



From the Desk  
of the  
**Chief Economist**

**BANK ISLAM**

# **MONTHLY ECONOMIC & MARKET UPDATES**

**4 MARCH 2022**

**ECONOMIC RESEARCH**

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# GLOBAL ECONOMY

## Worldwide Covid-19 infections reached almost at 439.0 million in March

- ✓ The number of confirmed Covid-19 cases globally registered at about 439.0 million with almost 6.0 million deaths recorded as at 3 March 2022.
- ✓ The U.S., India, Brazil, France and the U.K. are among the countries which have seen the highest number of confirmed cases.

## How has the vaccination campaign progressed so far?

- ✓ More than 10.8 billion vaccine doses have been administered worldwide as of 3 March 2022.
- ✓ Global vaccination rate currently at 33.1 million doses per day being administered. It will take another 3 months to cover 75.0% of the world's population to enable a return to normalcy.

## The rate of expansion in global manufacturing sentiment picks up in February

- ✓ The J.P. Morgan Global Manufacturing Purchasing Manager's Index (PMI) improved slightly to 53.6 points in February (January: 53.2 points) amid faster increases in the production, new business and employment, as well as a quicker accumulation of stocks purchases.
- ✓ Although supply chains received tremendous pressure in February, there were signs showing that delays were slowly dissipating.

## Russian-Ukraine war has begun

- ✓ On 24 February, Russia has launched a full-scale invasion of Ukraine by land, air and sea, the biggest attack in Europe since World War II.
- ✓ Since then, the fighting has caused over one hundred civilian casualties and pushed about 1 million Ukrainians to flee to neighbouring countries including Poland, a North Atlantic Treaty Organisation (NATO) country where the U.S. troops are preparing to offer assistance.

## The U.S. Biden's State of Union Speech

- ✓ During his 62-minute remark to Congress, the U.S. President addressed the Russian aggression in Ukraine, taming the high inflation of the country and dealing with the fading but still dangerous virus among other things.
- ✓ In relation to the conflict, he is determined to defend the economic sanction against the Russia to squeeze its economy, including the closure of U.S. airspace to Russian flights.

## Tough call for the central banks

- ✓ The pressure on central banks around the world to increase their interest rates to curb inflationary pressures was already felt prior to the war in Ukraine.
- ✓ The resulting increase in the price of oil and commodities puts even more pressure on the Federal Reserve (Fed), the European Central Bank (ECB) and other central banks to increase their interest rates.
- ✓ Should this happen, Bank Negara Malaysia (BNM) may want follow suit to prevent depreciation of the Ringgit.



## RUSSIA



## UKRAINE

### Nominal GDP in Current Dollars

USD1.48 trillion in 2020  
(Rank: 11<sup>th</sup> in the world)

USD0.16 trillion in 2020  
(Rank: 54<sup>th</sup> in the world)

### Top Trading Partners

**Top Importers:**  
 ✓ China  
 ✓ Netherlands  
 ✓ The U.K.

**Top Exporters:**  
 ✓ China  
 ✓ Germany  
 ✓ The U.S.

**Top Importers:**  
 ✓ Russia  
 ✓ China  
 ✓ Germany

**Top Exporters:**  
 ✓ China  
 ✓ Russia  
 ✓ Germany

### Top Exported Products

- ✓ Crude Petroleum
- ✓ Refined Petroleum
- ✓ Petroleum Gas
- ✓ Coal Briquettes
- ✓ Wheat

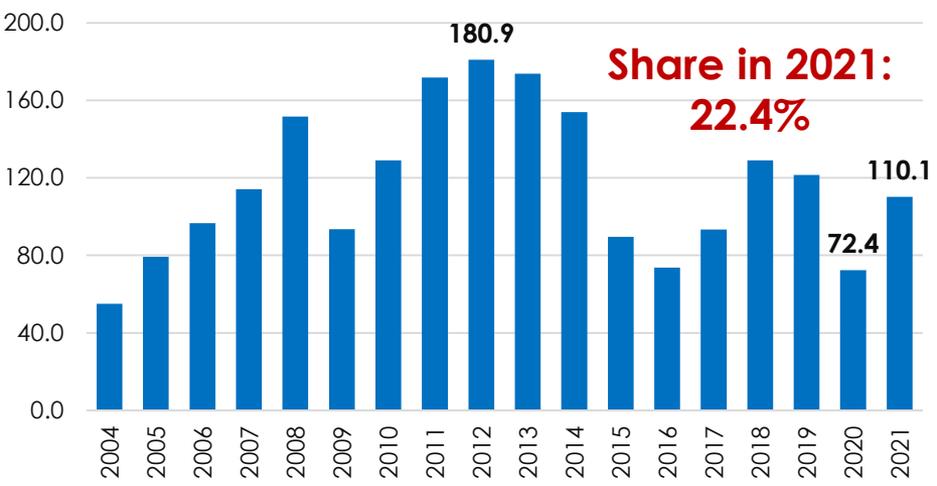
- ✓ Corn
- ✓ Seed Oils
- ✓ Iron Ore
- ✓ Wheat
- ✓ Semi-Finished Iron

### Top Imported Products

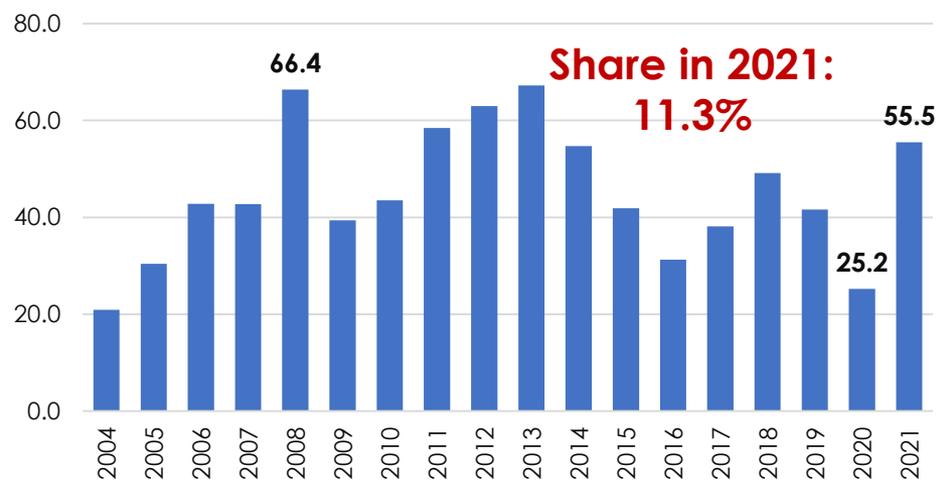
- ✓ Cars
- ✓ Packaged Medicaments
- ✓ Vehicle parts
- ✓ Computers
- ✓ Broadcasting Equipment

- ✓ Refined Petroleum
- ✓ Cars
- ✓ Packaged Medicaments
- ✓ Coal Briquettes
- ✓ Petroleum Gas

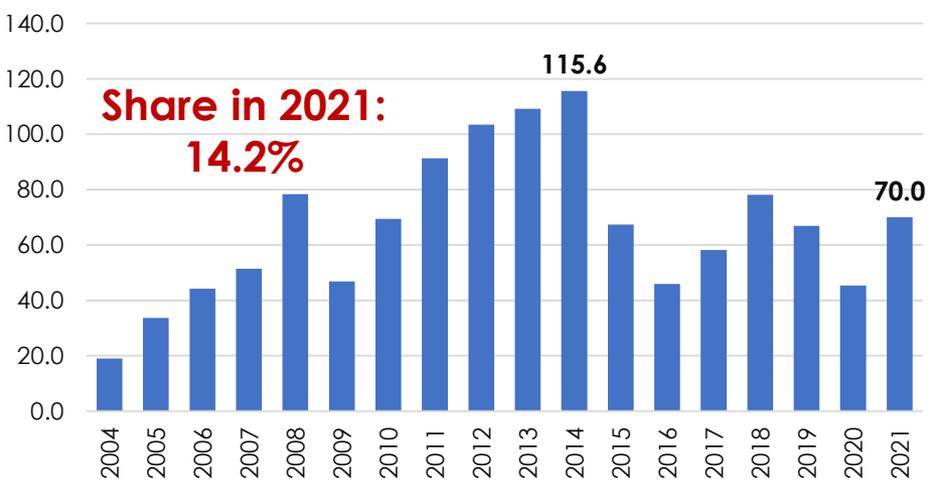
**Export: Crude Oil, USD Billion**



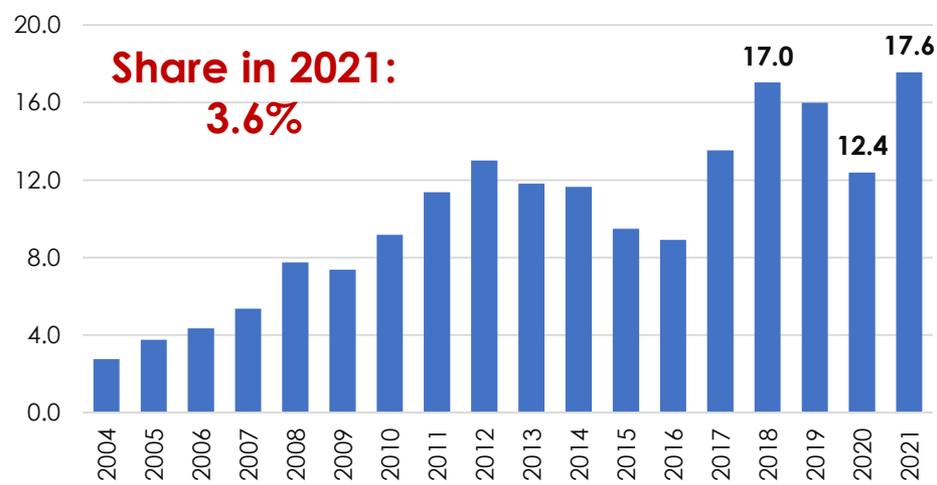
**Export: Natural Gas, USD Billion**



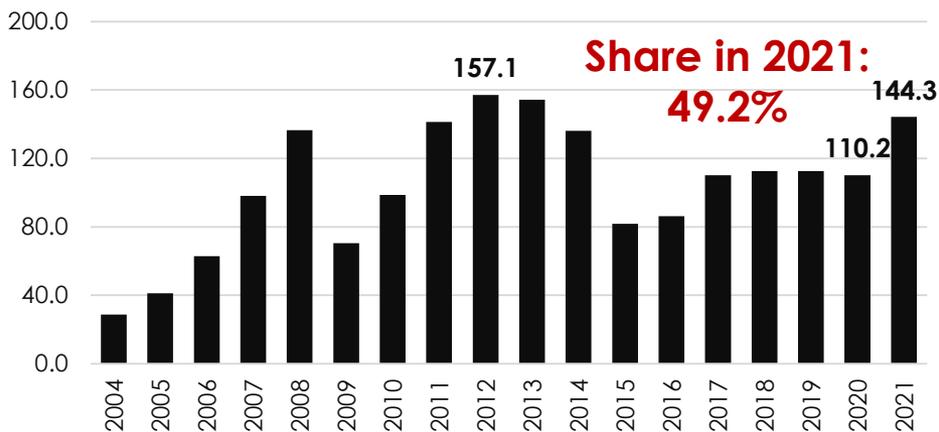
**Export: Petroleum Products, USD Billion**



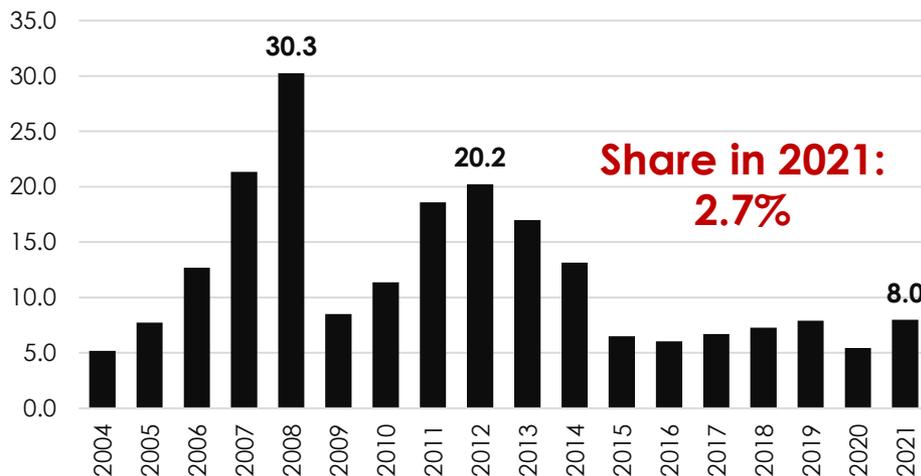
**Export: Coal, USD Billion**



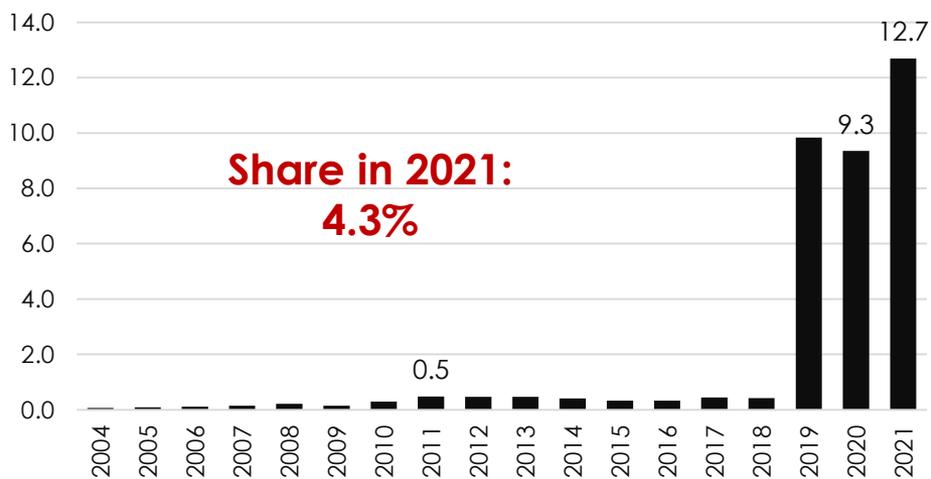
## Import: Machine and Equipment, USD Billion



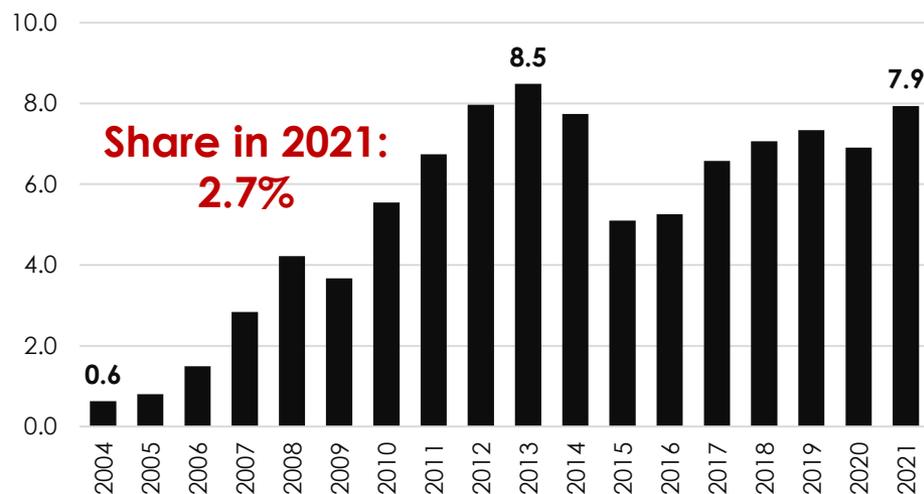
## Import: Passenger Cars, USD Billion



## Import: Rubber, USD Billion



## Import: Clothing, USD Billion



# TIMELINE OF CRISIS BETWEEN RUSSIA AND UKRAINE



**1922:** Russia and Ukraine became two of the founding members of the Soviet Union.



**1991:** The Soviet Union is terminated via a treaty. Then, Ukraine becomes independent.



**2008:** Yushchenko and Prime Minister Tymoshenko formally requested to join North Atlantic Treaty Organization (NATO). The U.S supported Ukraine's membership, but France and Germany opposed following Russia voices displeasure.

**2004:** Viktor Yanukovych, supported by Putin, won presidential election. His opponent, Viktor Yushchenko is poisoned. Thus, Yanukovych won the election which led to massive protests and public outcry known as Orange Revolution. However, Yushchenko won after a third vote.



**2009:** Gazprom, the state-owned Russian gas company stopped supply of gas through Ukrainian pipelines.

**2014:** Yanukovych refused to sign a trade agreement with the EU amid pressure from Russia, sparking huge protests. He is subsequently removed from power. However, Russia declared the change in Ukraine's government an illegal coup and invaded Crimean Peninsula. Troops besieged the Donbas region where separatist led violence breaks out.



**2010:** Yanukovych is elected as President and said that Ukraine should be a "neutral state", cooperating with both Russia and NATO.



**2021:** 100,000 of Russian troops mass along Ukraine's borders in April. Troop movements increased in November, alarming the international community and sparking fears of an invasion.



**2019:** Volodymyr Zelensky is elected as President and promises to make peace with Russia and end violence in Donbas.



**2022:** Russia recognises independence of Donbas.

Countries	Type of Sanctions
<p><b>European Union</b></p>	<ul style="list-style-type: none"> <li>✓ Banned certain Russian banks from the Society for Worldwide Interbank Financial Telecommunication (SWIFT).</li> <li>✓ Imposing restrictive measures that would prevent the Russian Central Bank from deploying its international reserves.</li> <li>✓ Limit the sale of "golden passports" which allow wealthy Russians to gain citizenship in another country in exchange for an investment.</li> </ul>
<p><b>The U.S.</b></p>	<ul style="list-style-type: none"> <li>✓ Barring Russian financial institutions from making transactions in American dollars.</li> <li>✓ Sanctions on the state-owned Russian Direct Investment Fund for Putin and his inner circle.</li> <li>✓ Export blocks on technology which includes restrictions on semiconductors, telecommunication, encryption security, lasers, sensors, navigation, avionics and maritime technologies.</li> <li>✓ Cutting off 13 major state-owned companies from raising money in the U.S., including energy giant Gazprom and Sberbank, Russia's largest financial institution.</li> <li>✓ Sanctions two dozen Belarusian individuals and companies, which includes two significant Belarusian state-owned banks, nine defense firms, and seven regime-connected officials and elites.</li> </ul>
<p><b>The U.K.</b></p>	<ul style="list-style-type: none"> <li>✓ Banned certain Russian banks from SWIFT.</li> <li>✓ Preventing Sberbank, Russia's largest bank, from clearing payments in Sterling. Apart from that, three more Russian banks namely Otkritie, Sovcombank and VEB will face a full asset freeze.</li> <li>✓ Russian state and private companies will also be prevented from fund raising in the U.K.</li> <li>✓ Banned Russia's national airline, Aeroflot and apply sanctions to Belarus for its role in the assault on Ukraine.</li> </ul>

Countries	Type of Sanctions
<b>Canada</b>	✓ Banned certain Russian banks from SWIFT.
<b>Germany</b>	✓ Halted certification of the Nord Stream 2 gas pipeline.
<b>Australia</b>	✓ Travel banned and targeted financial sanctions on eight members of the Security Council of the Russian Federation.
<b>New Zealand</b>	<ul style="list-style-type: none"> <li>✓ Prohibiting the export of goods to the Russian military and security forces.</li> <li>✓ Imposing travel bans against Russian officials.</li> </ul>
<b>Switzerland</b>	✓ Freezing the assets of certain individuals and this would apply to Putin, Prime Minister Mikhail Mishustin and Foreign Minister Sergey Lavrov.
<b>Japan</b>	<ul style="list-style-type: none"> <li>✓ Limit transactions with Russia's central bank.</li> <li>✓ Deny certain Russian banks access to SWIFT.</li> <li>✓ Freezing the assets of certain Russian individuals and financial institutions while also banning exports to Russian military organizations.</li> </ul>
<b>South Korea</b>	✓ Banned exports of strategic items and join Western countries' moves to block some Russian banks from the SWIFT international payments system.
<b>Singapore</b>	<ul style="list-style-type: none"> <li>✓ To impose export controls on items that can be used as weapons in Ukraine to inflict harm or to subjugate the Ukrainians.</li> <li>✓ Will also block certain Russian banks and financial transactions connected to the country.</li> </ul>

# WHAT IS SWIFT AND WHAT DOES IT DO?

## WHAT IS SWIFT?

The Society for Worldwide Interbank Financial Telecommunication (SWIFT) is a global financial organisation that:



Has the authority to record IBAN and BIC banking codes

Connects over 11,000 financial institutions around the world

Transmits more than 5 billion financial messages each year

## HOW DOES IT WORK?



Connects banks when clients make transactions



If two organisations are not partners, SWIFT can connect them through an intermediary organisation



Describes itself as a secure and reliable system with exchanges only between banking partners

- ✓ SWIFT was created in 1973 and based in Belgium. It links 11,000 banks and institutions in more than 200 countries.
- ✓ SWIFT is a network used by banks to send secure messages about transfers of money and other transactions.
- ✓ It is overseen by the National Bank of Belgium, in partnership with major central banks around the world - including the U.S. Fed and the Bank of England (BoE).

## How Russia is involved?

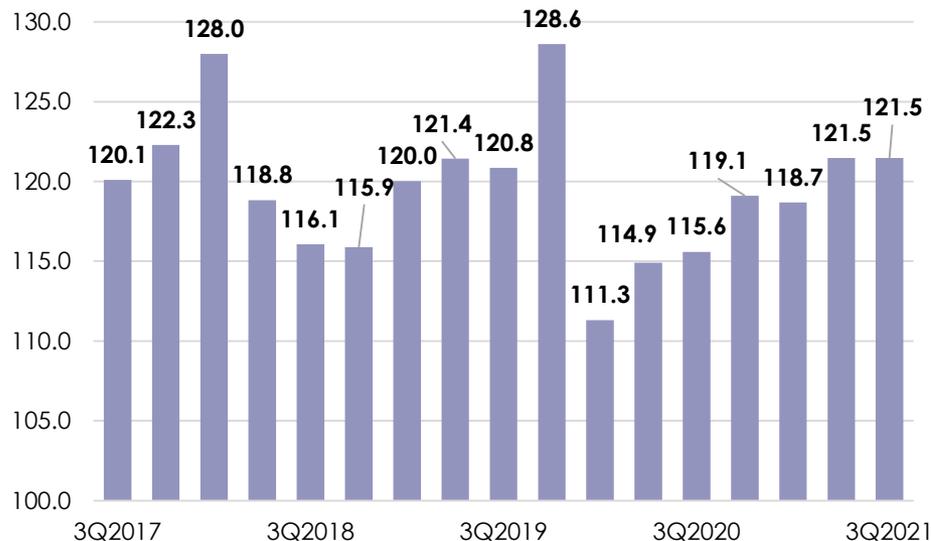
- ✓ After the U.S., Russia is the second largest number of the users with some 300 financial institutions in the system, according to the Russian National SWIFT Association.
- ✓ Access to the SWIFT matters primarily since it enables Russian energy companies to get paid for global selling of their oil and gas without too much hassle.
- ✓ As of last year, SWIFT's Russian members represent **1.5% of the flows** and **ranked at sixth globally** in term of payment messages sent to the platform.

## The impact of denying Russia's access to SWIFT

- ✓ The sanction is a big deal since no debt or trade finance payments can be made. This would make it harder for the Russian to be paid in a timely or reliable way.
- ✓ With the delays and extra costs that come with banks dealing directly with one another, this will ultimately cut off revenues for the Russian government.
- ✓ If the banks listed only comprised of those already sanctioned and time was given to Russia's central bank to transfer assets elsewhere, the impacts would be manageable.
- ✓ However, it will be significant if the list includes Russia's largest banks, such as Sberbank SBER.MM, VTB VTBR.MM, and Gazprombank.

# THE RELATION OF RUSSIA AND THE SWIFT (CONT'D)

**Claims by Russia from the foreign banks, USD Billion**



Source: Bank International Settlement (BIS)

**Among of the foreign banks that contribute higher payments to Russia during 3Q2021**

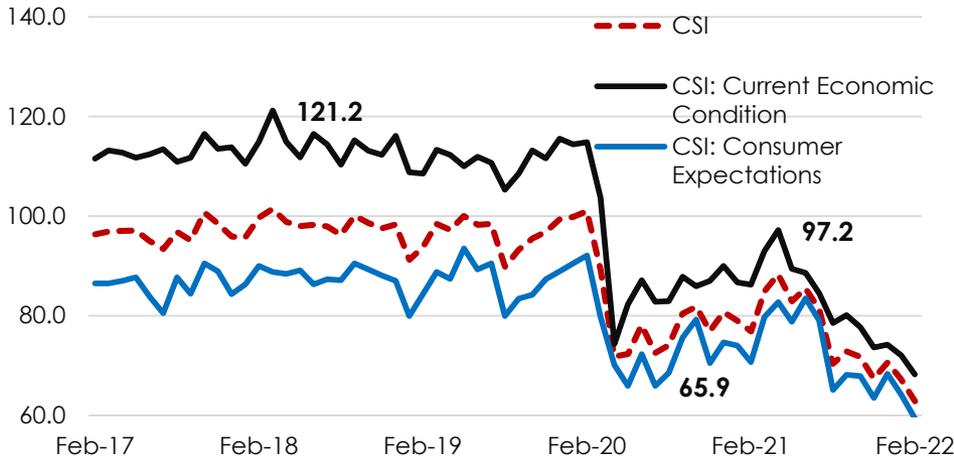
Russia	Claims on an immediate counterparty
	Total (USD, Billion)
<b>Foreign Banks</b>	121.5
Austria	17.5
France	25.2
Germany	8.1
Italy	25.3
Japan	9.6
U.S.	14.7

## Alternatives to SWIFT

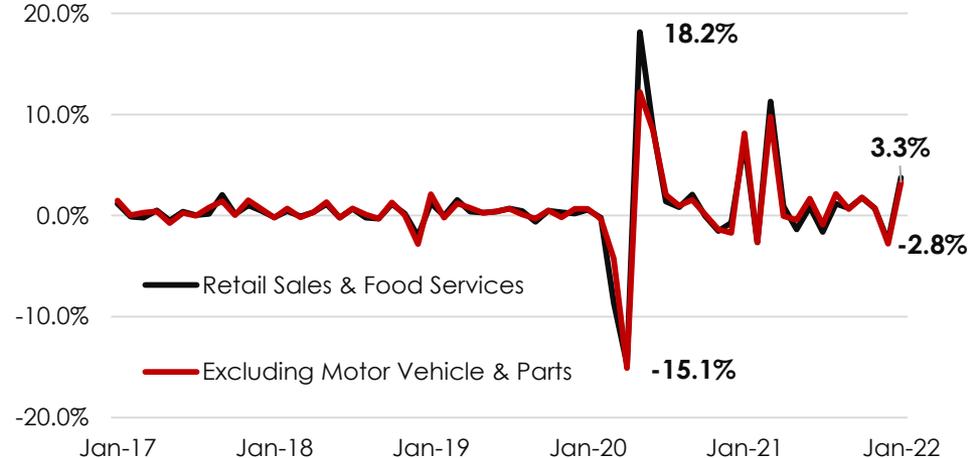
- ✓ The Central Bank of Russia has created its own messaging system called System for Transfer of Financial Messages (SPFS) to replace SWIFT.
- ✓ The SPFS traffic stood at 13 million messages with more than 400 financial institutions are part of Russian SPFS as of 2020.
- ✓ Unlike SWIFT which works around the clock, the operations are limited to weekday working hours with the size of messages limited to 20 kilobytes.

# U.S. ECONOMY - CONSUMERS SPENDING REBOUNDED DESPITE OMICRON WAVE'S PEAK

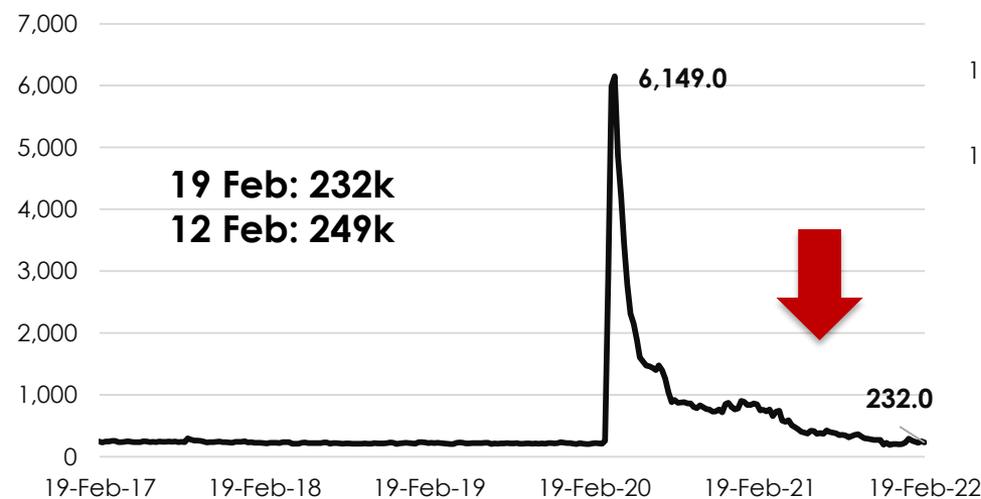
## Consumer Sentiment Index (CSI), points



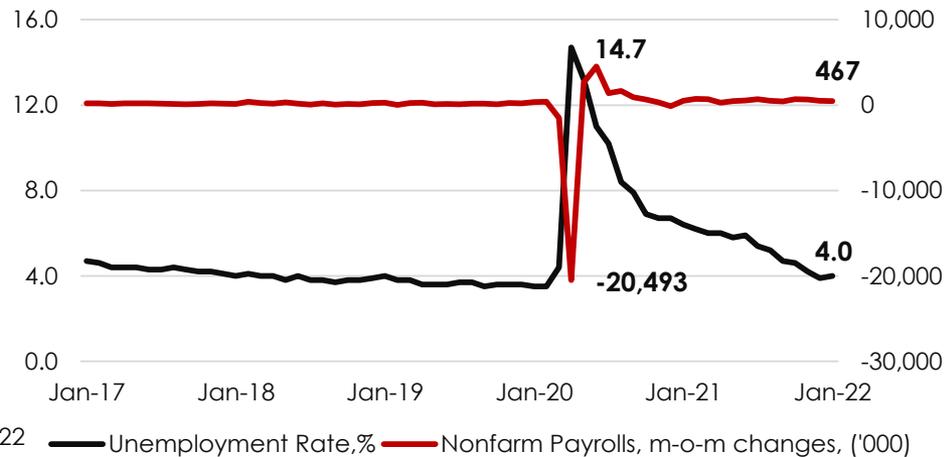
## Retail Sales & Food Services, m-o-m%



## U.S. Initial Jobless Claims (IJC), '000



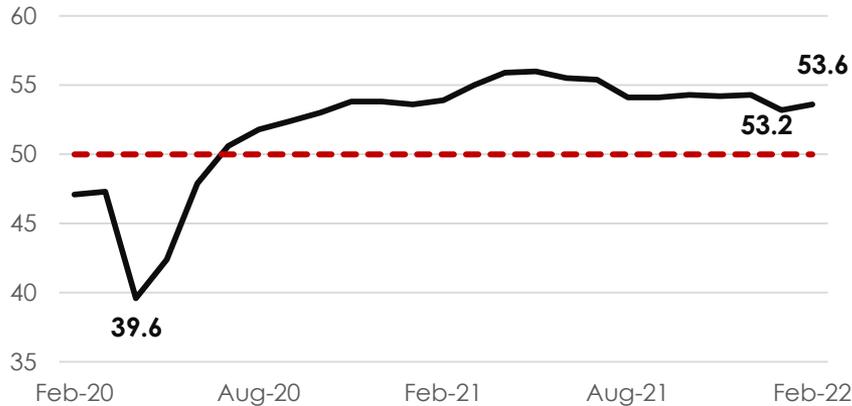
## Unemployment Rate, % vs. Nonfarm Payrolls, m-o-m changes ('000)



The U.S. economy added 467k jobs in January, higher than market forecasts of 150k while IJC continued to decline, suggesting labour market is in a good shape.

# GLOBAL MANUFACTURING SECTOR CONTINUED TO EXPAND FOR THE 20<sup>th</sup> STRAIGHT MONTH IN FEBRUARY

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

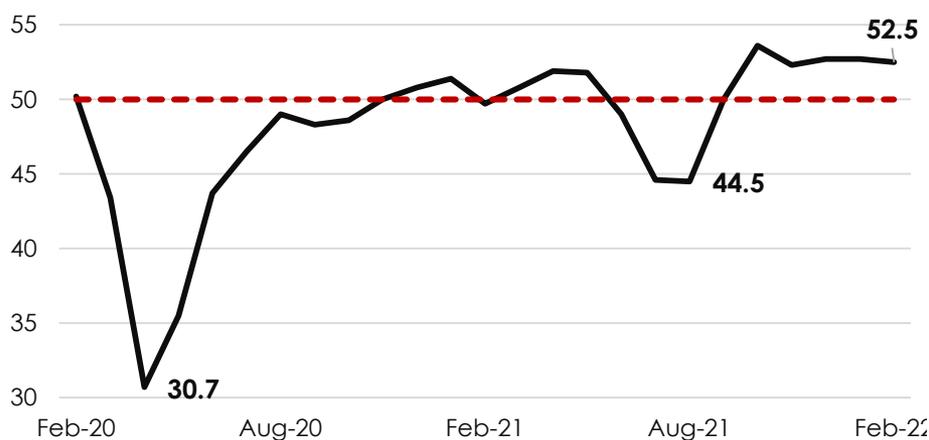


### Index Summary:

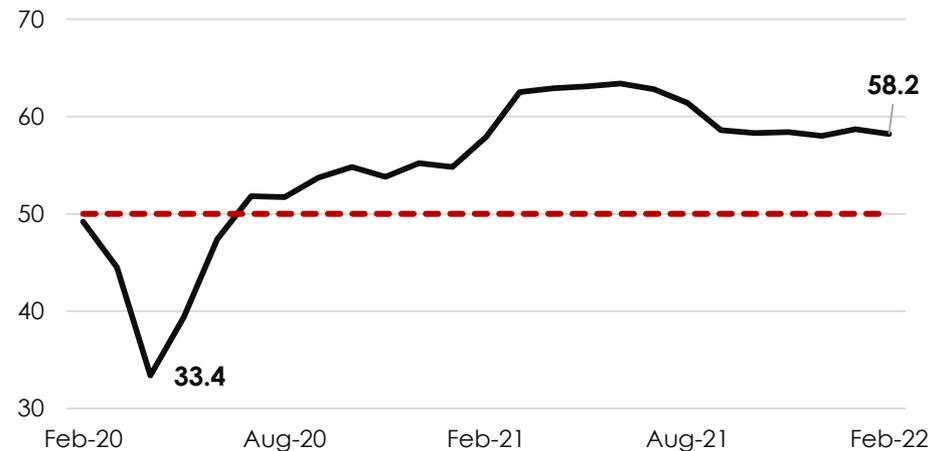
Index	Jan-22	Feb-22	Interpretation
PMI	53.2	53.6	Improvement, faster rate
Output	51.3	51.9	Growth, faster rate
New Orders	52.2	53.5	Growth, faster rate
New Export Orders	49.7	50.8	Growth, from declining
Future Output	65.3	66.2	Growth expected, stronger sentiment
Employment	51.0	51.4	Growth, faster rate
Input Prices	68.2	68.6	Inflation, faster rate
Output Prices	60.9	61.2	Inflation, faster rate

Source: IHS Markit

### ASEAN Manufacturing PMI, points



### Eurozone Manufacturing PMI, points





# DOMESTIC LANDSCAPE

# SNAPSHOT OF LATEST MAJOR EVENTS/ECONOMIC VARIABLES IN MALAYSIA

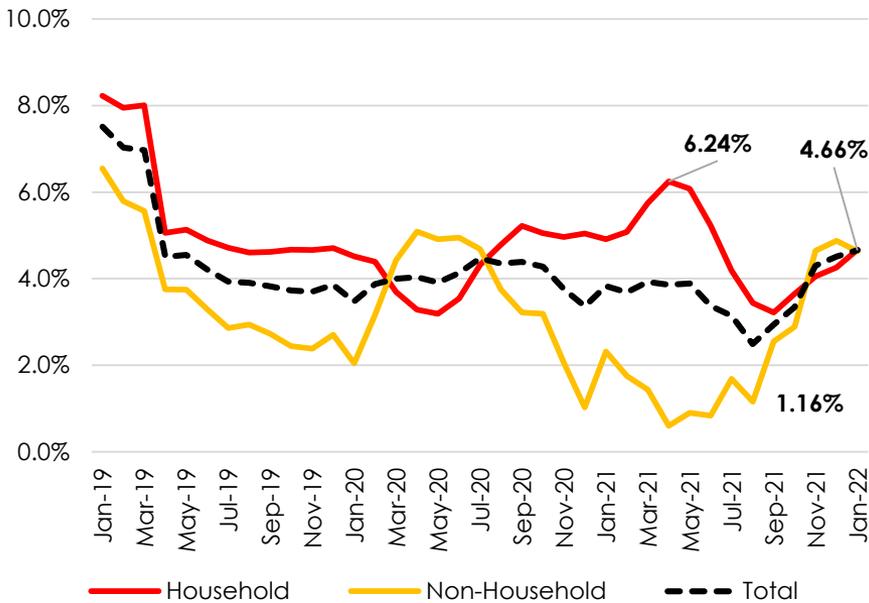
Event	Date	Remarks
<b>Industrial Production Index (IPI)</b>	8 February 2022	<ul style="list-style-type: none"> <li>✓ The IPI softened by 5.8% year-on-year (y-o-y) in December 2021 (November 2021: 9.4%) due to the moderation growth of Manufacturing (December 2021: 8.4% vs. November 2021: 11.3%) and Electricity (December 2021: 3.7% vs. November 2021: 5.1%).</li> <li>✓ On further scrutiny, Mining recorded a drop of 2.5% during the month after rising by 3.7% in November 2021.</li> </ul>
<b>Gross Domestic Product (GDP)</b>	11 February 2022	<ul style="list-style-type: none"> <li>✓ Malaysia's GDP rebounded by 3.6% in the 4Q2021 from a 4.5% contraction in the preceding quarter.</li> <li>✓ Encouraging labour market conditions and accommodative policy measures are the key factors of the positive improvement. Strong external demand is also a boon given the positive contribution from the net exports.</li> <li>✓ Overall, Malaysia's GDP in 2021 expanded by 3.1% after contracting by 5.6% in the previous year, suggesting that the output loss has been reversed.</li> </ul>
<b>Key Findings Population and Housing Census of Malaysia 2020</b>	14 February 2022	<ul style="list-style-type: none"> <li>✓ MyCensus 2020 report will be a new benchmark to assist the country in formulating policies, as well as addressing the situation of Malaysia as an ageing country.</li> <li>✓ Apart from that, information and data collected from the report will be useful to assess the country's achievements which translates into best input to set the country's direction.</li> <li>✓ Based on the report, Malaysia's population stood at 32.4 million in 2020 from a 27.5 million in 2010 and it has been notably growing at a slower pace.</li> </ul>
<b>External Trade</b>	18 February 2022	<ul style="list-style-type: none"> <li>✓ Malaysia's exports performance maintained its double-digit growth for sixth straight month by expanding to the tune of 23.5% y-o-y in January, moderating from a 29.2% increase recorded in the previous month.</li> <li>✓ The Manufacturing sector saw a slower growth in January as compared to the previous month, increasing by 19.3% (December 2021: 28.4%).</li> <li>✓ Nevertheless, both Agriculture (January 2022: 75.6% vs. December 2021: 32.5%) and Mining sectors (January 2022: 38.4% vs. December 2021: 37.0%) showed a positive growth during the month.</li> </ul>

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

Event	Date	Remarks
<b>Labour Market Review 4Q2021</b>	18 February 2022	<ul style="list-style-type: none"> <li>✓ Malaysia's unemployment rate has dropped by 4.2% y-o-y in December 2021 (November 2021: 4.3%).</li> <li>✓ Likewise, the number of unemployed person decreased by 1.0% to 687.6k persons in December 2021 from 694.4k persons in the previous month.</li> <li>✓ Meanwhile, the unemployment saw the lowest at 4.3% during the 4Q2021 since the arrival of the pandemic after rising by 4.7% in the previous quarter.</li> <li>✓ It is notably that the labour market regained momentum amid transitioning of majority states to phase 4 of National Recovery Plan (NRP) during the final quarter of 2021.</li> </ul>
<b>Consumer Price Index (CPI)</b>	24 February 2022	<ul style="list-style-type: none"> <li>✓ Malaysia's CPI increased moderately by 2.3% y-o-y- in January 2022, after rising by 3.2% in December 2021.</li> <li>✓ This was mainly attributable by the slower price increases for Housing, Water, Electricity, Gas &amp; Other Fuels (January 2022: 0.7% vs. December 2021: 3.4%), as well as Transport (January 2022: 6.0% vs. December 2021: 9.5%). These sub-indexes accounted for 38.4% out of total CPI.</li> <li>✓ The Core CPI which excludes most volatile items of fresh food, as well as administered prices of good and services climbed by 1.6% in January 2022 from 1.1% in December 2021.</li> </ul>
<b>Monetary Policy Committee (MPC)'s Meeting</b>	3 March 2022	<ul style="list-style-type: none"> <li>✓ Bank Negara Malaysia (BNM) has decided to maintain the Overnight Policy Rate (OPR) at 1.75%, considering the current monetary policy measures to be appropriate and accommodative.</li> <li>✓ The overall recovery outlook remains on track albeit high confirmed cases due to the Omicron variant since the economic impact of this variant is expected to be less severe.</li> <li>✓ Growth recovery in 2022 is anticipated to intensify following strong global demand, higher private sector expenditure, improvements in labour market and continued targeted policy measures as well as further support through the upcoming reopening of international borders.</li> </ul>

# BANKING SECTOR-FINANCING GROWTH WAS HIGHER IN JANUARY 2022

Financing Growth by Sector, y-o-y%



Source: CEIC

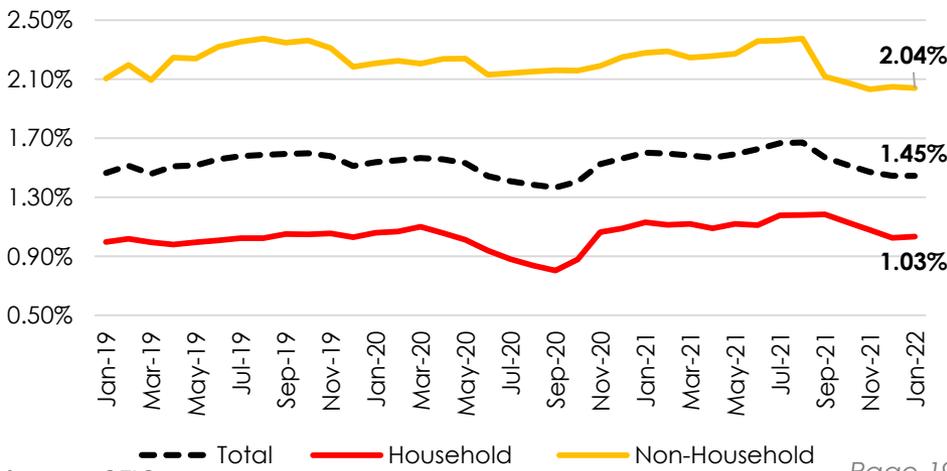
## Banking Industry's Financing Growth

- ✓ Higher by 4.66% y-o-y in January 2022 (December 2021: 4.51%).
- ✓ The upturn was supported by stronger financing in **Household** (January 2022: 4.67% vs. December 2021: 4.26%).
- ✓ Within Household sector, financing activities for **purchase of securities** (January 2022: 5.17% vs. December 2021: 3.94%) and **residential property** (January 2022: 6.88% vs. December 2021: 6.76%) were higher.
- ✓ Meanwhile, financing growth for **Non-Household** (January 2022: 4.64% vs. December 2021: 4.87%) recorded moderate performance during January.
- ✓ The financing performance in personal use, passenger cars and credit card are anticipated to rise further in view of higher consumer spending and need for mobility.

## Banking Industry's Asset Quality

- ✓ The GIFR increased slightly to 1.45% in January 2022 (December 2021: 1.44%).
- ✓ Within the sector, GIFR for **Non-Household** fell marginally to 2.04% in January 2022 (December 2021: 2.05%) while Household sector maintained at 1.03% in January 2022 (December 2021: 1.03%).
- ✓ Looking forward, banks are expected to remain guarded on their credit underwriting standard in light of the economic uncertainties as well as the expiration of financing moratorium.

## Gross Impaired Financing Ratio (GIFR), %

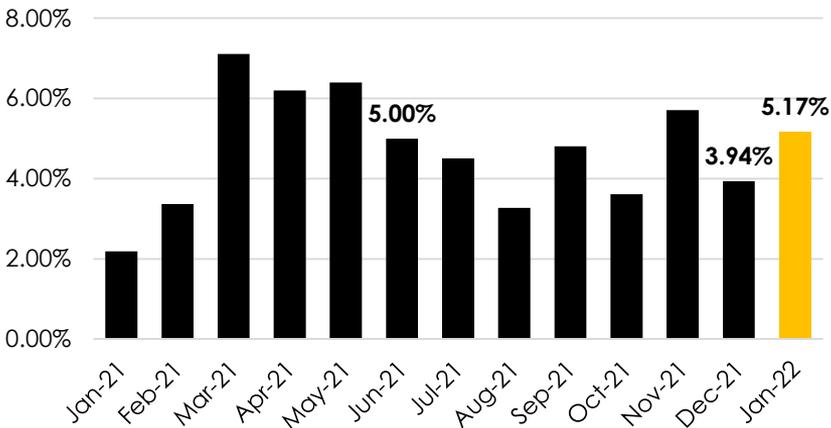


Source: CEIC

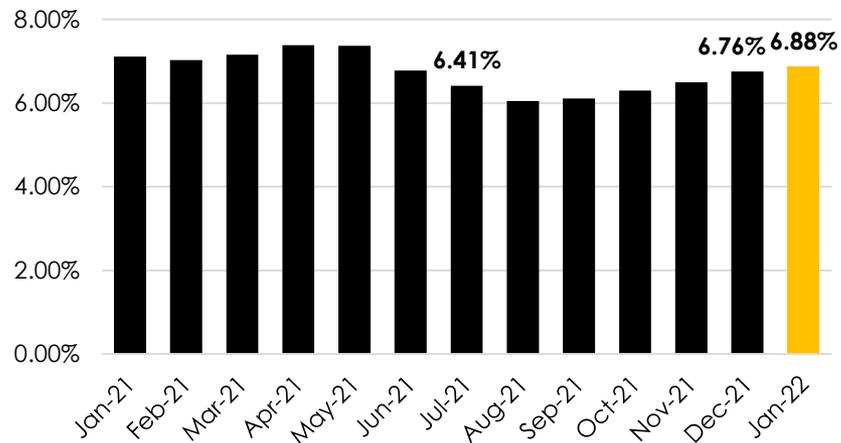
# FINANCING GROWTH BY PURPOSE- BETTER PERFORMANCE DURING JANUARY 2022



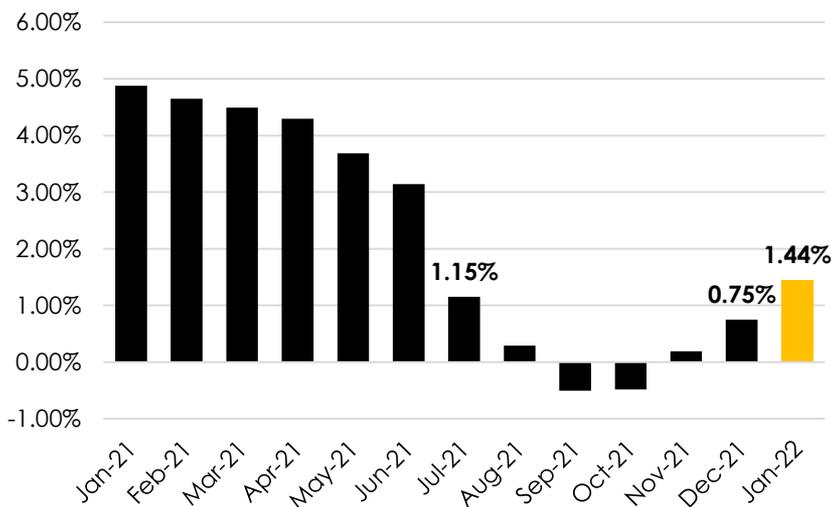
### Purchase of Securities, y-o-y%



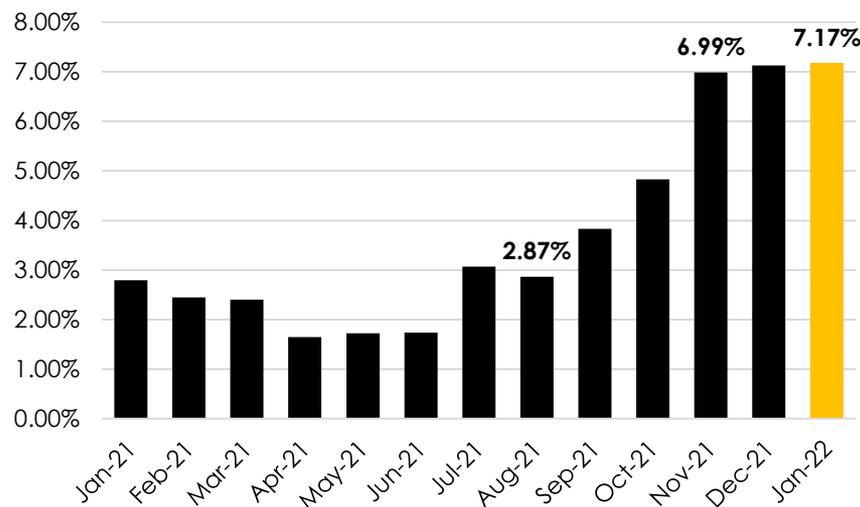
### Purchase of Residential Property



### Personal Use, y-o-y%



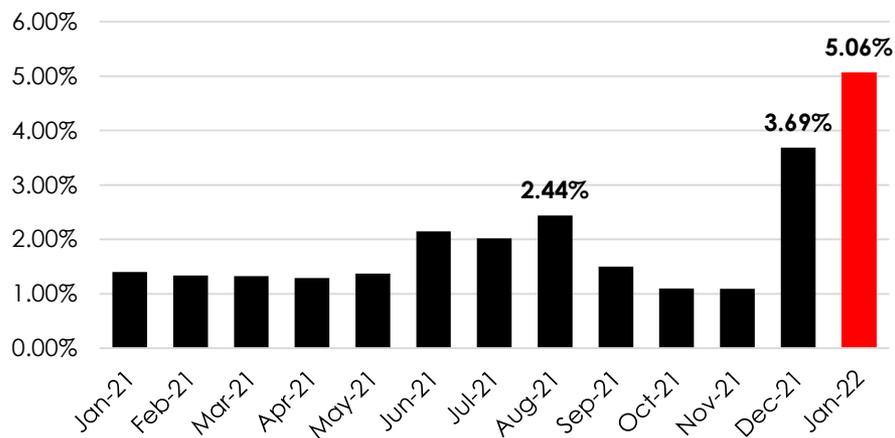
### Working Capital y-o-y%



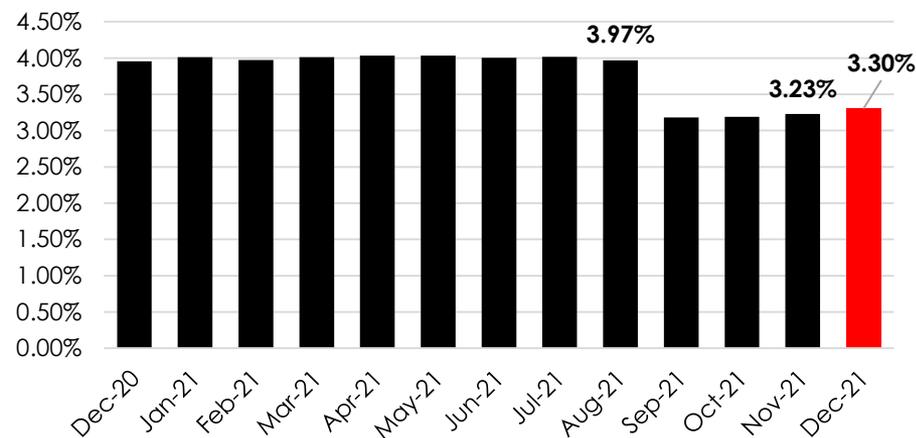
Source: CEIC

# IMPAIRMENT BY SECTOR- MINING INDUSTRY RECORDED A SIGNIFICANT DETORIORATION IN ASSET QUALITY

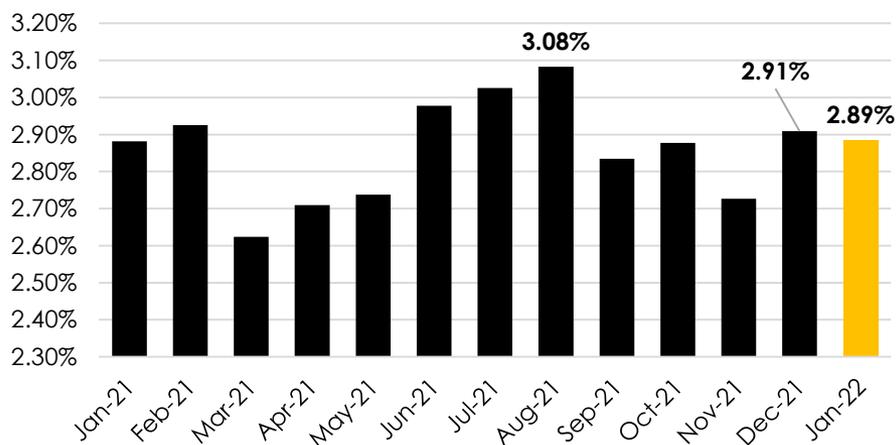
### GIFR-Mining & Quarrying



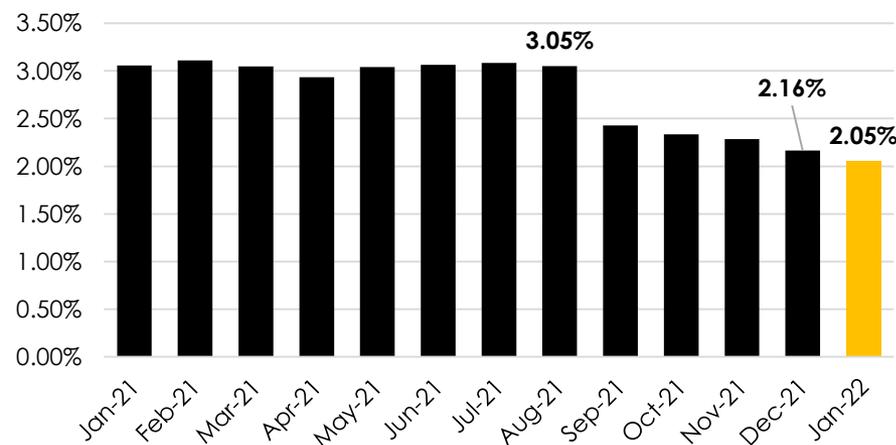
### GIFR-Primary Agriculture



### GIFR-Construction



### GIFR-Manufacturing

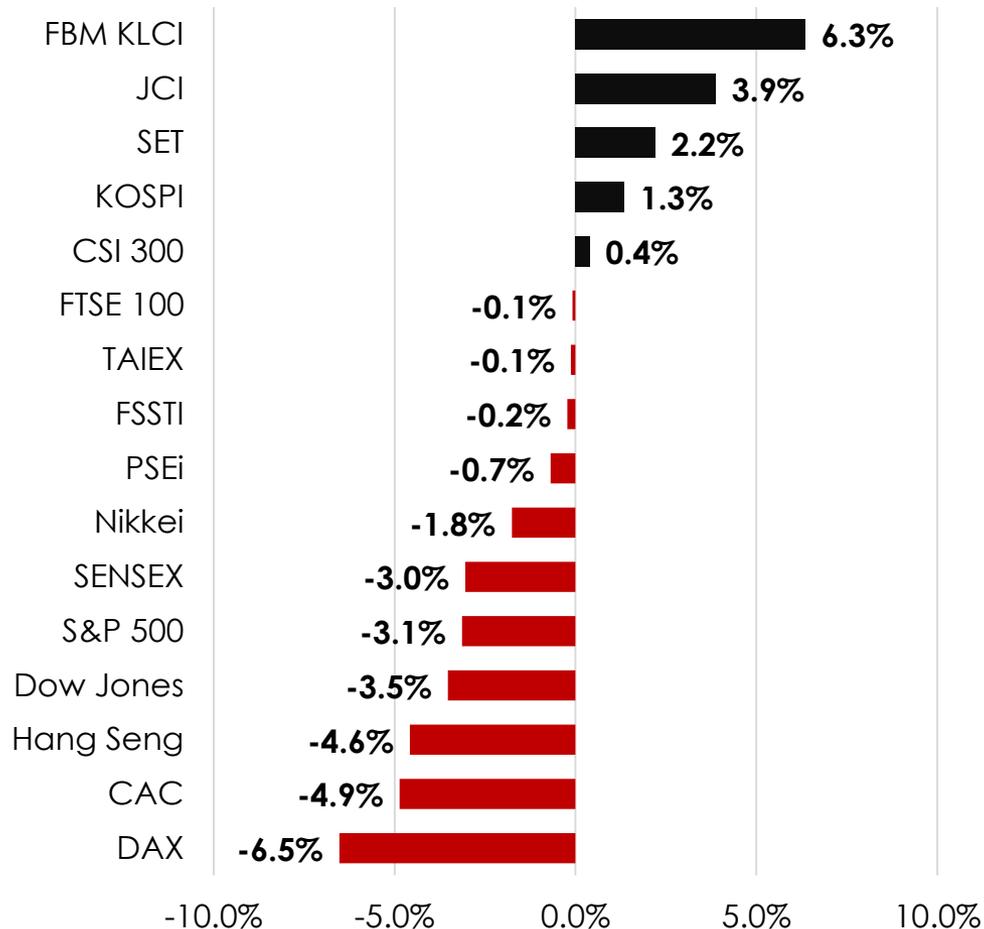


Source: CEIC



# MALAYSIA'S FINANCIAL MARKET

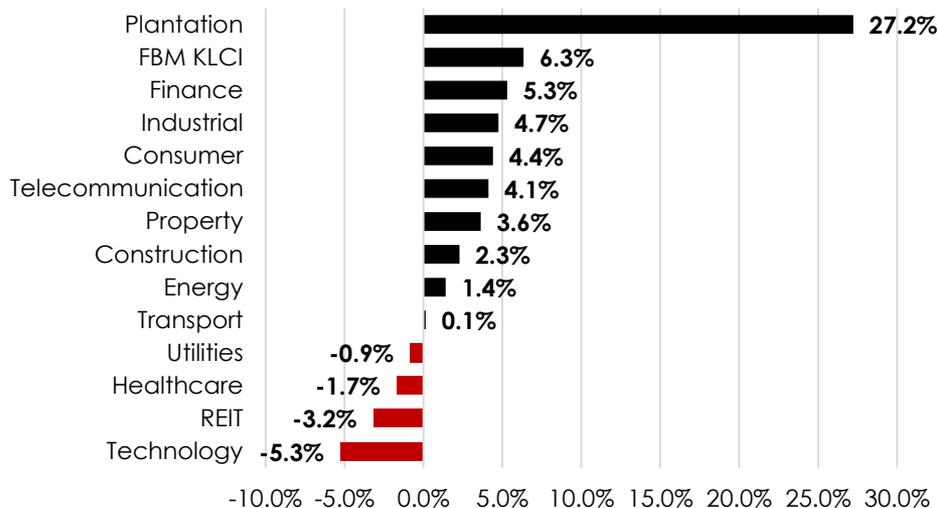
## Monthly Gains/Losses of Benchmark Indices in February



Source: CEIC

- ✓ Losers outnumbered gainers in the month of February following geopolitical tensions between Russia and Ukraine.
- ✓ **German's DAX led the bearish momentum** with 6.5% decline followed by France's CAC and Hong Kong's Hang Seng which fell by 4.9% and 4.6% respectively.
- ✓ **Meanwhile, Bursa Malaysia ended firmer and registered the biggest gains in February**, increasing by 6.3% m-o-m due to persistent buying interest in blue chips and announcement of positive corporate earnings.
- ✓ Moving forward, the market participants are likely to remain cautious amid volatility in the regional markets as investors are still assessing the impacts from Russia-Ukraine crisis.

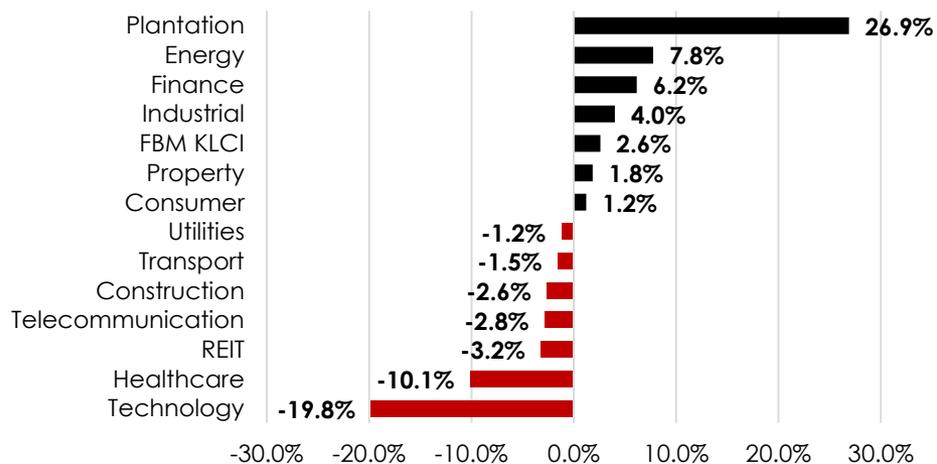
## Bursa Sectoral Performance, m-o-m%



✓ Bursa **Plantation** index have emerged among the local bourse's top performing indices with a double-digit growth of 27.2% recorded in February 2022.

✓ This gain mainly supported by strong Crude Oil Price (CPO) price amid tight supply, as well as noticeable gains in soybean prices that has pushed up the price (refer to Page 28).

## Bursa Sectoral Performance, YTD



✓ Meanwhile, **Technology** index remained as the biggest loser with a 5.3% monthly loss.

✓ Looking forward, the trading participants will remain alert following FOMC meeting in the upcoming week alongside worries over the geopolitical tensions that have dampened the sentiment.

- ✓ Foreign investors continued to be net buyers as they acquired RM2.8 billion net of local equities in February, significantly higher than RM332.0 million net in the preceding month.
- ✓ So far in 2022, we observed that foreign investors were net buyers on Bursa for 6 weeks out of 8 weeks, suggesting that foreign investors have indeed returned to the Malaysian market due to favours on plantation and financial sectors.
- ✓ On further scrutiny, foreign participation rate has also increased to 39.4% on 28 February, higher than 32.7% recorded on 31 January this year.

**Monthly Foreign Net Inflow/Outflow in Malaysia's Equity Market, RM Million**



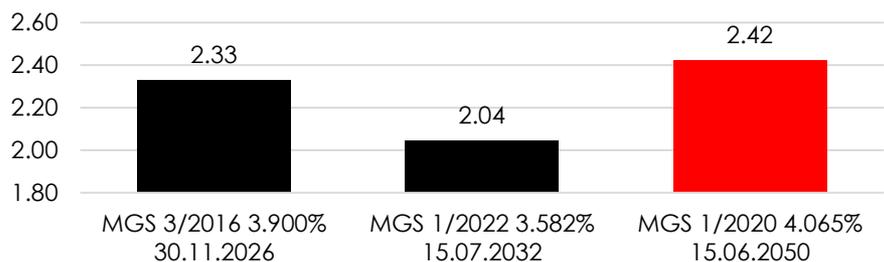
Source: Bursa

	Coupon (%)	Yields (%) 31-Jan-22	Yields (%) 28-Feb-22	Change (bps)
3-Y MGS 06/24	3.48%	2.81%	2.71%	-10
5-Y MGS 11/26	3.90%	3.26%	3.29%	3
7-Y MGS 06/28	3.73%	3.52%	3.59%	7
10-Y MGS 07/32	3.58%	3.68%	3.67%	-1

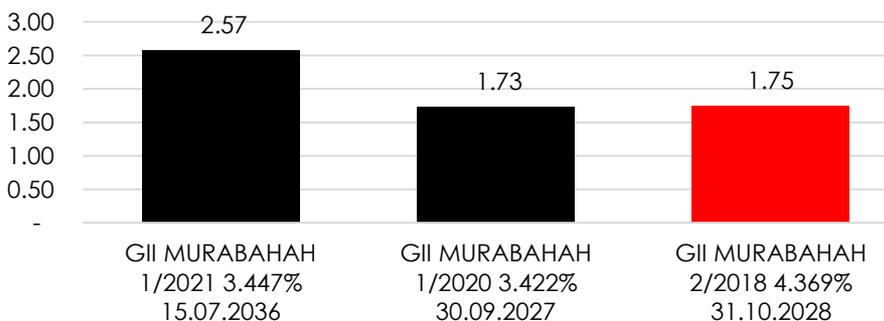
Source: BNM

## Past Auction Results

### MGS



### GII



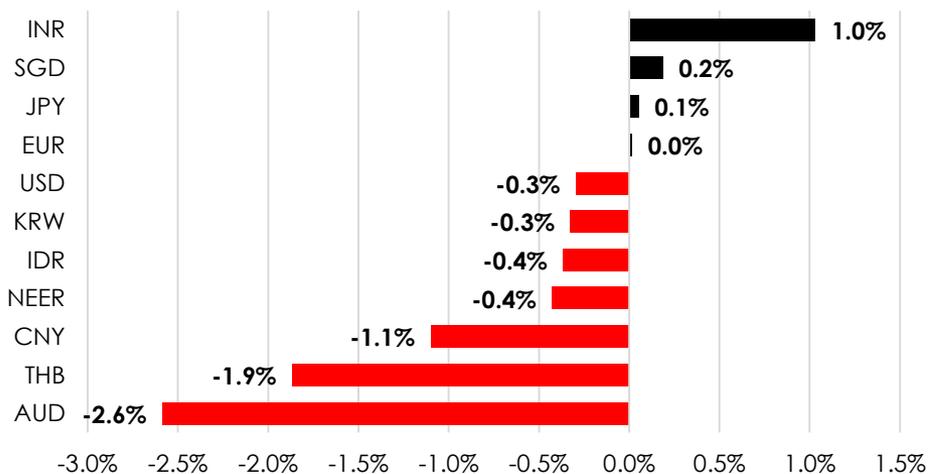
Source: Bond Info Hub

- ✓ The MGS yields **were mixed between -10 basis points (bps) and 7 bps** during February.
- ✓ The shorter tenure 3-Y MGS 06/24 declined significantly by 10 bps to settle at 2.71% over the month amid heightening risks surrounding tension between Russian and Ukraine.
- ✓ On the other hand, the primary market results shown a mixed sentiment. The reopening of 30-Y MGS 06/50 drew a strong Bid-To-Cover (BTC) ratio of 2.42x while the reopening of both 5-Y GII 09/27 and 7-Y GII 10/28 has garnered weaker BTC ratio of 1.73x and 1.75x during February.
- ✓ All in all, market participants would remain cautious ahead of the U.S. FOMC meeting in March as the Fed Chair Jerome Powell has signaled that the strong economy and elevated inflation makes it appropriate to hike rates.
- ✓ Nevertheless, the Russian invasion of Ukraine has created significant uncertainty in the financial market.

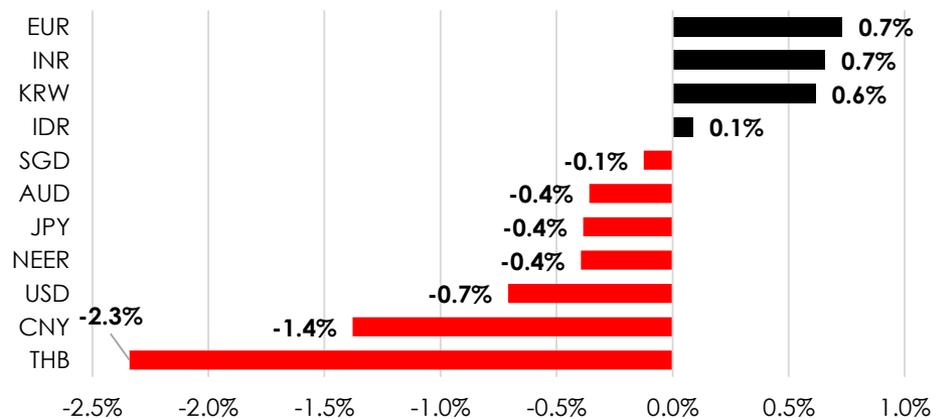
# RINGGIT – REMAINS UNDER PRESSURE IN THE NEAR TERM

- ✓ The Ringgit depreciated by 0.3% month-to-month (m-o-m) against the USD to close at RM4.1985 on 28 February from RM4.1855 in the previous month. This could probably due to infection rates that continue to weigh the local note since the Covid-19 cases have been rising significantly for the past two weeks.
- ✓ Apart from that, a stronger U.S. greenback against the Ringgit has to do with the sanctions on Russia by the West. As such, the U.S. Dollar would continue to be the preferred safe haven during the unprecedented times.
- ✓ Be that as it may, the pressure on the Ringgit can be supported by a stronger Brent crude oil prices which has been pushed past USD100.0 per barrel amid Russia-Ukraine conflict, as well as decision by Organisation of the Petroleum Exporting Countries Plus (OPEC+) to stick on oil output of 400,00 barrels per day (bpd) for April during its meeting on 2 March 2022.
- ✓ At the same time, we could not discount that the Ringgit could lead to depreciation over concern on the dispute war between Ukraine and Russia which leads to safe-haven currencies in high demand.
- ✓ As such, the ringgit is expected to trade within the range of RM4.19 to RM4.21 against the U.S. Dollar in the near term.

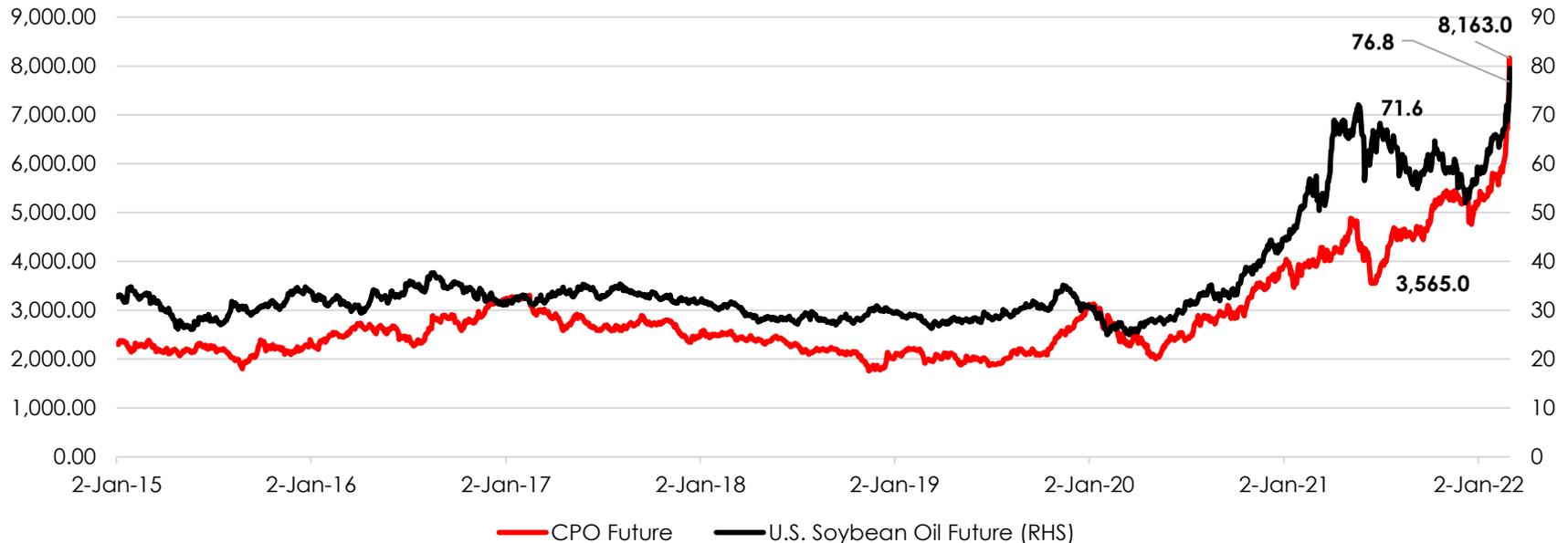
**MYR Against Other Currencies, m-o-m%**



**YTD Performance MYR Against Other Currencies, %**



## CPO Future, RM/tonne vs. U.S. Soybean Oil Future, USD/pound



Source: Investing.com

- ✓ Malaysia's CPO future has been lingering around RM7,000.0 per tonne since 24 February while the March contract hit RM8,757.0 per tonne on 2 March.
- ✓ The upturn mainly due to the shortfall in sunflower oil caused by the Russia-Ukraine crisis.
- ✓ Hence, the closure of crush operations and ports in Ukraine has caused the buyers to scout elsewhere to temporarily fill the gap in supply – mainly palm oil and soybean oil.
- ✓ Following this, Bursa planters' share prices have reacted positively to the soaring CPO price over the past few weeks.
- ✓ Nevertheless, we do not discount the possibility that current high prices may correct significantly if a resolution is reached between the Russia and Ukraine that will allow the trading activities to resume.

- ✓ **OPR holds steady at 1.75%** – As expected, BNM has decided to keep the OPR at 1.75% during its second meeting of the year in March following geopolitical tensions between the Russia and Ukraine which has emerged to become a key risk to the global economic growth. Despite the challenging environment, Malaysia is poised for a strong recovery in 2022, supported by the reopening of the international borders this month. Hence, the case for a 25 basis points hike of OPR in the 2H2022 is still remain on the table.
- ✓ **Malaysian manufacturing sector went up in February** – The manufacturing PMI increased slightly to 50.9 points in February, up from 50.5 in the previous month. This indicates that the downturn caused by the Omicron variant was short-lived. As such, the manufacturing activity has resumed, showing that the demand is gradually returning to normalcy.
- ✓ **The Fed sees rate lit-off in March** – In his latest remarks, the Fed Chairman Jerome Powell has inclined to propose a 25-basis-point rate hike in view of inflation that is currently running well above 2.0% and a strong labour market despite uncertainties from the Russian invasion of Ukraine. Should the inflation does not abate as fast as expected, the larger rate hikes are on the card. He also stated that the Fed will have to be nimble in its monetary policy execution, adding that the Ukraine war a big reason to move carefully.
- ✓ **No plans to accelerate the crude oil output** – During its meeting on 2 March, the OPEC+ has decided to maintain the oil output of 400,000 bpd for April 2022 despite the oil price spike amid Western sanctions on Russia over its invasion of Ukraine. In its statement, OPEC+ stated that the market remains volatile with prices being driven by more geopolitical uncertainties and speculation rather than by market fundamentals. Hence, there was no shortage of supplies in the market.
- ✓ **Ukraine-Russian conflict matters to Malaysia** – Though the war may seem geographically distant to Malaysians, we cannot deny the possibilities of the negative consequences that will be felt later on. This is given the fact that Malaysia has been so integrated with the global supply chain in various sectors, commodities and non commodities. This would present challenges to the business operations in respect to payments and deliveries of goods and services. As such, pay close attention to this space.

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An aerial photograph of a city skyline at sunset, with a prominent pink bar at the bottom. The sky is filled with soft, golden light and scattered clouds. The city features numerous high-rise buildings, including a very tall, slender skyscraper on the left. A highway with traffic is visible in the foreground, winding through the city. The overall mood is warm and serene.

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