



**ANNUAL
MEETINGS**
2022 | WASHINGTON DC
INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

Governor's Statement No. 9

October 14, 2022

Statement by the Hon. **ASRI HAMIDON**,
Alternate Governor of the Bank for **MALAYSIA**

**Statement by the Hon. Asri Hamidon,
Alternate Governor of the Bank for Malaysia**

Global Economy

1. Uncertainties surrounding the continuing inflationary pressure and global supply chain disruptions will moderate global economic growth. The global economy is projected to grow moderately by 2.9% in 2023. Growth in advanced economies is expected to moderate at 1.4% while Emerging Markets and Developing Economies (EMDEs) is projected to record 3.9% in 2023, supported by increased private consumption and exports.
2. The GDP of ASEAN-5 is anticipated to record 5.1%, sustained by further improvement in domestic consumption and private investment. ASEAN is also expected to continue benefitting from both China and India's growth attributed to strong domestic demand.
3. Countries around the world are facing challenges surrounding a hike in food and fuel prices when the economy is in the midst of recovery from the impact of the COVID-19 pandemic. Compounded by the issues of climate change and further uncertainties concerning the geopolitical conflicts, supply chain disruptions as well as the looming threat of COVID-19, the economy is anticipated to be more challenging for the government to manage.

Policy Responses in Malaysia

Malaysia's Economy

4. The Malaysian economy remains robust amid the global uncertainties. The real GDP is expected to grow 6.5% - 7.0% in 2022. In line with the softening global outlook, Malaysian economy is expected to grow between 4.0% and 5.0% in 2023, underpinned by strong economic fundamentals and further improvement in employment prospects. Meanwhile, sustained consumer and business confidence as well as continuous policy support for the vulnerable, are projected to stimulate domestic demand. On the supply side, the growth in manufacturing and services sectors is projected to support the economy. However, as an open economy, Malaysia is not spared from the challenges particularly in terms of high inflation and climate crisis.

High Inflation

5. Inflation in Malaysia has been rising in recent months from 2.2% in March 2022 to 4.7% in August 2022. The main factor of Malaysia's higher inflation in this period is the food inflation, which resulted from higher prices of agricultural inputs and supply chain disruptions. The increase in food inflation has a greater impact on the low-income group compared to high-income group. Hence, the Government has

undertaken a number of measures to mitigate the impact of food inflation, including the provision of additional consumption subsidies and cash assistance.

6. The Government continues to provide various social assistance including cash assistance to target groups to ease the higher cost of living. As announced in the Budget 2022, the *Bantuan Keluarga Malaysia* (BKM) assistance with an allocation of RM8 billion is expected to benefit 4 million households, 1.2 million senior citizens and 3.4 million single individuals. In addition, the Government also announced additional cash assistance amounting to RM630 million beginning 27 June 2022 to cushion the impact of increase in basic food prices. The total amount of subsidies and social assistance in 2022 is estimated to be around RM80 billion which would be the largest in Malaysian history

Climate crisis and sustainable development

7. The sustainability and climate change agenda have gained traction around the world, particularly after the COVID-19 pandemic. The recent floods and landslides which occurred in late 2021 and early 2022 in some parts of Malaysia have revealed the importance to enhance the country's preparedness against any disasters. In addressing the recent flood catastrophe, the Government disbursed around RM2 billion for immediate support and relief efforts to help the affected people.
8. In terms of sustainable financing, Malaysia has pioneered the green Sukuk and the social impact Sukuk through the Securities Commission's Sustainable and Responsible Investment (SRI) Sukuk framework, and continues to lead the Sukuk market, accounting for roughly 45% of global Sukuk outstanding. Following the successful issuance of the sovereign USD-denominated Sustainability Sukuk in April 2021 (2021 Global Sukuk), the Government issued a domestic issuance of a RM4.5 billion Sustainability Malaysian Government Investment Issue (MGII), a Shariah-compliant debt instrument, on 30 September 2022. The proceeds of the Sustainability MGII will be used to finance sustainability programmes and projects, as listed in the Government of Malaysia SDG Sukuk Framework.

Moving Forward

9. Malaysia is geared to strengthen the momentum of recovery, build economic resilience and catalyse comprehensive reforms. The Government remains committed in promoting people-centric programmes that enable the people to benefit from the growth and prosperity of the nation. Similarly, with the economy fully reopened, the Government is dedicating its focus on strategies to restore business and economic resilience which include ensuring access to financing, driving strategic investments and reviving targeted sectors. Additionally, more emphasis will be given in enhancing green investments for the development of low-carbon, resilient and healthy urban environments, while minimising environmental degradation.

The Role of the WBG and IMF

10. Malaysia welcomes the efforts by the World Bank Group (WBG) and International Monetary Fund (IMF) in supporting member countries throughout the COVID-19 and amid the current economic headwinds. The World Bank's commitments in 2022 was 68% higher than the pre-crisis average in order to fight the COVID-19 pandemic; protect the poor and vulnerable; preserve jobs and firms; ensure food security; as well as support a green, inclusive and resilient recovery is highly commendable. The East Asia and Pacific region anticipate to benefit from commitments amounting to USD5.5 billion in 2022 from IBRD and USD1.7 billion from IDA. Although Malaysia is a non-borrowing country, the partnership between Malaysia and WBG/IMF has continued to create innovative knowledge and development solutions which will benefit Malaysia, in particular and the region, in general.
11. The WBG's Inclusive Growth and Sustainable Finance Hub in Kuala Lumpur is aspired to focus on supporting inclusive growth; promoting sustainable and Islamic finance; as well as strengthening governance. The recent work by the Hub was 2021-2022 Malaysia Fiscal Management Work Program which will be a beneficial input for the Government of Malaysia to ensure efficiency and effectiveness of public spending in order to protect the wellbeing of the people against future challenges.

Conclusion

12. The Government of Malaysia would like to congratulate the WBG and IMF for successfully organising the 2022 Annual Meeting. Against the backdrop of the moderate global economic growth next year, Malaysia hopes that the support by the WBG and IMF will be maintained for member countries to achieve sustainable and resilient recovery.