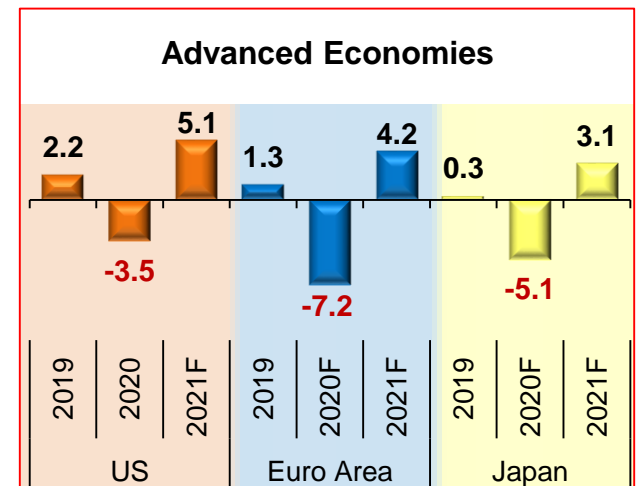
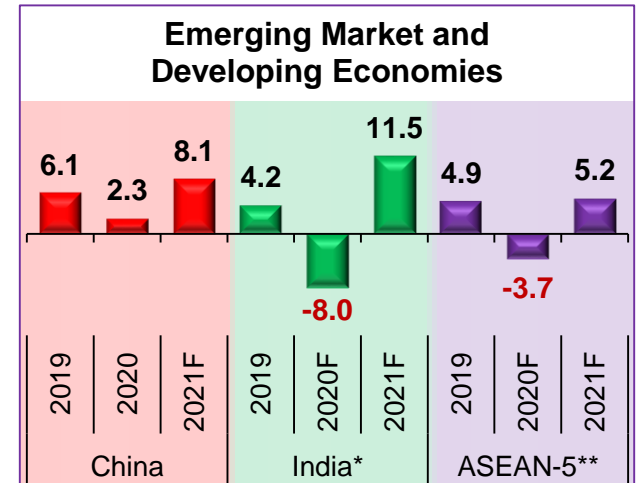
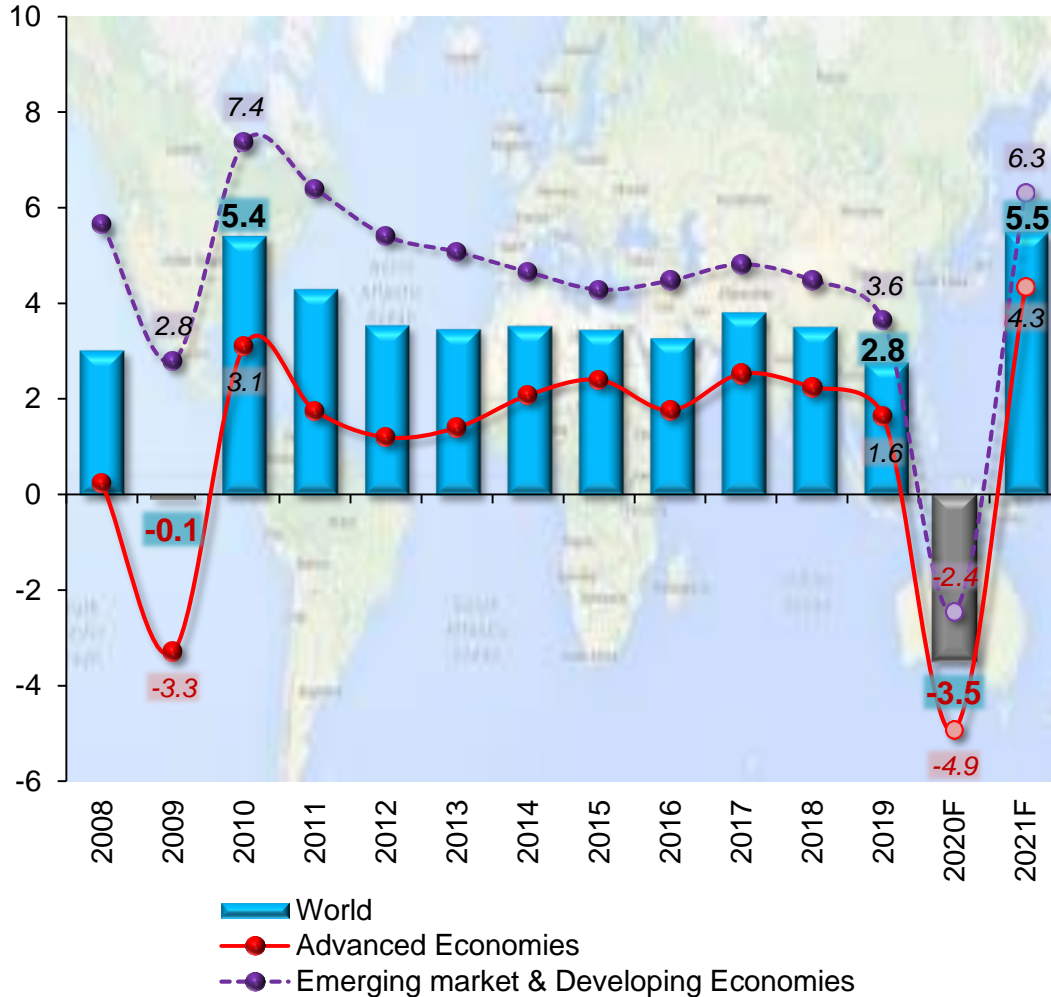
- China, the first to recover since 2H 2020 will continue to charge ahead

### In ASEAN ...

- Vietnam remained positive growth amid low number of infection cases on record
- Other ASEAN economies are expected to slowly recover in 1Q and 2Q

# Setting the stage for strong post COVID-19 recovery growth in 2021

Real GDP Growth (%)



Source: Officials; IMF (WEO Update, January 2021)

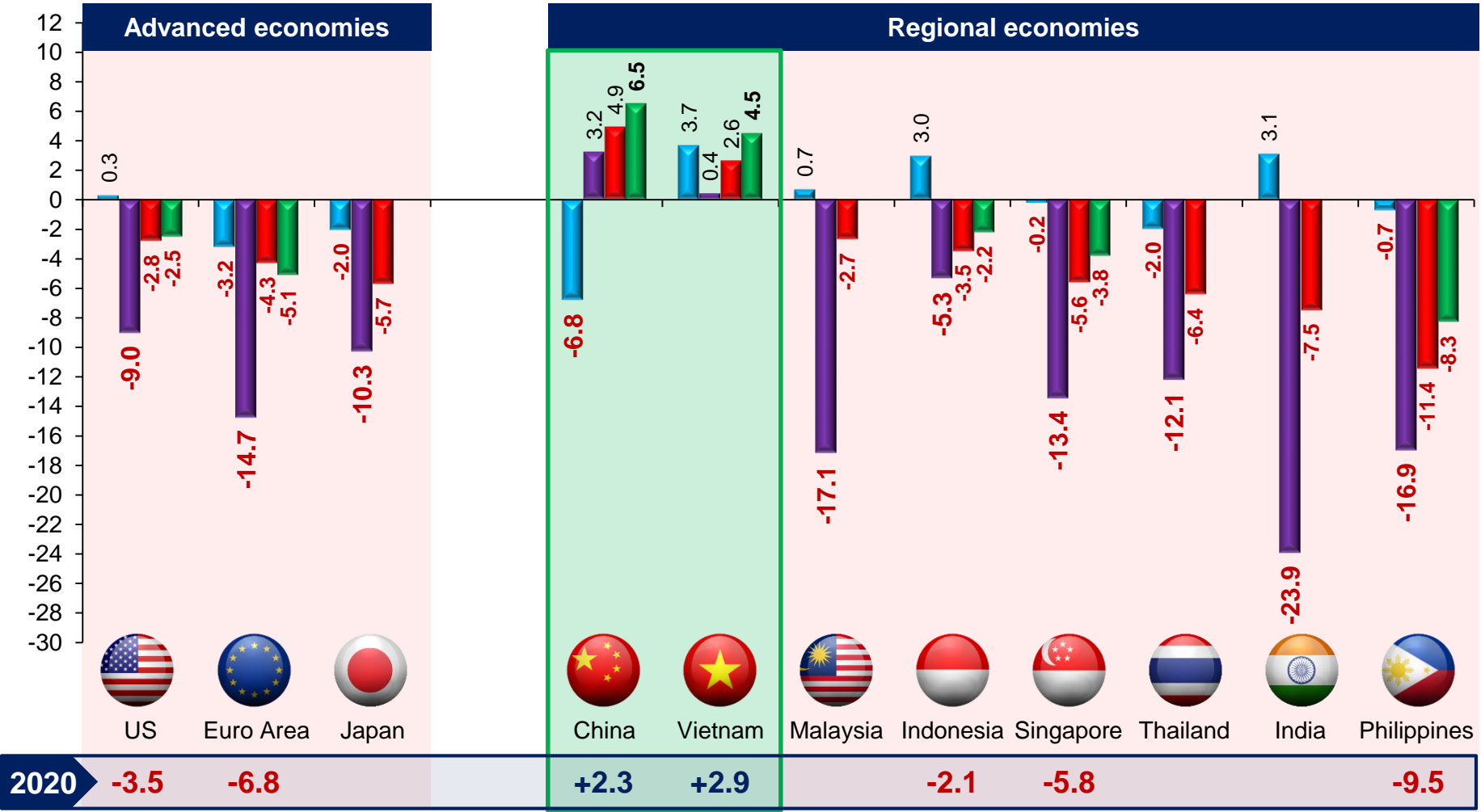
\* Annual GDP for India is on fiscal year basis

\*\* ASEAN-5: Malaysia, Indonesia, Philippines, Thailand, Vietnam

# Growth in developed and emerging markets has rebounded from the worst contraction in 2Q 2020

Real GDP growth (% YoY)

■ 2020 Q1 ■ 2020 Q2 ■ 2020 Q3 ■ 2020 Q4

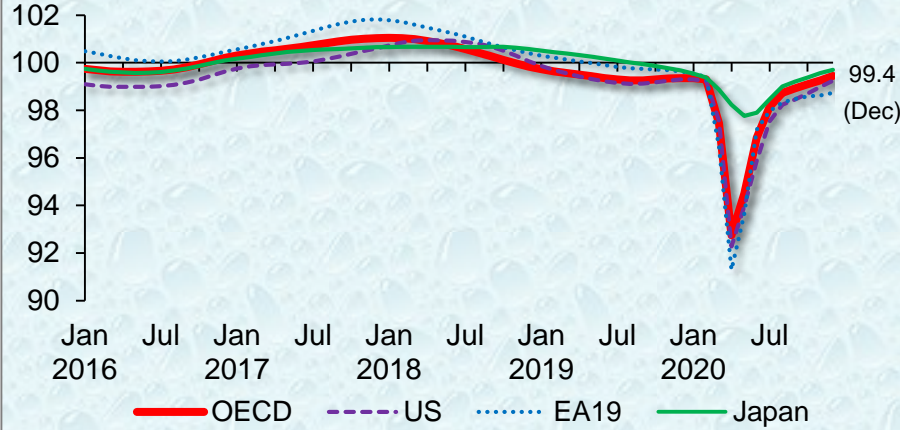


Source: Officials (unadjusted data except Euro Area)

# Activity has gradually returned to pre-pandemic levels

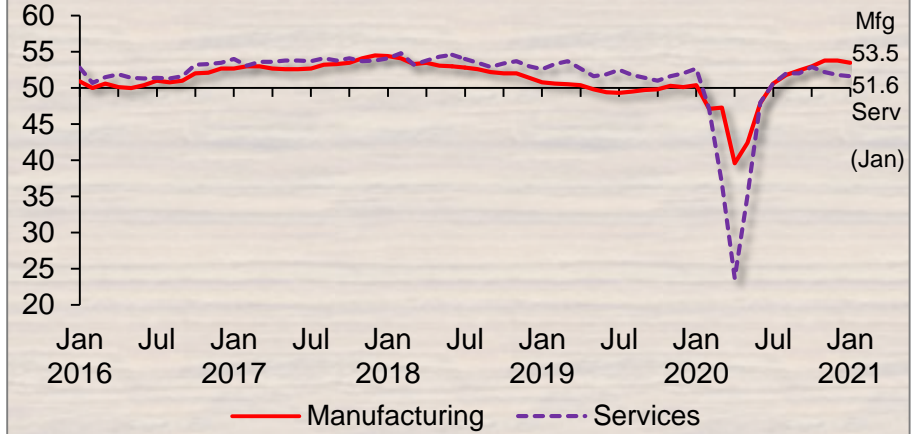
## Composite Leading Index (CLI)

A gauge of forward economic outlook (Long-term average = 100)



## Global PMI for manufacturing and services

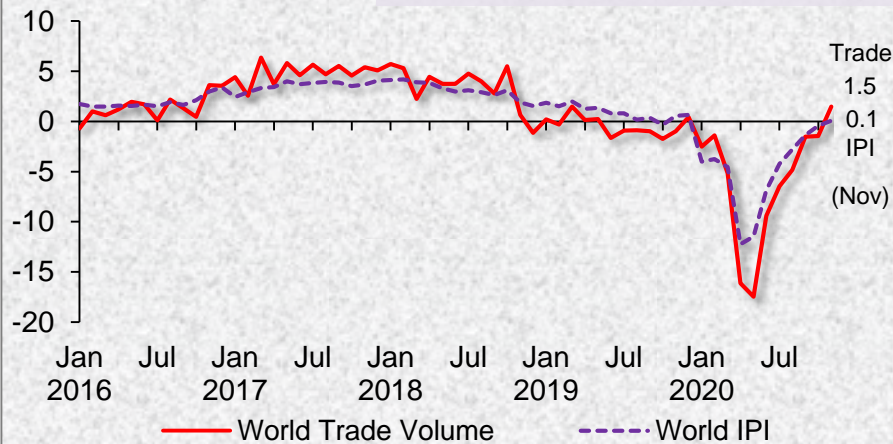
50 = no change on prior month



## World trade and IPI

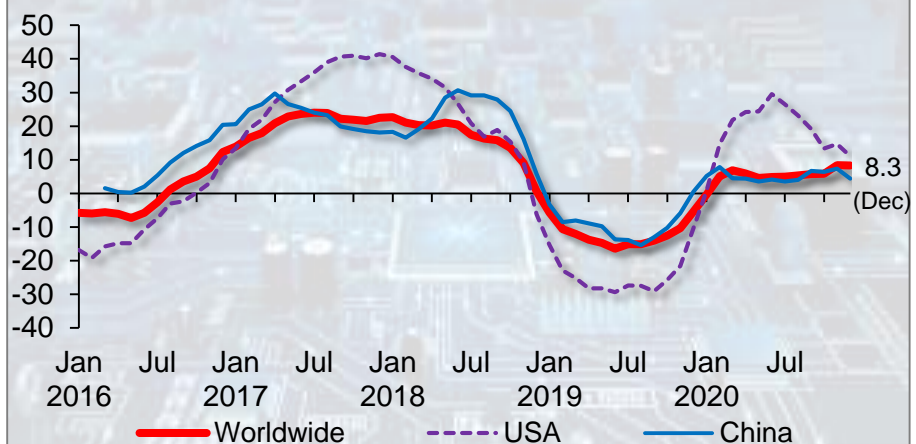
%, YoY

**WTO expects world trade to rebound by 7.2% in 2021**






## Global semiconductor sales

%, 3-month moving average YoY



Source: OECD; IHS Markit; SIA

# Global growth scenarios for 2021\*

Scenario		Projected global GDP growth in 2021
<p><b>Upside</b></p> 	<ul style="list-style-type: none"> <li>• Self-sustaining strong recovery</li> <li>• New infections are being suppressed; mass vaccination is accelerated to achieve herd immunity</li> <li>• Continued assertive monetary and fiscal stimulus</li> </ul>	<p><b>5.0%</b></p>
<p><b>Base Case</b></p> 	<ul style="list-style-type: none"> <li>• Global stabilisation, uneven and moderate recovery</li> <li>• A prolonged COVID-19 outbreak worsened by new mutated virus strains, slow pace of vaccination due to logistics complexity and public hesitancy towards vaccination</li> <li>• Monetary and fiscal stimulus are working</li> </ul>	<p><b>4.5%</b></p>
<p><b>Downside</b></p> 	<ul style="list-style-type: none"> <li>• Slow recovery pace</li> <li>• Multiple waves of new virus strains mutation compel renewed national lockdowns</li> <li>• A much slower than expected in the distribution and vaccination process due to technical challenges and greater public vaccine hesitancy</li> <li>• Ineffective monetary and fiscal policy stimulus</li> <li>• Sharp correction in global equities and commodities market</li> </ul>	<p><b>2.0%</b></p>

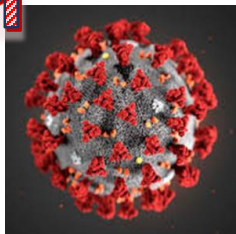
\* SERC's estimates



# Four key risks to watch

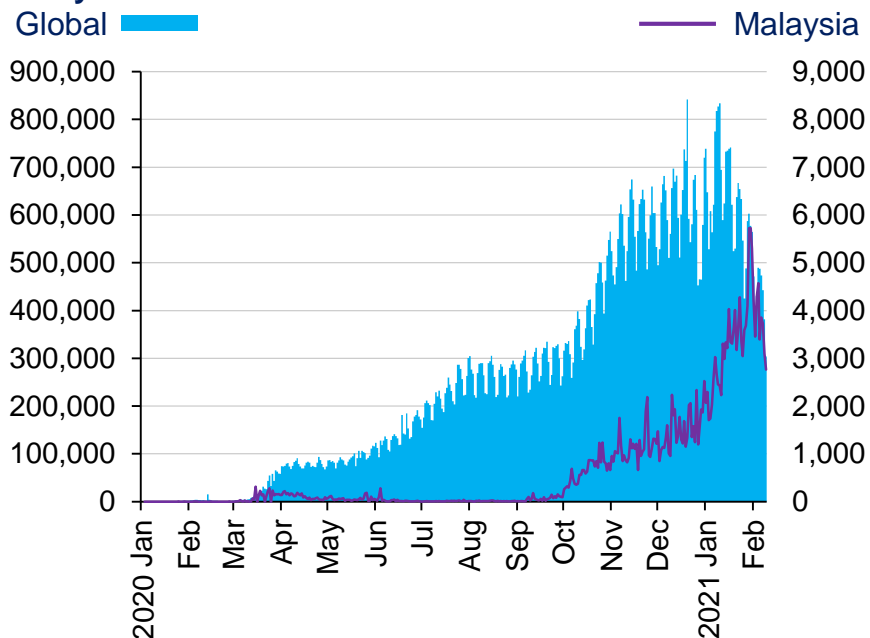
## Risks might delay the global recovery ...

1



- Multiple waves of new virus strains mutation
- Renewed national lockdowns in many countries
- Effective vaccination program

### Daily new COVID-19 cases



Source: WHO

2



- Trade and technology war between the United States and China
- Too early to assess the new Biden's administration in recalibrating the US-China relationship

3



- Inadequate policy support due to the limitation of monetary policy and fiscal space

4



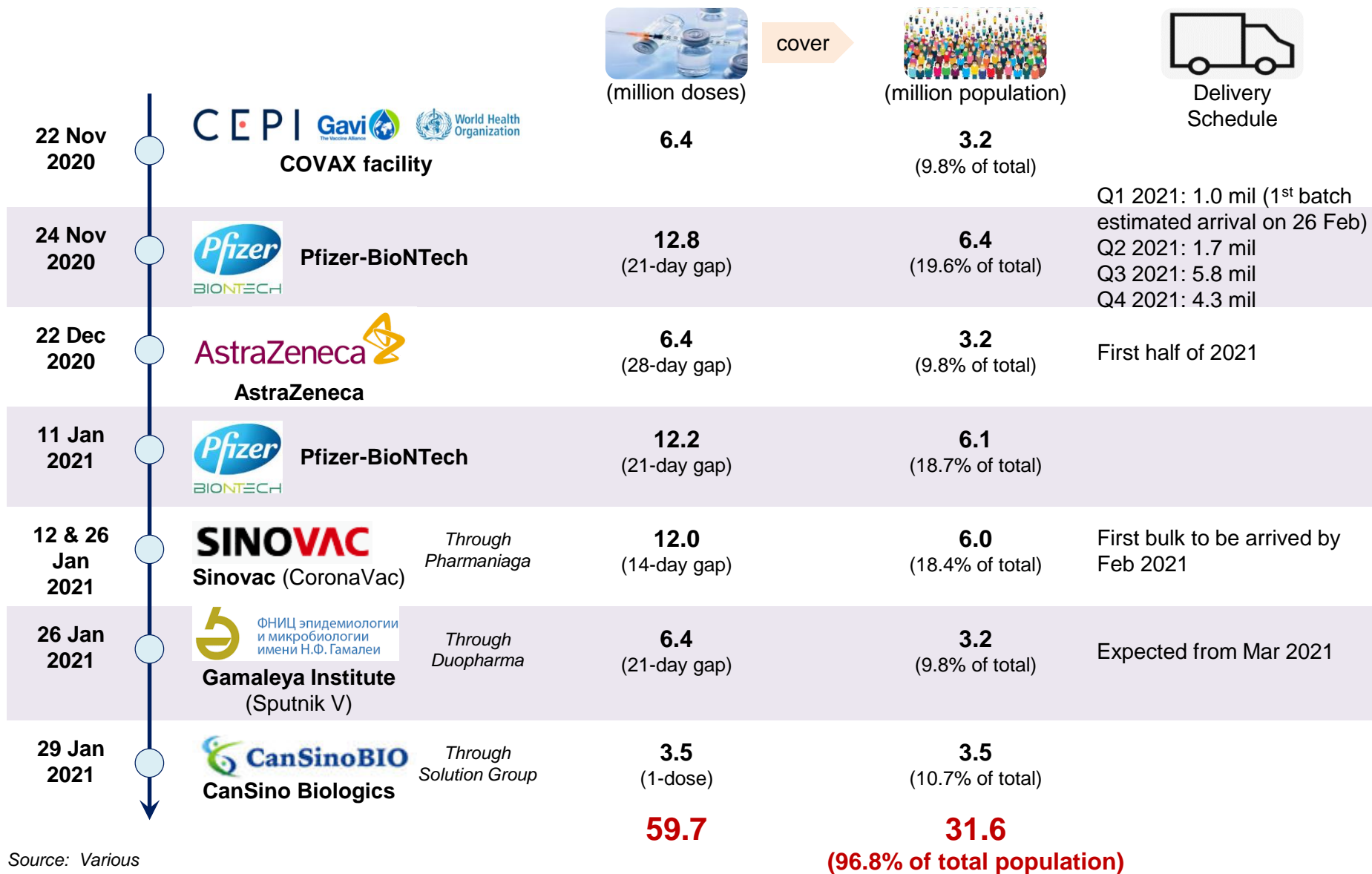
- Geopolitical and political flashpoints

## The Malaysian economy

- **Cautious optimism – 2021, The Redefining Year**
- **Short-term scarring from MCO 2.0**
- **Successful rollout of the vaccination program holds the key**
  - Logistic and practical challenges, including remote areas
  - Shortage of healthcare front liners
  - Public hesitant towards vaccination– The Edge Markets straw poll hints that only about 5 out of 10 Malaysian respondents would choose to “immediately” agree to be vaccinated



# The vaccines arrangement could cover more than 80% of Malaysia's population



Source: Various

# The National COVID-19 Immunisation Plan

**THE RIGHT MESSAGE, THE RIGHT MESSENGER, THE RIGHT COMMUNICATION CHANNEL** so as to instil public confidence and trust in a Covid-19 vaccine

	<b>Phase 1 (Feb-Apr 2021)</b>	<b>Phase 2 (Apr-Aug 2021)</b>	<b>Phase 3 (May 2021 – Feb 2022)</b>
<b>Targeted Group</b>	Front liners	Citizens aged 60 and above; and vulnerable groups	Population aged 18 and above
<b>Targeted Population</b>	500,000	9.4 million	Around 16 million



**Vaccination –  
FREE**



**600 + vaccine  
administration  
centres**

Source: MOH

# Impact of MCO 2.0

## SCARING EFFECT FROM 4Q 2020 WOULD CONTINUE INTO 1Q 2021

Third wave towards 4Q 2020 had negative effect on consumer sentiment and activity

Still high number of new cases (4 digits)

Restriction movements – shopping malls/restaurants/travel and tourism sector

Foreign workers' testing in workplace (construction and manufacturing sectors)

Shortage of foreign workers may affect output of some sectors

A longer drag recovery in the services sector, especially tourism related as the international borders remain closed

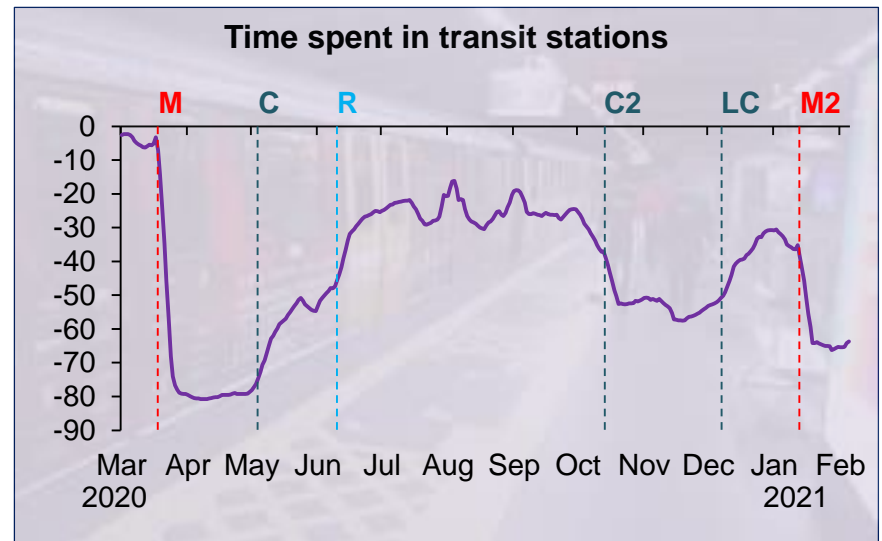
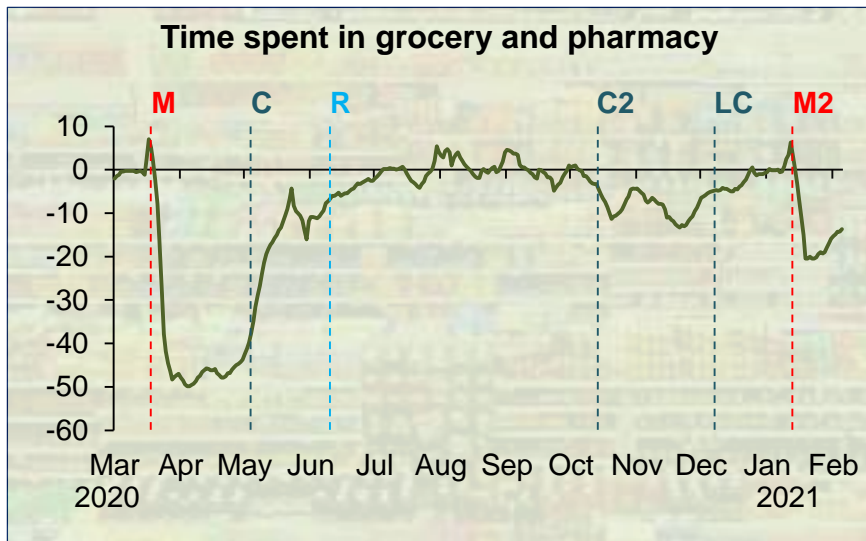
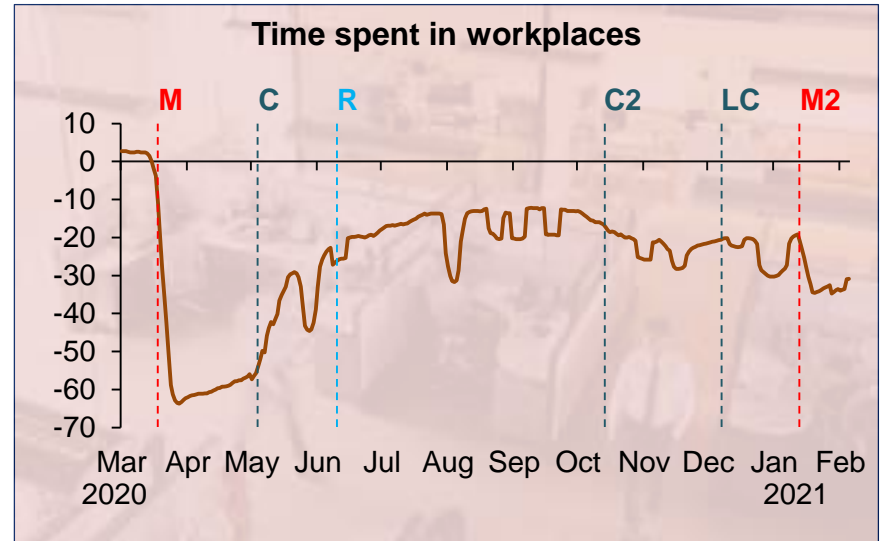
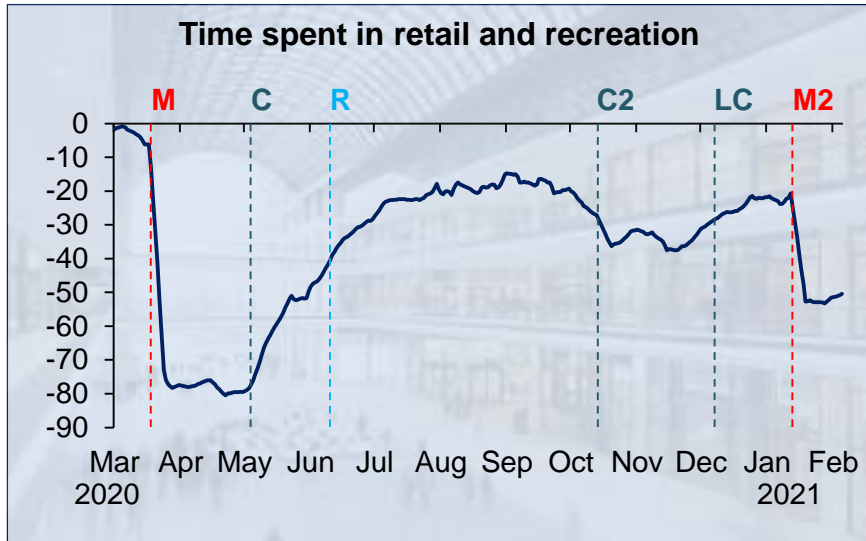
## BUFFERING FACTORS

Containment of infection; the rollout of vaccines and accelerated vaccination program

Exports – electronics and electrical products; healthcare products; commodities

# Google mobility data indicates that visits to locations, including retail and recreation and transit have declined since MCO2/CMCO2 by almost as much as the first MCO in March 2020

%, 7-day moving average vs. baseline



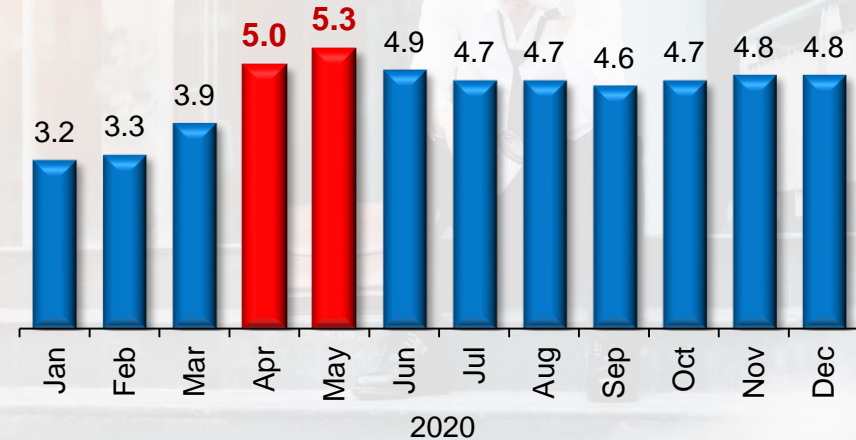
M=MCO; C=CMCO; R=RMCO; C2=CMCO by phases; LC=Loosened CMCO with interstate travelling allowed; M2=MCO 2.0

Source: Google Mobility (baseline = median value for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020)

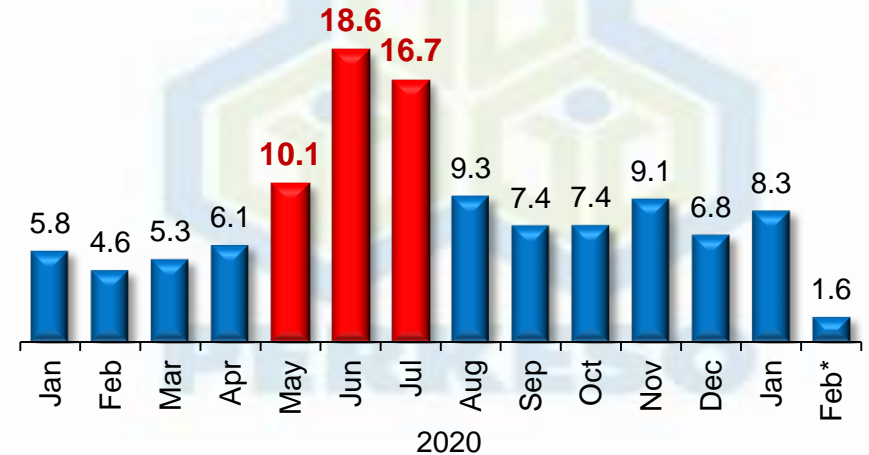
# Labour market is expected to rebound amid weak

## Job market

Unemployment Rate  
%



Loss of Employment (LOE)  
(‘000)



\* As 2 Feb 2021

- **Unemployment rate ticked up** to 4.8% in Dec (4.8% in Nov) after easing off to 4.6% in Sep from a record high of 5.3% in May. **Unemployed persons remained elevated** at around 772,900 persons compared to around 520,000 persons before the pandemic.
- **EIS’s loss of employment<sup>#</sup>** registered a total of **107,024 in 2020**, 267.0% higher than 40,084 in 2019.
- **Jobless rate is estimated at 4.5% at end-Dec 2021** vs. 4.8% at end-Dec in 2020: (i) A long drag of recovery in the travel-related sectors; (ii) Remote working arrangement reduces demand for transportation services; (iii) The tapering effect of government’s intervention; and (iv) The COVID-19 could exacerbate skills mismatches, due to the adoption of manpower-saving processes and technologies.

Source: DOSM; PERKESO

<sup>#</sup> Unemployment claims under Employment Insurance System (EIS)

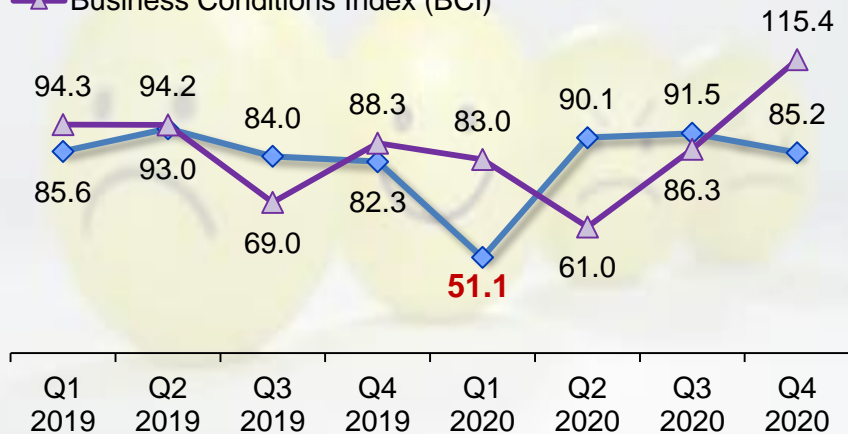
# Sentiment remains below the optimism threshold level

## Sentiment indicators

### MIER CSI & BCI

Optimism Threshold = 100

- ◆ Consumer Sentiments Index (CSI)
- ▲ Business Conditions Index (BCI)



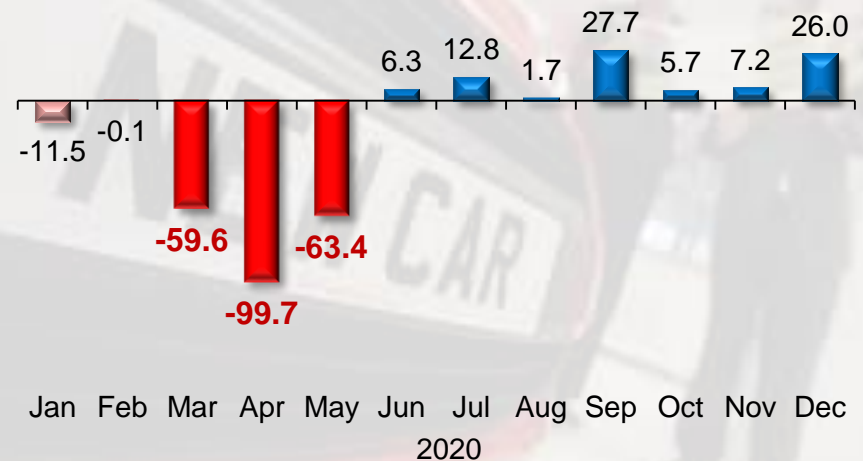
- Consumers remained cautious while business conditions improved given loosened restrictions in Dec 2020. Under MCO 2.0, **both sentiment indicators are expected to stay cautious.**
- A sustained turnaround hinges on the **accelerated containment in the virus spread and vaccination; improved domestic economic outlook; clear policy narrative and easing investors' concerns about domestic political situation.**

Source: MIER; BNM

## Buying a car

### Passenger Car Sales (Volume)

%, YoY



- **Sales tax exemption** on passenger cars (100% for locally assembled (CKD) and 50% for imported (CBU)) has been extended till June 2021.
- Coupled with **lower interest rate and launching of new models**, demand for passenger cars will be sustained.
- MAA's estimates of passenger car sales: 513,000 units in 2021, an increase of 6.7% from 480,965 units in 2020.



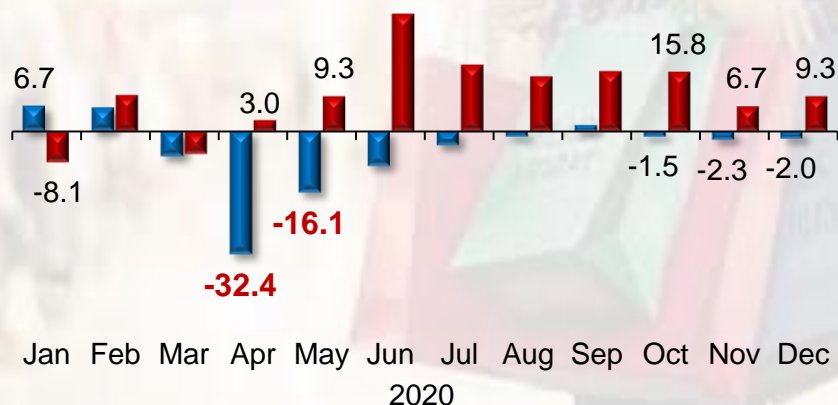
# Retail spending on cautious mode

## Shopping at retailers

### Sales Performance

%, YoY

■ Retail Sales ■ Manufacturing Sales of Food Products

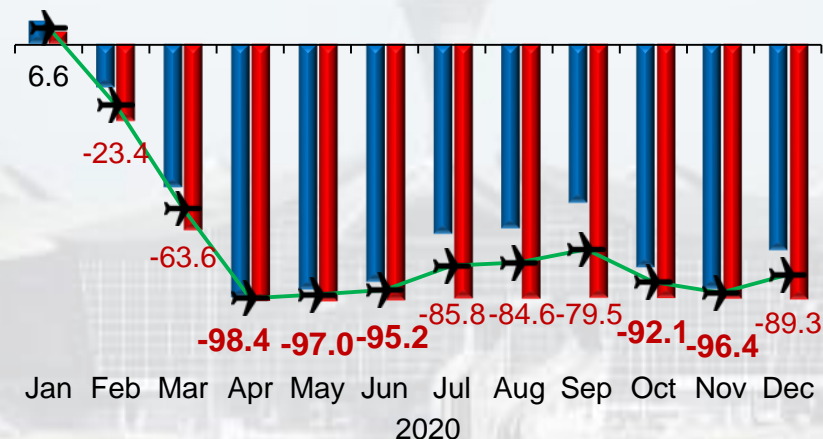


## Daily flying passengers

### Growth

%, YoY

■ Domestic ■ International → Total



- **Retailers' sales reverted to contraction** in Oct-Dec 2020 given the re-imposition of CMCO.
- Sales have declined in all types of specialised retail stores, except specialised store for food, beverages and tobacco.
- MCO 2.0 would dent retail spending, especially in the shopping malls and restaurants as well as small business traders in the run up to the Chinese New Year celebration.

- The third wave of COVID-19 has delayed the recovery of **aviation and travel industry**.
- Domestic airline passenger traffic numbers have slumped again in Oct-Nov given inter-state travelling ban in several key states.
- MCO 2.0 and inter-state travel ban nationwide starting Jan 2021 would depress inbound tourism and travel sector.

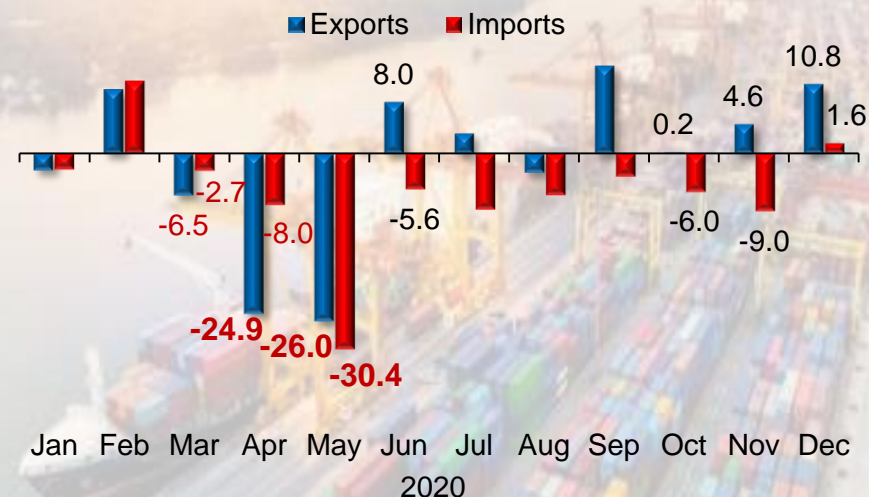
Source: DOSM; MAHB

# External sector recovering; sluggish industrial production

## External trade

### External Trade

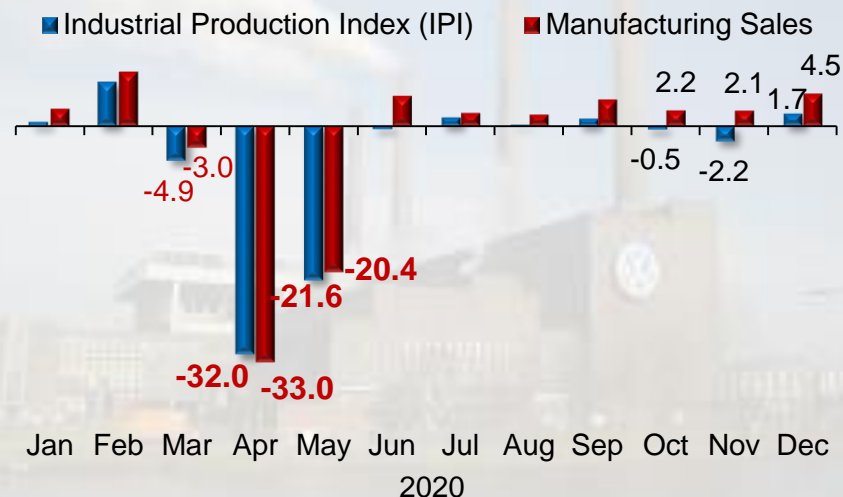
%, YoY



## Production & manufacturing sales

### Industrial Production and Manufacturing Sales

%, YoY



- **Exports** continued to increase unevenly, marking the fourth consecutive month of growth in Dec, boosted by increased shipments to our major trading partners.
- Imports have turned positive in Dec for the first time since Mar 2020.
- **Exports are expected to grow by 3.3% in 2021** (2020: -1.4%) in tandem with a global recovery and firmer commodity prices.

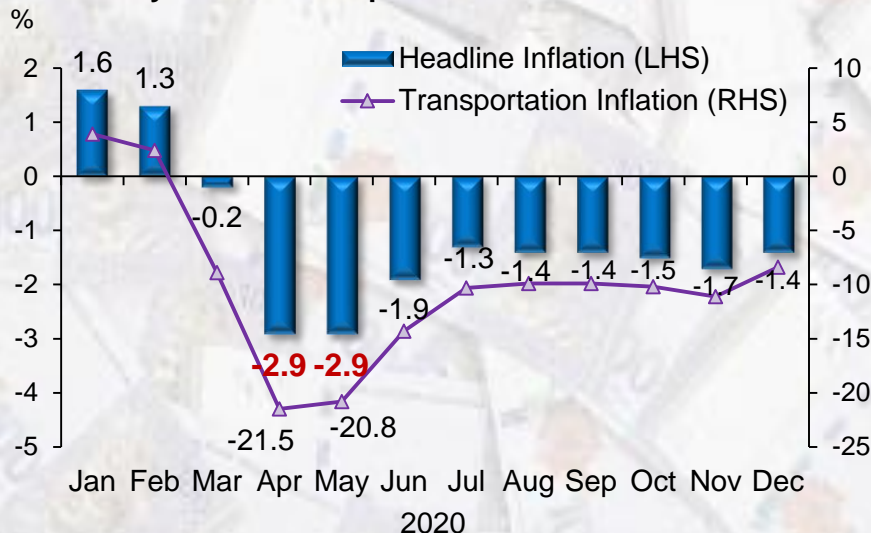
- **Industrial output** declined in Oct and Nov, dragged by a double-digit contraction of mining output and softer manufacturing activities. In Dec, overall industrial output growth turned positive on an improved manufacturing production amid mining output growth remained contracted.
- The heavy-weighted E&E segment has outperformed since June (ranging 7.1%-13.2% in Jun-Dec), outpaced an average growth of 6.0% in 2016-2019.

Source: DOSM

# Deflationary pressures will fade in 2021

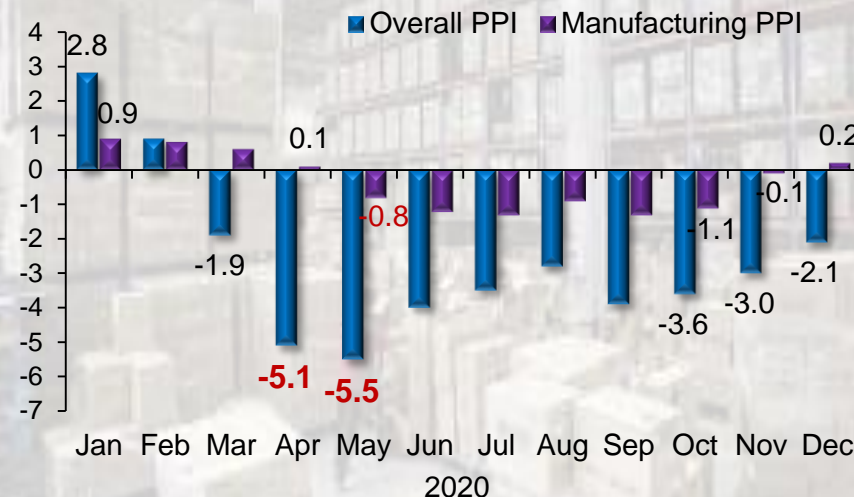
## Consumer Price Index (CPI)

### Inflation by Selected Components



## Producer Price Index (PPI)

### Growth % YoY



- Ten consecutive months of **deflation** since Mar 2020 with **32.7% of goods in the CPI basket** (by sub-groups) **saw decreases in prices** in Jan-Dec 2020. CPI declined by 1.2% in 2020.
- **CPI** is expected to **normalise into positive territory (between +1.0% and +1.5%) in 2021** in tandem with the improved domestic demand, higher crude oil prices and as well as aided by low base effect.

- **Producer Price Index (PPI)**, a measurement of average selling prices received by domestic producers declined by a smaller magnitude.
- **Manufacturing PPI** saw a **moderate increase in prices** in December 2020 while mining output prices declined by a larger magnitude. Prices for agriculture, forestry & fishing registered continuous double-digit increase since June 2019.

Source: DOSM

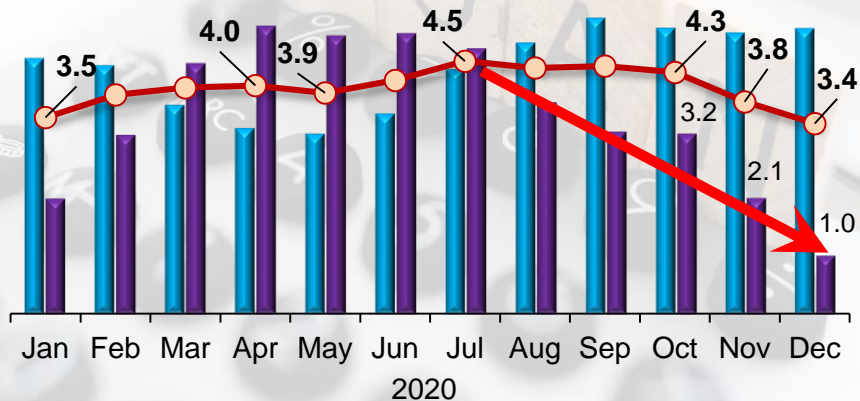
# Business loan growth eased sharply

## Loan financing

### Loan Outstanding by Sector

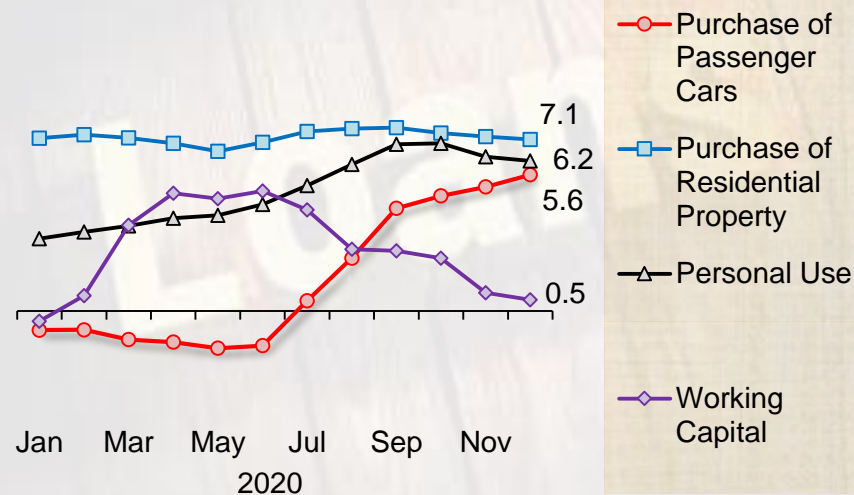
%, YoY

Household Sector Business and Other Sectors Total



### Loan Outstanding by Purpose

%, YoY



- **Overall loan growth** has eased. While **households' loan demand** remained stable, business loan growth slowed down significantly (0.5% in Dec\* vs. 1.2% in Nov and 2.5% in Oct).
- Loan repayment started to pick up since October after the expiry of automatic loan moratorium in September, which was replaced by a targeted loan repayment assistance.

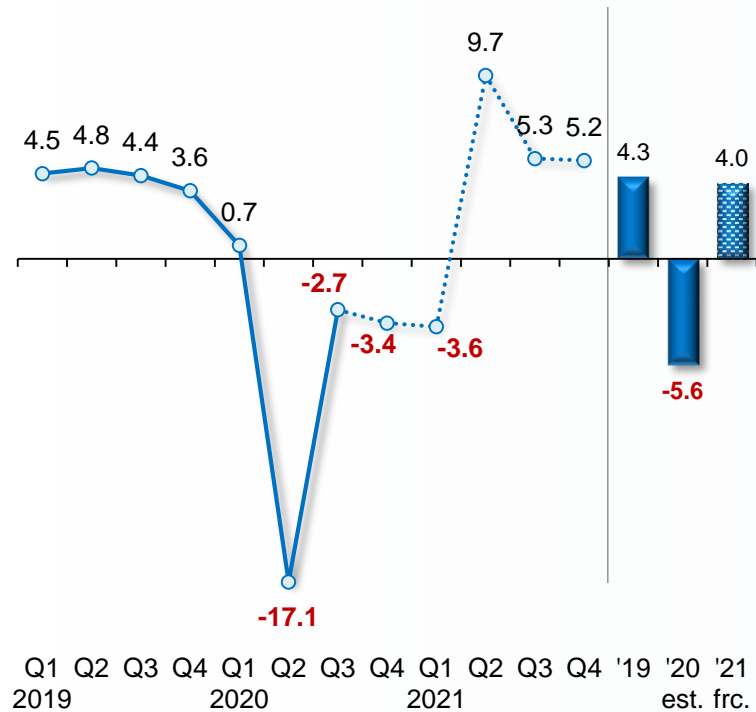
- **Loan demand going strong for the purchase of passenger cars**; slightly moderated for residential property and personal use.
- **Outstanding loan for working capital eased sharply** on slower growth in real estate industry, and contraction in the manufacturing sector as well as financing, insurance and business services industry.

\* High base effect: Excluding the large loan disbursement in manufacturing sector in December 2019, overall business loan growth would have increased by 1.3%

Source: BNM

# Malaysia is on the recovery track, albeit “speed bump”

**GDP growth**  
%, YoY



- The economy is gradually on the mend in 2H 2020. The recovery pace in 4Q has been tempered by the resurgence in COVID-19 cases since late September 2020.

- **Emerging cautious optimism in 2021. Base case: 4.0% GDP growth.** The shape of Malaysia’s economic growth in 2021 depends on:



Development of infection rates and vaccination



Effective implementation of Budget 2021’s spending programs and cash assistance



Consumer and business confidence



Economic performance of Malaysia’s major trading partners

- **For an upside scenario, 6.0% GDP growth for 2021 on:**



Accelerated containment of virus spread and vaccination



Pent-up consumer demand unleashed



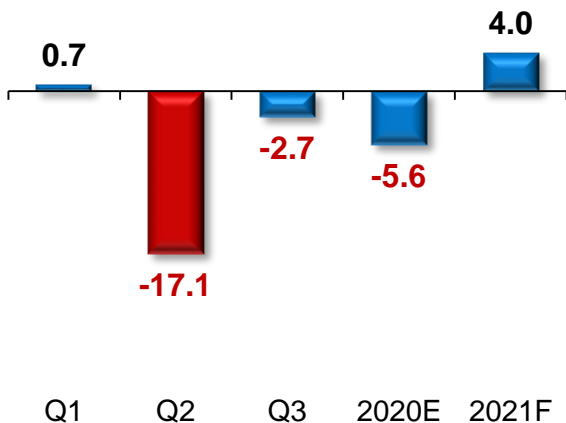
A robust rebound in services with the resumption of international travel

Source: DOSM; SERC’s estimates

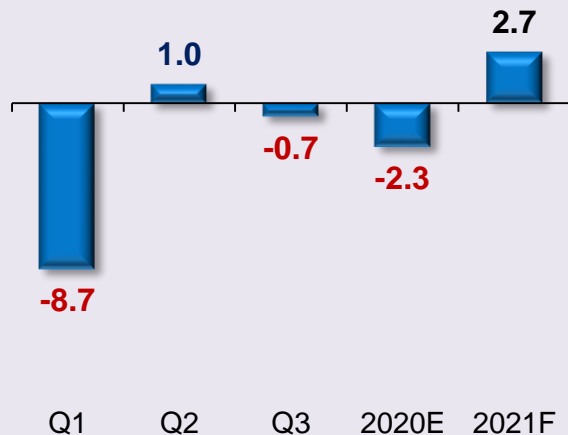
# SERC's estimates and projections (2020E and 2021F)

%, YoY

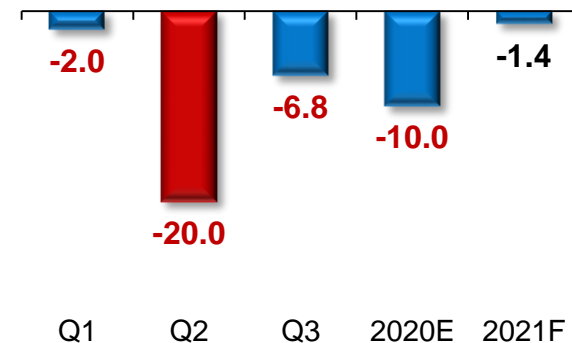
 Overall GDP



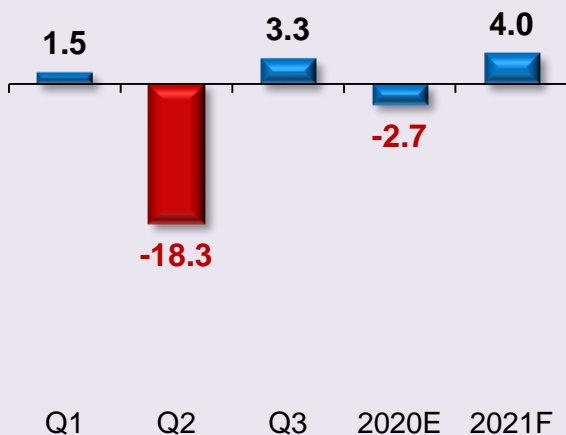
 Agriculture



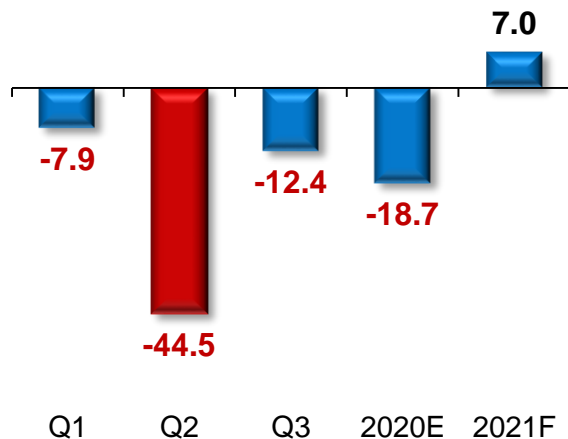
 Mining and Quarrying



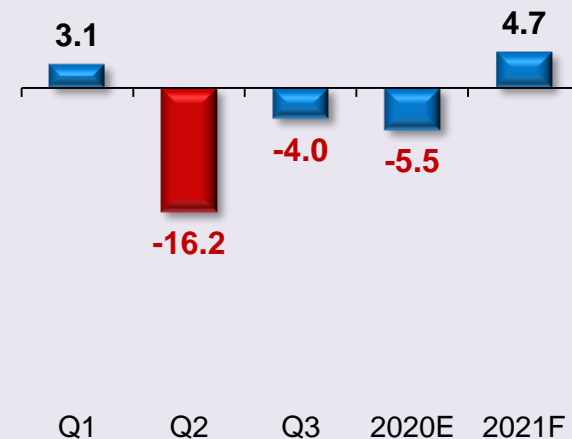
 Manufacturing



 Construction



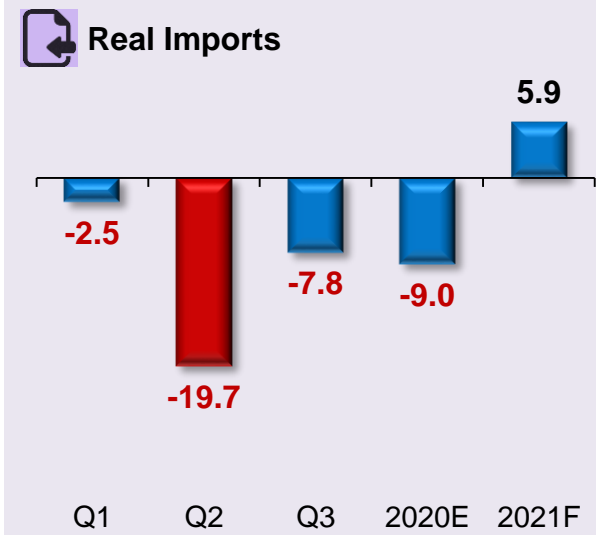
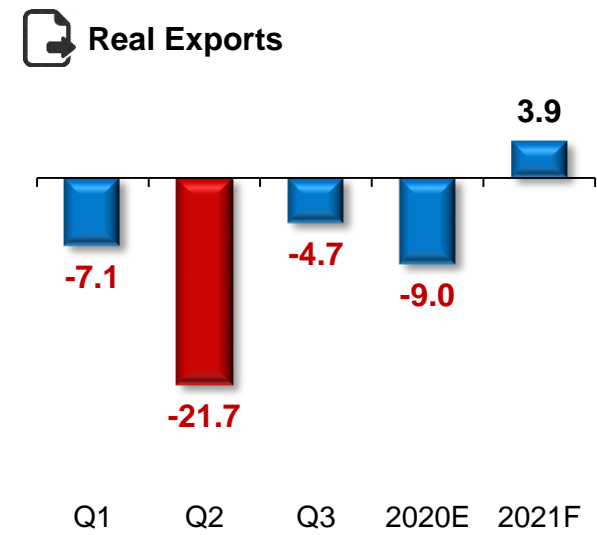
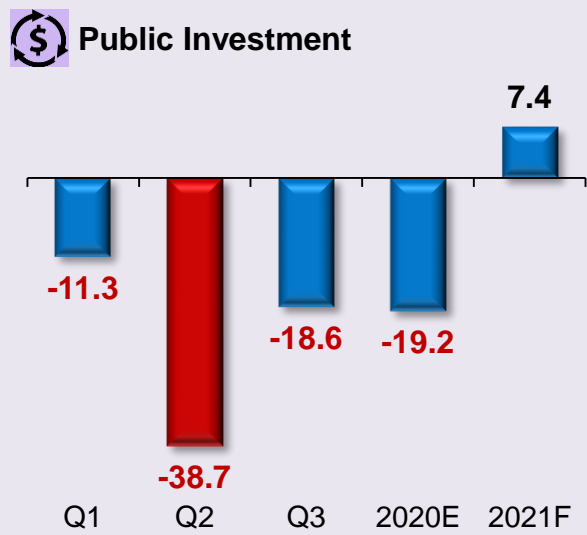
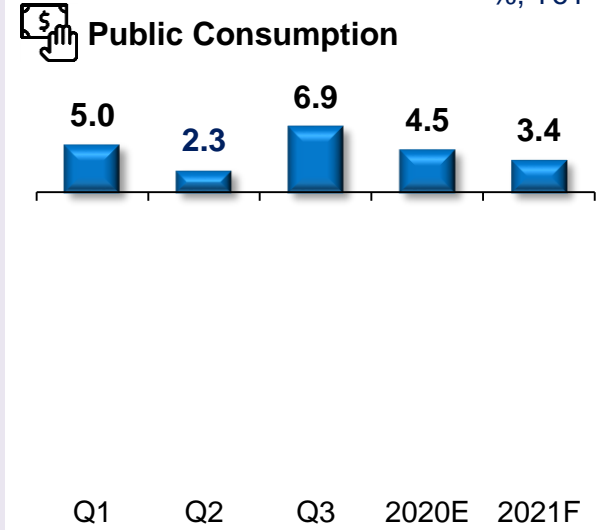
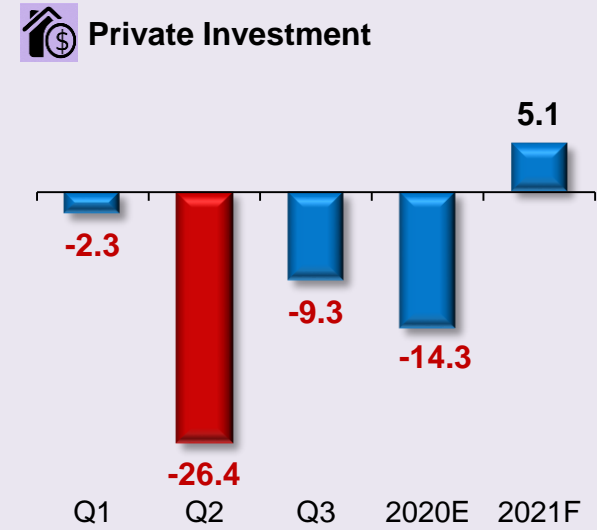
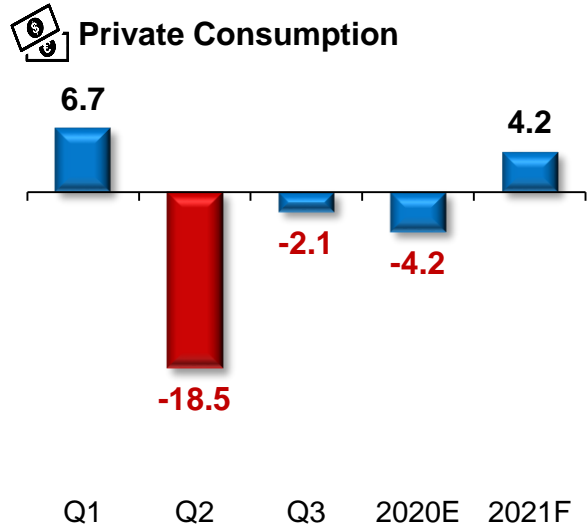
 Services



Source: DOSM; SERC

# SERC's estimates and projections (2020E and 2021F) (cont.)

%, YoY



Source: DOSM; SERC

# Industry bounce back post the COVID-19

## Export sectors



Electronics & electrical products



Commodities



Oil and gas



Chemical & chemical products



Transport equipment



Rubber product  
(gloves, medical equipment and etc.)

## Sectors most likely to benefits from revenge spending



Online education (e-learning) service providers - *improve skillset for the job market transformation*



Sports and physical wellness  
- *Stay healthy*



Health care & pharmaceuticals



IT services



Consumer electronics



Logistics  
- *more spending on imported products*

## Domestic sectors can expect a mixed performance



Construction  
- *stage a rebound, albeit hurdled by a mandatory COVID-19 testing*



Property  
- *improve buying sentiment on historic low interest rate*



E-hailing  
- *mixed, depending on the containment of virus and vaccination*



Food delivery services  
- *continued demand*



Event management

## Sectors can expect a slower recovery



Entertainment



Hospitality sector



Tourism sector



Aviation  
- *Passengers*







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**谢谢**  
**THANK YOU**

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