



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **MONTHLY ECONOMIC & MARKET UPDATES**

**8 NOVEMBER 2021**

## **ECONOMIC RESEARCH**

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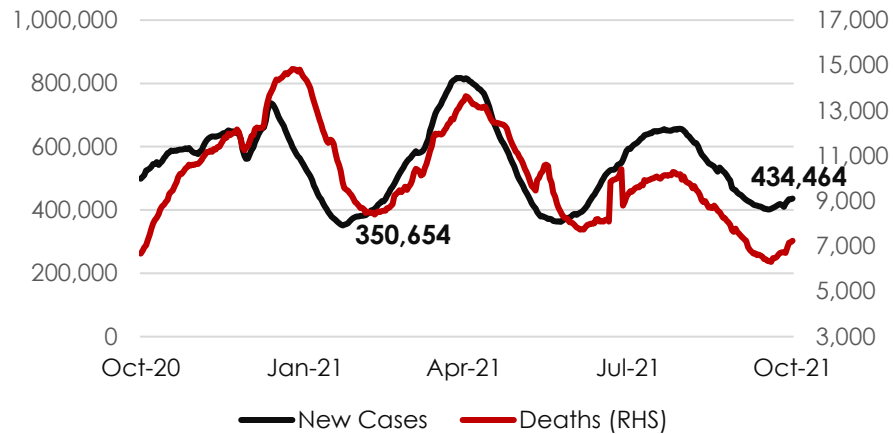
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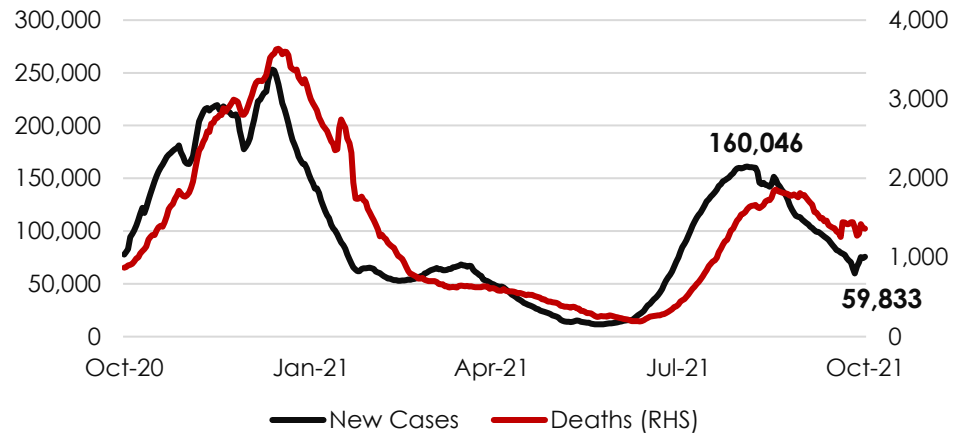
# GLOBAL ECONOMY

- ✓ **Worldwide Covid-19 infections have surpassed 248.0 million** - The number of confirmed Covid-19 cases globally registered at 248.5 million, with more than 5.0 million deaths recorded as at 5 November 2021. The U.S., India and Brazil have seen the highest number of confirmed cases, followed by the U.K., Russia and Turkey.
- ✓ **Highly contagious Delta variant** – A potentially faster-spreading Delta Variant plus called AY.4.2 has been rising in the U.K., identified in 8 states namely California, Florida, Maryland, Massachusetts, Nevada, North California, Rhode Island and Washington. According to Professor Francois Ballaoux, director of the University College London Genetics Institute, the data showed that AY.4.2 could be 10.0% more transmissible than the most common U.K. Delta variant, AY.4. However, health authorities have yet to find evidence of more severe illness caused by the variant, suggesting that the current vaccines remain effective against it.
- ✓ **How has the vaccination campaign progressed so far?** – According to data from Bloomberg, more than 7.3 billion vaccine doses have been administered worldwide with China (2.3 billion doses) and India (1.1 billion doses) recording the highest doses, followed by the E.U. (0.6 billion doses) as at 8 November 2021. With 31.7 million doses per day being administered, it will take another 6 months to cover 75.0% of the world's population to enable a return to normalcy.
- ✓ **Jerome Powell's latest hint on monetary policy expectations** – During the Federal Open Market Committee (FOMC) meeting held on 2 - 3 November, the U.S. Federal Reserve (Fed) made an announcement on the tapering of asset purchases which will begin later this month amid a stronger pace of economic recovery seen in the country. However, a rate hike is yet to be in plan unless the inflation continues to remain elevated which could give a reason for the Fed to do so.
- ✓ **Global manufacturing activities continued to expand for the sixteenth month** – The J.P. Morgan Global Manufacturing Purchasing Managers' Index (PMI) edged higher to 54.3 points in October from 54.1 points in September, attributable to a record lengthening of vendor lead times, as well as increased stock holdings and faster job growths.

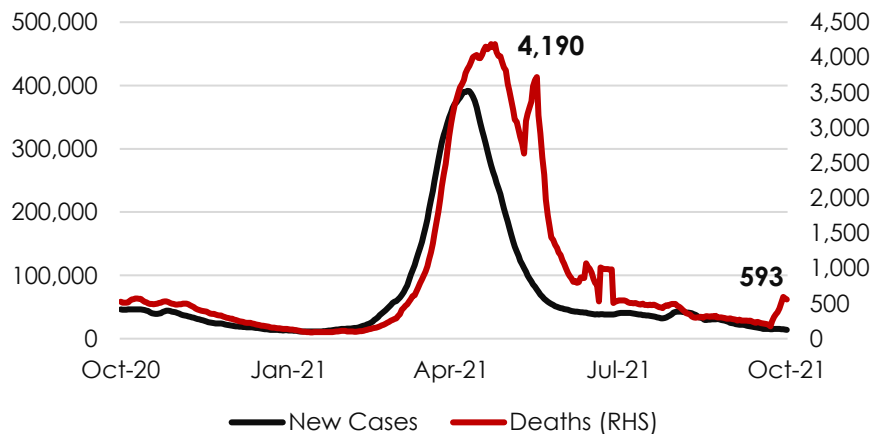
## Covid-19 Cases and Deaths Global (7-Day Moving Average)



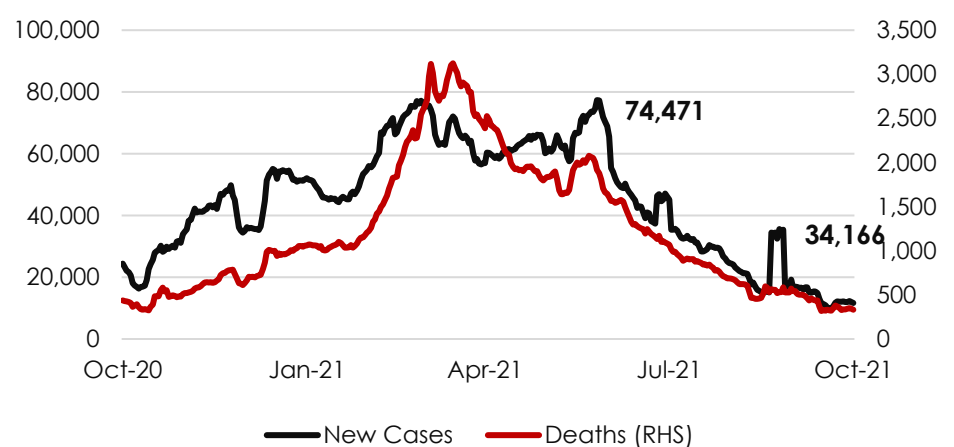
## Covid-19 Cases and Deaths in US (7-Day Moving Average)



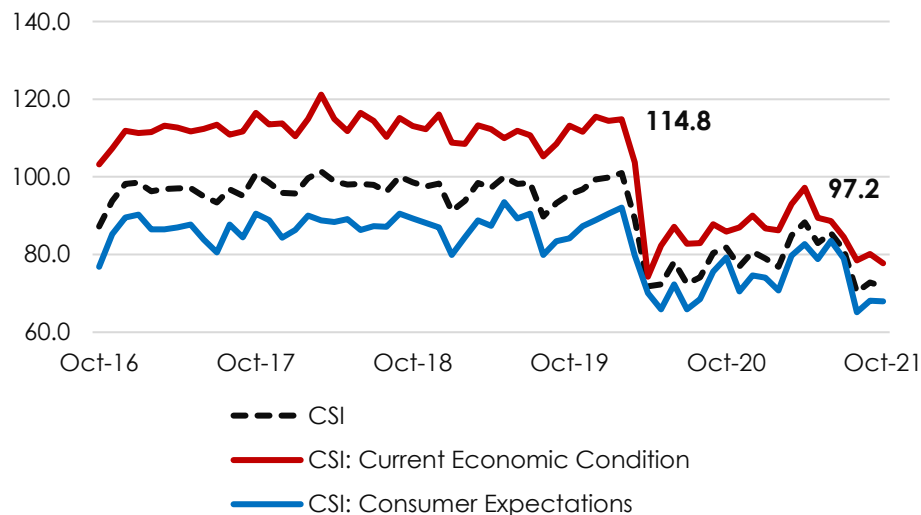
## Covid-19 Cases and Deaths in India (7-Day Moving Average)



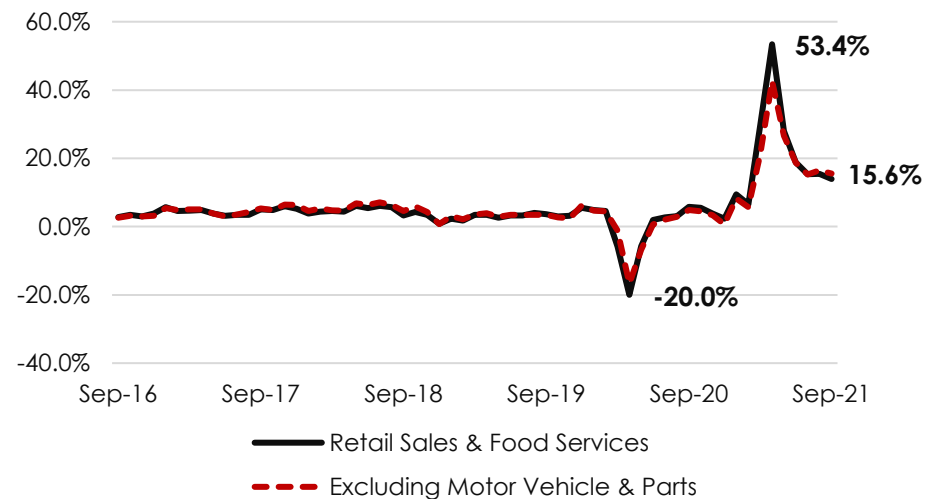
## Covid-19 Cases and Deaths in Brazil (7-Day Moving Average)



## Consumer Sentiment Index (CSI), points



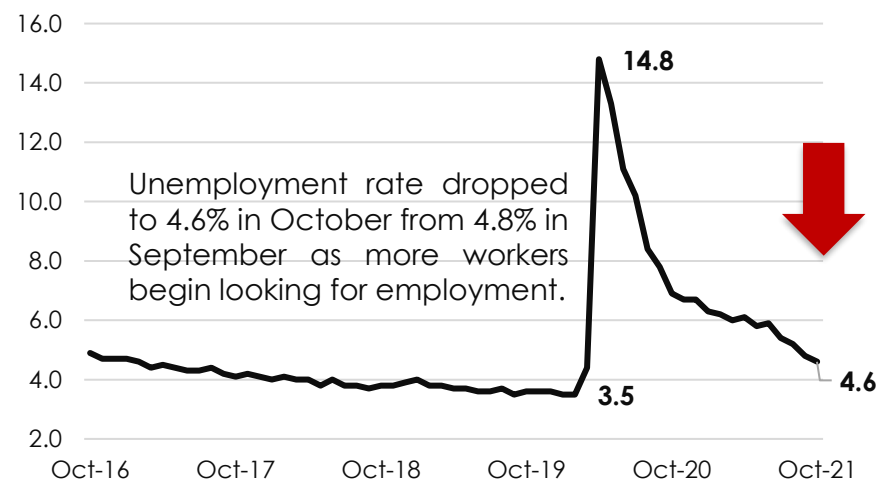
## Retail Sales & Food Services, y-o-y%



## US Continuous Jobless Claims (IJC), '000

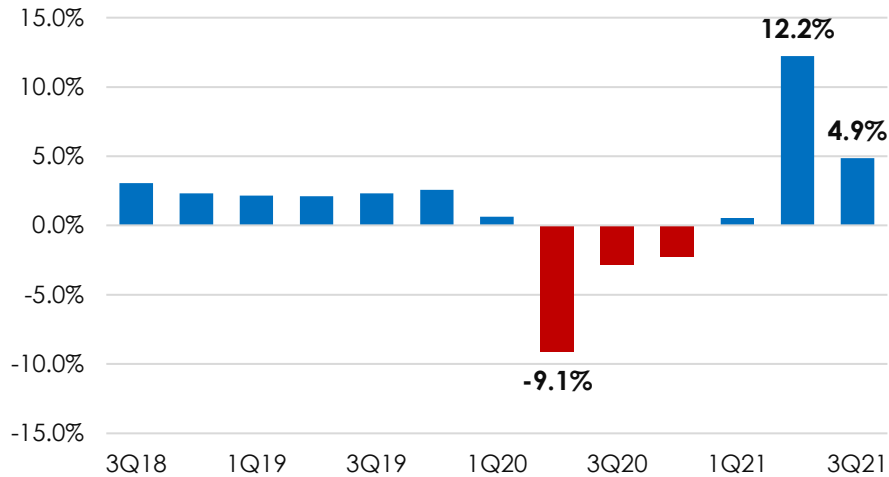


## Unemployment Rate, %

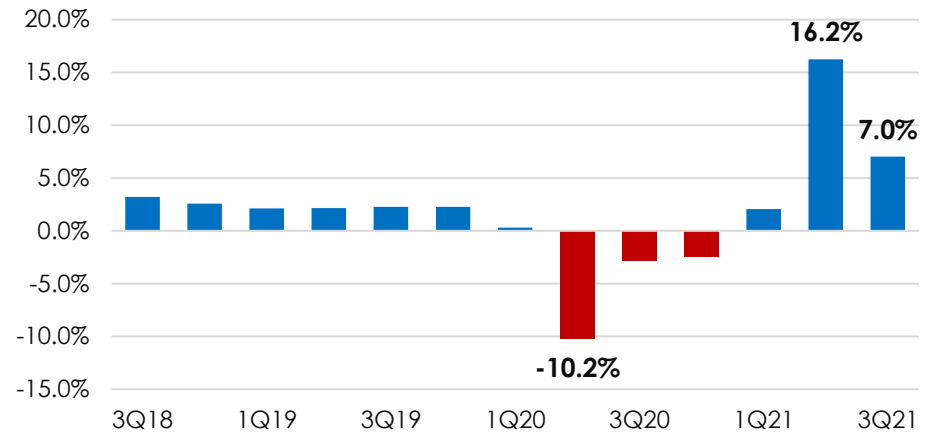


# U.S. ECONOMY EASED IN 3Q2021 AS THE DELTA VARIANT SURGED

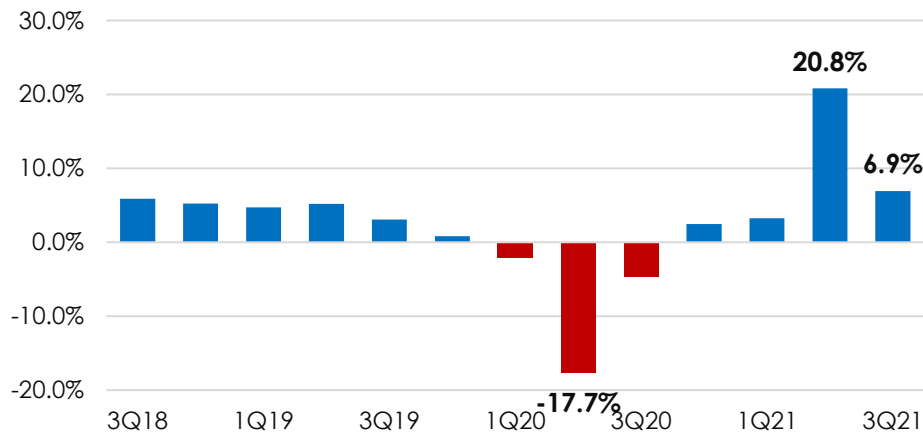
## GDP, y-o-y%



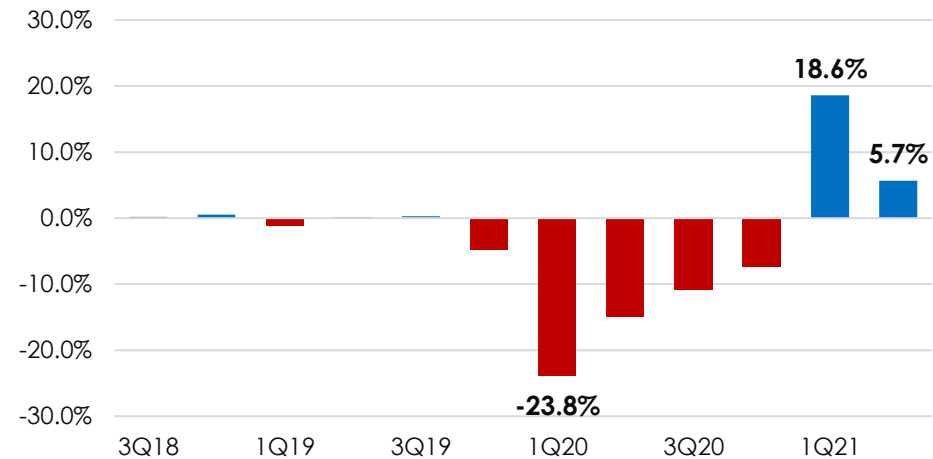
## Personal Consumption Expenditure (PCE), y-o-y%



## Gross Private Domestic Investment (GPI), y-o-y%



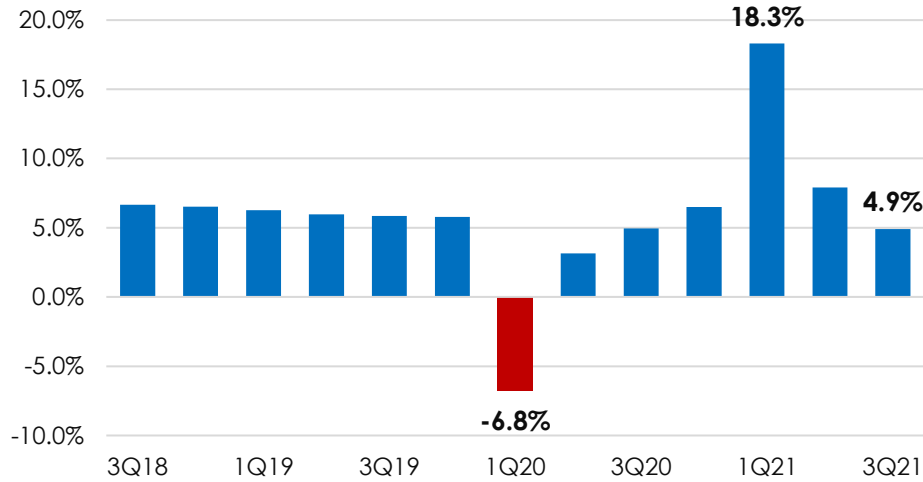
## Export, y-o-y%



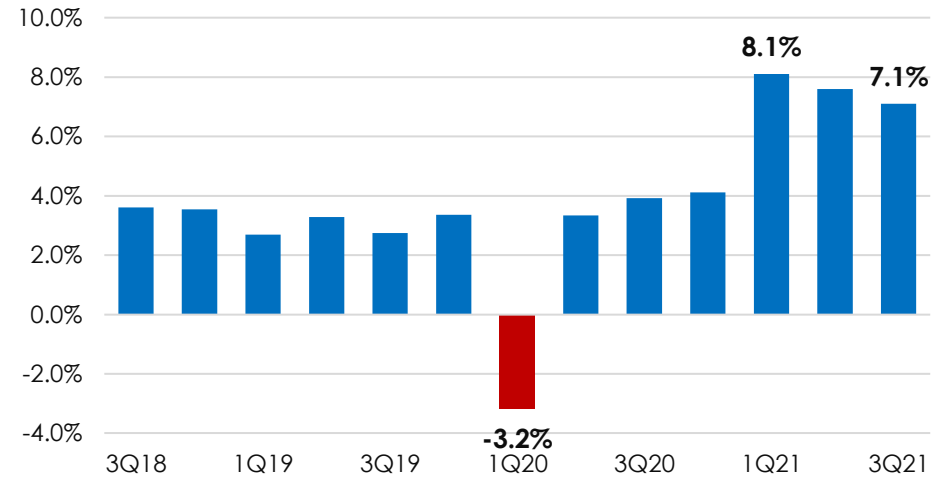
Sources: U.S. Bureau of Economic Analysis (BEA), CEIC

# CHINA ECONOMY – SLOWER GDP GROWTH IN 3Q2021

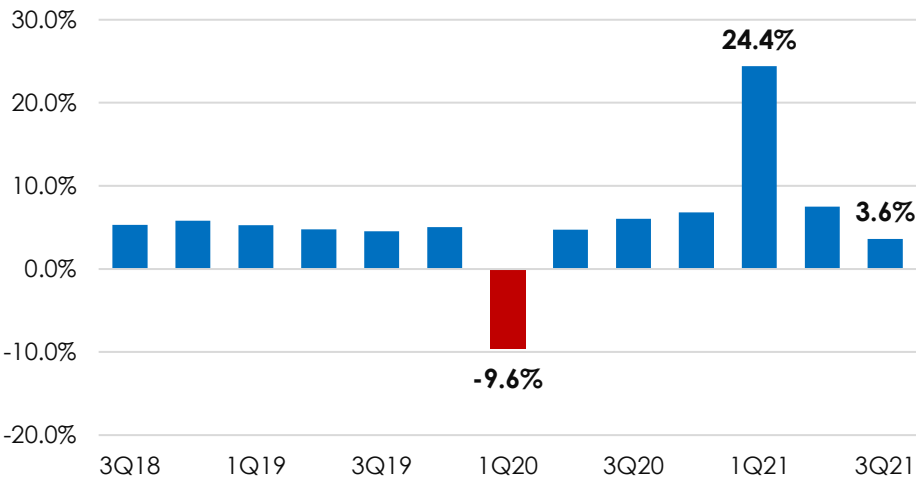
**GDP, y-o-y%**



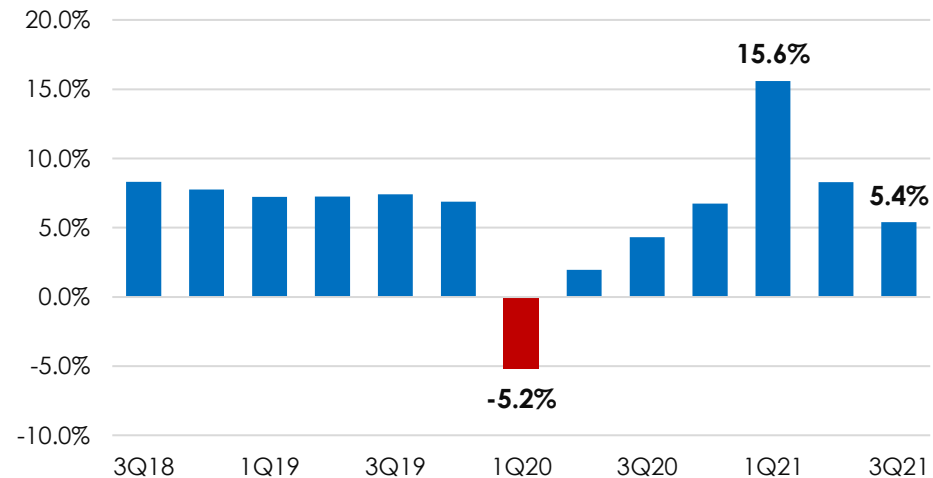
**Primary Industry, y-o-y%**



**Secondary Industry, y-o-y%**



**Tertiary Industry, y-o-y%**



Sources: National Bureau of Statistics of China, CEIC



Policy rates	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21*
<b>Advanced countries</b>													
US (Fed Fund Rate)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Japan (Policy Balance Rate)	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Euro Zone (Main Refinancing Rate)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UK (Bank Rate)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Canada (ON Lending Rate)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<b>Latin America</b>													
Mexico (ON Rate)	4.25	4.25	4.25	4.00	4.00	4.00	4.00	4.25	4.25	4.50	4.75	4.75	4.75
Brazil (Selic Rate)	2.00	2.00	2.00	2.00	2.75	2.75	3.50	4.25	4.25	5.25	6.25	7.75	7.75
Argentina (LELIQ 7D Notes Rate)	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00	38.00
<b>Eastern Europe</b>													
Russia (Key Rate)	4.25	4.25	4.25	4.25	4.50	5.00	5.00	5.50	6.50	6.50	6.75	7.50	7.50
Ukraine (Discount Rate)	6.00	6.00	6.00	6.00	6.50	7.50	7.50	7.50	8.00	8.00	8.50	8.50	8.50
Turkey (1W Repo Rate)	15.00	17.00	17.00	17.00	19.00	19.00	19.00	19.00	19.00	19.00	18.00	16.00	16.00
<b>Asia</b>													
China (1Y Loan Prime Rate)	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
India (Repo Rate)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Indonesia (7D Repo Rate)	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Thailand (1D Repo Rate)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
South Korea (Base Rate)	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75
Philippines (O/N Lending Rate)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Australia (Cash Rate)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
New Zealand (Cash Rate)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50
Malaysia (OPR)	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75



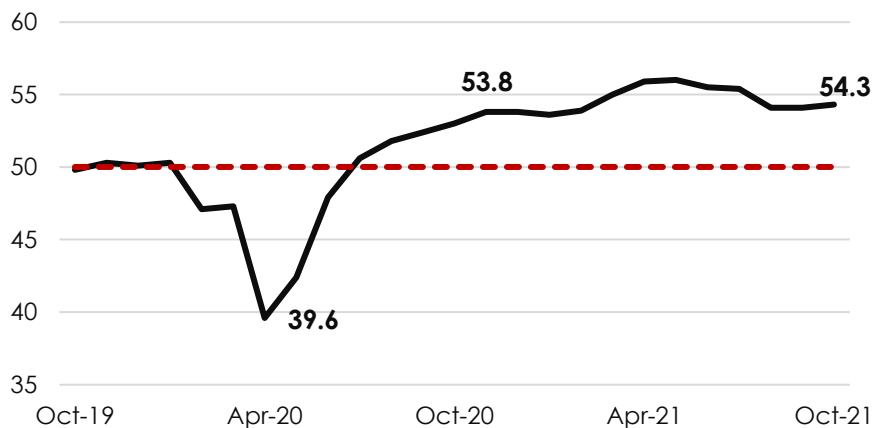
Source: Bloomberg

\*As at 8 November 2021

- ✓ Few central banks have started to raise their benchmark interest rate to contain inflationary pressure. For instance, the Reserve Bank of New Zealand increased its official cash rate (OCR) by 25 basis points (bps) to 0.50% from 0.25% during its meeting on 6 October. It was the first rate hike since June 2014 as policymakers decided to reduce the level of monetary stimulus to achieve its medium-term outlook for inflation and employment.
- ✓ Apart from that, the Central Bank of Brazil continued to adopt restrictive monetary policy, raising the Selic rate by 150 bps to 7.75% on 27 October, the sixth interest rate hike this year, while the Central Bank of Russia increased its benchmark policy rate by 75 bps to 7.5% on 22 October to ensure the annual inflation within the central bank target of 4.0%.

# GLOBAL MANUFACTURING SECTOR HAS BEEN EXPANDING FOR THE SIXTEENTH STRAIGHT MONTH

**J.P. Morgan Global Manufacturing PMI, points**

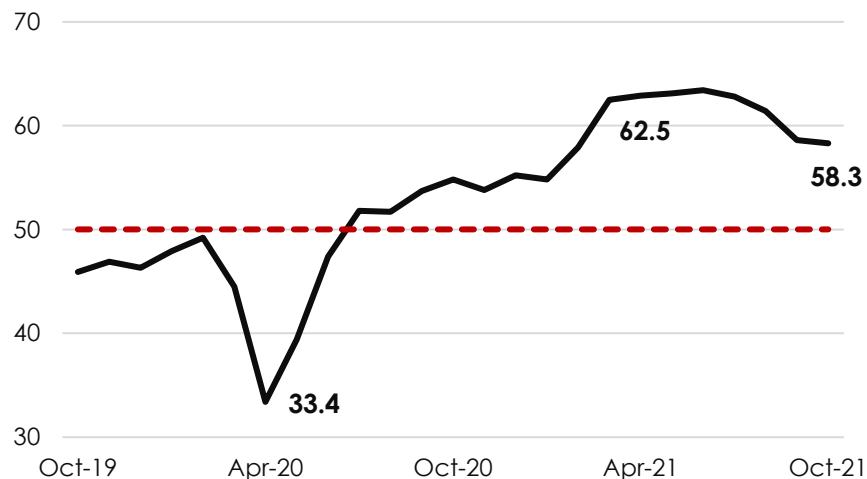


## Index Summary:

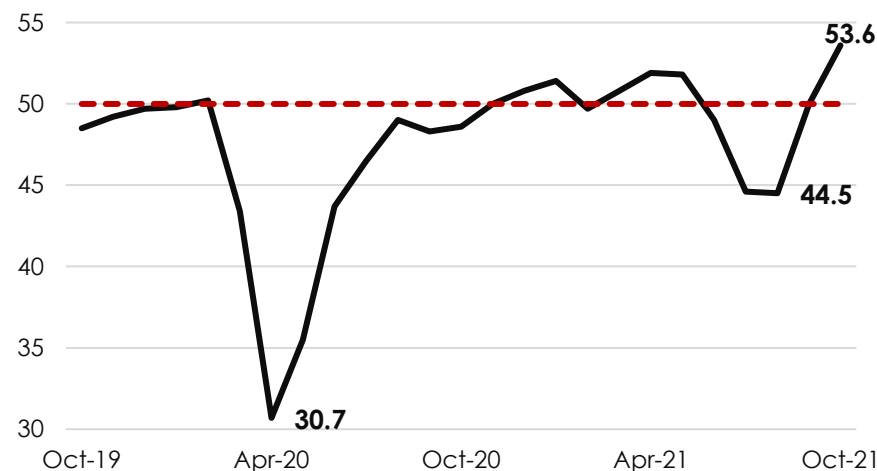
Index	Oct-21	Sep-21	Interpretation
PMI	54.3	54.1	Improvement, faster rate
Output	51.6	52.1	Growth, slower rate
New Orders	53.7	53.9	Growth, slower rate
New Export Orders	50.6	51.0	Growth, slower rate
Future Output	63.3	64.2	Growth expected, lesser sentiment
Employment	51.8	51.4	Growth, faster rate
Input Prices	74.4	71.2	Inflation, faster rate
Output Prices	63.7	60.9	Inflation, faster rate

Source: IHS Markit

**Eurozone Manufacturing PMI, points**



**ASEAN Manufacturing PMI, points**





# DOMESTIC LANDSCAPE

# SNAPSHOT OF LATEST MAJOR EVENTS/ECONOMIC VARIABLES IN MALAYSIA

Event	Date	Remarks
<b>Budget 2022</b>	29 October 2021	<ul style="list-style-type: none"> <li>✓ Total allocation for Budget 2022 stands at RM332.1 billion from an estimated RM320.6 in 2021 (Original: RM322.5 billion). The government expenditure is an all-time high which clearly signals that the government is embarking on an expansionary mode to come out of the woods after being impacted by the pandemic.</li> </ul>
<b>External Trade</b>	28 October 2021	<ul style="list-style-type: none"> <li>✓ Malaysia's exports continued to maintain a double-digit growth by expanding 24.7% year-on-year (y-o-y) in September, extending a gain of 18.4% in the preceding month.</li> <li>✓ This marks the thirteenth consecutive month of expansion in the nation's exports activities since September last year.</li> <li>✓ The strong performance in exports was underpinned by the further expansion seen in the Manufacturing sector (September: 21.6% vs. August: 15.4%), as well as the Agriculture sector (September: 47.7% vs. August: 28.5%).</li> <li>✓ Meanwhile, exports growth in the Mining sector slowed down to 48.1% in September from a 50.6% advance in the previous month.</li> </ul>
<b>Consumer Price Index (CPI)</b>	22 October 2021	<ul style="list-style-type: none"> <li>✓ Malaysia's CPI rose by 2.2% y-o-y in September, extending a gain of 2.0% in the previous month. The upturn was contributed by the rising in Food &amp; Non-Alcoholic Beverages (September: 1.9% vs. August: 1.2%) which forms a sizeable share of 29.5% out of the total CPI.</li> <li>✓ Meanwhile, the Core CPI which excludes most volatile items of fresh food, as well as administered prices of good and services remains unchanged at 0.6% in September (August: 0.6%).</li> </ul>

Sources: Ministry of Finance (MOF) Malaysia, DOSM

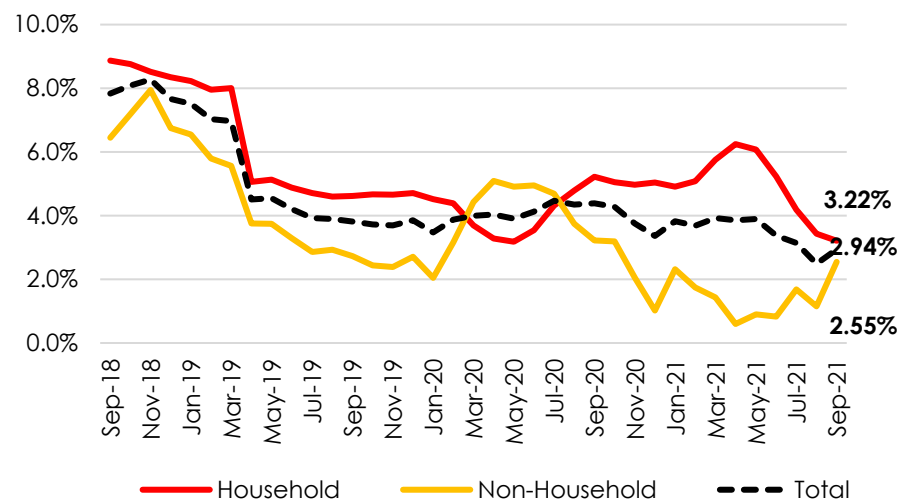
# SNAPSHOT OF LATEST MAJOR EVENTS/ECONOMIC VARIABLES IN MALAYSIA (CONT'D)

Event	Date	Remarks
<b>Industrial Production Index (IPI)</b>	12 October 2021	<ul style="list-style-type: none"> <li>✓ Malaysia's IPI dropped by 0.7% y-o-y in August (July: -5.1%).</li> <li>✓ The fall was mainly contributed by the decline in both Mining (August: -4.2% vs. July: 0.6%) and Electricity (August: -4.8% vs. July: -4.6%).</li> <li>✓ Meanwhile, the contraction in the IPI was capped by the Manufacturing sector which rebounded by 0.6% in August after contracting by 6.5% in the previous month. This sector accounted for 68.3% of total IPI.</li> </ul>
<b>Unemployment rate</b>	8 October 2021	<ul style="list-style-type: none"> <li>✓ Malaysia's unemployment rate declined to 4.6% in August from 4.8% in the previous month as more economic activities are permitted to resume. This positive movement signals that the performance of Malaysia's economy will rejuvenate gradually as more businesses are continuing their operation at a greater capacity.</li> </ul>

Source: DOSM

# BANKING SECTOR – FINANCING GROWTH IS PICKING UP ITS MOMENTUM

**Financing Growth by Sector, y-o-y%**

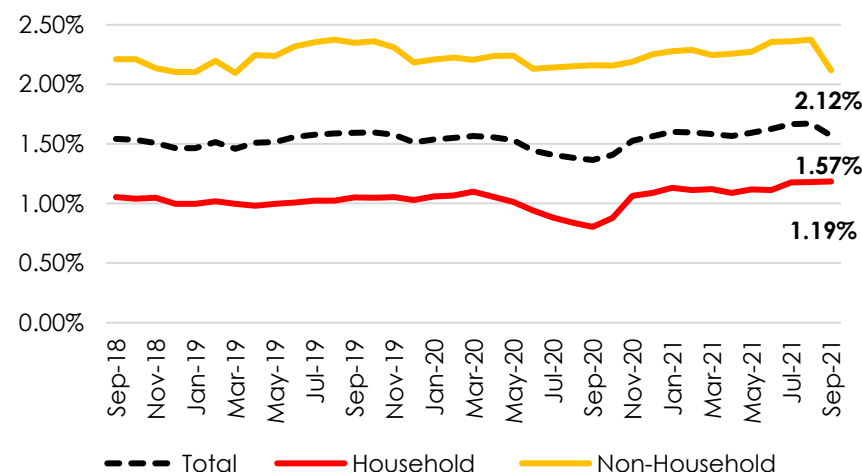


Source: CEIC

- ✓ The banking system's financing activities went up by 2.94% y-o-y in September after rising by 2.49% in August. The expansion was attributable to the Non-Household sector which rose by 2.55% in September (August: 1.16%) as the restriction measures were gradually eased.
- ✓ Within the Non-Household sector, financing growth for Manufacturing (September: 7.78% vs. August: 7.12%), Wholesale, Retail Trade, Hotels & Restaurant (September: 7.13% vs. August: 6.86%) and Finance, Insurance & Business Activities (September: 6.30% vs. August: 3.17%) were all higher during September.
- ✓ Nevertheless, the Household sector continued to record a slower growth of 3.22% in September (August: 3.44%) as consumers remained cautious in their spending activities.

- ✓ On the other hand, the overall Gross Impaired Financing Ratio (GIFR) slightly improved to 1.57% in September (August: 1.67%), mainly supported by the Non-Household sector (September: 2.12% vs. August: 2.38%).
- ✓ This indicates that the banking sector has started to gain its momentum amid reopening of the economy that allowed businesses to resume their operation activities on a larger scale.
- ✓ All in all, we foresee that the easing of restriction measures would have spill over effects on the financing growth within the Non-Household sector, as well as the Household sector, supported by improving domestic consumption while the GIFR may decline deliberately moving forward.

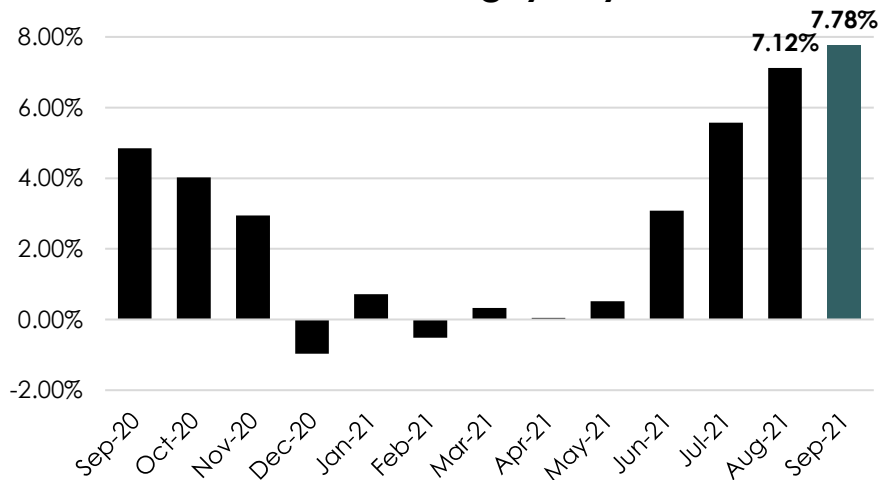
**GIFR, %**



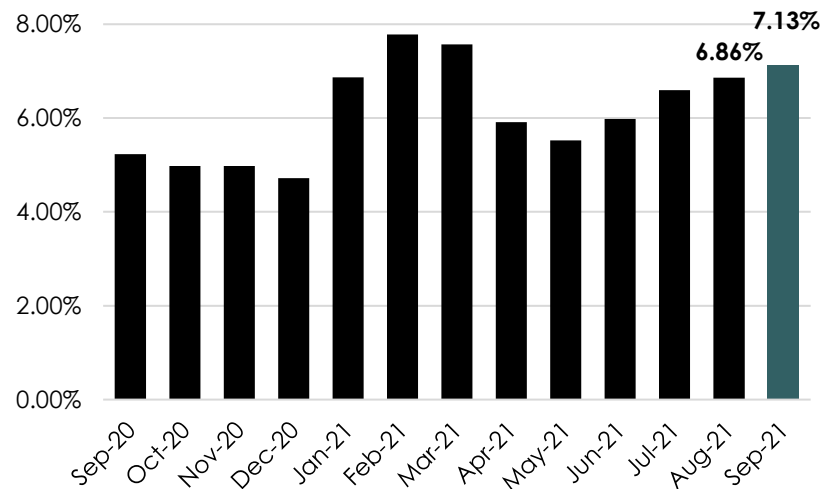
Source: CEIC

# FINANCING BY SECTOR – FINANCING ACTIVITIES GREW HIGHER DURING SEPTEMBER

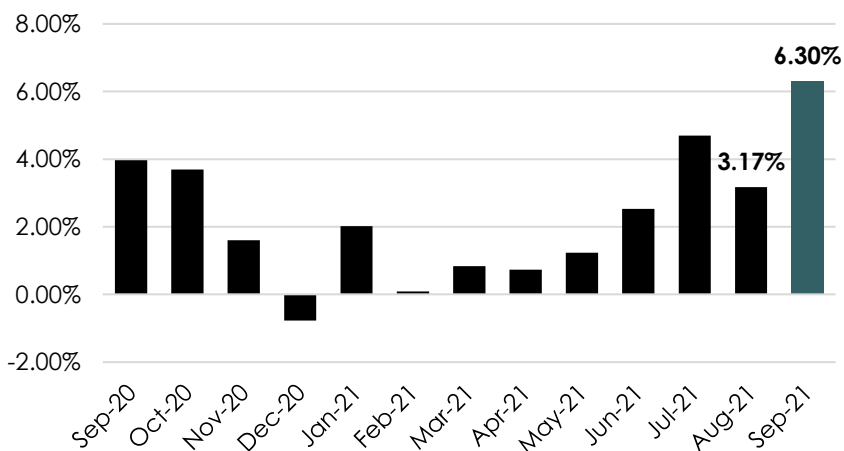
## Manufacturing, y-o-y%



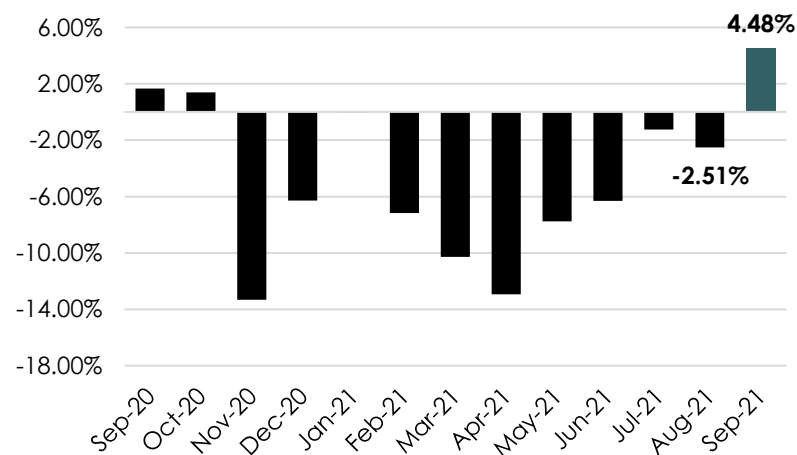
## Wholesale, Retail Trade, Hotels & Restaurant, y-o-y%



## Finance, Insurance & Business Activities, y-o-y%

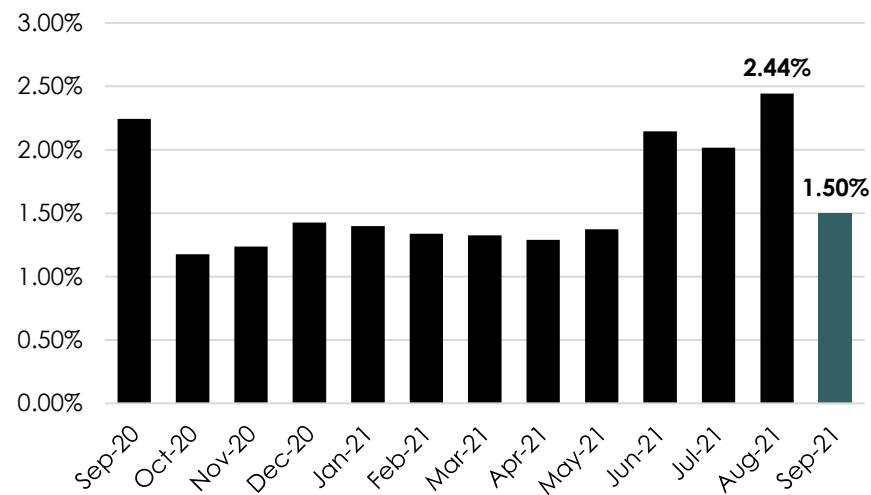


## Electricity, Gas & Water Supply, y-o-y%

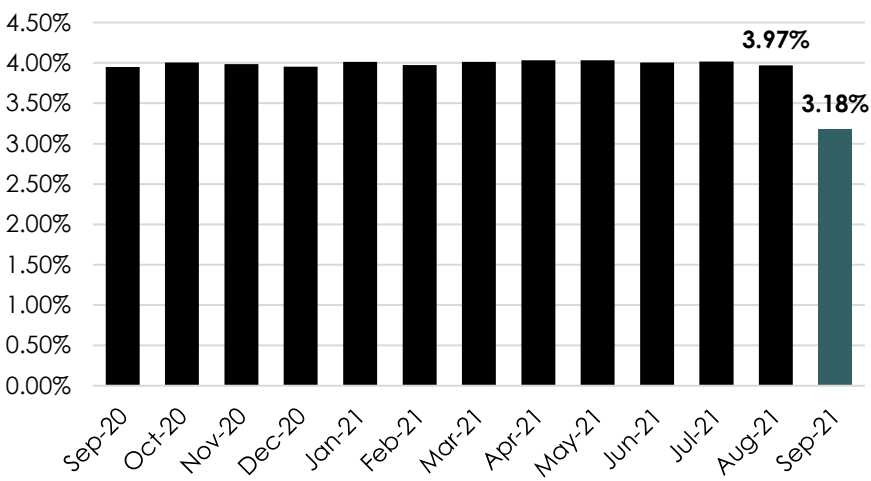


# IMPAIRMENT BY SECTOR – ASSET QUALITY IMPROVED DURING SEPTEMBER

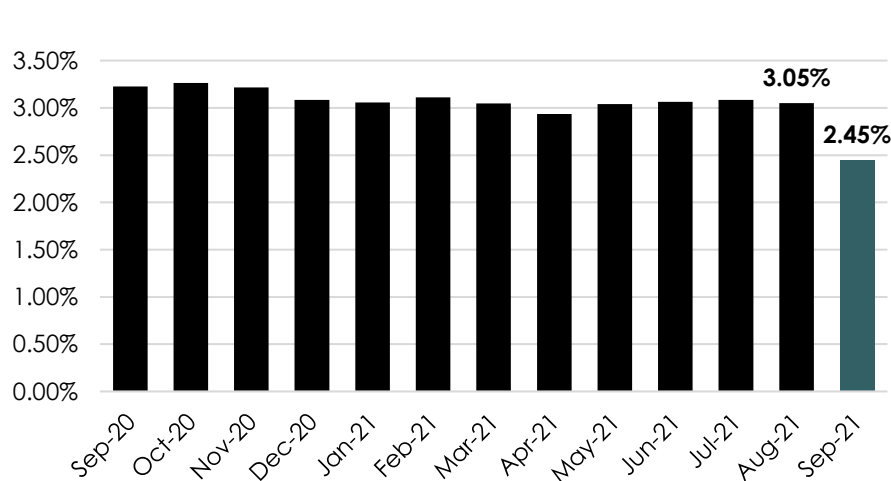
GIFR-Mining & Quarrying, %



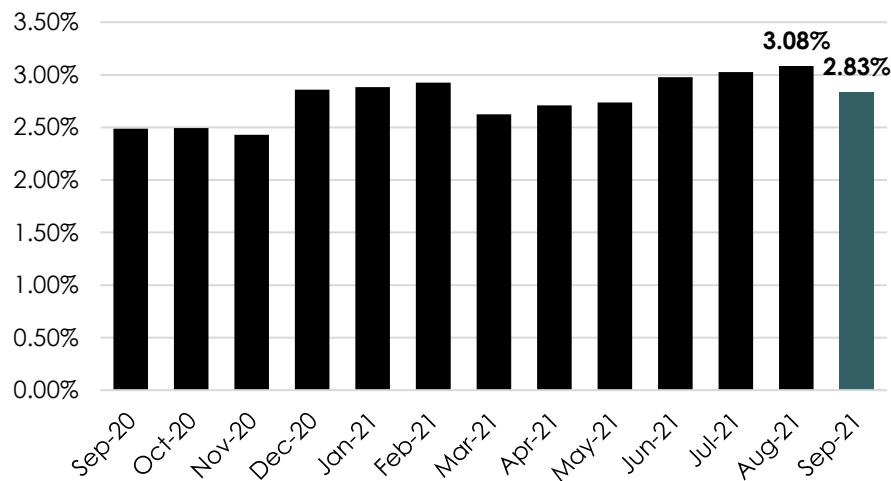
GIFR-Primary Agriculture, %



GIFR-Manufacturing, %



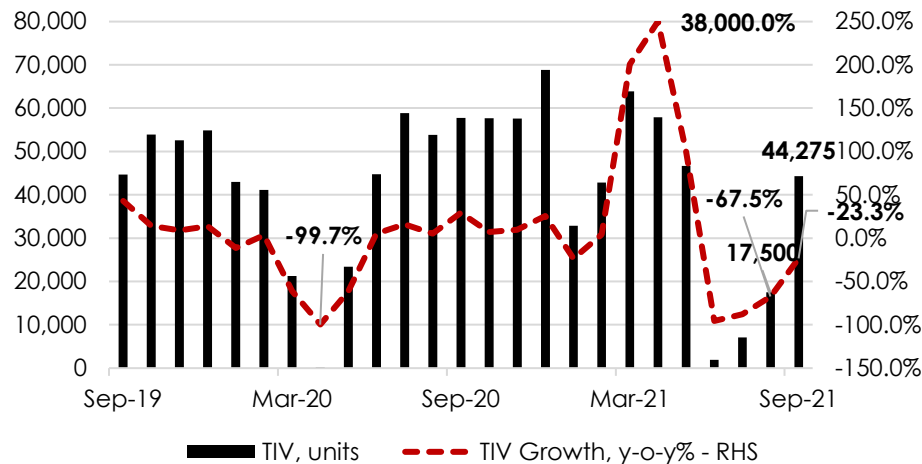
GIFR-Construction, %



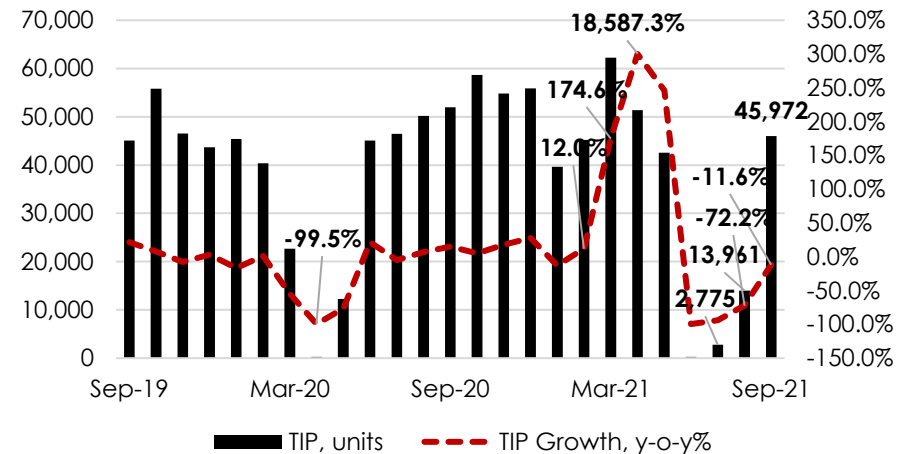


# RELAXATION OF MOVEMENT RESTRICTIONS BOOSTS AUTOMOTIVE SALES

## Total Industry Volume (TIV), units



## Total Industry Production (TIP), units



Source: Malaysian Automotive Association

Source: Malaysian Automotive Association

- ✓ The Total Industry Volume (TIV) of the automotive industry experienced a softer decline of 23.3% in September (August: -67.5%) to reach 44,275 units (August: 17,500 units) given the full month of restored business operations nationwide following the relaxation of movement restrictions.
- ✓ On a cumulative basis, the TIV was lower by 7.3% to reach 318,874 units in 9M2021 (9M2020: 344,019 units).
- ✓ The Total Industry Production (TIP) also recorded a narrower decline of 11.6% in September (August: -72.2%). On further scrutiny, the overall production of vehicles was mainly dragged by national car producers, namely Perodua which dropped by 43.4% during the same month given operating constraints faced by the domestic vendor network.
- ✓ The complete reopening of auto retailing should accommodate further build-up of outstanding bookings in our opinion, underpinned by the tax holiday which has been extended until 30 June 2022, and a low financing rate environment. These factors, coupled with potential improvement in the macro environment post-reopening, underscore a sanguine view on the sector. This will enable the Malaysian Automotive Association to meet its growth target in the TIV of 21.0% in 2022F (2021: -5.6%).
- ✓ However, the global supply chain disruption which is prevalent for semiconductors and is expected to prolong until the end of 2022 could impact the automotive industry especially electric vehicles (EVs) that rely heavily on such components.

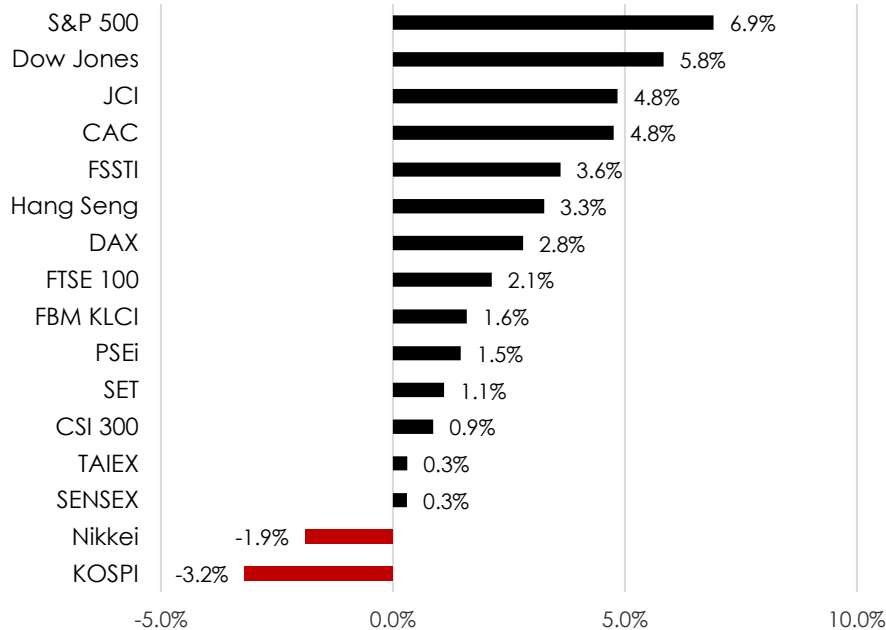


# MALAYSIA'S FINANCIAL MARKET

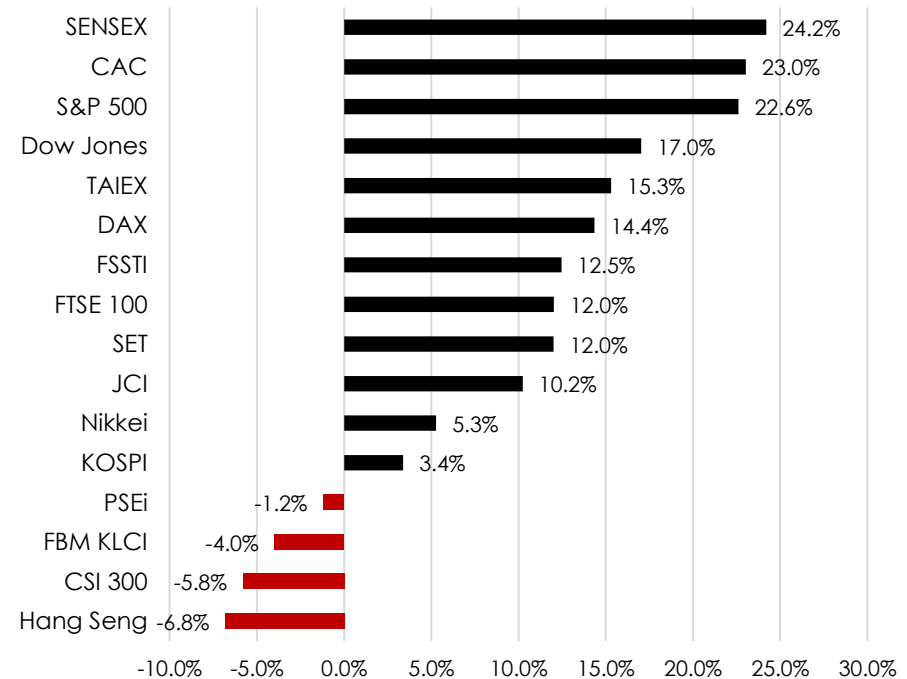
# MOST EQUITY MARKETS MARKED GAINS IN OCTOBER

- ✓ Gainers outnumbered losers in the month of October with gainers being led by Wall Street's S&P 500 index which saw a 6.9% monthly advance. This was also the biggest monthly gain recorded so far in 2021 for the index after a strong earnings report in October helped to calm investors' nerves. Large technology stocks, whose sheer size gave them an outsize influence over benchmarks like the S&P 500, rallied as well. Microsoft rose more than 17.0% and Alphabet climbed 11.0% in October after reporting solid financial results.
- ✓ Meanwhile, South Korea's KOSPI index was the biggest loser in October after ending 3.2% lower during the month spurred partly by inflation concerns. In fact, the KOSPI index saw its daily average trading volume hit its lowest level in a year this month of KRW11.8 trillion in October, a level not seen since the KRW10.9 trillion worth of daily average trading volume recorded a year ago.
- ✓ On the domestic front, the FBM KLCI index recorded a 1.6% gain in October but saw a wider loss of 4.0% on a Year-To-Date (YTD) basis, making the index the second smallest loser among 4 other markets.

**Monthly Gains/Losses of Benchmark Indices in October 2021**



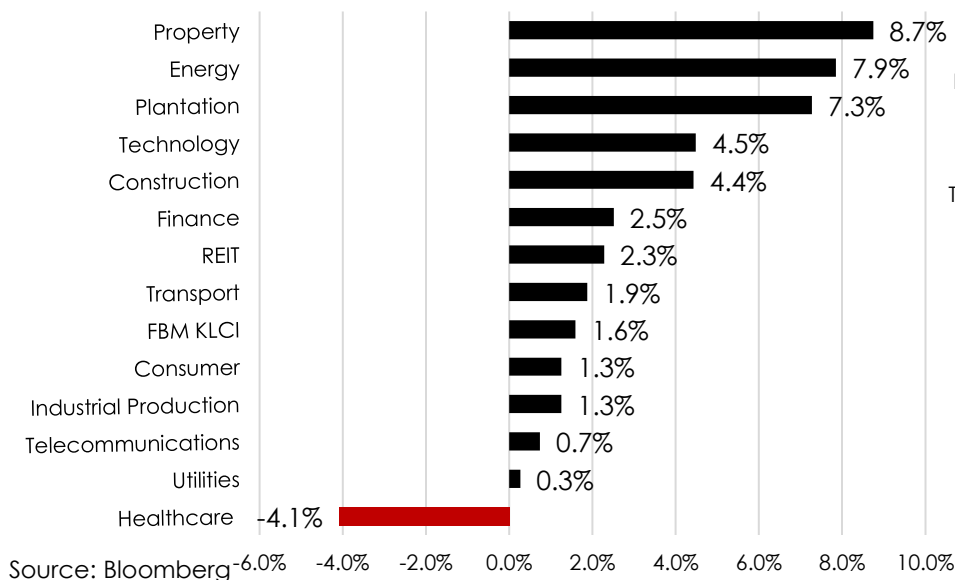
**YTD Gain/Losses of Benchmark Indices**



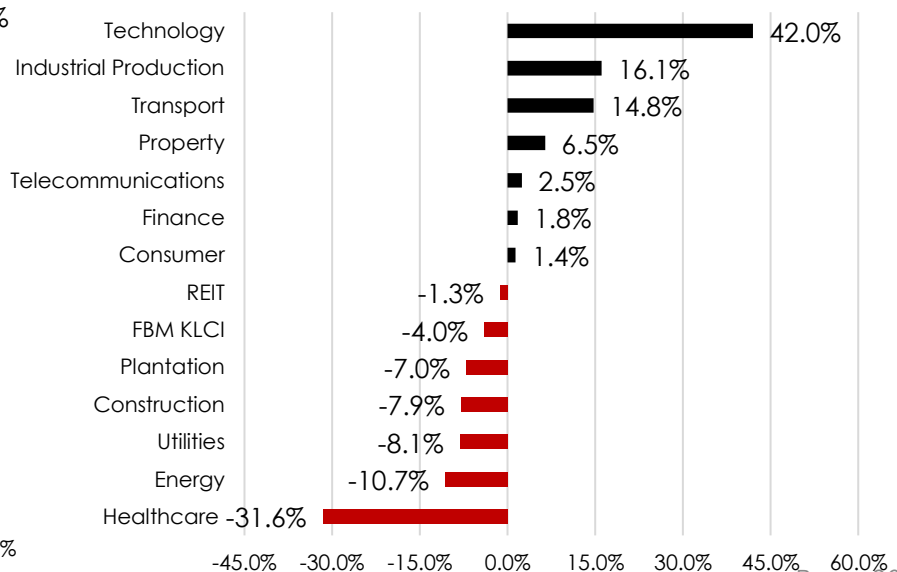
# SECTORAL PERFORMANCE OF BURSA MALAYSIA

- ✓ The number of gainers among Bursa's sectoral indexes also exceeded the number of losers in October with the Bursa Malaysia Property index reporting the biggest monthly gain of 8.7%. The property sector is poised to experience a 3.0% to 5.0% growth in the coming year, despite the Covid-19 pandemic and other disruptions in the market, according to Rahim & Co International Sdn Bhd. Of the residential, commercial and industrial segments, industrials will take centre stage next year, given the amped-up demand for logistics businesses. In 4Q2021, sentiment may become more positive as the economy reopens as people may want to utilize their savings for big ticket items including property purchases.
- ✓ Meanwhile, the Bursa Malaysia Healthcare index led decliners with a 4.1% monthly drop in October. The slump in the index was fuelled by a report that the U.S. Customs and Border Protection (CBP) indicated that disposable gloves produced by three Supermax units will be detained at all U.S. entry ports from 21 October on the grounds that the company used forced labour in manufacturing operations. Furthermore, the higher number of people getting vaccinated will likely result in lesser urgency for distributors to pre-book supplies in advance as buyers are currently holding back on purchases in order to avoid stocking up at higher prices.

**Bursa Malaysia Sectoral Monthly Performance in October 2021**

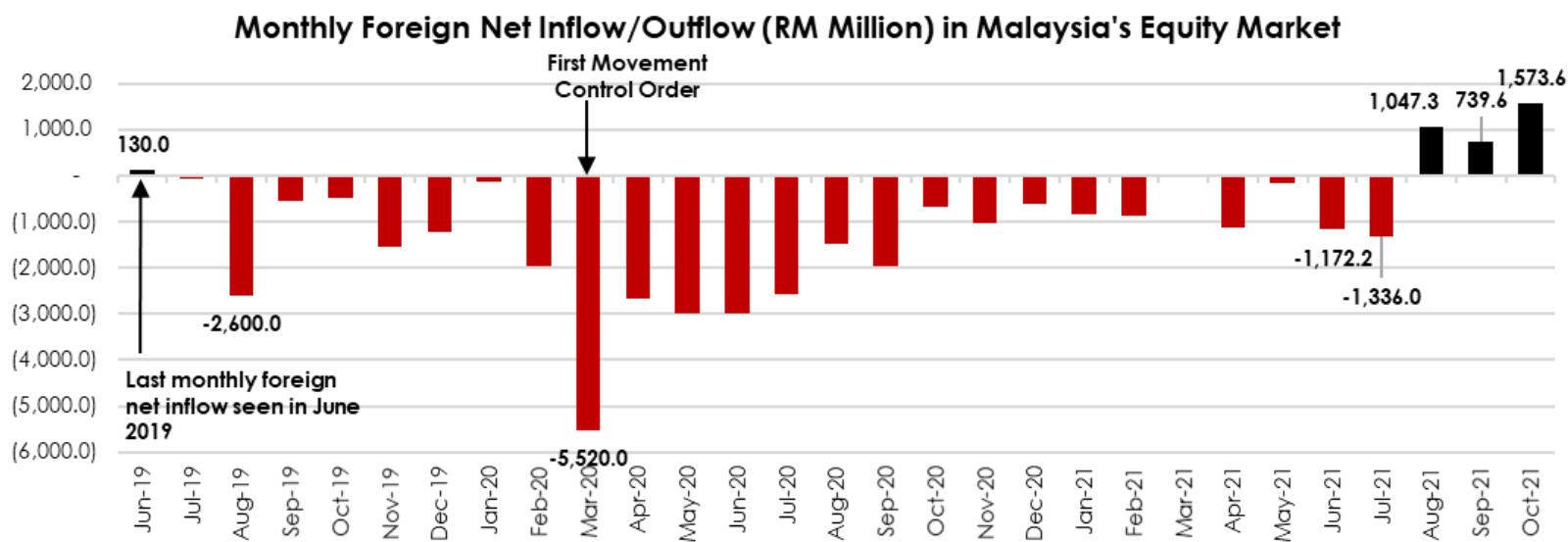


**Bursa Malaysia Sectoral YTD Gains/Losses**



# FOREIGN FUND FLOWS-EQUITY

- ✓ The month of October recorded a foreign net inflow of RM1,573.6 million (September: RM739.6 million). This is the third monthly foreign net inflow seen after 25 consecutive months of foreign net selling on Bursa. Aside from that, local retail investors have recorded net inflows of RM98.1 million in October (September: RM941.3 million) while local institutions disposed local equities to the tune of RM 1,671.4 million net last month compared to RM1,680.8 million net of local equities sold in the month before.
- ✓ Meanwhile, international investors have sold RM3,751.9 million net of local equities for the first nine months of 2021 compared to RM22,304.5 million net during the same period last year.
- ✓ On further scrutiny, we observed that foreign investors were net sellers for only 6 days out of the 20 trading days in the month of October, suggesting that foreign investors have indeed returned to the Malaysian market. However, the latest tax measures outlined in the Budget 2022 might pose some headwinds to the buying activity of local equities among foreign investors.



Source: Bursa

# THE MOVEMENT OF THE LOCAL BOURSE

- ✓ During the month of October, the FBM KLCI index reached as high as 1,606.3 points on 20 October, rebounding from 1,522.5 points on 4 October as investors cheered the resumption of inter-state travel.
- ✓ However, the FBM KLCI index started to decline towards the end of October as it dropped to 1,562.3 points on the last day of October as investors remain wary of the measures outlined under the Budget 2022.
- ✓ One of the major measures that spooked investors is the introduction of the one-off special windfall tax to the companies that generate high income. The tax, known as Cukai Makmur, involves companies with chargeable income up to the first RM100.0 million to be subjected to income tax at a rate of 24.0% while the remaining chargeable income will be subject to income tax at the rate of 33.0% for the year of assessment 2022.
- ✓ We understand that the majority of the 30 constituents listed under the FBM KLCI index are blue chip companies with pre-tax profits that exceed RM100.0 million. Therefore, the new windfall tax will definitely reduce the overall profitability of companies under the FBM KLCI index as they would have to pay more taxes.
- ✓ A negative knee-jerk reaction following this new form tax was inevitable as the first trading day of November saw a major sell-off on Bursa whereby the FBM KLCI index slumped by 2.0% to settle at 1,530.9 points, a level not seen since 5 October before rebounding by 0.4% on the next day amid bargain hunting activities.

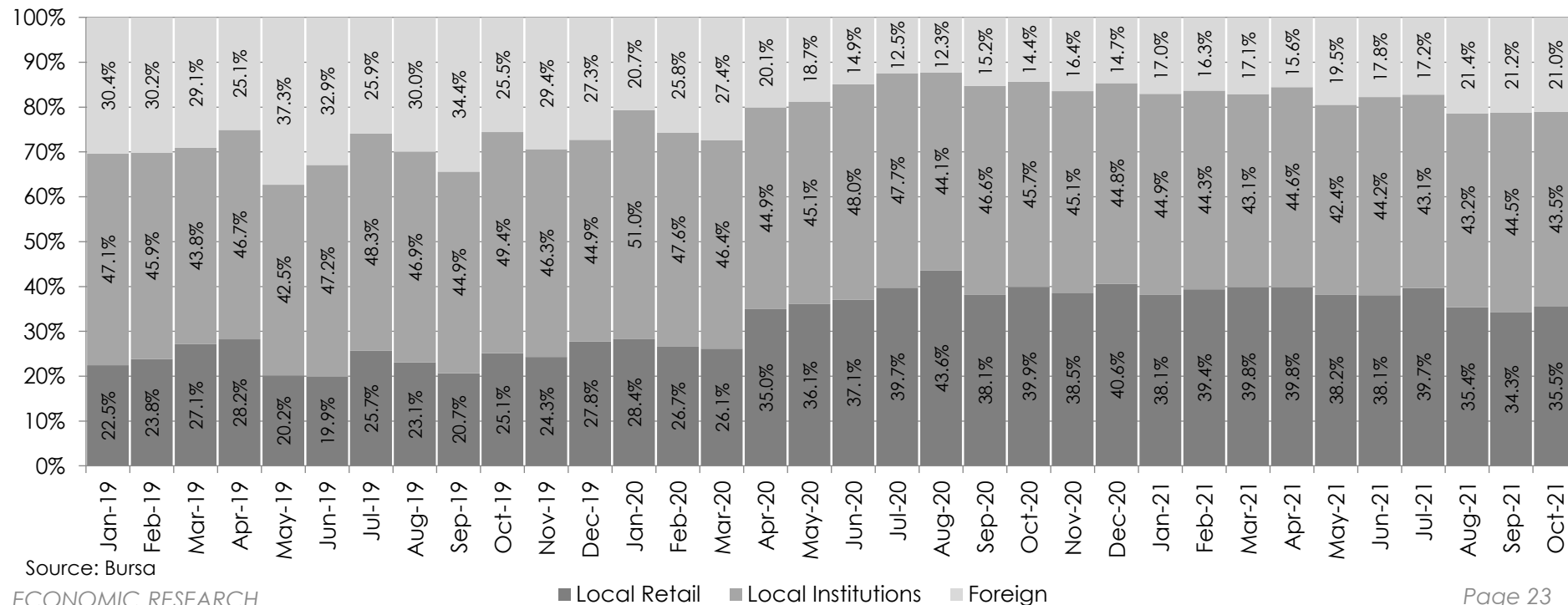
FBM KLCI Index



Source: Bursa

- ✓ Overall, the total value traded on Bursa Malaysia declined to RM117.7 billion in October (September: RM129.1 billion).
- ✓ On further scrutiny, we observed that the participation of retail investors in terms of percentage of total value traded on Bursa Malaysia inched higher to 35.5% in October (September: 34.3%).
- ✓ Meanwhile, foreign investors who have marked a return to Malaysia saw their trading participation based on value traded on Bursa Malaysia remain above 20.0% for the third consecutive month, standing at 21.0% in October (September: 21.2%).
- ✓ We also noted that the participation from local institutions was at 43.5% of the total value traded on Bursa in October compared to 44.5% in the previous month.

## Trading Participation (%) based on value traded amongst investor types



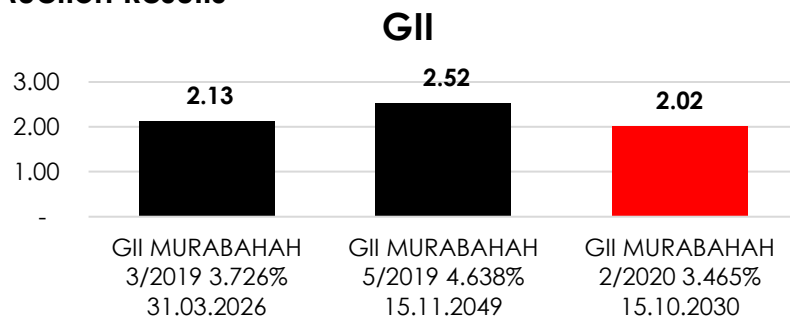


## MGS Monthly Changes

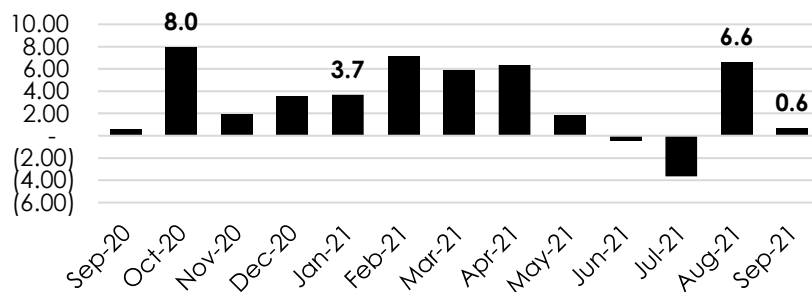
MGS Benchmark	Coupon (%)	Yields (%) 30-Sep-21	Yields (%) 29-Oct-21	Change (bps)
3-YMGS 06/24	3.48%	2.44%	2.68%	24
5-YMGS 11/26	3.90%	2.92%	3.24%	32
7-YMGS 06/28	3.73%	3.30%	3.48%	18
10-YMGS 04/31	2.63%	3.37%	3.58%	21

Source: BNM

## Auction Results



## Foreign Fund Flows in Bond Market, RM billion



Source: Bond Info Hub

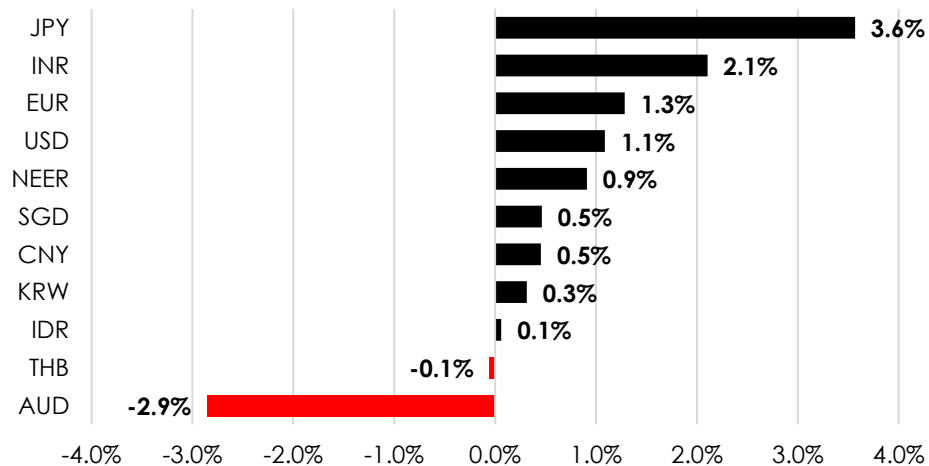
ECONOMIC RESEARCH

- ✓ Overall, the MGS benchmark yields increased significantly between 18 bps and 32 bps in October in view of a swift global economic recovery alongside rising in the U.S. Treasury (UST) yields.
- ✓ Meanwhile, the reopening of 10-Y GII 10/30 drew a healthy Bid-To-Cover (BTC) ratio of 2.02x.
- ✓ In addition, foreign investors continued to purchase local govies with a net inflow of RM0.6 billion recorded in September (August: RM6.6 billion). This shows that the demand for Malaysian bond remains supportive.
- ✓ Looking forward, we anticipate that the local govies would continue to rise amid gradual reopening of the economy which would support domestic consumption and drive business activities.
- ✓ Nevertheless, the jump in consumer inflation this year has already lasted longer than anticipated amid the global supply chain bottleneck, as well as a surge in commodity prices.
- ✓ Moreover, the imbalance between demand and supply is likely to persist for quite some time due to the pick up in demand.
- ✓ Following this, the higher inflation could pose a risk to the bond market.
- ✓ Additionally, the higher bond yields also influenced by the tapering asset activities by the Fed that will begin this month.

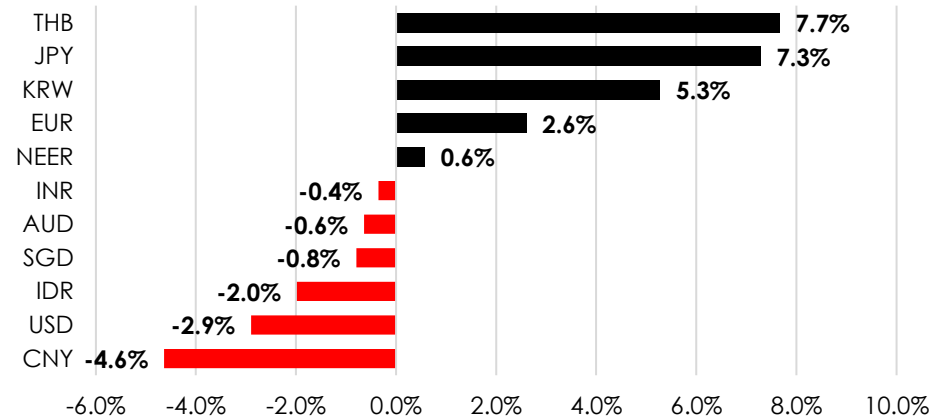


- ✓ The Ringgit strengthened by 1.1% month-on-month (m-o-m) against U.S. Dollar to close at RM4.1390 on 29 October from RM4.1850 on the previous month. The stronger ringgit was mainly attributable to the tabling of Budget 2022 which saw its largest-ever budget for the country amounting to RM332.1 billion, surpassing the previous budget allocation of RM322.5 billion in 2021. Budget 2022 would be focusing on supporting the Malaysian economic recovery, as it emerged from the pandemic and is on track to reopen fully by early 2022.
- ✓ In addition, the stronger Ringgit was further supported by a firmer Brent price which rose to USD84.38 per barrel on 29 October from USD78.52 per barrel in the preceding month.
- ✓ In the recent FOMC meeting, the Fed has decided to begin the tapering of asset purchases later in this month following to the expectation of economy is continue improving while adding it would be premature to raise rates at the current juncture.
- ✓ As such, the local note is expected to hover around RM4.15 and RM4.16 against the greenback in the near term.

MYR Against Other Currencies, m-o-m%

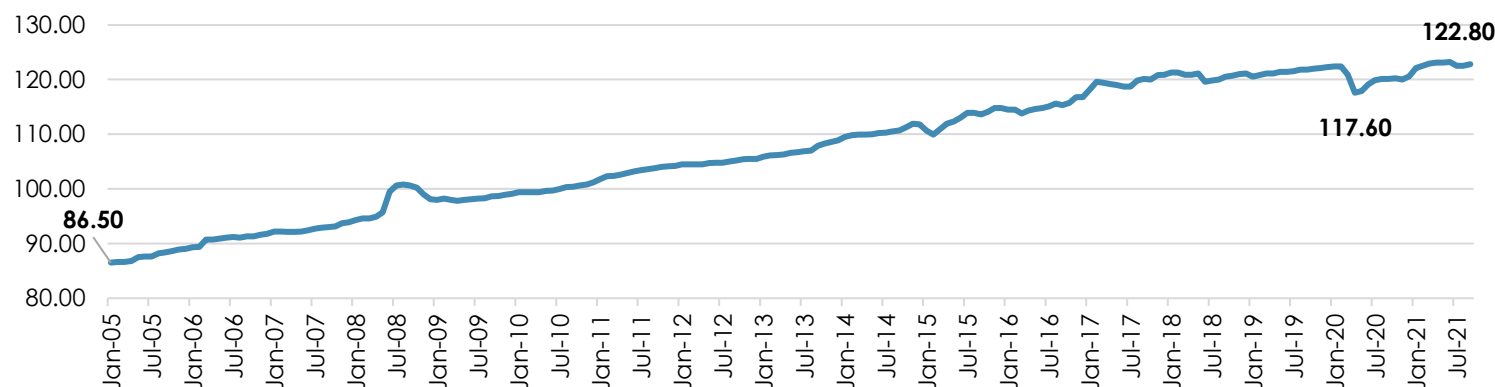


YTD Performance MYR Against Other Currencies, %



- ✓ The main highlight of the month of November would be Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) meeting which was held on 3 November and the release of Malaysia's 3Q2021 GDP data on 12 November.
- ✓ The final MPC meeting on 3 November saw BNM keep the Overnight Policy Rate (OPR) unchanged 1.75% despite the expected rise in consumer spending in 4Q2021 in the wake of the reopening of state borders. The reason being is that businesses are still in the midst of recovering and rehiring activities are being gradually carried out.
- ✓ On the other hand, Malaysia's 3Q2021 GDP growth will be partly supported by the gradual relaxations of restrictions which initially started in August, cushioning the lockdowns particularly the enhanced movement control order (EMCO) in certain parts of Selangor and Kuala Lumpur which led to the temporary closure of factories in the first half of July.
- ✓ While the economic trajectory seems to be favourable as the world begins to accept the virus as an endemic, another issue comes into play which is the price of goods. The surge in demand has continued to strain supply chain ecosystems and the scarcity of goods has led to the increase in prices. Industry experts foresee that the disruption in the supply chain will likely continue until the end of 2022. The nature of prices is that they remain sticky on the upside but if the rate of the increase in prices gets out of control, this could trigger stagflation if the economic growth cannot keep up to pace with inflationary pressures.
- ✓ Therefore, the overall condition is not all hunky-dory and businesses must continue to exercise caution in making business decisions.

## Consumer Price Index (CPI)



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