

Fitch unit: Malaysian consumer spending set to rebound in 2022 as sentiment recovers from Covid weigh-down

KUALA LUMPUR, Oct 21 — Consumer appetite is set to rebound next year with household spending expected to grow by some 5.1 per cent after two years of contraction as the coronavirus kept people indoors, Fitch Solutions predicted.

Total consumer spending fell to RM855 billion over 2021, 5.4 per cent lower than the RM905 billion recorded in 2019, the pre-Covid-19 environment.

The growth forecast marks a notable improvement from the contraction estimated for 2021, as Covid-19 curbs continued to weigh on domestic demand, the Fitch unit said in its 2022 consumer outlook for Malaysia.

“As such, the Malaysian consumer recovery from Covid-19 will only begin in 2022,” it said.

“We note, however, that the recovery will be rapid enough to total RM915 billion (US\$218 billion) in 2022, building slightly on the figure recorded pre-pandemic (2019).”

Retail sales in Malaysia have been weak over 2021, with growth mainly coming from a low base as prolonged lockdown restrictions impacted both consumers and retailers.

These restrictions have been severe in the populated regions of the country, like the Klang Valley (centred on Kuala Lumpur and includes its adjoining cities and towns in the state of Selangor), delaying the recovery in retail sales, the Fitch unit said.

The Klang Valley accounts for approximately 60 per cent of retail sales in Malaysia.

Despite the growth prediction, it warned of several risks for the positive outlook especially during the first four months of the year.

Risks include elevated inflation and the possibility of new Covid-19 variants, which could lead to the reimposition of Covid-19 related restrictions, it said.

“Our consumer spending forecast is in line with our Country Risk view that the wider economy is forecast to grow by 5.5 per cent over 2022,” the outlook noted.

Domestic demand outlook for 2021 is expected to weaken considerably with consumer spending in 2021 likely to be worse than 2020 as unemployment weighs on spending appetite.

The Fitch unit expects unemployment to rise in the first half of this year, and has already started to climb, to 4.8 per cent in June 2021 from 4.5 per cent in May 2021.

Unemployment averaged 3.3 per cent pre-pandemic, according to the Department of Statistics.

“Malaysia's economic recovery from the Covid-19 pandemic will be slow, with the country being in a constant state of lockdown for nearly two years,” it noted.

<https://www.malaymail.com/news/malaysia/2021/10/21/fitch-unit-malaysian-consumer-spending-set-to-rebound-in-2022-as-sentiment/2014921>