Journal of Financial Risk Management, 2022, 11, 408-440
https://www.scirp.org/journal/jfrm
ISSN Online: 2167-9541
ISSN Print: 2167-9533

By Analyse the Malaysia's Macroeconomic from 2020 to 2021, Discuss about under Such Situation What Can the Malaysia's Enterprises Do to Decrease the Loss

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How to cite this paper: Liu, J. (2022). By Analyse the Malaysia's Macroeconomic from 2020 to 2021, Discuss about under Such Situation What Can the Malaysia's Enterprises Do to Decrease the Loss. *Journal of Financial Risk Management, 11,* 408-440.
https://doi.org/10.4236/jfrm.2022.112022

Received: February 24, 2022
Accepted: June 27, 2022
Published: June 30, 2022

Abstract

From 2020 to 2021, these are special periods. Since to latest time in 2019, the Covid-19 outbreak, almost the whole world's countries got effects by the disease. Most people got infested and dead because of it, and the global economy also got a terrible effect, including Malaysia. Since 2020, the infest's growth was fast, until the mid-term, Malaysia's infest got stable and decreased, Malaysia's economy faced risks, but the most important thing is risks have harm and losses, also with chances. Because I have stayed and studied in Malaysia for several years, I wish to make a research and analyse about Malaysia's economy in 2020 and 2021, discuss under the disease, how could Malaysia's enterprises to avoid or decrease the economic loss of the disease has delivered, and following the historical events about 2003 SARS virus infest, find which country suffered the most, and how to recover the economy, discuss this country's methods implication to Malaysia, and whether it is suitable for Malaysia.

Keywords

Macroeconomic, Covid-19, Malaysia

1. Introduction

According to People's Network Japan Channel (2020), Tokyo, November 12 (Kyodo News), by following Kyodo News, Japan credit research company Tokyo Mercantile Survey Day before the release of information. From 2020 February, COVID-19 caused bankruptcy cases had reached 701 cases. The number of bankruptcies of large companies with debts of more than 1 billion yen was decreasing, but the number of small and medium-sized companies with a weak monthly basis, 113 cases of corporate bankruptcies had been recorded in October 2020. The Tokyo Chamber of Commerce and Industry survey had said the effect of official support, such as interest-free loans, was waning.

In September, the number of companies going bankrupt due to COVID-19 had exceeded 100 for the first time in three months.

The number of cases reached 21 on November 5 and was expected to exceed 100 in November 2020.

By industry, restaurants had been the most affected with 122 cases. Apparel (70 cases) and lodging (55 cases) followed. Sectors had affected by travel restrictions and a drop in the number of tourists visiting Japan was particularly prominent.

By following Bian Chun Finance Union (2020), Mexicana had become the latest airline to file for bankruptcy protection, Latin America's first and second largest airlines had filed for bankruptcy, and by reporting of Financial Report of 21st Century (2020), Australia's Virgin Atlantic was restructuring. Many European airlines had also come to rely heavily on government handouts.

By following Su and Wang (2020) (Xinhua News Agency), the world's airlines would lose 84.3 billion dollars in 2020, according to a report by the International Air Transport Association. Revenue was expected to be just 419 billion dollars, down 50% from 2019.

In tourism, according to the latest estimates of the UN Conference on Trade and Development, the global tourism industry had been stagnant for nearly four months, with losses of at least 1.2 trillion dollars, equivalent to 1.5% of global GDP. Global tourism losses could reach 3.3 tn dollars if the pandemic lasts for 12 months.

According to the conference, the shrinking tourism market had affected both the catering and entertainment industries, with workers in related sectors suffering from lower incomes and even job losses. Canada's Cirque du Soleil said it would file for bankruptcy and lose a larger number of employees as it loses revenue due to the pandemic.

Retail had also been affected. The US JCPenney, Neiman Marcus, and other established retail enterprises had filed for bankruptcy, NC, a well-known chain of health food stores in the US, said it would close up to 1200 US stores after filing for bankruptcy.

Report to the Ministry of Commerce of the People's Republic of China (2020), According to a report released by the UN Economic Commission for Latin America and the Caribbean on Monday, 2.7 million businesses in Latin America and the Caribbean would close down and 8.5 million jobs would be lost as a result of COVID-19.

AHRESP released its monthly survey on Tuesday, saying that "nearly 40% of food and beverage companies and 18% of tourism and accommodation companies plan to file for bankruptcy". More than 24% of the companies surveyed reported losses of more than 40% in June. 22% of them lost more than 60% of the year-on-year growth; 12% was more than 90%.

According to The Home of Net Lending (2020), thousands of companies in China had declared bankruptcy since the COVID-19 outbreak, with companies in film and television, entertainment, education, and catering industries accounting for the most, according to domestic media.

Data showed that there had been more than 5328 film and television companies closed, Wanda Film as the giant of Chinese film and television, the loss was more than 500 million yuan. In the education sector, well-known education brands such as Brother's Alliance Education, Mingxi Chinese Language, and Baifu English had all declared bankruptcy or been withdrawn by investors.

Under the epidemic, the tourism industry was hit hard because the number of people traveling had decreased significantly. On February 28, Baicheng travel, a well-known travel company in Beijing, announced its decision to close the company and start liquidation.

The impact of the pandemic on world GDP growth was massive. By Yeyati and Filippini (2021), they said the Global-19 global recession was the deepest since the end of the World War 2, The global economy contracted by 3.5% in 2020 according to the April 2021 World Economic Outlook Report published by IMF, a 7% loss relative to the 3.4% growth forecast back in October 2019. While virtually every country covered by the IMF posted negative growth in 2020, the downturn had been more pronounced in the poorest parts of the world.

Based on such information, I decided to do the macroeconomic research first, analyse the data then discuss what can people and enterprises do to avoid the risks or decrease the loss under the risks.

2. Literature Review

2.1. Malaysia's Economic Structure

According to the "Economic outlook 2020" and "Economic outlook 2021", the Sectors (**Table 1** and **Figure 1**) of Malaysia's economic are agriculture, mining and quarrying, manufacturing construction and services, also include the import

Table 1. Gross domestic product by kind of economic activity from 2016 to 2021 (Source: Department of Statistics and Ministry of Finance, Malaysia).

Kind of economic activity	2016	2017	2018	2019	2020	2021
Agriculture	9,377	99,509	99,579	101,549	100,344	105,086
Mining and Quarrying	105,368	105,838	103,512	101,438	93,568	97,404
Manufacturing	273,899	290,464	304,843	316,320	306,845	328,215
Construction	59,508	63,522	66,194	66,266	53,859	61,340
Services	680,561	723,361	772,685	820,069	789,379	844,554
(+)import duties	16,000	18,076	16,002	15,812	13,736	14,231
GDP at purchasers' price	1,229,313	1,300,770	1,362,815	1,421,454	1,357,731	1,450,830

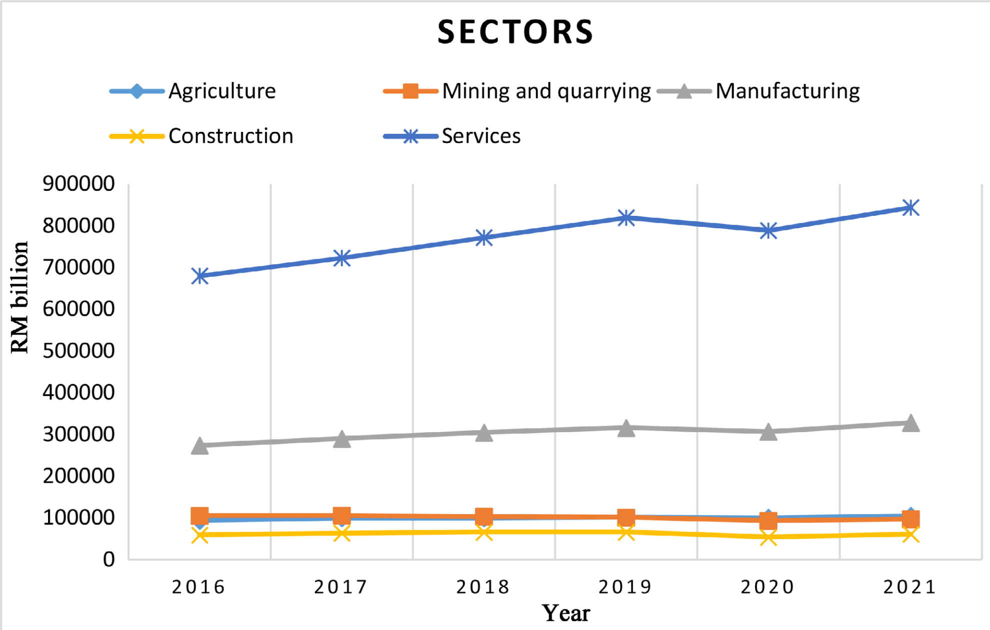

Figure 1. Gross domestic product by kind of economic activity from 2016 to 2021 (except import duties).

duties combine the Real GDP, by following the books and the Economic watch content, the most effects on Malaysia's economy are services and manufacturing and agriculture sectors, From the 2016 to 2021, the mining sector was trend to decrease, but the agriculture, manufacturing, construction and services were trend to increase, although the construction was also trend to increase, cannot compare to the agriculture, manufacturing and services sectors, just like the Economy watch content, they divided the Malaysia economic sector into services, Manufacture and agriculture sectors.

By following to the Economy Watch Content (2021), Agriculture sector was the primary sector in Malaysia, Malaysia's wealth development is largely due to its wealth of natural resource of agriculture and forestry. Some major produces are Cocoa, Rice, Palm and oil, Subsistence Crops and timber and pepper. Palm oil and rubber are the major foreign exchange earners in the primary sector. In the 1960s, the country's forest reserves depleted at a high rate. Active steps have been taken to plant high-value trees and various timber species. And they made the manufacturing sector as the secondary sector, also had diversified manufacturing was the backbone of its economy. The growth of the manufacturing sector was visible in its 30% contribution to the GDP in 1999 as compared to 13.9% in 1970. Malaysia had abundant natural resources including minerals liquefied natural gas, petroleum and tin. The oil production had stood at 7,727,200 bbl/day in 2008. Electronic components contribute a significant share in Malaysia's manufactures and exports. It was the largest exporter of semiconductor devices and electrical goods and appliances in the world. They think the service sector as tertiary sector, according to the primary Malaysian Prime minister Najib introduced a variety of measures for this sector. There were expectations of

Malaysian IT spending to be at 4.5 billion dollars in 2010 from 4.2 billion dollars in 2009 due to economic recovery.

2.2. Outlook to 2020 and 2021

By using the formula of calculating the economic growth rate: [RealGDPt/ RealGDPt-1]-1 * 100% = the economic growth rate, according to the calculation (Table 3) and (Table 4) the economic growth rate were positive, but from 2019 to 2020 was tend to the negative, but if everything could be like the outlook, the economic growth rate would be positive again from 2020 to 2021.

By using the formula of calculating the GDP by aggregate demand: GDP = Final consumption expenditure + Gross fixed capital formation + changes in inventories and valuables + Exports of gods and services-imports of goods and services, By following the calculation result of the GDP by aggregate demand (Table 5) From 2016 to 2017, the changes in inventories and valuables were positive growth, but from 2018 to 2021, the changes in inventories and valuables were negative trend. About the final consumption expenditure, from 2016 to 2019 was the positive increase trend, but from 2019 to 2020, the trend was become negative growth, about the gross fixed capital formation, from 2016 to 2018 was the positive increased trend, but from 2018 to 2020 became the decrease trend, about the exports and the imports, from 2016 to 2018, the rate was the positive

Table 2. GDP by sector, 2019-2021 (at constant 2015 prices) (Source: Department of Statistics and Ministry of Finance, Malaysia).

	Share (%)		Change (%)	
	2020	2019	2020	2021
Services	58.1	6.1	−3.7	7
Manufacturing	22.6	3.8	−3	7
Agriculture	7.4	2	−1.2	4.7
Mining	6.9	−2	−7.8	4.1
Construction	4.0	0.1	−18.7	13.9
GDP	100	4.3	−4.5	6.5 - 7.5

Table 3. GDP at purchasers' price from 2016 to 2021 (Source: Department of Statistics and Ministry of Finance, Malaysia).

	2016	2017	2018	2019	2020	2021
GDP at purchasers' price	1,987,398	2,107,746	2,219,714	2,325,620	2,216,725	2,372,976

Table 4. Economic growth rate calculation.

Year	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
economic growth rate	0.058127588	0.047698671	0.04302785	−0.044829449	0.068569547

Table 5. GDP by kind of economic activity RM million (Source: Department of Statistics and Ministry of Finance, Malaysia).

Type of expenditure	2016	2017	2018	2019	2020	2021
Finanal consumption expenditure	827,900	883,152	945,482	1,008,142	1,004,929	1,066,950
Public	155,640	164,450	169,631	173,077	175,931	179,387
Private	672,260	718,702	775,851	835,065	828,998	887,563
Gross fixed captial formation	312,190	331,093	335,614	328,412	292,035	319,818
Public	105,213	105,499	100,263	89,385	81,083	94,789
Private	206,977	225,594	235,351	239,027	210,952	225,029
Changes in inventories and valuables	297	1032	−9050	−14,649	−13,951	−13,689
Exports of goods and services	828,155	900,064	917,462	905,807	784,656	852,856
Imports of goods and services	739,230	814,571	826,694	806,258	709,940	775,105
GDP at purchasers' price	1,229,312	1,300,770	1,362,814	1,421,454	1,357,729	1,450,830

increase rate, from the 2018 to 2020 became the negative rate.

2.2.1. Sectoral

1) Services Sector

Malaysia's service sector can be dividend as utilities, Wholesale and retail trade, Food & beverages and accommodation, Transportation and storage, information and communication, finance and insurance, real estate and business services, other services and government services.

According to the Ministry of Finance Malaysia (2020a), the services sector contracted by 6.7% in the first half of 2020 largely due to worldwide travel bans, domestic movement restrictions and guarantines, which severely affected the tourism-related subsectors and airlines. Among the subsectors that have been severely affected include wholesale and retail trade, food & beverages that accommodation, transportation and storage as well as real estate and business services, the information and communication subsector expanded as online transportations increased significantly during the MCO. The services sector was expected to record a smaller decline of 1% in the second half of the year, reflecting the gradual resumption of economic activities. The sector was projected to contract by 3.7% (**Table 2**) in 2020 before rebounding by 7% (**Table 2**) in 2021. With the normalisation of economic activities in 2021, all subsectors were projected to record positive growth.

The wholesale and retail trade subsector contracted by 10.8% in the first half of 2020 due to disruptions in the global and domestic supply chains. The subsector was expected to record a smaller decline by 1.9% in the second half of the year with the gradual resumption of business operations, and the subsector was projected to contract by 6.1% (**Table 6**). The subsector was anticipated to rebound by 8.5% (**Table 6**) in 2021, supported by all segments. The wholesale segment was expected to be backed by food-related industries. At same time, the

Table 6. Services sector Performance, 2019-2020 (at constant 2015 prices) (Source: Department of Statistics and Ministry of Finance, Malaysia).

	Share (%)		Change (%)	
	2020	2019	2020	2021
Wholesale and retail trade	28.8	6.7	−6.1	8.5
Finance and insurance	11.8	4.6	−0.1	5.5
Information and communication	11.4	6.6	6.4	7.9
Real estate and business storage	7.7	7.8	−11.6	7.6
Transportation and storage	6.0	6.8	−11.9	7.5
Food & beverages and accommodation	5.5	9.6	−13.3	10.7
Utilities	4.9	6.0	1.7	5.7
Other services	8.2	5.5	−8.1	6.2
Government services	15.7	3.7	4.0	3.7
Services	100	6.1	−3.7	7.0

expansion, in e-commerce activities would support the retail segment. The growth of the motor vehicles segment would be underpinned by the introduction of new models and higher household disposable income.

The information and communication subsector expanded by 5.8% in the first half of 2020, primarily supported by higher usage of internet, particularly online transactions, entertainments, educational and work from home (WFH) activities. The subsector was projected to expand further by 7.1% in the second half of the year buoyed by various Government initiatives. The initiatives include a tax exemption of up to RM 5000 for information, communication and technology equipment to support WFH activities and individual income tax relief of up to RM 2500 on the purchase of digital devices. The subsector was anticipated to accelerate by 6.4% (Table 6) as WFH activities, virtual communication and online businesses become the new normal. In 2021, the subsector was projected to expand by 7.9% (Table 6), with the fifth generation cellular network spectrum facilitating e-commerce and e-learning activities. The roll-out of the National Fourth Industrial Revolution policy and Digital Economy Blueprint in the fourth quarter of 2020 was expected to enhance the productivity and competitiveness of the subsector. The formation of the Malaysian Digital Economy Task Force, which focuses on digital content, was expected to support the acceleration of the subsector.

The finance and insurance subsector in the first half of 2020 contracted marginally by 0.2%, it mainly due to the six-month wide-scale moratorium and slower lending activities. The better performance of the insurance segment reflected the increase in life insurance subscriptions, which partly cushioned the overall decline of the subsector. The trend was expected to continue in the second half following the extension of moratorium to targeted borrowers. Overall for the year, the subsector was expected to contract marginally by 0.1% (Table 6) with the expansion in the insurance segment, reflected the net impact of higher premiums amid lower claims.

The subsector was projected to rebound by 5.5% (Table 6) in 2021, driven mainly by the finance segment, benefiting from the normalisation of loan repayments and continuation of bank lending amid stronger domestic economic activities. The insurance segment was also expected to grow steadily with the promotion of innovative and risk-based pricing in motor and fire insurance. In addition, the launching of the financial sector blueprint 2021-2025 in the first quarter of 2021 was expected to further boost the growth of the subsector.

The real estate and business services subsector declined by 11.3% in the first half of 2020, attributed to temporarily suspension o construction activities during the MCO. The subsector was expected to continue to decline by 11.9% in the second half and 11.6% for the whole year. This was mainly due to deferred construction projects and subdued business activities. With projected economic recovery and roll-out of delayed infrastructure projects, the subector was expected to rebound by 7.6% (Table 6) in 2021. The exemption of Real Property Gains Tax, launching of the the National Affordable Housing Policy and Rent-to -Own scheme, extension o Youth housing Scheme and Home Ownership Campaign were expected to support the subsector. Higher demand for construction-related services was expected to drive the business services segment.

The transportation and storage subsector contracted significantly by 24% in the first half of 2020 with all segments severly affected by the border closure and lower trade activities. The subsector was anticipated to decline marginally by 0.5% in the second half following the lifting of interstate travel bans, increasing domestic travellers, improving trade activities and loosening of port restrictions. With prolonged border closure for tourism-related activities and extension of recovery movement control order until year-end, the subsector was forecast to record a decline of 11.9% (Table 6) in 2020.

The subsector was projected to rebound by 7.5% (Table 6) in 2021, driven by the land transport segment, following operations of new highways.

The food & beverages and accommodation subsector declined by 19.9% in the first half of 2020 due to stringent ravel restrictions on movement and business operations. With continuous drop in international tourist arrivals, the subsector was projected to contract by 7.3% in the second half of 2020. For the whole year, the subsector was anticipated to decline by 13.3% (Table 6), mainly due to sluggish performance of accommodation segment following the signficant drop in tourist arrivals. An increase in demand for online food delivery and domestic tourism activities were expected to cushion the subsector.

The subsector was expected to expand markedly by 10.7% (Table 6) in 2021, mainly backed by domestic tourism-related activities with support from several initiatives. These initiatives include tax exemptions on tourism and accommodation services as well as an extension of income tax relief of up to RM 1000 on domestic travel services. Attractive packages coupled with promotions, marketing and campaigns via digital platforms to restore public confidence was expected to revitalise the domestic tourism industry. The implementation of the Reciprocal Green Lane and Periodic Commuting Arrangement between Malaysia and Singapore for official cross-border travel for businesses and work purposes would also help to spur the subsector. The Government's effort to promote travel bubbles with more destinations was anticipated to further support the subsector.

The utilities subsector declines by 2% in the first half of 2020 following lower usage by the industrial segment. The subsector was estimated to rebound in the second half of the year by 5.3% attributed to the resumption of industrial activities. The subsector was expected to expand by 1.7% (**Table 6**) in 2020, supported by higher demand from both residential and industrial segments. In 2021, the subsector was projected to further grow by 5.7% (**Table 6**), primarily supported by higher usage by the industrial segment in line with expansion in economic activities as well as the implementation of renewable energy projects and Rural Electricity Supply Programme.

The other services subsector contracted by 9.6% in the first half of 2020 due lower medical travellers and decline in enrolments inprivate colleges and universities. The contraction was expected to narrow to 6.6% (**Table 6**) in the second half of the year following the arrival of registered foreign students and critically ill patients, except those from high-risks conutries with more than 15,000 COVID-19 cases. The subsector was expected to decline by 8.1% (**Table 6**) in 2020. In 2021 following aggressive branding and digital marketing for health tourism in targeted countries like Cambodia, China Indonesia... government services subsector was projected to maintain its expansion by 4% in 2020 and 3.7% in 2021.

2) Manufacturing Sector

The manufacturing sector contracted by 8.7% dyring the first half of 2020, as almost all industry operations had been temporarily halted, following supply chain disruptions amid the MCO. Within the export-oriented industries, the E&E cluster had been severly affected as global demand decelerated sharply. Domestic-oriented industries also recorded sluggish growth, with transport equipment; and non-metallic mineral products, basic metal and fabricated metal products segments registering double-digit contraction.

The manufacturing sector was expected to improve by 2.4% in the second half of 2020, as industrial activities resume operations in line with the gradual lifting of the MCO. Within the export-oriented industries, the E&E segment was projected to improve following rising demand for computer and electronic products. Chemical and rubber products were anticipated to continue to record high growth, benefiting from higher demand for rubber gloves and pharmaceutical products. Within the domestic-oriented industries, the food products and transport equipment segments were expected to rebound, supported by higher demand. The manufacturing sector was expected to decline by 3% (Table 2) for the whole 2020.

The manufacturing sector was forecast to rebound by 7% (Table 2) in 2021, driven by steady improvement in both the export-oriented and domestic-oriented industries. The E & E segment was projected to accelerate in line with the digital transformation as WFH and virtual communcation become part of new business practices. Higher demand for integrated circuits, memory and microchips within the global semiconductor market would further support the segment. The production of chemical and rubber products products was expected to expand rapidly in tandem with the increase in demand for disinfectants, sanitisers and rubber gloves. With the economic would benefit from higher household disposable income, while construction-related products would be supported by major infrastructure and affordable housing projects.

3) Agriculture Sector

The agriculture sector contracted by 3.9% in the first half of 2020 due to lower growth of oil palm and rubber subsector following supply disruptions. The oil palm subsector had been affected even before the pandemic, attributed to dry weather and cutbacks in fertilisers by smallholders in 2019. The rbber subsector also decline Prices due to unfavourable weather and low rubber prices. The agriculture sector had been further affected by the MCO, which led to lower production across most of the subsectors. The subsector was anticipated to rebound by 1.4% in the second half of the year driven by the recovery in the oil palm subsector. The output of livestock and other agriculture subsectors were also expected to expand, supported by stable demand for food items, primarily during festivities. The agriculture sector was projected to decline by 1.2% (Table 2) in 2020.

The agriculture sector was expected to turn round by 4.7% (Table 2) in 2021, supported mainly by higher production of palm oil and rubber. The oil palm subsector was anticipated to rebound following improvements in global demand, particularly from China and India. The crude palm oil price was projected to remian stable with higher demand following recovery in the hotel, restaurant and cartering operations as well as higher biodiesel mandate in Indonesia and Malaysia. The rubber subsector was expected to surge as global demand for natural rubber increasing line with expansion of the automotive industry. The production of livestock and other agriculture and fishing was also expected to improve in line with various Government's initiatives in modernizing the agro-food subsector, including integration of agriculture technologies, such as agrorobotic, sensor, precision farming, drones, agriculture data development and Internet of Things applications. In addition, the Government's efforts to increase domestic food production in ensuring food security were expected to continue to sustain the growth of the subsector.

4) Mining Sector

The mining sector had recorded a double-digit contraction of 11% in the first half of 2020, the mining affected by the slum in global demand due to business closures as well as reduction in travel and transport activities. The sector had been further weighed down by the temporary shutdowns of several oil and gas (O & G) facilities for maintenance purposes. With the COVID-19 pandemic crushing demand, storage facilities filled rapidly, and Brent crude oil price fell to its lowest level at USD17.32 per barrel on 21 April 2020 before stabilising at about USD40 pb. The sector was expected to continue to decline in the second half of the year due to on-going maintenance works and bearish outlook, following economic and geopolitical uncertainties as well as trade tensions. Against this backdrop, the mining sector was anticipated to contract by 7.8% (**Table 2**) in 2020. The sector was expected to rebound by 4.1% (**Table 2**) in 2021, supported by the recovery in global demand for crude oil and condensate as well as liquified natural gas. Brent crude oil price was expected to improve in 2021 to an average of USD42 pb and recover to pre-pandemic level in the medium-term.

5) Construction Sector

The construction sector had contracted by 25.9% in the first half of 2020 and was expected to shrink by 11.8% in the second half with all segments declining significantly. Prolonged property overhangs continue to weigh down the performance of the sector. Civil engineering and specialised construction activities subsectors were expected to improve gradually, cushioned by various measured under the economic stimulus packages. Overall, the sector was projected to contract by 18.7% (**Table 2**) for 2020.

The construction sector was expected to rebound by 13.9% (**Table 2**) in 2021 on account of the acceleration and revival of major infrastructure projects, coupled with affordable housing projects. The civil engineering subsector would continue to be the main driver of the construction sector.

The residential subsector was anticipated to improve, supported by various measures taken by the government to address the property overhang situation.

2.2.2. Domestic Demand

Domestic demand was expected to contract by 3% (**Table 7**) in 2020, with private and public sector's spending declining by 3.2% and 2.1% (**Table 7**), respectively. In the first half of 2020, domestic demand declined significantly by 7.7%, amid restricted movements to contain the COVID-19 pandemic. The announcement of various stimulus packages and the gradual resumption of economic activities were expected to restore business and consumer confidence in the second half of year. Domestic demand was anticipated to turn around to 1.5% during the period and expand further by 6.9% in 2021 (**Table 7**).

Private consumption had declined by 6% during the first half of 2020, affected by the implementation of the MCO. Household spending was anticipated to pick up during the second half of the year, on the back of various stimulus packages had aimed at providing support to households and businesses. The measures include a moratorium on loan payments, temporary optional reduction in employee's contributions to the Employees Provident Fund (EPF) and discounts on electricity bill as well as low interest rates. As a result, private consumption was

Table 7. GDP by Aggregate Demand, 2019-2021 (Source: Department of Statistics and Ministry of Finance, Malaysia).

	Share (%)		Change (%)	
	2020	2019	2020	2021
Domestic demand	95.5	4.3	−3	6.9
Private expenditure	76.6	6.2	−3.2	7
Consumption	61.1	7.6	−0.7	7.1
Investment	15.5	1.6	−11.7	6.7
Public expenditure	18.9	−2.8	−2.1	6.7
Consumption	13.0	2.0	1.6	2
Investment	6.0	−10.8	−9.3	16.9
External sector	5.5	9.7	−24.9	4.1
Exports	57.8	−1.3	−13.4	8.7
Imports	52.3	−2.5	−11.9	9.2
GDP	100.0	4.3	−4.5	6.5 - 7.5

projected to rebound by 4.2% in the second half, cushioning overall consumption activities, which was expected to record a marginal decrease of 0.7% in 2020 (Table 7).

Private consumption was anticipated to increase by 7.1% (Table 7) in 2021, mainly supported by higher disposable income arising from buoyant domestic economic activities, stronger export earnings, accommodative financial stance, extension of tax relief on childcare and favourable stock market conditions. Better job prospects, following broader improvement in the economy and measures addressing employ ability, were also expected to contribute to household spending. The expected recovery in the tourism-related industries following tax incentives on domestic tourism expenses for households would also provide additional impetus to private sector spending. As the nation rapidly shifts towards adopting digital, the broader availability of various e-commerce platforms and roll-out of 5G technology would facilitate economic activities.

Private investment was expected to contract by 11.7% (Table 7) in 2020, after declining significantly by 15.2% in the first half of the year. The significant decline had been due to weak demand and tight liquidity as businesses had been closed down for weeks following the MCO and uncertainties in the financial markets. With various measures taken to revitalise and accelerate businesses, private investment was expected to record a smaller decrease of 7.8% in the second half of the year. Among the measures include the establishment of funds to support digital, especially for SMEs, as well as tax incentives to attract foreign direct investment and assistance to sustain businesses. The Malaysia Mudah initiative and establishment of the project Acceleration and Coordination Unit (PACU) would reduce bureaucracy to facilitate business operations and boost private investment activities. With these policies in place and coupled with spill-over effects from the fiscal injection, private investment was expected to rebound by 6.7% in 2021.

Public investment was projected to decline by 9.3% (Table 7) in 2020 on account of lower capital outlays, especially in the first half the year. Public investment expenditure, which shrunk by 24.2% during the period, was expected to gradually improve in the second half of 2020. The following implementation and acceleration of investment in infrastructures, such as small-scale projects under the economic stimulus packages, the National Fiberisation, and Connectivity Plan. The Federal Government's development expenditure continues to prioritise investment with high multiplier impact and value for money. The development expenditure, averaging about RM 59 billion between 2020-2021, was mostly targeted at promoting sustainable development and bridging urban-rural infrastructure gap as well as enhancing the living standards of the people. Among major projects, include expansion of several airports as well as construction of hospitals and Klang Valley Double Track Phase. The continuation of large-scale transport related projects, such as MRT2, LRT3, Rapid Transit System and Pan Borneo Highway would also provide impetus to public investment. Public corporations were expected to continue investing in new and on-going projects, upgrading of digitalisation-related projects, upgrading of digitalisation-related activities and construction of energy plants these initiatives were expected to support public investment to expand by 16.9% in 2021.7.16

Public consumption was anticipated to increase by 1.6% (Table 7) in 2020, with higher expenditure on emoluments mainly to meet the staff requirements in critical sectors. The 3.6% increase in public consumption in the first half of 2020 was mostly attributed to the implementation of stimulus packages. Public consumption was expected to expand by 2% (Table 7) in 2021 with Government continuing o further improve public services delivery and optimising spending.

GNI in current prices was anticipated to decline by 3.7% (Table 8) in 2020, following slower economic activities. GNS was also expected to fall by 11% to RM 328.3 billion, with the bulk of savings contributed by the private sector. With total investment declining at a slower rate than savings, the savings-investment gap was forecast to record a surplus of RM 48.5 billion.

GNI was projected to rebound by 7.8% to RM 1.53 trillion, while GNS by 2% to RM 335 billion (Table 8). The savings-investment gap was anticipated to record a lower surplus of RM 20.3 billion. The surplus would continue to provide

Table 8. GNI by demand aggregates RM million (Source: Department of Statistics and Ministry of Finance, Malaysia).

	2019	2020	2021
GDP at purchasers' prices	1,421,454	1,357,729	1,450,830
Balance of primary income	−22,533	−13,288	−22,867
GNI	1,398,921	1,344,441	1,427,963

ample liquidity to finance domestic economic activities and be mobilised for long-term productive investment.

2.2.3. External Sector

1) Exports

Gross exports were projected to decline by 5.2% (**Table 10**) weighed down by global supply disruptions as a result of the unprecedented crisis. Exports of manufactured goods were estimated to contract by 3.8% (**Table 11**) following lower demand for E & E and non-E & E products which were expected to fall by 3.8% and 3.7% (**Table 11**) respectively. Exports of agriculture goods were anticipated

Table 9. External trade (Source: Department of Statistics, Malaysia External Trade Development Corporation and Ministry of Finance, Malaysia).

	RM Million			Change (%)		
	2019	2020	2021	2019	2020	2021
Total Trade	1,844,483	1,738,477	1,805,749	−2.1	−5.7	3.9
Gross exports	995,072	943,761	968,793	−0.8	−5.2	2.7
Manufactured	840,586	808,851	828,862	0.4	−3.8	2.5
Agriculture	65,958	66,441	69,381	−1.6	0.7	4.4
Mining	81,520	63,771	65,118	−9.3	−21.8	2.1
Gross imports	849,411	784,716	836,956	−3.5	−6.4	5.3
Capital goods	100,179	87,642	100,219	−10.9	−12.5	14.3
Intermediate goods	467,211	437,406	460,280	1.1	−6.4	5.2
Consumption goods	74,155	74,718	76,967	1.5	0.8	3.0
Trade balance	145,661	149,045	131,838	17.7	2.3	−11.5

Table 10. Exports of manufactured goods January-August 2019 and 2020 (Source: Department of Statistics, Malaysia and Malaysia External Trade Development Corporation).

	RM Million		Change (%)		Share (%)	
	2019	2020	2019	2020	2019	2020
E & E	247,757	237,847	0.8	−4	44.7	44.6
Non E & E	306,077	295,531	2.4	−3.4	55.3	55.4
Exports of manufactured goods	553,834	533,378	1.7	−3.7	100	100

Table 11. Exports of manufactured goods, 2020-2021.

	RM million		Change (%)	
	2020	2021	2020	2021
E & E	305,186	314,342	3.8	3
Non-E & E	494,351	504,732	3.7	2.10
	808,851	828,862	−3.8	2.5

to rise by 0.7%, buoyed by palm oil and palm oil-based agriculture products. Exports of palm oil were projected to increase by 5.6% with higher demand, particularly from China, India and the Netherlands. The exemption of export duties on CPO, crude palm kernel oil as well as refined, bleached and deodorised palm kernel oil was also expected to support the exports of palm oil. In contrast, receipts from natural rubber were anticipated to drop by 20.1% in 2020. Exports of mining goods were projected to decrease further by 21.8% (**Table 9**), dragged down by exports of crude petroleum and LNG by 27.6% and 15.7%, respectively. The slowdown in demand from global industrial, travel and transportation activities as well as price slump were the main reasons for the downtrend in exports of mining goods.

Gross exports were expected to rebound by 2.7% (**Table 9**) in 2021, benefiting from the recovery in global trade and supply chains. Exports of manufactured goods were anticipated to turnaround by 2.5%, supported by improved demand for E & E and non-E & E products. Higher demand for semiconductor, telecommunication equipment parts as well as automatic data processing equipment in line with the global digital transformation and 5G roll-out was expected to expand the exports of E & E by 3%. Similarly, exports of the non -E & E were expected to improve by 2.1%, contributed by higher demand for chemicals and chemical products, rubber products and manufactures of metal.

Exports of agriculture goods were projected to expand by 4.4% (**Table 9**) in 2021, led by an increase in demand for palm oil and palm oil-based agriculture products as well as natural rubber. In line with the recovery in world economic activities and improvement in crude oil prices, export earnings from mining goods were projected to recover by 2.1% (**Table 9**), contributed by higher demand from major markets for crude petroleum (2%) and LNG (2.2%).

2) Imports

Gross imports were projected to contract by 6.4% in 2020 due to lower imports of intermediate and capital goods as a result of slower economic and investment activities. Gross imports were expected to turnaround by 5.3% (**Table 9**) in 2021, supported by an increase in all types of imports. Imports of intermediate goods were projected to rise by 5.2% (**Table 9**), mainly attributed to expansion in the manufacturing and construction sectors. Imports of capital goods were projected to expand by 14.3% (**Table 9**), following improvement in investment activities and the continuation of strategic projects. Imports of consumption goods were expected to increase by 3%, led by higher demand from households as consumer's confidence improves and income increases.

2.2.4. Balance of Payments

The current account surplus of the balance of payments narrowed to RM 17.1 billion or 2.6% of GNI in the first half of 2020. This was due to a smaller surplus in the goods account and a lower deficit in the goods account and a lower deficit in the income account. In the second half of the year, the current account surplus was projected to widen to RM 31.4 billion or 4.1% of GNI following a wider surplus in the goods account and a lower deficit in the income account. Overall in 2020, the current account surplus was expected to narrow to RM 48.5 billion or 3.4% of GNI. This was primarily due to the widening deficit in the services account despite a higher surplus in the goods account and a lower deficit in income account.

The good account was anticipated to record a higher surplus of RM 130.9 billion as exports were projected to outpace imports. The services account was expected to post a wider deficit of RM 50.3 billion, mainly due to the decline in receipts in the travel and transport accounts. The travel account was anticipated to record a deficit of RM 10.9 billion for the first time since 1989, on account of a significant decline in tourist arrivals as international borders were closed to contain the COVID-19 pandemic. The deficit in the transport account was projected to reach RM 26.8 billion due to lower earnings from freight charges, such as aircraft landing and parking, ship docking and cargo handling provided by domestic companies. The other service account was expected to record a lower deficit due to declining outflow of payments for construction, financial as well as maintenance and repair services.

The primary income account was projected to register a lower deficit of RM 23.7 billion in 2020, mainly with lower payments accruing to foreign direct investors in Malaysia due to sluggish performance of construction and manufacturing sectors. The investment income payments were expected to record a smaller deficit following a larger decline in payments, reflecting slower domestic economic activities.

The outflows of secondary income account, which primarily consist of remittances, were expected to decline to RM 34.6 billion as the income of foreign workers was affected during the MCO. At same time, inflows o secondary income account were anticipated to increase to RM 26.1 billion following a one-off receipt, contributing to lower deficit of RM 8.5 billion in secondary income account.

The financial account registered a net outflow of RM 33.1 billion due to higher net outflows i portfolio investment amid lower net inflows in direct investment and financial derivatives accounts. Despite the pandemic, FDI had registered a net inflow of RM 8.6 billion during the first half of the year and had channelled mainly to the manufacturing and mining sectors as well as financial and insurance/takaful segments. Direct investment abroad by Malaysian companies had registered a lower net outflow of RM 6.5 billion. The outflows had been mainly channelled into the mining sector, followed by financial and insurance/takaful as well as information and communication segments.

The current account balance was expected to record a lower surplus in 2021 at RM 20.3 billion or 1.3% (**Table 12**) of GNI, in line with the expansion in domestic industrial and investment activities. The surplus in the goods account was estimated to record RM 113.3 (**Table 12**) in global trade activities. The deficit in the services account was anticipated to narrow to RM 30; 9 billion amid surplus in the travel was expected to improve as tourism activities recover gradually.

Receipts from travel account were projected to increase to RM 53.5 billion (Table 12) driven by higher tourist arrivals and per capital spending, which more than offset resident's spending abroad for leisure, business and pilgrimage purposes.

Gross payments for transport services were expected to increase to RM 52.5 billion (Table 12), attributed to the continued reliance on foreign transport services amid the expansion in trade activities. Gross receipts were also anticipated to rise to RM 20.3 billion, supported by improved earnings from air travel as well as cargo handling and shipping services provided by domestic companies, A wider deficit was expected in the other services account in line with higher payments had attributed to expansion in the manufacturing and construction sectors.

The primary income account was anticipated to record a larger deficit of RM 41.6 billion (Table 13), following improvements in investment activities. This was in line with higher repatriation of profits and dividends by foreign investors and net outflows of compensation for foreign professionals. Net outflows in the secondary income account were projected to widen to RM 20.6 billion as remittances by foreign workers would more than offset inflows, following the anticipated recovery in domestic economic activities.

2.2.5. Prices

The consumer price index shrank by 1% (Table 14) during the first eight months of 2020, and the trend was expected to continue for the rest of the year. The contraction had been due to lower pump prices on account of weaker global crude oil prices as well as the discount given on electricity bills as part of the stimulus measures. The core index had increased along with the gradual resumption

Table 12. Current account of the balance of payments, 2019-2021 (Source: Department of Statistics and Ministry of Finance, Malaysia).

	2019			2020			2021		
	Receipts	Payment	net	Receipts	Payment	net	Receipts	Payment	net
Balance on goods and services	985,283	872,871	112,412	842,053	761,454	80,599	916,286	833,823	82,463
Goods	815,470	692,136	123,334	750,424	619,538	130,886	778,135	664,804	113,331
Services	169,814	180,735	−10,922	91,629	141,916	−50,287	138,151	169,019	−30,868
Transport	21,669	47,572	−25,903	14,962	41,805	−26,843	20,333	52,509	−32,176
Travel	82,114	51,296	30,818	12,414	23,283	−10,869	53,468	35,495	17,973
Other services	66,030	81,868	−15,837	64,252	76,829	−12,577	64,350	81,015	−16,665
Primary income	64,851	105,118	−40,267	56,516	80,202	−23,686	62,804	104,362	−41,558
Compensation of employees	6784	15,906	−9122	6308	14,565	−8257	6809	15,351	−8542
Investment income	58,067	89,212	−31,145	50,208	65,637	−15,429	55,995	89,011	−33,016
Secondary income	16,897	38,191	−21,294	26,118	34,575	−8457	17,522	38,150	−20,628
Balance on current account	1,067,031	1,016,181	50,850	924,686	876,231	48,455	996,612	976,335	20,277
% of GNI			3.5			3.4			1.3

of economic activities. Inflation was expected to normalise at 2.5% in line with better economic prospects and higher crude oil prices.

The Producer Price Index by local production declined by 2.4% (**Table 15**) during the first eight months of 2020 and was expected to remain stable due to low input costs. This was attributed to weaker global commodity prices, particularly that of crude oil and natural gas. The Producer price index by sector had

Table 13. Capital account of 2020 (Source: Department of Statistics).

	2020 net
Capital account	−143
Financial account	−33,101
Direct investment	2147
Assets	−3181
Liabilities	5328
Portfolio investment	−19,107
Financial derivatives	3092
Other investment	−19,231
Balance on capital and financial accounts	−33,243
Net errors and omissions	1153
Overall balance	−15,031

Table 14. Consumer Price Index (Source: Department of Statistics, Malaysia).

	Weight	Change (%)		Contribution to CPI growth (% point)	
		2019	2020	2019	2020
CPI	100	0.5	−1	0.5	−1
Food and non-alcoholic beverage	29.5	1.6	1.2	0.51	0.39
Alcoholic beverages and tobacco	2.4	1.6	0.2	0.05	0.01
Clothing and footwear	3.2	−2.4	−1	−0.06	−0.02
Housing, water, eletricity, gas and other fuels	23.8	1.9	−1	0.44	−0.24
Furnishings, household equipment	4.1	1.3	0.3	0.05	0.01
Health	1.9	0.3	1.2	0.01	0.02
Transport equipment	14.6	−3.6	−10	−0.51	−1.37
Communication	4.8	0.0	1.6	0.00	0.06
Recreation services and culture	4.8	0.6	0.7	0.03	0.03
Education	1.3	1.3	1.2	0.02	0.02
Restaurants and hotels	2.9	1.2	0.7	0.04	0.02
Miscellaneous goods and services	6.7	−0.6	2.7	−0.04	0.17

been weighed down, particularly by a significant contraction in the mining sector (−32.7%) (Table 15) followed by a contraction in other sectors, namely water supply (−0.6%) (Table 15), manufacturing (−0.2%) (Table 15). In contrast, the index for agriculture, forestry and fishing sector rose by 12.5% (Table 15). The PPI was expected to improve in 2021 following the projected recovery for the domestic and global economy.

2.2.6. Labour Market

The labour market had deteriorated in the first half of the year as economic activities had been severely disrupted by COVID-19 pandemic. Employment had been still recording a positive performance with 71,300 new jobs generated, the increase had been marginal at 0.5% (Table 16), which was lower than the growth of the labour force of 1.5% (Table 16). During the period, the services sector had been the largest source of employment, accounting for 63.3% of total employment, followed by manufacturing (16.8%) (Table 17) and agriculture (11%) (Table 17) sectors. The labour force participation rate had remained encouraging at 68.4%. The closure of business operations and cost-cutting measures undertaken by firms due to the MCO had weakened aggregate demand. As a result, lesser employment opportunities had been created as compared with the pre-COVID-19 period. This had caused a spike of 30% in the unemployed persons, which had led the unemployment rate t soar to 4.3% (Table 16) or 670,200 persons.

The negative impact of the pandemic had been also reflected in other labour market indicators. Job vacancies had declined significantly by 50.8% to 251,944. In comparison, the number of active job seekers had risen by 16.9% to 277,840 persons, of which 2% had been new registrants. Retrenchment also had increased

Table 15. Producer price index January-August 2019 and 2020 (Source: Department of Statistics, Malaysia).

	Weight	Change (%)		Contribution to PPI growth (%)	
		2019	2020	2019	2020
PPI	100	−2	−2.4	−1.96	−2.39
Agriculture, forestry and fishing	6.73	−10.3	12.5	−0.66	0.74
Mining	7.927	−3.8	−32.7	−0.3	−2.5
Manufacturing	81.571	−1.1	−0.2	−0.92	−0.16
Electricity and gas supply	3.442	1.6	−0.2	0.06	−0.01
Water supply	0.33	−2.1	−0.6	−0.01	0
PPI by stage of processing	100	−2.0	−2.4	−1.96	−2.39
Crude, ayerials for further processing	16.41	−5.7	−12.4	−0.97	−2.04
Intermediate materials, supplies and components	56.119	−1.6	−0.3	−0.89	−0.16
Finished goods	27.471	0.2	0.3	0.05	0.08

Table 16. Labour market indicators (Source: Department of Statistics and Ministry of Finance, Malaysia).

	('000)			Change (%)		
	H1	2020	2021	H1	2020	2021
Labour Force	15,691.3	15,737.4	15,910.5	1.5	1	1.1
Employment	15,021.1	15,084	15,347.9	0.5	0.1	1.8
Unemployment	670.2	653.4	562.6	−4.3	−4.2	−3.5

Table 17. Employed persons by sector (Source: Department of Statistics and Ministry of Finance, Malaysia).

	('000)			Share (%)		
	H1	2020	2021	H1	2020	2021
Agriculture	1655.9	1644.3	1565.5	11	10.9	10.2
Mining	94.9	90.5	92.1	0.6	0.6	0.6
Manufacturing	2529.4	2564.2	2670.5	16.8	17	17.4
Construction	1227.2	1236.9	1304.6	8.2	8.2	8.5
Services	9513.7	9548.1	9715.2	63.3	63.3	63.3
Total	15,021.1	15,084	15,347.9	100.0	100	100.0

considerably by 76.2% to 36,196 persons, mainly in the manufacturing and tourism-related industries amid the closing down of business, downsizing exercises and financial difficulties.

The labour market condition was anticipated to progressively recover during the second half of the year. With the expectation of a more favourable economic outlook, the unemployment rate was expected to fall to overall 4.2% (Table 16) in 2020, with more job opportunities in the economy. Total employed persons were projected at 15.3 million (Table 16) in 2021, supported by stronger domestic demand amid the sharp recovery in economic growth. Of the 15.3 million employed persons, 9.7 million or 63.3% (Table 17) would be recruited in the services sector, 17.4% (Table 17) in the manufacturing and 10.2% (Table 17) in the agriculture sectors.

Labour productivity, as measured by value-added per worker, dropped sharply by 8.4% to RM 84,138 in the first half of 2020, had attributed to productivity contraction in all economic sectors, especially construction. The decline in labour productivity was expected to moderate by 3.2% to reach RM 90,900 for the whole year. This follows from the wide-range of skills enhancement programme and initiative to encourage technology adoption in industries to encourage technology adoption in industries under the economic stimulus packages. The productivity of the agriculture sector was projected to record an increase of 0.6%, with a decline in manufacturing (−1.4%) and services (−3.6%) sectors. In 2021, labour productivity was projected to rebound by 4.9% t reach RM 95,400, supported by strong economic growth, particularly in services, manufacturing and construction sectors.

Foreign workers had continued to represent a substantial part of the Malaysian labour market, thus, they had not been spared from the effects of the COVID-19 pandemic. As at end-August 2020, registered low-skilled foreign workers had fell to 1.7 million persons and was expected to remain at this level throughout the year, due to the temporary halt in new employment in most sectors. The foreign workers had been mainly from Indonesia (34%), Bangladesh (28.3%) and Nepal (15.3%). The manufacturing sector had employed the highest number of foreign workers with a share of services (15.2%) sectors. the share of low-skilled foreign workers at 11.1% was still below the threshold of 15% to total employment.

The number of expatriates fell by 17.9% to reach 100,373 persons. The majority of expatriates had been from India (23.8%), followed by China (18.9%) and the Philippines (7.4%). They had been mainly employed in the services (50.5%), information technology (34.5%) and construction (5.9%) sectors. The Government would continue to undertake initiatives to reduce the dependency on migrant workers by ensuring the employment of migrant workers, particularly low-skilled foreign workers, was based on the actual needs of the economy. This would allow for more high-income job opportunities for the local workforce and the opportunity for industries to auto.

2.3. Monetary and Financial Development

2.3.1. Monetary Policy

According to Ministry of Finance Malaysia (2020e), Monetary policy had cushioned the adverse effects of measures had implemented to contain the spread of COVID-19 virus on the economy. The policy also had provided additional stimulus to sustain the pace of economic recovery. The Overnight Policy Rate had been reduced successively by 125 basis points during the first seven months of 2020 to a historic low of 1.75%. Similarly, the Satutory Reserve Requirement had been reduced by 100 bps from 3.00% to 2.00%. Banking institutions had been given the flexibility to use Malaysian Government Securities and Malaysian Government Investment Issues to fully meet SRR compliance. The measures had been implemented to ensure sufficient liquidity and to support the orderly functioning of the domestic financial market.

The interest rate in the banking system had been lowered in line with the Overnight Policy Rate adjustment since January 2020. In the first seven months of 2020, the average lending rate and weighted base rate of commercial banks had been reduced consecutively to 3.70% and 2.43%, respectively. During the same period, the average interest rate on savings deposit of commercial banks had been lower to 0.48% while fixed deposits of 1-month to 12-month maturities moderated to between 1.53% and 1.79%.

With accommodative monetary policy, monetary aggregates expanded rapidly during the first seven months of 2020. M1 had risen by 15.7% to RM 497.2 billion (**Table 18**), had supported by higher currency in circulation and demand deposits which had increased by 18.5% and 14.9%, respectively. Similarly, M3 had expanded by 6.1% to RM 2029.7 billion (Table 18), mainly due to higher net claims on the government and extensions of credit to the private sector, primarily through securities. The money supply was expected to expand further backed by higher demand for loans and securities by the private sector (Table 19).

2.3.2. Performance of Ringgit

In January 2020, the ringgit had appreciated against the US dollar mainly due to non-resident portfolio inflows. This had been supported by improved investors' risk sentiment attributed to positive development in the US-China trade negotiation. However, in February and March, the local note, along with regional currencies, had faced significant depreciation against the US dollar. The downward trend of the ringgit had been contributed by geopolitical uncertainties, declining commodity prices and rapid escalation of the COVID-19 pandemic.

From the second quarter onwards, recovery in global investor sentiments amid monetary and fiscal stimulus measures deployed to combat the pandemic led the ringgit to appreciate by 3.5% against the US dollar, in line with the

Table 18. Financial from 2019 to 2020 (Source: Bank Negara Malaysia).

Money supply	2019 End-August		2020 End-August	
	RM million	Change (%)	RM million	Change (%)
M1	426,561	3.8	502,304	17.8
M2	1,895,998	4.1	2,026,995	6.9
M3	1,908,653	4.2	2,031,377	6.4

Table 19. Factors affecting M3, January-July 2019 and 2020 (Source: Bank Negara Malaysia).

	Change (RM billion)	
	2019	2020
M3	18.8	68.1
Net claims on government	−10.9	62.8
lims on Government	18.3	81.9
Less: Government deposits	29.2	19.1
Claims on private sector	27.6	39.3
Loans	26.7	29.4
Securties	10.9	9.9
Net foreign assets	11.2	35.9
Bank Negara Malaysia	10.8	22.0
Banking system	0.4	13.9
Other influences	−19.1	−69.9

appreciation of regional currencies. As at end-September, the ringgit had recorded a depreciation of 1.6% (Table 20) against the US dollar. Going forward, the expected recovery in the global and domestic economy would provide some support for ringgit. However, lingering uncertainties over the COVID-19 pandemic, global political and policy environment could lead to periods of heightened exchange rate volatility.

2.3.3. Banking Sector Performance

At the end-July 2020, excess total capital buffer remained high at RM 121.6 billion. The banking sector had remained well-capitalised with common Equity Tier 1 Capital, Tier 1 Capital, Tier 1 Capital and Total Capital Ratios at 14.6%, 15.1% and 18.3%, respectively. The ratio was well above Basel III minimum regulatory levels of 4.5%, 6% and 8%, of risk-weighted assets.

The pre-tax profit of the banking sector had fell by 11.7% to RM 20.5 billion in the first seven months of 2020. Despite the challenging environment, domestic banks remained strong, and it was supported by orderly financial markets and sustained confidence in banking sector. As a result, returns on assets and equity had continued to be stable at 1.2% and 10.5%, respectively.

The loan quality and liquidity of the banking sector also remained sound. The net impaired loans ratio and loan loss coverage ratio (including regulatory reserves) had remained healthy at 0.91% and 121%, respectively. The liquidity Coverage Ratio had been at 152%, well above the 100% minimum requirement.

Lending activities had slowed down, reflecting cautious sentiment on the global and domestic growth outlook. In the first seven months of 2020, loan approvals and disbursements had fell by 22% and 7.3% to RM 185.5 billion and RM 657.1 billion (Table 21), respectively. It had been mainly due to financial institutions taking precautionary measures to approve new loans following

Table 20. Key exchange rate (Source: Bank Negara Malaysia).

	RM to one unit of foreign currency 2020	Change (%) 2020
special Drawing Rights	5.8522	−3.3
Us dollar	4.1585	−1.6
Singapore dollar	3.0373	0
100 Japanese yen	3.9378	−4.4
Pound sterling	5.3383	0.6
Euro	4.8775	−6
100 Thai baht	13.1224	4.3
100 Indonesian rupiah	0.0279	5.7
100 Korean won	0.3553	−0.4
100 Philippine peso	8.5902	−6
Chinese renminbi	0.6105	−3.9

restricted economic activities. However, total loans outstanding had expanded by 4.5% to RM 1806.1 billion (**Table 21**) as at end-July 2020.

Loan approvals to businesses had decreased by 12.5% to RM 80.7 billion (**Table 21**) at end-July 2020. Total disbursements to businesses fell by 4.3% to RM 430.7 billion (**Table 21**), representing 65.5% of total loans disbursed. The bulk of loans had been channelled into manufacturing (22.2% of total loans), wholesale and retail trade, restaurants and hotels (19.4%) as well as construction (6.6%) sectors. Total loans outstanding to the business sector had increased by 4% to RM 633.3 billion, accounting for 35.2% of total loans outstanding.

Household borrowings had slowed down with loan approvals declining by 30% to RM 88.9 billion (**Table 21**). Loans had disbursed to households also had declined by 16.3% to RM 165.3 billion (**Table 21**), mainly for consumption credit (13.1% of total loans), purchase of residential properties (6.3%) and securities (2.7%). At end-July 2020, total household loans outstanding had risen by 4.4% (**Table 21**) amounting to RM 1024 billion (**Table 21**), which accounts for 56.8% of total loans outstanding in the banking sector.

The overall household debt had increased by 4% to RM 1265.9 billion, accounting for 87.5% of GDP as at end-June 2020. The increase had been mainly due to the sharp contraction in GDP during the first half of the 2020. The bulk of the debt comprises of loans for the purchase of residential properties (55.9%), followed by personal use (14.2%) and passenger cars (12.3%). Total household assets had been valued at RM 2751.9 billion with growth in household financial assets continuing to outpace that of debt. Although household debt had rised, it was expected to remain manageable, supported by programmes to rein in the debt level

Table 21. Banking system: loan indicators, January-July 2019 and 2020 (Source: Bank Negera Malaysia).

	RM billion		Change (%)	
	2019	2020	2019	2020
Total Loans applications	501.3	447.9	−1.7	−10.6
Loans approvals	237.9	185.5	5.8	−22
Loans disbursements	709	657.1	3.2	−7.3
Loans outstanding	1728.8	1806.1	3.9	4.5
Loans applications	203.8	200.9	−0.6	−1.4
Loans approvals	92.2	80.7	2.7	−12.5
Loans disbursements	450.2	430.7	1.0	−4.3
Loans outstanding	609.2	633.3	2.6	4
Loans applications	276.3	225.9	−1.6	−18.2
Loans approvals	127	88.9	4.1	−30
Loans disbursements	197.4	165.3	1.6	−16.3
Loans outstandings	981.1	1024	4.8	4.4

and measures enacted to cushion the impact of the COVID-19 pandemic on the economy.

2.3.4. Capital Market Performance

Gross funds raised in the capital market declined by 14.4% to RM 143.7 billion (Table 22) during the first seven months of 2020. The lacklustre performance had been due to lower fundraising activity in the private sector, which fell significantly by 48.6% to RM 45.8 billion (Table 22). Gross funds raised by the private sector through the domestic equity market declined from RM 5 billion to RM 0.3 billion (Table 22). The sharp decline had been due to cautious investors' sentiment during the lockdown period.

Table 22. Funds raised in the capital market, January-July 2019 and 2020 (Source: Bank Negara Malaysia).

	RM million	
	2019	**2020**
Public sector		
Government securities		
Malaysian Government Securties	38,797.1	49,969.9
Malaysian Government Investment Issues	39,853.7	47,916.4
New issues of debt securities	78,650.8	97,886.3
Less: Redemptions	26,650.8	38,000
Net funds raised by the public sector	52,557.3	59,886.3
Private Sector		
Shares/warrants		
Initial Public Offers	1570	292.1
Rights Issues	3466.7	
Warrents		
New issues of shares/warrants	5036.8	386.5
Debt securties		
Straight bonds	3090	3200
Convertible bonds		
Islamic bonds	2944.3	3200
Medium-term notes	78,137.8	41,966.7
New issues of debt securties	84,172.1	45,553.2
Less: Redemptions	41,630	29,073.9
Net issues of debt securties	42,542.1	16,479.2
Net funds raised by the private sector	47,578.9	16,771.3
Total net funds raised	100,136.2	76,657.6

During the same period, funds had raised through new corporate bond issuances also fell by 45.9% to RM 45.6 billion (Table 23). The bulk of issuances had been medium-term notes, accounting for 92.1% of total corporate bonds. The majority of funds had been raised by finance, insurance, real estate, and business services sector, accounting for 72% (Table 23) of new corporate bond insurances. The funds had been mainly allocated for infrastructure projects, working capital and business activities. On the back of global economic uncertainties and rising geopolitical risks, fundraising in the domestic capital market remained promising buoyed by ongoing and resumption of strategic projects.

Gross funds raised by the public sector had increased further by 24.5% to RM 97.9 billion (Table 22) during the first seven months of 2020. The expansion had been contributed by strong demand for Government papers to support the various stimulus packages. The issuance of MGS had risen to RM 50 billion, while MGII had expanded to RM 47.9 billion (Table 22). During the same period, foreign holdings of MGS and MGII had stood at 38.2% and 5.8%, respectively.

During the first seven months of 2020, MGS and corporate bond yields had been broadly on a declining trend across all tenures. The lower MGS yields had been influenced by easing of domestic monetary stance given the slower-than-expected economic growth. Yields on MGS 1-year, 3-year, 5-year, and 10-year had declined within the range of 76 and 119 bps. Yields for the corporate bond on the 5-year AAA-rated, AA-rated and A-rated securities also fell between 75 and 77 bps.

At beginning of 2020, the FTSE Busa Malaysia Kuala Lumpur Composite Indexand other regional indices fell into bearish territory. The local bourse had been dragged down below 1600 points in the second week of January 2020, following the rising geopolitical tensions between the US and Iran. Despite the improvement in the US and China trade deal on January 2020, the FBM KLCI along with major and regional bourses remained on a softer note. The FBM

Table 23. New issuance of corporate bonds by sector, January-July 2019 and 2020 (Source: Bank Negara Malaysia).

	RM million		Share (%)	
	2019	2020	2019	2020
Agriculture	50		0.1	
Manufacturing	670	306	0.8	0.7
Construction	1724.3	4639.5	2	10.2
Elecricity, gas and water	4600	3185	5.5	7
Transport, storage	32	1120	0	2.5
Finance, insurance	70,263.5	32,791.7	83.5	72
Government and other services	5354.9	3301	6.4	7.2
Wholesale and retail trade	1477.5	210	1.8	0.5
Total	84,172.2	45,553.2	100	100

KLCI had been subdued on the back of global economic uncertainties, rising geopolitical tensions, low commodity prices and spread of the COVID-19 pandemic, which dampened investors' risk appetite. The enforcement of the Movement Control Order beginning 18 March 2020 led to panic selling in the equities market. The MCO tapered investors' risk appetite, resulting in the local bourse to hit its decade-low of 1219.72 points on 19 March 2020. The FBM KLCI had rebounded to 1575.27 points on 10 June 2020 in tandem with regional markets' optimism amid the upward performance of the Wall Street. In addition, the improvement of the local index had been also attributed to the launching of the various stimulus packages announced by the Government to mitigate the impact of COVID-19 pandemic on the economy.

The FBM KLCI had started to decline again to 1488.14 points on 26 June 2020. This was due to the announcements by the Fed, IMF and World Bank on the downside risks to global and domestic growth following mounting concerns over the second wave of COVID-19 pandemic. The local bourse had elevated to reach 1504.82 points at end-September 2020 upon investors' positive sentiment towards the Government's effort to contain the pandemic despite fresh lockdowns by several countries.

There had been a significant improvement in trading activities in the first nine months of 2020. Total volume and total market transacted value had risen by 162.2% to 1272 billion units (**Table 24**) and 90% to RM 749 billion (**Table 24**), respectively. Market velocity had been sustained at 62.4%, while market volatility at 36.3%. Foreign holdings based on market capitalisation in the local bourse remained stable at 12.6% as at end-September 2020. The market capitalisation declined by 2.1% to RM 1638.7 billion (**Table 24**) as at end-September 2020. The domestic equity market was expected to regain traction following investors' optimistic outlook on the pace of global market recovery and domestic economic growth supported by various strategic projects.

2.3.5. Islamic Banking and Capital Market Performance

The Islamic banking industry had expanded with total assets valued at RM 1038.2 billion and market share at 33% as at end-July 2020. The total Islamic financing outstanding had increased further by 10% to RM 787.8 billion. The growth was primarily contributed by household sector financing, which had increased by 8.7% to RM 490.9 billion (**Table 25**), mainly for the purchase of residential properties. Islamic financing was expected to expand further supported by the recovery in economic activity and continuous promotion of Shariah-compliant products.

The Islamic Capital Market continued to thrive with Malaysia being among the largest issuer of sukuk and Islamic equity in the world. At the end-July 2020, the domestic size of ICM had been valued at RM 2.2 trillion, accounting for 66.2% of RM 3.3 trillion of Malaysia's total capital market size. Meanwhile, sukuk issuances amounted to RM 120.8 billion or 62.6% of total bonds outstanding. While Malaysia had continued to account for the largest share of global sukuk

Table 24. Bursa Malaysia selected indicators, end-September 2019 and 2020 (Source: Bursa Malaysia).

	2019	2020
Indices		
FBM KLCI	1583.91	1504.82
FBM EMAS	11,203.71	10,831.56
FBM 100	11,037.83	10,660.7
FBM SCAP	12,978.08	12,835.21
FBM ACE	4495.12	9914.01
Total turnover		
Volume (million units)	485,046.82	127,171.1
Value (RM million)	394,266.47	749,007.22
Average daily turnover		
Volume (million units)	2694.7	6911.47
Value (RM million)	2190.37	4070.69
Market capitalisation (RM billion)	1673.53	1638.72
Total number of listed companies		
Main Market	773	765
ACE Market	127	133
LEAP Market	25	34
Market liquidity		
Turnover value/market capitalisation	23.6	45.7
Market concetration		
10 highest capitalised stocks/market capitalisation (%)	33.8	32

Table 25. Islamic banking: key indicators, end-July 2019 and 2020 (Source: Bank Negara Malaysia).

	RM billion		Change (%)	
	2019	2020	2019	2020
Assets	806.5	857.6	11.1	6.3
Financing	594.8	650.3	8.2	9.3
Primary agriculture	16.3	18.6	7.6	13.8
Mining	3.7	4.2	−28.1	15.4
Manufacturing	27.5	30.3	19.4	10.2
Elestricity	3.4	5.4	26.3	61.5
Wholesale and retail trade	28.0	32.0	18.0	14.2
Construction	35.2	35.3	3.8	0.3

Continued

Real estate	28.8	31.6	8.7	9.5
Transport, storage	17.4	20.0	6.5	15.2
Finance, insurance	31.9	33.8	−10.3	0.6
Educaion	20.2	33.7	−4.6	66.8
Households	367.3	399.6	10.7	8.8
Others	15.1	5.7	1.6	−62.1
Liabilities	748.6	794.0	11.2	6.1
Deposits and investment account	610.3	633.1	13.6	3.7
Investment	0.7	0.6	−16.1	−19.7
Savings	44.2	58.1	8.1	31.4
Demand	82.7	99.7	11.2	20.5
Investment account	80.6	97.1	6.0	20.5
Others	482.6	474.7	14.6	−1.6

outstanding at 45.6% as at end-June 2020, the turmoil in the global market had affected the performance of the ICM. This was reflected in the subdued performance of corporate sukuk issuances during the initial MCO period. The reopening of almost all economic sectors in the middle of the year led to the improvement in corporate sukuk performance.

Bursa Malaysia had continued to promote Shariah-compliant securities products. As at end-July 2020, a total of 716 or 76.8% of 932 had listed companies was Shariah-compliant. The market capotalisation of Shariah-compliant securities had stood at RM 1.18 trillion or 69.5% of the total market capitalisation. despite the challenging economic climate, the prospect for ICM remained promising. The demand for Shariah-compliant products was expected to be stronger in the future, supported by its appeal to a broader group of investors. The ongoing promotion of Shariah-compliant products and digitalisation of services would provide the impetus for the country to position itself as a prominent international centre for Islamic financial services.

2.4. The Positive of Malaysia Economy in 2020

By following in 2020, Malaysia stayed ranked 26th out of 63 countries in the IMD World Digital Competitiveness Ranking 2020 (Ministry of Finance Malaysia, 2020b). And the digital economy in Malaysia had grown by 18.5% between 2015 and 2019 per year. According to World Bank in 2018, Malaysians were among the most digitally connected in the world and produce some of Southeast Asia's most recognisable digital start-ups with Malaysia's government investing heavily on digital technologies. And the Digital Banks have such advantages: Reduce Operational Cost, Elevate technologies, Enhance Financial Processes, Improve customer processes and increase revenues.

The industry is highly integrated across various sectors in Malaysia (Ministry of Finance Malaysia, 2020c). It has been a key enabler for the advancement of industrial, international trade and competitiveness. And the logistics industry has contributed immensely in the production and distribution processes as well as facilitating trade activities. The logistics industry had expanded by 6.8% contributing RM 53.7 billion to the country's GDP. And the Logistics 4.0 was defined as the specific application of connecting machines, products, systems and people that could share information and manage themselves. It was used the technologies such as Internet of Things, wireless sensor network, cloud computing, blockchain, big data as well as robotics and automation. These technologies enable real-time information flows, monitoring of market demand, personalisation of products and autonomous management of global supply chains. Digital transformation would benefit industries through lower cost and additional revenues. Cost was expected to be reduced by 34.2% while increasing revenue by 33.6% in the logistics services industry through this transformation.

A study by the Zurich-University of Oxford (Ministry of Finance Malaysia, 2020b) found that 38% of respondents in Malaysia, who were in full-time employment, would be looking to enter the gig economy in the following years. According to Employee Provident Fund (2019) nearly 40% of the workforce would be gig worker in the next five years, significantly higher than the global average of 20%. Most millennials were no longer interested in the concept of secure and permanent employment. Millennials had grown up in the technological era, and so they are more immersed digitally. This means gig economy often occurs due to its online platforms element, which provides the facility for millennial to use their talent and abilities. They account for the major share of employment in the gig economy as it offered greater flexibility. In Malaysia, there were about 15.6 million people in the labour force, and 1.3 million were in the informal sector, with 50.2% in the 25 to 44 age group. This reflects that many millennials were opting out of the traditional workforce as the gig economy offers higher independence and flexibility in line with their aspirations.

In 2019, despite an increase in value to RM 203billion, the share of the commodity sector during the industrialization phase of the mid-1980s (Ministry of Finance Malaysia, 2020d). The sector's share further declined during the 1990s following the transformation into a services-driven economy. Despite accounting for a smaller percentage of GDP, the sector had cushioned the economy from external shocks, especially during the crises of 1998, 2009 and the recent COVID-19 pandemic.

Low, Ismail, & Nasuredin (2021) the survival of companies that cannot adapt to the changing world and changing market conditions due to the COVID-19 pandemic is very difficult in the recent conditions. As a result of the new situation, the general impression was that uman management needs to become more flexible and more sensitive. Working processes and people management were two of the key problems involved in company continuity.

Human Resource's value of keeping workers healthy, engaged, inspired, and profitable will be focused through the coronavirus epidemic. The existence of the infection and its potential to transmit has clearly demonstrated that being away from society would become the current trend for at least one year. Therefore, the WFH principle and the minimal workforce scenario may remain for certain while. The human resource practices like on-boarding new hires, recruitment, and training and skilling will concentrate on fully digital and online mode.

In future, human resource plays a vital role in redefining the essence of the workplace, even forever.

For example, leave policies and regular attendance would no longer function. Organizations may have to confidence with the commitment and integrity of workers working remotely. Due to the restrictions of visual communication platforms, WFH can influence decision-making processes, it could be possible for smaller teams to make decisions quicker and perform better. WFH can also be a great decision in certain cases. Getting able to work at home will allow individuals to properly manage career and personal concerns. It also encourages women and persons with disabilities to join the workforce.

2.5. Disadvantages of Malaysia Macroeconomic

According to Ministry of Finance Malaysia (2019), Malaysia's tourism is one of the major contributors to economic and identified as the main sources of foreign exchange earnings. According to Tourism: Malaysia's Comparative Advantage, Tourism industries had grown 10% to RM 220.6 billion, and accounting for 15.2% of Malaysia's GDP. The growth had been mainly supported by retail trade; and food and beverage serving services. And this industry had provided 3.5 million jobs, constituting 23.5% of total employment in the country, but because of the pandemic due to the worldwide travel bans, domestic movement restrictions and quarantines, the tourism industry got effect and contracted.

Low, Ismail, & Nasuredin (2021) also got the result about the disadvantages of the human resources under the pandemic that all the business activities have been shut down unless it falls under the essential categories.

Relatively, it has limited the business around the world and companies have shifted to work From-Home (WFH) concept remotely to accommodate and run the business and services.

There are not many workers directly working on-site to execute all the necessary duties due to the peak period of COVID-19 pandemic, employees will choose to be absent or switch to telework to ensure their own safety. Therefore, the daily attendance of the employees isn't entirely predictable and unpredictable absences can be occur in crucial positions. Organizations must effectively reduce hazards in the workplace once returns to work on-site, such as implement effective prevention strategies for COVID-19, take steps to prevent overcrowding on working place, and ensure the comfort and safety of workers.

3. Discussion

This is just my briefly analyse, and it is just my proposal, My research has not finished yet, I just use my research and analyse ability to make a primary research, and I get a primary conclusion about Malaysia's economy mostly on upward trend before the 2020, although in 2020, Malaysia's got a decrease, not very serious, we can sure that Malaysia's economy would be recovery very soon, Covid-19 is a different with SARS, it had outbreak and spread for very long time, we shall suggest that enterprises and people should make a preparation for a long time campaign. And I wish that I can get help from my supervisor, and discuss which method can be use under the outbreak and after the outbreak.

4. Theoretical Framework

Economic Theory

The overarching goals of macroeconomics are to maximize the standard of living and achieve stable economic growth. The goals are supported by objectives such as minimizing unemployment, increasing productivity, controlling inflation, and more. The macroeconomy of a country is affected by many forces, and as such, economic indicators are invaluable to assessing different aspects of performance.

One macro-economic conflict can come between economic growth and inflation (which leads to a similar conflict between unemployment and inflation). If there is rapid economic growth, it is more likely that inflationary pressures will increase. Inflation is particularly likely to occur when growth is above the long-run trend rate, and AD increases faster than AS.

When the economy is growing very quickly, firms have difficulty employing sufficient skilled labour; this can lead to wage inflation and higher wages cause higher prices. Also, if demand grows faster than supply, firms will respond to shortages by putting up prices.

5. Limitation

The purpose is to find out some data and messages about Malaysia's macroeconomics to aid the enterprise and workers find out what could they do to avoid the risks and decrease the loss, but because of the "economic outlook 2021" and "economic outlook 2020" were the books of the budget, something might be different with the true data and situation, I wish to discuss and analysis about the major parts of Malaysia's economic structure and the technology and natural resource of Malaysia, and discuss about the potential advantages and make a long plan under the disease.

6. Future Scope

By now it is 2022, following the more and more people, have been vaccinated, we could find that Malaysia could get rid of the diseases unless people still mention some health problems and obey the government's law which about the disease, the risks also with some chances, people could find out new working methods and bring forth some new ideas to avoid the risk, and the rest, we shall wait for the disease leave forever. But in the pandemic time, this writer suggests that the new working methods like working on the internet and trying to take advantage of technology and renew the technology, remote working and online working, like Jack Ma's Alibaba during the SARS pandemic, working at home, because, under the pandemic, most trade would be online, cannot be on face to face. It is a kind of opportunity for working under the pandemic risk.

7. Conclusion

Malaysia still has hope for getting rid of the risks, this country has a tough life, although under the disease still has a chance to solve the problems, wish Malaysia can get rid of the disease and the whole world can get rid of the risks.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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