



MEDIA STATEMENT

MALAYSIA ECONOMIC PERFORMANCE IN THE FOURTH QUARTER OF 2020

Malaysia's GDP contracted 3.4 per cent in the fourth quarter of 2020

PUTRAJAYA, 11 February 2021 – Malaysia's Gross Domestic Product (GDP) contracted 3.4 per cent for the fourth quarter of 2020 as compared to a decline of 2.6 per cent in the preceding quarter. For overall year 2020, Malaysia's GDP contracted 5.6 per cent as compared to 4.3 per cent in 2019. The last seen of Malaysia's economic contracted was in 2009 (-1.5%) and this is the lowest contraction after 1998 (-7.4%).

According to Chief Statistician Malaysia, Dato' Sri Dr. Mohd Uzir Mahidin, "In 2020, various Movement Control Order (MCO) phases were implemented in the country since 18 March 2020 until now to curb the outbreak of COVID-19. Thus, the performance of economic activities following the domestic supply and demand factors and the influence of the external sector has led the Malaysian economy recorded negative growth for the three consecutive quarters for year 2020. Malaysia has experienced a negative growth for five consecutive quarters before recording a positive growth during the Asia Economic Crisis in 1998.

Commenting further on the performance of the fourth quarter of 2020 in terms of Malaysia's monthly GDP performance, the Malaysian economy recorded a contraction of 4.7 per cent in October, declining slower in November (-4.0%) and December (-1.7%). For the quarter-on-quarter seasonally adjusted was recorded at negative growth 0.3 per cent (Q3 2020: 18.2%) in this quarter.

Dato' Sri Dr. Mohd Uzir Mahidin, Chief Statistician Malaysia stated that "Malaysia's GDP for the fourth quarter of 2020 **contracted 3.4 per cent** influenced by the decline in all economic sectors except for Manufacturing sector which registered a positive growth in this quarter. **Services sector** was a major contributor to economic activity declined **4.9 per cent** (Q3 2020: -4.0%) in this quarter. The decrease in Services sector was due to the contraction of sub-sectors for the tourism-related industries following travel restrictions which contributed to the lower foreign tourists arrival to Malaysia as well as movement restriction of domestic tourists in the country. In overall, for year 2020, a number of foreign tourists arrival has drastically dropped as compared to 2019. Among the worst affected sub-sectors were the Food & beverages and accommodation and

Transportation and storage segments which dwindled to only 5.9 per cent compared to 7.3 per cent during normal years. The Wholesale and retail trade sub-sector showed a smaller decline of 1.5 per cent in this quarter supported by Wholesale and Motor vehicles segments. Meanwhile, Information & communication sub-sector further expanded which indirectly help to cushion the fall of the Services sector in the fourth quarter of 2020.

The Chief Statistician Malaysia also commented that the **Manufacturing sector** for the fourth quarter 2020 maintained a positive growth at **3.0 per cent** driven by Petroleum, chemical, rubber & plastics products followed by the Electrical, electronic & optical products. The continuous positive growth was contributed by the export-oriented industries which grew 3.4 per cent (Q3 2020: 5.0%) in line with the overall exports performance which recorded a positive growth of 5.1 per cent in the fourth quarter of 2020. Similarly, the performance of the domestic-oriented industries increased by 2.2 percent (Q3 2020: -0.2%) for the quarter.

In the fourth quarter of 2020, **Agriculture sector slightly dropped 0.7 per cent** due to the contraction in Oil palm, Fishing, Forestry & logging and Rubber sub-sectors. However, the Livestock sub-sectors increased in this quarter to a better positive trend as compared to previous quarter. **Mining & quarrying sector** continued to **decline 10.6 per cent** in this quarter attributed by the decline in production of Crude & condensate and Natural gas due to the lower market demand.

Construction sector contracted 13.9 per cent from negative 12.4 per cent in the preceding quarter. This is in line with average of value work done per project decreased in the fourth quarter of 2020. The contraction in the Construction sector was due by negative growth in Civil engineering, Non-residential buildings and Residential buildings. Nevertheless, Specialised construction activities posted a positive growth in this quarter.

Commenting further the Chief Statistician explained that in terms of demand, all components of expenditure recorded negative growth except for **Government final consumption expenditure** which maintained a positive growth in this quarter. **Private final consumption expenditure** with a contribution of 58.0 per cent to GDP **decreased 3.4 per cent** (Q3 2020: -2.1%) attributed by the decline of Restaurants & hotels, Recreation services & cultural and Furnishing, household equipment & routine household maintenance. On the contrary, expenditure on the essential items such as Food & non-alcoholic beverages; Housing, water, electricity, gas and other fuels; and Communication registered a better growth during the quarter. Active online shopping activities of households has also supported the performance in private consumption.

The investment on fixed asset or known as **Gross fixed capital formation (GFCF) contracted 11.9 per cent** in the fourth quarter of 2020 due to the decline in all type of assets namely Structure, Machinery & equipment and Other assets. He added that the declining trend in GFCF was observed since the first quarter of 2019. The GFCG plays a significant role in producing future national output. The reduction in GFCF may lead lower capacity for future production. The reduction in investments lead to a lower production capacity in the future and thus have implications for potential output. In the meantime, **Government final consumption expenditure expanded to 2.7 per cent** (Q3 2020: 6.9%) due to lower spending in supplies and services in fourth quarter 2020.

Referring to the international trade for this quarter, **Net exports** remained positive by registering 12.4 per cent which was stimulated by higher external demand where Exports recorded a better growth as compared to Imports. This has indirectly led to a trade surplus of RM184.8 billion in Malaysia's economy for year 2020 with a total trade of almost RM2 trillion.

Annual Growth of 2020

Overall, the COVID-19 pandemic that hit the world has affected the Malaysian economy. GDP performance for 2020 declined 5.6 per cent as compared to a positive growth of 4.3 per cent in 2019 influenced by the fall of all economic sectors. Services sector recorded a negative growth of 5.5 per cent (2019: 6.1%) followed by Manufacturing sector contracted 2.6 per cent (2019: 3.8%). Subsequently, Agriculture sector recorded a decline of 2.2 per cent (2019: 2.0%), Mining & quarrying at negative 10.0 per cent (2019: -2.0%) and Construction sector decreased 19.4 per cent (2019: 0.1%).

On the demand side, all expenditure components recorded negative growth except Government final consumption expenditure which recorded a positive growth of 4.1 per cent (2019: 2.0%). Private final consumption expenditure declined 4.3 per cent (2019: 7.6%) while GFCF plummeted 14.5 per cent (2019: -2.1%). Besides that, Net exports sharply fell 12.3 per cent (2019: 9.7%) attributed by the slower Exports performance compared to Imports.

The implications of COVID-19 pandemic have affected economic activities which further contributed to the increase of the unemployment rate 4.8 per cent in the fourth quarter of 2020. Furthermore, the number of underemployed persons increased as compared to 2019. This scenario affects the disposable income which indicates a slowdown and indirectly led to a decrease of the Gross National Income (GNI) per capita from RM45,212 (2019) to RM42,531 in 2020. Meanwhile, movement control imposed by the government led to a reduction in domestic consumption expenditure.

For this media release, Department of Statistics Malaysia also provides statistics on comparison of economic crises period experienced by Malaysia in 1998 and 2009. Additional information of Malaysia's economy during the crises can be referred in Appendix 2 for the benefit of the users.

Following the implementation of the MCO announced by the YAB Prime Minister on 11th January 2021, the second phase of Malaysia Population and Housing Census 2020 via face-to-face interview was rescheduled. Therefore, those who have not completed the census can take the opportunity to fill in the online census (e-Census) which was reopened. Further information on the Malaysia Census 2020 can be obtained through the census portal www.mycensus.gov.my or social media @MyCensus2020.

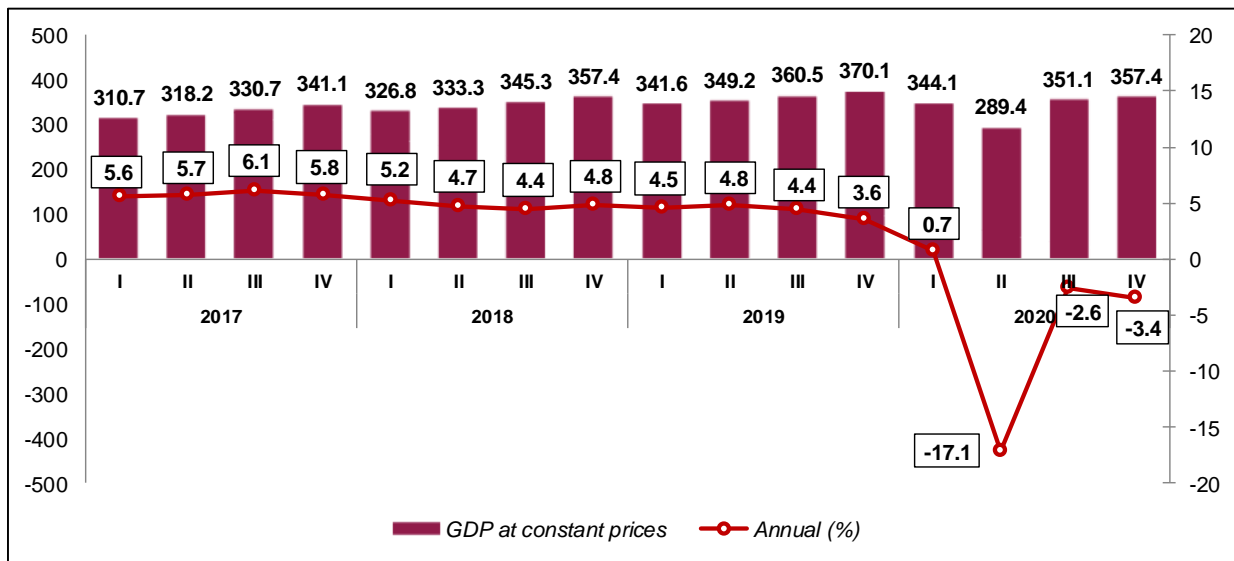
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DEPARTMENT OF STATISTICS, MALAYSIA

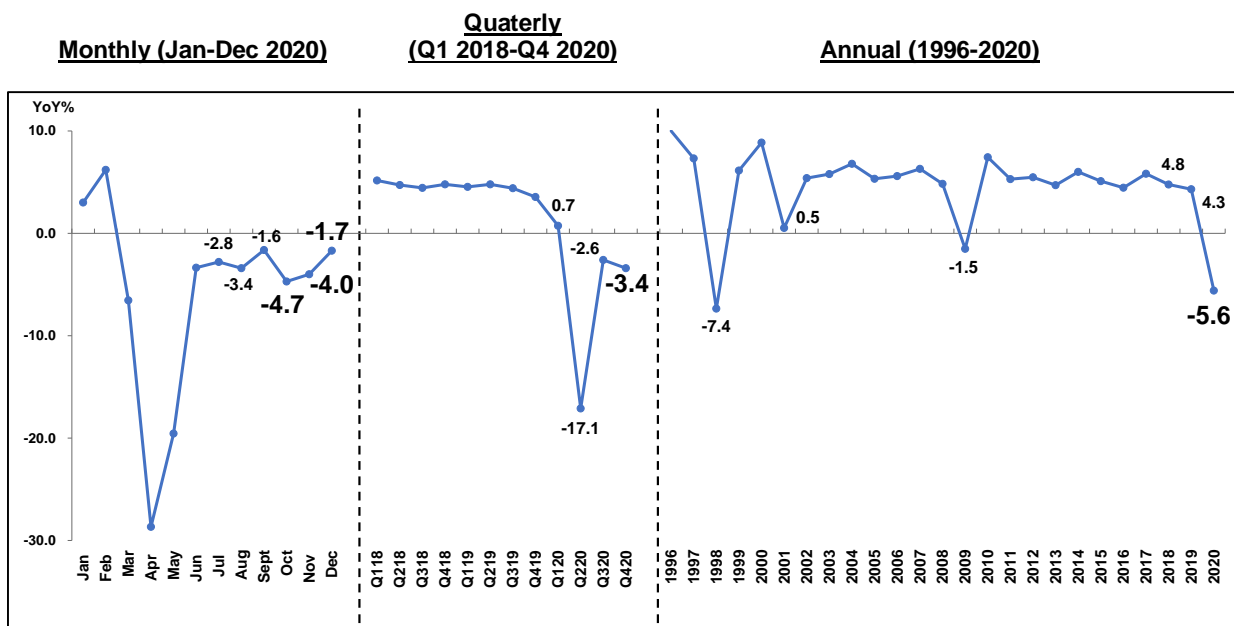
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Chart 1: GDP (RM billion) and Annual Percentage Change (%)



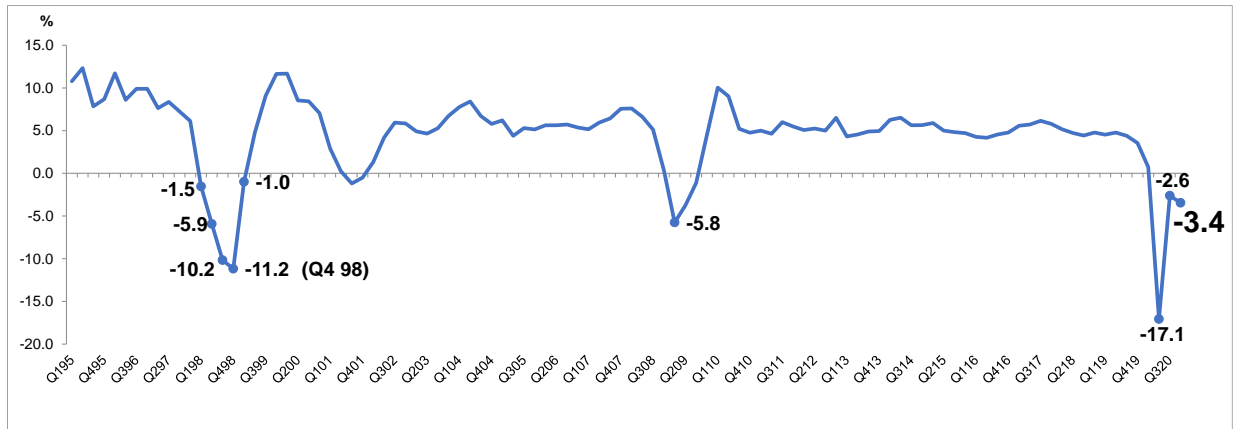
Source: Department of Statistics Malaysia

Chart 2: GDP Growth (year-on-year)



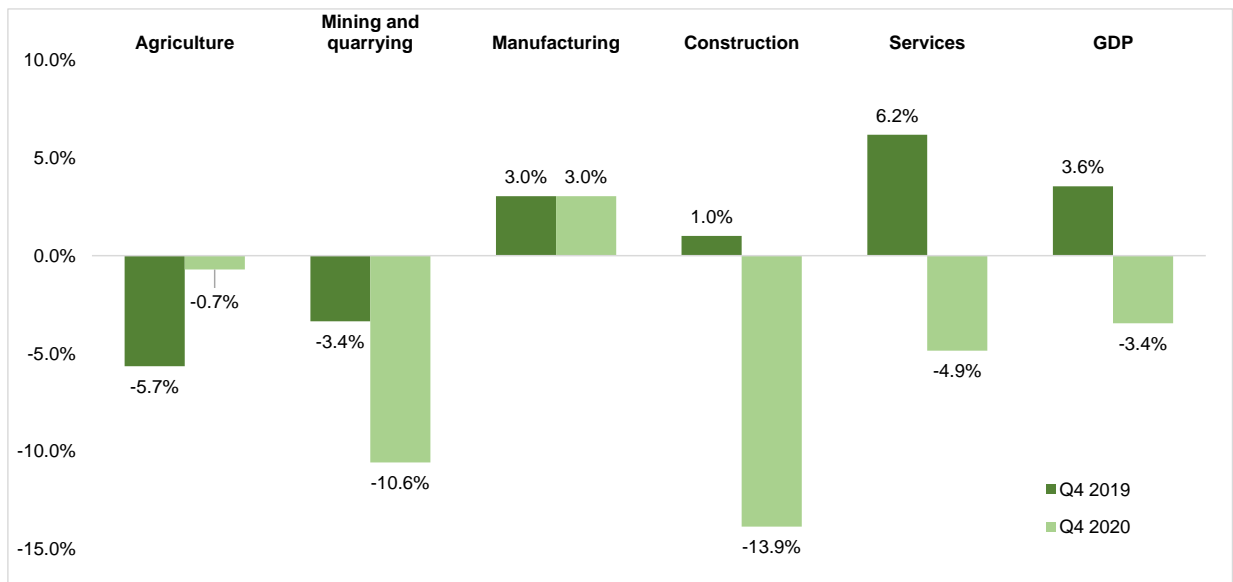
Source: Department of Statistics Malaysia

Chart 3: GDP Growth (Q12015-Q42020)



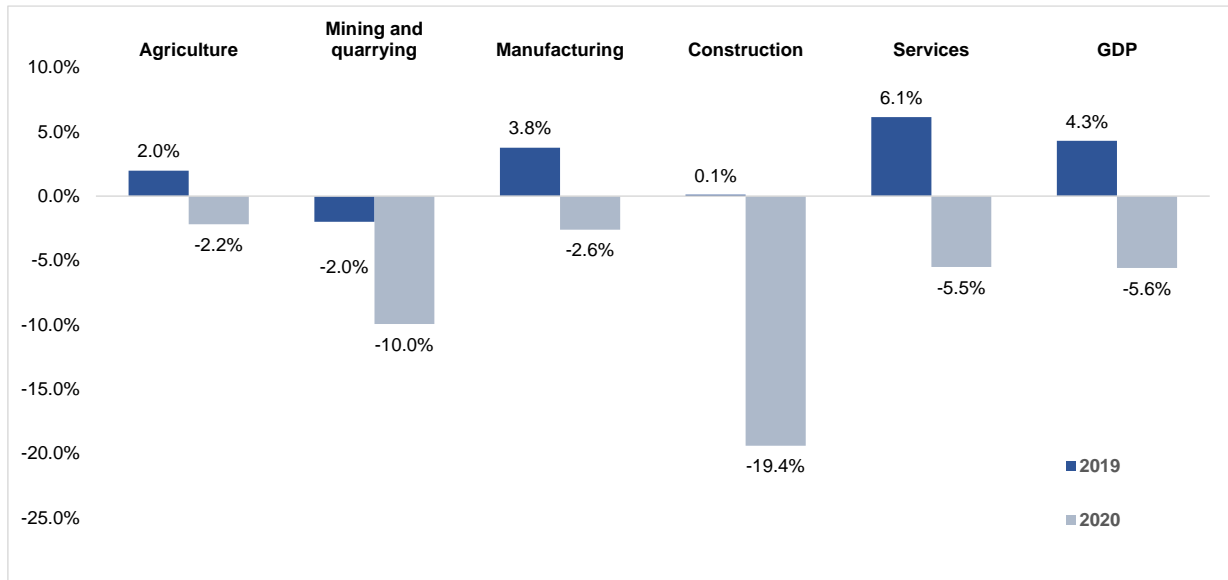
Source: Department of Statistics Malaysia

Chart 4: Quarterly GDP growth by kind of economic activity



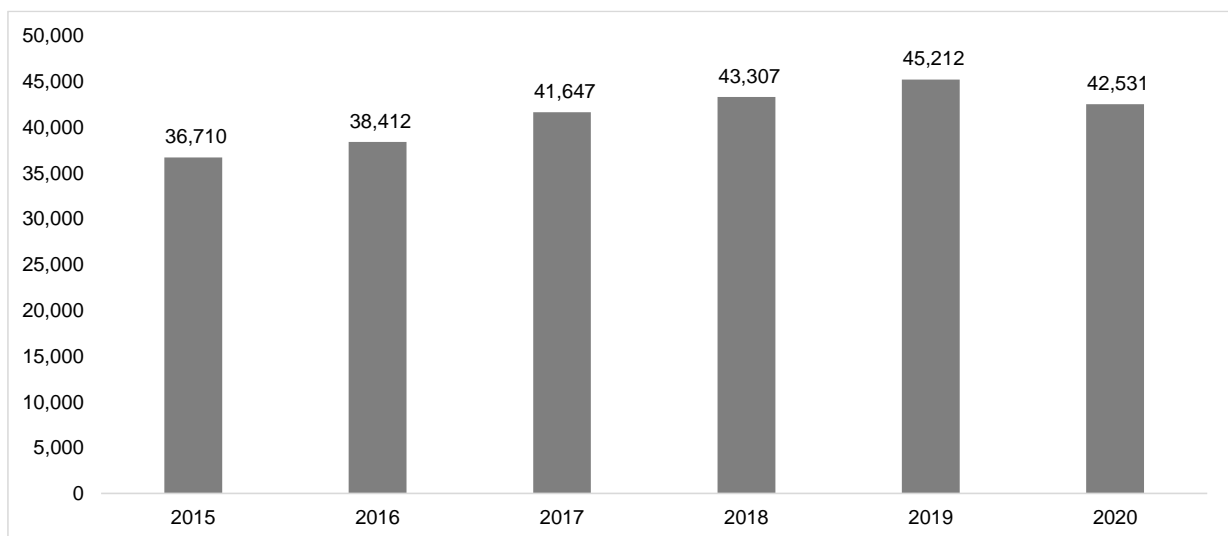
Source: Department of Statistics Malaysia

Chart 5: Annual GDP growth by kind of economic activity



Source: Department of Statistics Malaysia

Chart 6: Annual Gross National Income (GNI) per capita



Source: Department of Statistics Malaysia

Highlights on the comparison of the national economic recession from the perspective of GDP statistics

The most significant economic recession was recorded in 1998 when the Malaysian economy contracted 7.4 per cent (1997: 7.3%). The Asian financial crisis has led to the depreciation of currency, value of the stock market and value of assets in the economy. The impact on the Malaysian economy can be observed when all main production sectors declined except Mining and quarrying sector which grew marginally 0.4 per cent. Malaysia's economic structure in 1998 was supported by the contribution of Services sector 55.8 per cent followed by the Manufacturing sector, 27.9 per cent and Agriculture sector 9.6 per cent. Specifically, Manufacturing sector declined sharply 13.4 per cent in 2009 (1997: 10.1%) as a result of the declining demand from the export market.

On the demand side, external sector is an important sector to the economy where total Exports and Imports represented 192.0 per cent of GDP. Private final consumption expenditure contributed 45.0 per cent to GDP while Gross fixed capital formation (GFCF) contributed 30.3 per cent to GDP in 1998.

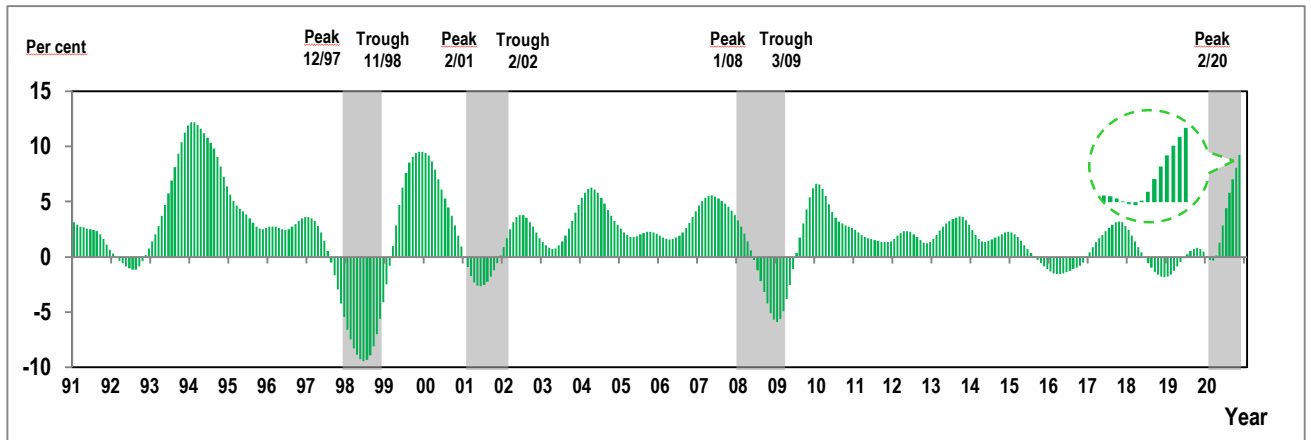
The recovery of the Malaysian economy after the Asian financial crisis was achieved through the measures taken by the government such as capital control, restructuring of the financial sector and economic stimulus packages. The Malaysian economy recovered quickly in 1999 when the GDP growth has returned to positive 6.1 per cent (1999) after a negative growth for five consecutive quarters starting from the first quarter of 1998 and ended in the second quarter of 1999 when the quarterly GDP recorded a positive growth of 4.8 per cent.

Furthermore, our country has experienced another recession in 2009 due to the global financial crisis which created pressure to the world financial demand and markets. The Malaysian economy declined 1.5 percent in 2009 following a sharp decline in Exports and Gross fixed capital formation as the main factors of the contraction. The process of economic recovery was achieved through fiscal injections and financial stimulus packages which has witnessed Malaysia's GDP to recover in 2010 at 7.4 per cent.

The COVID-19 pandemic which started since December 2019 has caused a health and economic crisis. Malaysia was not exempted from the effects of this epidemic when the economy descended 5.6 percent in 2020. This is the second lowest contraction after the economic recession in 1998. In terms of quarterly growth, GDP has declined for three consecutive quarters until the fourth quarter of 2020. This economic crisis is different from the previous crises due to economic structure and the impact of this health crisis was affected by the supply and demand sectors. All main economic sectors recorded negative growth was mainly contributed by Services, Construction and Mining and quarrying sectors. On the demand side, all expenditure components decreased except Government final consumption expenditure. The external sector sharply fell due to the decline in Exports of services following the travel restriction of foreign tourists to contain the pandemic. Domestic demand also fell following the contraction of Private final consumption expenditure and Gross fixed capital formation. The economic recovery for this crisis will depends on the recovery of the health crisis and global economic stability.

Chart 7

Annual Growth Rate of Leading Index (Smoothed) and Business Cycle (Grey Shaded Areas), January 1991 to November 2020



Source: Department of Statistics Malaysia