

OUTLOOK FOR 2021

The global economy is projected to be on a recovery path in 2021. The recovery, however, will remain incomplete across AEs and EMEs, and is subject to success in containing the pandemic, particularly with further progress on vaccine deployment and effective treatment, improvement in global trade and continued policy support. The continued resurgence of COVID-19 cases globally poses a downside risk to the outlook. However, faster deployment of vaccines globally will significantly improve the growth outlook. In the region, China and other key economies in East Asia are expected to lead economic recovery amid faster normalisation in activity following their relatively successful containment of COVID-19. Overall, the global policy environment is expected to remain supportive given the prospect of continued accommodative global monetary policies.

The performance of global capital markets is expected to remain generally positive on the back of continued economic recovery and commitment by global policymakers to support growth. However, a prolonged low-interest rate environment will likely further contribute to already stretched valuations in some risk asset markets. In EMEs, overall performance will be differentiated, favouring those with stronger macroeconomic fundamentals.

On the domestic front, the Malaysian economy is expected to rebound in 2021, in tandem with the recovery in global demand and continued support from domestic policy measures. However, the pace of economic recovery is expected to be uneven across sectors, with those more affected by the pandemic remaining vulnerable. Domestic demand is also expected to recover gradually, in line with turnaround in public and private sector expenditure amid continued support from policy measures. Downside risks to growth remain, arising from the risk of virus resurgence globally and domestically, key developments in global trade and the overall durability of global economic recovery.

In the domestic capital market, the outlook will continue to be influenced by key global developments, with volatility driven primarily by the uncertainty surrounding the pandemic, and the pace as well as sustainability of the domestic economic recovery. Nevertheless, the Malaysian capital market will continue to play a significant role in supporting economic growth through the financing of business and infrastructure, and to act as an effective medium for savings mobilisation. Overall, the domestic capital market is expected to remain resilient and orderly, underpinned by Malaysia's strong macroeconomic fundamentals, ample domestic liquidity and resilient capital market infrastructure, which will continue to support the growth of the Malaysian economy in 2021.