

# **Economic Outlook 2022**

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## FOREWORD



**PRIME MINISTER  
MALAYSIA**

The COVID-19 virus, which began in March 2020, has continued to disrupt lives and livelihoods through waves of new infections globally, necessitating the reinstatement of containment measures to prevent its spread. Malaysia has been no exception. The Government had to declare a temporary state of emergency, followed by a nationwide lockdown in the middle of the year. The objectives of these measures centred around saving the *rakyat's* lives and relieving the pressure on our public health system. The enforcement of various control measures such as domestic and international travel restrictions as well as the prohibition of operations for contact-intensive services industries have affected most economic sectors. Consequently, the GDP growth forecast for 2021 was revised downwards to between 3% and 4%.

To cushion the shock, the Government has taken swift action to implement assistance and economic stimulus packages totalling RM530 billion since the COVID-19 outbreak, with RM225 billion allocated in 2021. Within a 19-month duration, these aid and stimulus packages have saved 2.7 million jobs, and have benefited more than 20 million people and 2.4 million businesses.

I strongly believe there will be better days ahead. The Government's focused implementation of the National COVID-19 Immunisation Programme (PICK) has begun to gradually reduce pressure on hospital and ICU admissions by around September 2021. This is complemented by the National Recovery Plan (NRP), which details our strategy to exit from the pandemic safely and systematically, based on science and hard data. Despite initial vaccine supply issues, PICK eventually gathered pace to facilitate the expected complete vaccination of the country's entire adult population by end-October. More economic sectors and social activities have also been permitted to gradually resume as serious COVID-19 cases continued to decline.

With the NRP thresholds being closely managed and monitored for each individual state, the domestic economy is expected to be fully opened in the fourth quarter of 2021 and resume its pre-pandemic growth trajectory by 2022. We are fully committed to ensuring that we will welcome recovery next year, supported by Budget 2022, focused on driving economic recovery, rebuilding national resilience, and catalysing reforms.

As much as we need to pursue near-term growth, the Government is equally committed to achieving the nation's larger reform and development agenda as espoused in the Twelfth Malaysia Plan, 2021 – 2025 (12MP): Keluarga Malaysia – Prosperous, Inclusive,

Sustainable. To that end, we will continue to drive the nation's medium- to long-term growth by implementing policies such as the National 4IR, MyDIGITAL (including 5G rollout), Affordable Housing, Education, Climate Change and others to achieve a more equitable sharing of the nation's wealth-generation capabilities, and our sustainability goals as envisioned by the 12MP. The foundations for a more inclusive, sustainable and better Malaysia will also be laid out through our pledge to become a carbon-neutral nation by 2050, as well as through reform measures outlined in the *Perkukuh Pelaburan Rakyat* (PERKUKUH) initiative championed by government-linked investment companies. Overall, Budget 2022 will support all these policies and more, propelling short-term growth while also building foundations for future development and more importantly, socio-economic resilience.

Even with the policies and plans that are expected to propel Malaysia forward, COVID-19's impact still reverberates across our society, particularly among those who are least able to bear the burden. The pandemic continues to impact the *rakyat* as a whole, particularly those in micro, small, and medium enterprises, and industries such as tourism and services. Given the need to achieve fiscal sustainability, the Government calls upon the private sector to also contribute to economic growth and nation-building, so that we can restore normalcy to lives and livelihoods as quickly as possible while gradually easing the country into accepting COVID-19 as endemic.

I am especially grateful to the frontliners and volunteers for their selfless contributions, and above all, to the *rakyat* from all walks of life for their patience, perseverance and cooperation in coming forward to be vaccinated to keep our nation safe and healthy. The quicker normalcy and growth are restored, the faster the nation can recover. All these demonstrate the willingness of our people to come together selflessly to ensure Malaysia's recovery.

The battle against COVID-19 may not be over yet. We do not know what other surprises this virus has in store for us. But what we do know is that in standing together resolutely, we have not only survived one of Malaysia's most trying episodes, but also demonstrated what it means to live up to the Malaysian spirit of cooperation.

Moving forward, if the admirable courage of our people in the past 19 months, and the recent bipartisan understanding are anything to go by, I am confident that regardless of race, colour, creed or political ideology, #KeluargaMalaysia will firmly set our beloved nation on its healing and recovery journey, so that we can and will win any war against COVID-19 in the coming year, *Insyaa-Allah*.



**DATO' SRI ISMAIL SABRI BIN YAAKOB**

Prime Minister of Malaysia

29 October 2021



## PREFACE



**MINISTER OF FINANCE  
MALAYSIA**

COVID-19 has been most disruptive to our lives, even as the nation enters into its second year of the pandemic. Thankfully, the Government's vaccine administration coupled with accommodative and substantial fiscal support have helped contain unemployment, keep businesses afloat and feed the vulnerable in the past 19 months.

Furthermore, although the virus has mutated into concerning variants, the science and data underscoring the National Recovery Plan (NRP) have helped yield encouraging results, enabling various states to gradually transition into phases that allow more economic and social activities. This has been a much welcome development by the *rakyat* and businesses alike.

As a responsive and caring Government, various initiatives have been implemented to save people's lives and livelihoods, a balance that was difficult to strike during the darkest moments of our recovery journey. Despite the fiscal challenges, in 2021, the Government managed to put together four assistance and stimulus packages – PERMAI, PEMERKASA, PEMERKASA+ and PEMULIH – comprising fiscal and non-fiscal measures, with a total value of RM225 billion, or 14.8% of GDP.

Thus far, concerted public and private sectors' efforts have resulted in green shoots of economic recovery, with GDP growing by 7.1% in the first half of 2021 compared to a contraction of 8.4% in the first half of 2020. The country's trade figures have improved, increasing by 26% and exceeding RM1.0 trillion in the first half of 2021, with major markets' exports and imports showing better numbers.

Despite the continued need for targeted containment measures to curb COVID-19, the outlook for the second half of 2021 remains positive, bolstered by a gradual reopening of economic and social sectors. These developments, coupled with more states' gradual transition to the NRP's subsequent phases, have resulted in Malaysia's economic growth being revised to between 3% and 4% for 2021.

Aside to compelling us to be more creative to ensure recovery and growth, COVID-19 has also taught us some valuable lessons. Firstly, we must think strategically not only in addressing COVID-19, but also on emerging more resilient post-pandemic. While this may not be the last time a pandemic confronts us, we must strive to make it the last time where saving lives and livelihoods are a zero-sum game, and where our public health capacity is tested to its limits. In short, we need to prepare for tomorrow, starting today, and we do this by committing adequate investment in public healthcare, among others.

Secondly, in pursuing short-term goals to prevent economic depression, we must also take the opportunity to address underlying structural issues in the medium and longer term. In that spirit, it is imperative that we use this crisis to fix our public service delivery ecosystem; job, food and social security; public education and industrial capacity, to name a few.

Thirdly, even with pandemic-accelerated digital adoption, it will never reduce the rural-urban income gap without a proper digital backbone infrastructure nationwide. Our digital ecosystem helped prevent the economy from collapsing during the various lockdown iterations. Now, we must endeavour to digitally enable each and every Malaysian so they, too, can participate in the nation's wealth-building initiatives. This will help our #KeluargaMalaysia future-proof itself to remain competitive, particularly through the MyDIGITAL initiatives.

We must mobilise the nation towards a digitally connected economy – including via 5G, where appropriate – in line with the Fourth Industrial Revolution (4IR) to support, among others, new working and learning norms; better disaster and pandemic management through real-time data; and more cost-efficient processes. This is also in line with our ongoing structural reforms over the medium term, outlined in initiatives such as the National Investment Aspirations (NIA) and the *Perkukuh Pelaburan Rakyat* (PERKUKUH) initiative to support medium-to long-term sustainable economic growth, improved socio-economic inclusion and enhanced environmental sustainability.

To ensure the *rakyat's* well-being in 2022, the Government will prioritise economic and new sources of growth. Fiscal policy will remain expansionary to stimulate the economy, with Budget 2022's initiatives focused on speeding up recovery, strengthening economic resilience, and catalysing reforms. All these initiatives are in line with the themes and core thrusts of the recently announced Twelfth Malaysia Plan (12MP).

Moving forward, despite the uncertainties, the Government believes the nation's economy can withstand any potential headwinds due to its strong fundamentals. Expected GDP growth of between 5.5% and 6.5% in 2022 is predicated upon the greater reopening of economic and social sectors, as well as increased external demand from major trading partners. Other growth drivers include higher commodity prices, improved labour market conditions, a rapid transition to digitalisation, and the implementation of infrastructure projects with a high multiplier effect.

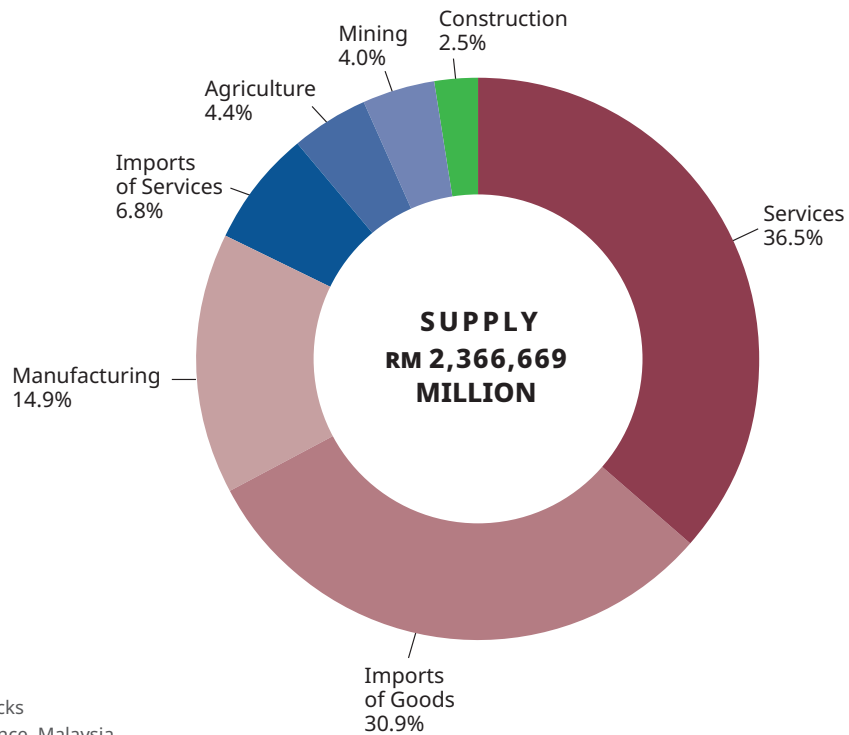
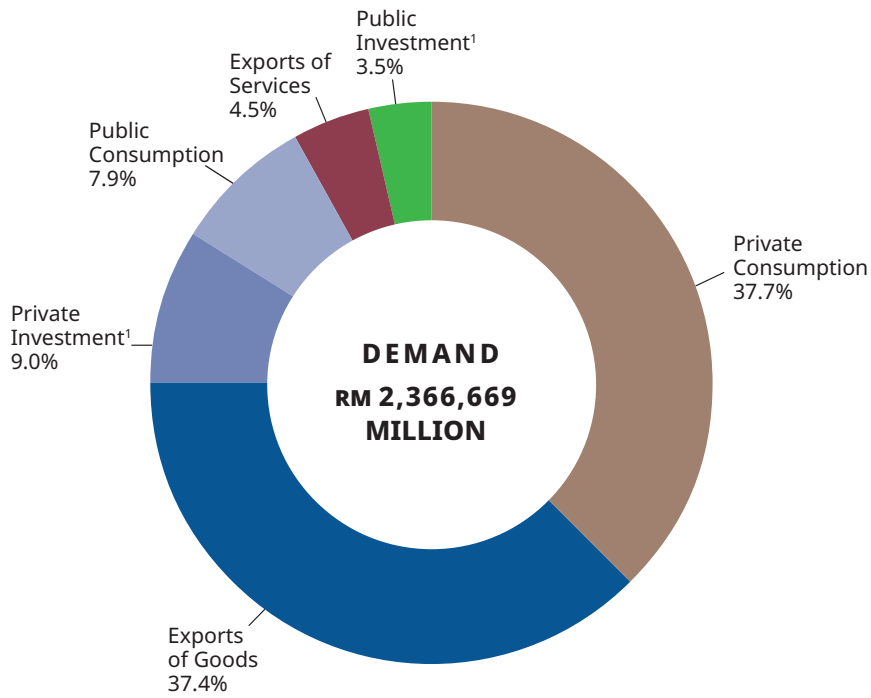
With almost all our adult population targeted to be completely vaccinated by end-October, we can finally see the light at the end of the COVID-19 tunnel. To all Malaysians, I cannot thank you enough for your support in the fight against the unseen enemy. But we must not rest on our laurels because our recovery journey has just begun. We must continue to work together to rebuild our beloved nation into a safe and peaceful place. The health, well-being and prosperity of #KeluargaMalaysia are in our hands, and we will get there, *Insyaa-Allah*.



**SENATOR TENGKU DATUK SERI UTAMA ZAFRI AZIZ**  
Minister of Finance  
29 October 2021

## THE ECONOMY 2022

in constant 2015 prices  
(share to total in %)



<sup>1</sup>Includes change in stocks  
Source: Ministry of Finance, Malaysia

