Malaysia 2022 Budget Preview

Expansionary budget to secure post-pandemic recovery

OVERVIEW

- Budget 2022 will act as one of the building blocks to the 12 Malaysia Plan (MP) strategy to enhance the preparedness of Malaysia's healthcare capacity and accelerate the country's economic recovery by focusing on sectors badly affected by the COVID-19 pandemic.
- The Ministry of Finance is expected to announce its GDP growth projection of between 5.0% to 6.0% for 2022 (2021F: 3.0%-4.0%) which is within house growth forecast of 5.5% to 6.0%.
- Fiscal stance to remain expansionary in an effort to bolster growth and aid economic recovery. House baseline fiscal deficit projected at 6.9% of GDP in 2022 (2021F: 6.2%) amid higher COVID-19 fund and the need to accelerate growth recovery as well as an emergency fund for potential 15th General Election. Debt levels to continue rising in order to finance the expansionary budget, raising concerns about debt management in the medium-term. However, Budget 2022 lays out measures to improve long term fiscal sustainability.
- As no new taxes are expected to be introduce in the Budget 2022, the government may increase its tax revenue through increased tax compliance and raise its non-tax revenue by tapping into the government-linked institutions (GLC) funds.
- Budget 2022 is expected to drive the nation exit from the pandemic with a greater focus on healthcare, education, tourism, digital economy, youth as well as a continuation of COVID-19 stimulus measures
- Bond issuances will likely rise to a record high RM180.0b – RM185.0b in 2022, given the expansionary fiscal stance and the imminent increase of the statutory debt limit to 65.0% of GDP.

CONTEXT

- **The upcoming Budget 2022 is set to complement the 12th MP and accelerate Malaysia's post-pandemic recovery by focusing mainly on those who are still adversely impacted by the COVID-19 pandemic**
  - **Putting 12MP into work:** RM400.0b has been allocated by the government in the 12MP for development expenditure (DE) for existing and new development projects. The massive budget allocated will be mainly spent on hardware like schools, hospitals, clinics, roads, bridges and jetties. For Budget 2022, the DE allocation will be enhanced to drive socio-economic recovery activities and the national development agenda. One of the focus areas highlighted in the Budget 2022 is restoring and rebuilding the country's resilience, especially in the public healthcare front, which is in line with the 12MP aspiration to increase the health status of the people, ensure everyone has equal access to healthcare services and improve the country preparedness in battling various diseases. Hence, Budget 2022 will act as one of the building blocks to the 12MP strategy to enhance the preparedness of Malaysia's healthcare capacity, which include joint venture efforts with private health care providers.
  - **Pre-Budget Statement (PBS):** On August 31, the Ministry of Finance (MoF) released its inaugural PBS, with the scenario of the nation recovering from the health and economic crisis. According to the PBS, Budget 2022 will be formulated with priority towards three key objectives:
    - **Protecting and driving recovery of lives and livelihoods:** To ensure the continuity of the National Recovery Plan (NRP) in driving economic recovery and to continue to protect and drive recovery of lives and livelihoods post-pandemic. It will also focus on efforts to help the vulnerable and disadvantaged segments of society, women, indigenous people and the disabled, and continue to protect and generate new job opportunities.
    - **Rebuild resilience of the economy:** To focus on efforts to rebuild the resilience of the nation's public health system to face crises as well as rebuild fiscal resilience that was affected during the COVID-19 health crisis. In addition, the government aim to enhance the nation's digital and technological infrastructure and accelerate the transition towards the fourth industrial revolution and digital transformation.

- **Catalyse socio-economic reforms:** To focus on improving the efficiency of the public delivery system as well as emphasising the elements of Environment, Social and Governance in public service, statutory bodies and government-linked companies. Additionally, the government will also strengthen its partnership with the civil society organisations in various fields, such as poverty eradication and improving the quality of people's health.

– **Post-pandemic recovery:** The reopening of more social and economic sectors on October 11 is Malaysia's first step towards normalcy. However, the government will continue to monitor the pandemic trend in the next few weeks to plan their next move to transit into endemicity. For the time being, Malaysia will continue to administer booster shots to frontliners, the elderly and the immunocompromised as there may be a possibility of a waning effect of the COVID-19 vaccines. On top of that, the Ministry of Health is considering to buy other antiviral medicine beside the Merck's Molnupiravir pill as a COVID-19 treatment to accompany Malaysia's immunisation programme. To note, research conducted by Merck found that Molnupiravir is able to reduce 50.0% of COVID-19 hospital admissions. As 20.0% of the Malaysia population (those below 12 years old) are still not included in the vaccination programme, the effectiveness of the government's reopening strategies hinges on strict compliance with the standard operating procedures (SOPs). Hence, we reckon that the economic outlook for 2022 is positive, but subject to substantial uncertainty as the loosening and non-compliance of the SOPs may cause another wave of the pandemic and give rise to a potential vaccine-resistant variants.

– **Growth outlook:** In view that Malaysia would further advance into an endemic phase following the reopening of the economy after experiencing a prolong movement restriction, we expect the Ministry of Finance to project GDP growth between 5.0% to 6.0% for 2022 (2021F: 3.0-4.0%) versus KIBB's forecast of 5.5%-6.0% (2021F: 3.5%-4.0%).

DEFICIT OUTLOOK

- **Fiscal stance to remain expansionary in an effort to bolster growth and aid economic recovery**

– The government's plan to implement fiscal discipline via the revised Medium-Term Fiscal Framework (MTFF) from 2021 to 2023 which set an average of 4.5% fiscal deficit will be challenging to achieve in the near to medium term. This is due to the uncertainties over the path of the pandemic despite the government aims to shift the country to the endemic phase. Besides, the expectation of external risk related to the US-China relation, the possibility of slower economic recovery may weigh on economic growth, making it difficult to achieve a lower fiscal deficit. Nonetheless, we continue to expect the government to exercise expenditure optimisation measures to curb wastages and leakages while targeting value-added projects that offer a higher multiplier impact. In comparison, we are projecting a baseline fiscal deficit of 6.9% of GDP in 2022 (2021F: 6.2%), wider than the government target in the MTFF as we expect the government would set aside between RM5.0b-RM10.0b in the form of contingency fund given the uncertainty over the path of the pandemic and the likelihood of 15th General Election next year, as well as the balance of risk related to external shock.

Table 1: Federal Government Fiscal Balance Sheet Trend

	Global Financial Crisis				MoF	MoF Revised	KIBB	
RM billion	**2008**	**2009**	**2019**	**2020**	**2021F**	**2021F**	**2021F**	**2022F**
Revenue	**159.8**	**158.6**	**264.4**	**225.1**	**236.9**	**N/A**	**221.0**	**237.0**
Gross Expenditure	**196.3**	**206.6**	**317.5**	**314.0**	**322.5**	**314.8**	**315.5**	**350.5**
Net Expenditure	**195.4**	**206.1**	**315.9**	**315.2**	**321.7**	**314.0**	**314.6**	**349.6**
Operating Expenditure	153.5	157.1	263.3	224.6	236.5	219.6	220.5	230.5
Gross Development Expenditure	42.8	49.5	54.2	51.4	69.0	68.2	68.0	75.0
Loan Recoveries	-1.0	-0.5	-1.6	1.3	-0.8	-0.8	-0.9	-0.9
COVID-19 Fund				38.0	17.0	27.0	27.0	45.0
Overall Balance	**-35.6**	**-47.4**	**-51.5**	**-87.6**	**-84.8**	**N/A**	**-93.6**	**-112.6**
% of GDP	-4.6	-6.7	-3.4	-6.2	-6.0	-6.5 - 7.0	-6.2	-6.9
Federal Government Debt (% of GDP)	39.8	50.8	52.5	62.2	58.5	N/A	64.5	66.9
Real GDP Growth (%)	**4.8**	**-1.5**	**4.3**	**-5.6**	**6.5 - 7.5**	**3.0 - 4.0**	**3.5 - 4.0**	**5.5 - 6.0**
Average Brent Price (USD/barrel)	97.7	64.1	64.6	43.2	42.0	N/A	65.0 - 70. 0	60.0 - 65.0

Source: Ministry of Finance, Kenanga's estimates

- Nevertheless, the stable oil price is expected to support the federal government fiscal balance sheet. The oil and gas (O&G) revenue on average account for about 27.8% of total fiscal revenue for the period of 2010-2019. Based on Budget 2021, MOF projected O&G revenue to contribute a 16.0% share of total fiscal revenue at a forecast price of USD42.0/bbl. However, Brent crude oil price has remained elevated this year, averaging at USD69.1/bbl year-to-date, a 65.1% higher than the preceding year (USD41.8/bbl) which is estimated to add additional RM10.0b revenue to the government. With oil prices is expected to stable in 2022 amid improving demand and persistent supply restraint, we expect O&G revenue to contribute a significant share to the government fiscal coffers. Of note, we project oil price to average around USD60.0-65.0/bbl next year (2021F: USD65.0-70.0/bbl).

DEBT MANAGEMENT & FISCAL SUSTAINABILITY

- **Debt levels to continue rising in 2022 to finance the expansionary budget**

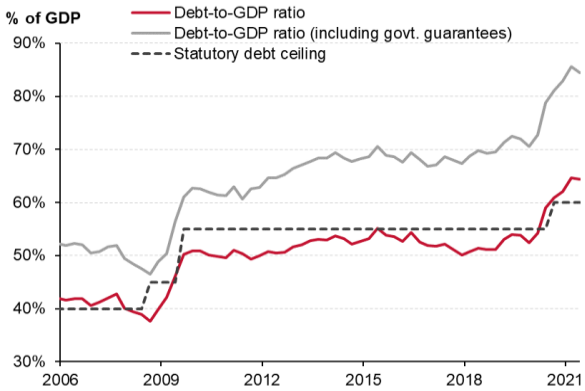
  - As of the end of June 2021, the Federal Government debt level has increased to RM958.4b or 63.5% of GDP, its highest level on record. Meanwhile, the statutory debt level, which only includes MGS, GII, and MITB debt, currently stands at RM904.3b or 59.9% of GDP as of September 2021. As such, there is only RM1.9b worth of remaining space for new statutory debt before reaching the 60.0% debt limit, thereby necessitating the move to raise the debt ceiling.

  - Having recently cleared a vote in parliament, the government is set to raise the statutory debt limit to 65.0% of GDP from 60.0%, in order to provide adequate fiscal space to ensure a sustainable post-pandemic recovery. Based on our GDP projections, the raising of the debt ceiling will provide an additional RM81.3b of fiscal space in 2022. Furthermore, this suggests that the expansionary budget may be largely funded by additional debt issuance, especially given the probability that no new taxes will be introduced.

  - As a result of the higher debt ceiling, Budget 2022 will include an additional RM45.0b for the COVID-19 Fund, bringing the total fund size to RM110.0b since its approval in August 2020. The allocation will likely be used to ensure the continuation of initiatives under the numerous COVID-19 stimulus packages of 2020 and 2021, in order to address the long-term socio-economic impact of the pandemic.

  - With that said, we continue to expect the Federal Government debt level to reach 64.5% of GDP by end-2021 (2020: 62.2%), whilst the statutory debt level will breach the 60.0% level imminently. Furthermore, given the expansionary budget, the raising of the statutory debt limit, and a wider projected fiscal deficit of 6.9% of GDP or RM112.6b next year, we forecast Federal Government debt to rise to 66.9% of GDP in 2022.

Graph 1: Federal Government Debt-to-GDP



Source: CEIC, Kenanga Research

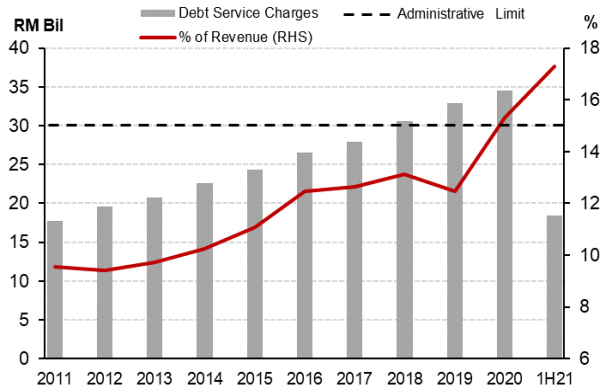
Table 2: Federal Government Debt Headroom

		latest	RM bil limit	balance
Offshore borrowing	2Q21	33.6	35.0	1.4
Malaysian Treasury Bills (MTB)	Sep-21	10.0	10.0	-
Statutory (MGS, MGII, MITB)	Sep-21	904.3	906.3	1.9
Statutory (% of GDP)	Sep-21	59.9%	60.0%	0.1%
Total:		**947.9**	**951.3**	**3.3**

Source: BNM, Kenanga Research

- **Rising debt service charges raises concerns about debt affordability**
  - Due to the pandemic-induced increase in debt issuance, the government's debt service charges (DSC) have been on the rise with 1H21 registering RM18.4b, a 9.4% increase from 1H20. Indeed, the DSC expanded to a record high RM34.5b in 2020 and appears on track to surpass this level in 2021. Of note, the government's DSC-to-revenue ratio, an indicator of debt affordability, remains above the administrative limit of 15.0%, with the 1H21 ratio rising to 17.3% (2020: 15.3%). Moreover, DSC are expected to expand further with a projected increase in debt in 2022 and as interest rates are expected to rise.

Graph 2: Debt Service Charges and % of Revenue



Source: BNM, Kenanga Research

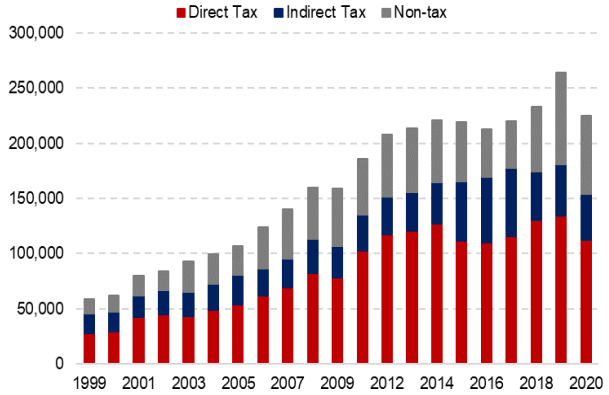
- **Budget 2022 will prioritise securing Malaysia's recovery from the pandemic, but also includes measures to address long term debt management and fiscal sustainability**
  - The PBS highlighted that in the medium-term, fiscal consolidation will be contingent on the country's sustained recovery from the health and economic crises and that the government will focus on restoring Malaysia's growth potential. Nevertheless, a public consultation paper on the framework of the Fiscal Responsibility Act will soon be published, and the Act is expected to be enacted next year in order to institutionalise fiscal sustainability principles and promote long-term fiscal sustainability. Furthermore, the government has reinstated its long-term commitment to fiscal consolidation guided by the Medium-Term Fiscal Framework, and the Medium-Term Revenue Strategy in order to broaden the tax base and widen its fiscal space. We reckon these measures, along with initiative to improve government transparency as laid out in the PBS and the planned Public Service Act, will help mitigate the downside risks associated with extended expansionary spending, including sovereign credit rating risk.

- **We expect Malaysia's sovereign credit ratings to remain unchanged in the medium-term, despite some concerns regarding rising debt levels**
  - The rating agencies consistently highlight debt management as a key measure in their rating decisions, with Moody's stating in their June review that downward pressure on Malaysia's rating would grow should the government's debt and debt affordability metrics weaken further. Likewise, when Fitch reaffirmed Malaysia's BBB+ stable rating in July, it emphasised the importance of medium-term trends in the government's debt-to-GDP ratio and governance standards. However, despite an expected increase in Malaysia's indebtedness and weakening debt affordability, the risk of sovereign rating downgrades may be reduced by the country's full economic reopening, projected economic recovery, and stabilising political condition. Indeed, political risk especially has subsided since the appointment of the new Prime Minister and following the Memorandum of Understanding between the government and the opposition bloc, ensuring a general election will not be held until at least August 2022. As such, we expect sovereign credit ratings to remain unchanged until at least the mid-2022 review.

REVENUE

- **1H21 performance:** After recording a sharp contraction in 2020, fiscal revenue expanded by 4.6% YoY in 1H21 (1H20: -19.1%) to RM106.4b (1H20: RM101.8b), coming in at 44.9% (1H20: 45.2%) of the targeted revenue for 2021. According to the breakdown, the higher revenue collection was underpinned by an increase in direct tax revenue, mainly in the form of corporate and personal tax. In 2H21, we expect revenue to climb higher given that Brent crude oil remained relatively high, averaging at USD68.0/barrel (Jan-Sep 2021), way above the official assumption of USD42.0/barrel. However, there is a possibility that it may fall short of the full year official target of RM236.9b as the COVID-19 pandemic and the strict implementation of SOPs has affected business activities and income of traders in the 3Q21, leading to an increase in the number of those who have lost their income.

Graph 3: Government Revenue Trend



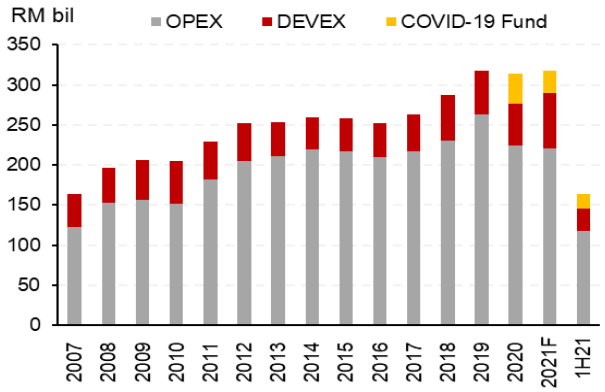
Source: BNM, Department of Statistics, Kenanga Research

- **As the country is still battling the COVID-19 pandemic, we reckon that there will be no new taxes introduced in the Budget 2022 nor will there be any changes to the current tax structure**
  - The government's revenue for 2022 is expected to grow by 7.3% to reach RM237.0b (2021 target: RM221.0b), attributable to the government's strategies to increase tax revenue through increased tax compliance as highlighted in the PBS. The first strategy is to implement the Special Voluntary Disclosure Program (SVDP) for indirect taxes (i.e. sales tax, service tax, customs and excise duties and tourism tax). The SVDP was first introduced in Budget 2019 to encourage the taxpayers to come forth to declare tax underpaid with minimal penalty imposed. The program has allowed an extra RM7.9b in tax collection on top of the usual taxes. Other than this, the government is also considering to introduce a tax compliance certificate as a pre-condition for tenderers to participate in Government procurement and implement a tax identification number to ensure more taxpayers are included in the Inland Revenue Board of Malaysia system. This, coupled with a strong post-pandemic economic recovery in 2022, result in our view of higher growth in overall tax revenue collections.
  - On top of introducing measures to increase tax revenue, the government has also strategize on how to strengthen Malaysia's tax system. Two measures have been brought forward in the PBS which are the tax incentive review and implementation of medium-term revenue strategies (MTRS). As fiscal incentives are one of the many factors that can attract investment, the government plan to provide an incentive framework that is responsive to changes in the business environment and economic landscape to entice more quality investments and provide positive returns to the country's economy and fiscal position. On the other hand, the MTRS is an initiative to ensure that government revenue through tax collection is continually managed and sustainably increased in line with GDP growth.
- **Oil-related revenue is expected to remain steady in 2022 amid stabilising crude oil prices**
  - Petroleum revenue, encompassed of income tax, export duty, royalties and ancillary income from Petronas, is projected to track the stabilising Brent crude oil price in 2022, as the gradual increase in oil output from OPEC+ is seen to slightly outpace the slowing growth in global oil consumption. Nevertheless, our base case assumption is that average crude oil price would remain above USD60/barrel in 2022.
- **More fiscal room could be created if the government raise its non-tax revenue from GLC funds**
  - On top of the investment income distribution received from Bank Negara Malaysia, Khazanah Nasional Berhad and Petronas, the government has the option to tap into GLC funds like Kumpulan Wang Amanah Pension (KWAP) to bolster its revenue for 2022. To note, KWAP's total assets under management now total a record RM150.0b, more than triple its initial size in 2007. In addition, the government could also utilise the additional RM4.1b left in investment returns at the National Trust Fund.

EXPENDITURE - Targeted Spending

- **1H21 performance**: 2021 marks the first year of the 12MP with total gross expenditure projected to reach RM317.3b (MOF revised: RM314.8b; 2020: RM314.0b). During the first half of this year, the federal government has spent RM164.2b, an increase of 5.7% YoY compared to the same period in the preceding year. This represents a 51.7% share of our estimates, and total expenditure is expected to moderate in the 2H21 in line with the budgeted plan approved for this year. The 1H21 performance was driven by an acceleration in development spending which surged 52.5% to RM28.2b (1H20: RM18.6b), offsetting a drop in COVID-19 fund spending (-18.7% YoY). Going forward, we expect the government to re-focus on development spending given the likelihood there might be excess allocated funds spilling over the next fiscal year.

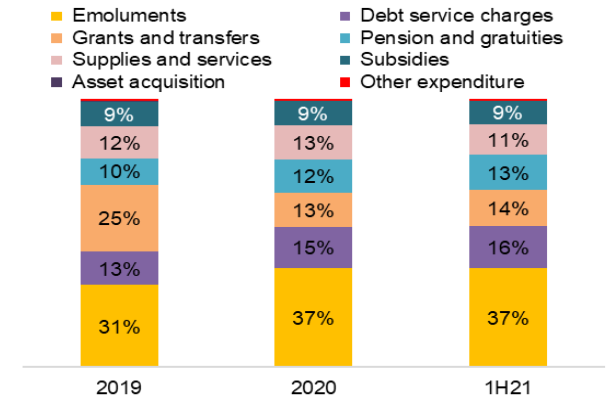
Graph 4: Federal Govt. Expenditures Trend



Source: BNM, Department of Statistics, Kenanga Research

- **The 2022 government expenditure is expected to continue to focus on COVID-19 stimulus measures to speed up the drive to fully exit the pandemic phase**
  - With more space to raise debt thanks to the new higher statutory debt limit, we expect the government to allocate more spending on high multiplier infrastructure projects as well as sectors that are badly hit by the pandemic such as tourism, transportation, education and the retail sector. The primary target is to jumpstart these sectors and propel them back to the pre-pandemic levels. Other than that, we expect focus will be put on trade and industry, IT infrastructure, healthcare, as well as small and medium infrastructure projects specifically in rural areas.
  - Taking the guidance for the 12MP and PBS, development expenditure (DE) is expected to rise to a record RM75.0b in 2022 from an estimated RM68.0b in 2021. Apart from the re-commencement of on-going mega projects (ECRL, Pan Borneo Highway, Johor-Singapore Rapid Transit System, etc), the big jump in DE is mainly to reflect the rehabilitation of government agencies (1MDB, Felda, Tabung Haji, etc).
  - **Education** remains a priority for the government. In cognisant with the shared prosperity agenda and 12MP strategy, we believe the government would increase the allocation for education in the upcoming budget. This will include enhancing the quality of academic and training programmes, efforts to boost learning of Mathematics and Science,

Graph 5: Federal Government Operating Expenditure

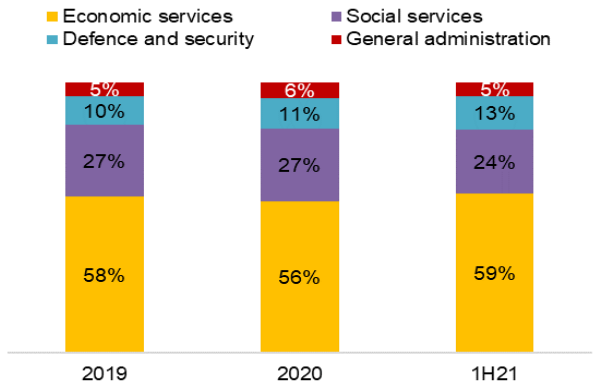


Source: BNM, Department of Statistics, Kenanga Research

increasing enrolment of preschool students and promoting greater interest in the Technical Vocational Education and Training (TVET) among the youths.

- **Youth** issues are expected to get special attention by the government. Currently, the youth unemployment rate for ages 15-24 years stands at 13.9% in August 2021, or 321.1k and has remained high since the pandemic began. The budget will aim to reduce what seems to be a rising job mismatch between the industry needs and the supply of qualified graduates produced by higher local institutions. Therefore, we expect the government to put a greater focus on up-skilling schemes in an effort to enhance youths' employability and an opportunity to gain experience.

Graph 6: Federal Government Development Expenditure



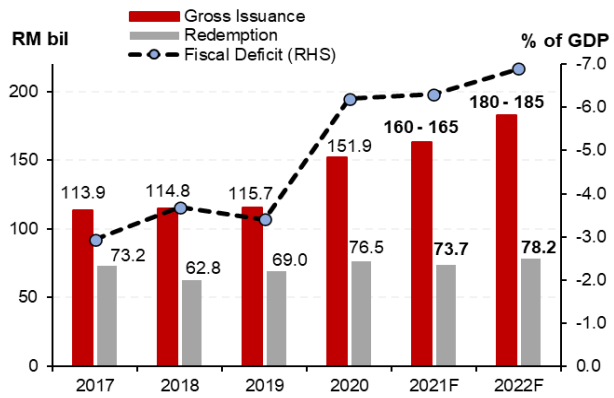
Source: BNM, Department of Statistics, Kenanga Research

- In line with the National Investment Aspiration (NIA) launched by the government, guided by Malaysia's SPV2030 and 12MP, more enhancement will be given in Budget 2022 to attract quality and strategic **investment**, while reducing dependency on unskilled labour and spur technology transfer. Special incentive packages and grants directed to new growth areas are expected to receive top priority for the government. Nonetheless, policy clarity and direction from the government plays a crucial role to attract investment and this is expected to be addressed in Budget 2022.
- Higher allocation for the public **healthcare** system is expected to be given priority as the nation transitions to an endemic phase of COVID-19. Although healthcare spending has increased in line with the higher population, its ratio over GDP, which stands at 2.3% of GDP in 2020, remained below the average of 3.8% of GDP among upper-middle-income countries. We expect the government to allocate a higher budget for public healthcare especially to increase hospital beds and ICU capacity as well as equipment. Equally important is the need to further reduce the price of the COVID-19 testing kit to make it more affordable for the public while supporting the National Testing Strategy.
- As the COVID-19 pandemic accelerates the adoption of the **digital economy,** it may also trigger the government to step up its plan for Malaysia's digital transformation**.** Meanwhile, the government has launched the MyDIGITAL initiative early this year to further accelerate the country's digital transformation. According to the Malaysia Digital Economy Blueprint, the government aims to attract RM70.0b in both international and domestic digital investments and open 500,000 jobs within the sector while contributing 22.6% to GDP by 2025. Given the initiatives and targets outlined by the government which demonstrates efforts to boost the digital economy, we foresee higher allocation and incentives for the sector in the upcoming budget.
- After prolonged movement restrictions, the shutdown of **tourism** activities, as well as the closure of international borders amid elevated COVID-19 infections globally, we believe the government would allocate a reasonably significant budget for this sector for promotional activities and a special fund to assist SMEs in the related activities. This includes infrastructure spending specifically to facilitate development and enhance new and existing tourism attractions. Additionally, we expect more tax incentives may be given to locals to support the domestic tourism sector. For the record, domestic tourism plunged 60.8% in 2020 in terms of total expenditure (RM40.4b; 2019: RM103.2b) due to the imposition of movement restrictions.
- With the economy still on the path to recovery, we expect the government to maintain its **subsidy** allocation to especially support the lower income group. However, there is an urgent need for the government to trim unnecessary subsidies. We reckon the government is beefing up efforts to pursue an overdue targeted subsidy mechanism in order to ensure the allocation or cash transfers are channelled to the targeted group or the B40 category. This would allow the government to spare additional allocation to increase stimulus package or social welfare spending, which may include an increase in cash handouts and widen the targeted recipients. Additionally, a continuation of wage subsidy is expected in Budget 2022 which has so far successfully saved 2.9m employees and 300,000 employers that were adversely affected by the movement restrictions.

BOND ISSUANCE

- **The government is expected to increase bond issuances in 2022 to finance its expansionary budget**
  - Fiscal support to address the impact of renewed lockdown measures has seen RM136.0b worth of sovereign bonds issued year-to-date, and with another six auctions scheduled for the remainder of the year, we reckon bond issuances are on track to hit our RM160.0b – RM165.0b target in 2021. Given the government's expansionary fiscal stance and the imminent increase of the statutory debt limit, the supply of MGS and GII will likely continue to rise next year. As such, we project 2022 gross bond issuances to register a record-high RM180.0b – RM185.0b, taking into consideration RM78.2b worth of MGS, GII, and SPK scheduled to mature next year and our fiscal deficit projection of RM112.6b or 6.9% of GDP.

Graph 7: MSG/GII Gross Issuance and Redemption



*Redemption: MGS + GII + SPK
Source: BNM, Kenanga Research

- **Government bond yields projected to maintain uptrend on increased supply and rising global yields**
  - MGS and GII yields have been increasing across the curve in recent weeks, amid a rise in global bond yields as major central banks turn hawkish, inflationary pressures sustain, and as domestic bond supply has increased. As this uptrend is expected to continue for the remainder of the year, we revise our 10Y MGS end-2021 forecast to 3.70% from 3.60% earlier (2020: 2.65%). Furthermore, domestic bond yields will likely be driven by rising US Treasury yields in the lead up to the US Fed's probable tapering announcement in November.
  - For 2022, we target the 10Y MGS to reach 3.90% on a sustained increase in domestic bond supply, higher US Treasury yields, and up to 50-basis point rate hike by Bank Negara Malaysia (BNM). As several major central banks have begun their rate hike cycles and the US Fed increasingly indicating it would begin raising rates in 2022, instead of 2023, we believe BNM may begin raising the overnight policy rate by mid-2022.
- **Increased bond issuances may exacerbate growing concerns regarding bond supply**
  - The current rise in MGS and GII yields may also be partly driven by domestic bond supply concerns following consistently large auctions. Whilst demand for government bonds have remained healthy in 2021, with an average bid-to-cover (BTC) ratio of 2.196x, some recent auctions have experienced poor demand. In particular, the reopening of the 7Y MGS on Oct 7 and the 10Y MGS on Sep 15, registered low BTCs of 1.598x and 1.606x respectively. Given the forthcoming rise in the statutory debt limit, concerns about bond supply may worsen over 2022. However, we expect the attractively high yield differentials of Malaysian bonds, compared to developed market bonds, may provide some support for local debt.

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