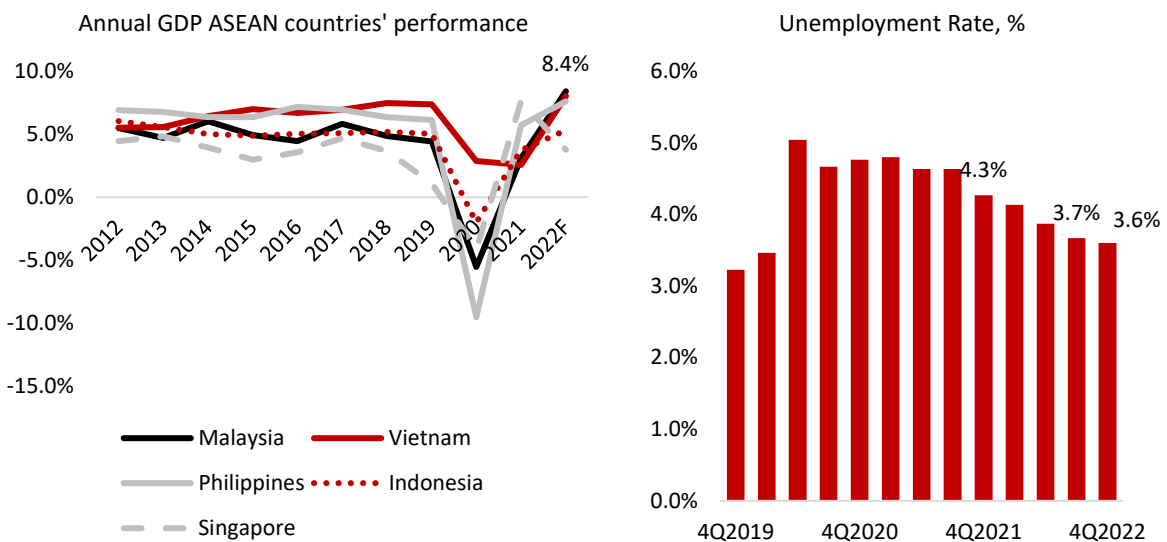


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## GDP FY2022 PREVIEW: MALAYSIA IS SET TO RECORD THE HIGHEST GROWTH IN ASEAN IN 2022 BUT WILL MODERATE STEEPER THAN REGIONAL PEERS IN 2023.



Sources: DOSM, Central Bureau of Statistics, General Statistics Office, Philippines Statistics Authority, Singapore Department of Statistics, Bank Islam

- We expect a better-than-expected reading in 4Q2022 GDP.** This is despite the political turmoil which began in early 2020 and subsided in the 15<sup>th</sup> General Election (GE15) in November last year amid the formation of a multi-coalitional government. Furthermore, the Ringgit reached a historic high of RM4.746 in early November 2022, pressured by the widening interest rates and bond yield differentials. Our in-house projection points to 4Q2022 GDP to come in at 5.7%, bringing the **FY2022 GDP growth to 8.4%** (2021: 3.1%), marking the **highest** growth in the ASEAN member states. We posit that such compelling growth was bolstered by the continued expansion in the domestic demand and a firmer recovery in the labour market, aside from the low-base effect factor.
- No looming recession, but slower growth is inevitable.** Although the Malaysian economy will continue to grow amid a global slowdown this year, we are discounting the probability of a recession as the country's macroeconomic fundamentals remain solid. We foresee that private consumption will continue to be the primary driver of economic growth throughout the year, as well as China's reopening prospect that could help to limit the downside growth. Private investment will remain contentious despite the OPR being lower than in the pre-pandemic levels. That said, we project our economy to grow by **4.5% in 2023** sans the impact of China's economic reopening and subsidy rationalisation. For the record, the latest Multilateral Development Banks' (MDBs) project Malaysia to grow between 4.0%-4.4% in 2023.

- Sustaining Malaysia's post-pandemic growth rates is key amid global slowdown and impending state elections.** This is to ensure the government gain ample fiscal headroom to undertake reforms in the future. As such, short-term policy goals will be more prominent than long-term ones in the coming weeks. The government is expected to outline some of these goals when re-tabling Budget 2023, and the remaining ones in the review of the 12th Malaysia Plan in 3Q2023. We believe the government will not rule out the re-implementation of the goods and services tax and subsidy rationalisation cards close to its chest for now.

## BANK ISLAM'S FORECAST

Growth (% y-o-y)	2019	2020	2021	2022F	2023F
GDP (Demand Side)	4.4%	-5.5%	3.1%	8.4%	4.5%
Domestic Demand	4.3%	-5.5%	1.7%	9.7%	5.7%
Private Consumption	7.7%	-4.2%	1.9%	12.7%	11.5%
Private Investment	1.6%	-11.9%	2.6%	6.6%	-24.4%
Public Consumption	1.5%	5.0%	5.3%	3.2%	8.7%
Public Investment	-10.7%	-21.2%	-11.3%	1.1%	20.2%
Exports	-1.0%	-8.6%	15.4%	13.3%	7.7%
Imports	-2.4%	-7.9%	17.7%	16.1%	7.5%
Net Exports	11.2%	-13.7%	-4.1%	-15.3%	11.4%

Variables	2019	2020	2021	2022F	2023F
CPI, y-o-y%	0.7%	-1.1%	2.5%	3.4%	3.0%
Unemployment Rate, %	3.3%	4.5%	4.6%	3.8%	3.5%
USDMYR	RM4.09	RM4.02	RM4.17	RM4.40	RM4.28
Brent, USD/barrel	66.00	51.80	77.78	85.91	91.00
OPR, %	3.00%	1.75%	1.75%	2.75%	3.00%

Sources: DOSM, Bank Islam