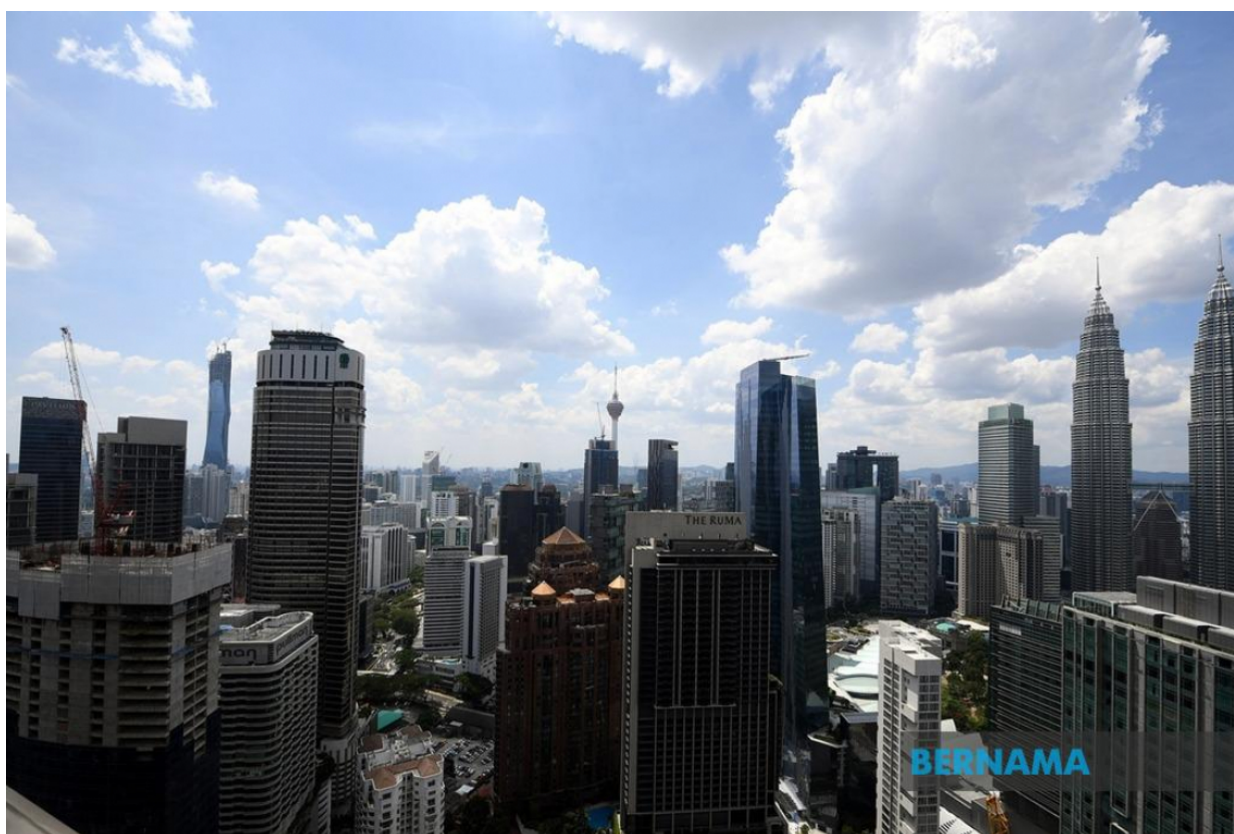




PRESS CITATIONS

MOF: Domestic demand, private consumption to expand by 6.6 pct, 7.3 pct in 2022

PRESS CITATIONS | 29 OCTOBER 2021



KUALA LUMPUR, Oct 29 – Domestic demand is envisaged to further expand by 6.6 per cent in 2022, while private consumption is forecast to increase at a higher pace of 7.3 per cent, supported by higher disposable income and better employment prospects following a broad-based economic recovery, the Ministry of Finance (MoF) said.

It said following the rapid progress of the nationwide vaccination programme, economic activities in 2022 are anticipated to return to the pre-pandemic level.

“All expenditure items are projected to register positive growth, albeit in moderation in some items due to high-base effects and external developments. Public expenditure is projected to rebound strongly in tandem with the acceleration of large infrastructure projects.

“Further improvements in consumer confidence and positive wealth effect on the back of modest recovery of the stock market are also anticipated to stimulate private consumption spending,” it said in its Economic Outlook 2022 report released today.

The ministry said private investment is projected to register a growth of 2.6 per cent in tandem with the government's move to promote quality investment in high-technology, high value-added, knowledge-intensive and innovation-based industries.

Among the high-impact industries are electrical and electronics (E&E), chemicals, machinery and equipment, aerospace and medical devices, which have strong linkages with other domestic industries.

In line with the National 4IR Policy to increase the adoption of smart manufacturing and digitalisation, the government will continue to focus on investment in smart machinery, automation and robotics, automated guided vehicle, smart logistics, IT and cloud-based services.

The MoF said the public-sector capital spending continues to complement the private sector in developing the country, and among the main projects involved are the continuation of large-scale transport-related projects such as the Mass Rapid Transit Line 2 (MRT2), LRT3, RTS and Pan Borneo Highway as well as new projects such as the MRT3 and upgrading of the Klang Valley Double Track Phase 2 (KVDT 2).

In addition, projects through the JENDELA plan will improve the country's digital infrastructure, it said.

"Capital outlays from these projects are expected to provide the impetus for public investment to rebound to 24.1 per cent.

"However, public consumption is projected to expand marginally by 1.1 per cent in line with spending optimisation and prudent financial management. Nevertheless, the government will continue to further improve public services delivery and facilitate economic activities."

Based on the report and in line with the expansion in domestic economic activities, the ministry said the national income in current prices is expected to increase by 7.4 per cent.

Similarly, the gross national savings (GNS) is anticipated to expand by 5.5 per cent, with total investment envisaged to increase by 6.9 per cent to RM316.5 billion.

"The share of GNS is projected to remain significant at 23.5 per cent of gross national income (GNI), primarily contributed by the private sector.

The savings-investment gap is expected to remain in surplus at RM55.6 billion or 3.5 per cent of GNI and this, it said, provides ample liquidity in the financial system, which can be mobilised to finance long-term productive investments without sourcing external funds.

As for the external sector, the gross exports for 2022 are expected to increase by 1.5 per cent across all sectors, benefitting from robust global trade growth and improvements in supply chains.

Exports of manufactured goods are anticipated to grow by 1.5 per cent, underpinned by higher demand for E&E and non-E&E products.

"Gross imports are expected to increase by 1.7 per cent on account of higher demand in intermediate, capital and consumption goods amid strengthening economic recovery and resumption of investment activities.

"The current account balance is expected to record a surplus at RM55.6 billion or 3.5 per cent of GNI, in line with continuous recovery in industrial and investment activities.

"A surplus of RM178.9 billion is estimated to be registered in the goods account, following higher receipts with the rebound in growth among major trading partners across all economic sectors, particularly due to the global technology upcycle.

"On the other hand, the services account is anticipated to register a lower deficit of RM57.6 billion with increasing payments in travel and other services accounts."

The ministry forecast the inflation rate at 2.1 per cent in 2022, following better economic prospects and stable crude oil prices.

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