

# Take5

for business

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Strengthening  
resilience:  
Malaysia's capital  
market performance  
and outlook



Building a better  
working world

# Capital market performance: Malaysia

The Malaysian capital market remained orderly and continued its healthy growth track in 2022 amid global market uncertainties.

According to the Securities Commission (SC) Malaysia's Annual Report 2022, total capital market funds raised hit a record high of RM179.4 billion in 2022, exceeding its 5-year average of RM121.4 billion per annum. Total capital market (equity and bonds/sukuk) funds grew 37% year-on-year (y-o-y) in 2022. Funds raised were driven by a record amount of corporate bond and sukuk issuances.

Total alternative fundraising market expanded 24% y-o-y to RM3 billion with the highest growth in the peer-to-peer (P2P) financing segment, which increased 38% y-o-y to RM1.6 billion.

Meanwhile, the global cryptocurrency market experienced a "crypto winter" and this led to significant decline in major cryptocurrency prices. Consequently, trading activity on Malaysia's digital asset exchanges (DAX) declined 55.1% y-o-y with an average daily transaction value of RM25.8 million in 2022.

In future-proofing the Malaysian capital market, SC intends to modernize key regulatory pillars, strengthen the alternative fundraising ecosystem and advance the environmental, social and governance (ESG) agenda.

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"The continued resiliency of the Malaysian capital market highlights Malaysia's strong focus in managing risks and maintaining financial resilience and stability to support economic growth.

In the medium term, building Malaysia's market strength involves continued enhancements of digital platforms and the adoption of sustainability practices, be it in the reporting arena or across business operations. ”

Dato' Abdul Rauf Rashid,  
Malaysia Managing Partner,  
Ernst & Young PLT

## Did you know? In 2022

**37% y-o-y**

growth of total capital market funds (equity and bonds/sukuk)

**38% y-o-y**

growth for the P2P financing segment

**24% y-o-y**

growth of alternative fundraising (incl. P2P, VC/PE, ECF)

## Key highlights

1

### Strong domestic market growth despite global market volatility

Malaysia's capital market raised an estimated RM3.6 trillion as at end-2022. Last year, Malaysia's total capital market funds grew by an exponential 36.6% y-o-y to a record high of RM179.4 billion, exceeding its 5-year growth average of RM121.4 billion per annum.

Malaysia's Islamic Capital Market (ICM), which commands nearly two-thirds (64%) share or RM2.3 trillion, grew 0.6% y-o-y in 2022. Over the last five years, the ICM grew 4.2% p.a,\* driven by the growth in sukuk outstanding (9.3% p.a.).

There was also significant growth in the alternative fundraising market which expanded by 24% y-o-y to RM3 billion.

As at Q3 2022, most sectors on Bursa Malaysia recorded higher earnings. Strong earnings growth were recorded in the transport (increase of 205.2% y-o-y to RM63.3 billion), financial services (increase of 36.5% y-o-y to RM7 billion), consumer services and retail (increase of 152.7% to RM3.7 billion) sectors.

2

### Regulatory actions taken

A total of 118 administrative sanctions were imposed by SC for various misconducts and breaches of securities laws in 2022. SC also established an internal task force to address scams and unlicensed activities. As a result, 185 websites were blocked and 304 new entries were added to the SC's Investor Alert List.

3

### Advancing ESG initiatives

SC issued the Principles-based Sustainable Responsible Investment (SRI) Taxonomy to advance Malaysia's sustainability agenda in 2022. Among SC's ESG initiatives include the NaviGate series of programs:

- SRI-Linked Sukuk Conference in collaboration with World Bank and Capital Markets Malaysia (CMM)
- Alternative Financing for MSMEs in Halal Economy; and
- Financing Sarawak's Sustainable Development through the Malaysian Capital Market

Notes:

\*Total value may not add up due to rounding

\*Based on Compound Annual Growth Rate (CAGR)



# Risk factors

Although Malaysia's capital market has experienced encouraging growth, it continues to face various external risks such as geopolitical uncertainties, inflationary pressures and ESG issues.

## Downside risks

### Uncertain economic conditions

- ▶ Downside risks to economic growth can dampen corporate' bottom lines, lead to volatile commodity prices, disrupt global supply chains and currencies.
- ▶ Rising interest rates impact funding costs and overly leveraged firms face increasing pressure in servicing their debts.

### Tightening monetary policy

- ▶ Shifts in global markets from abundant liquidity to tighter monetary and financial conditions continue to drive market volatility.
- ▶ Global investors may pare down their positions in emerging markets.

### Sustainability issues

- ▶ Institutional investors are focusing more on integrating ESG considerations into their financing and investment decisions.
- ▶ ESG data suitability, accessibility, consistency and reliability continue to be a key challenge for risk assessment.

Source: SC Annual Report 2022; SC Capital Market Stability Review 2022

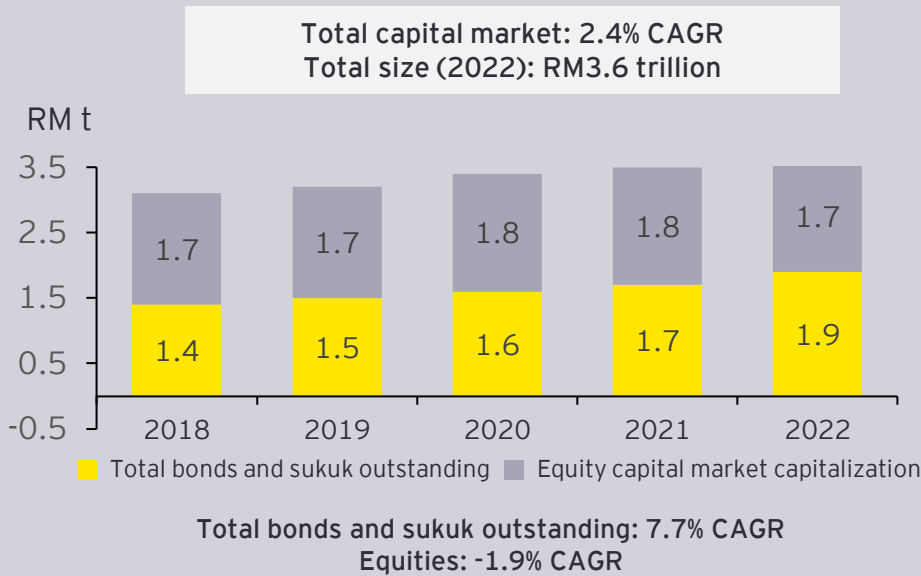


# Capital Market Performance

## Malaysia's five-year performance (2018-2022)

Despite global market volatility, the Malaysian capital market remained systematic and stable.

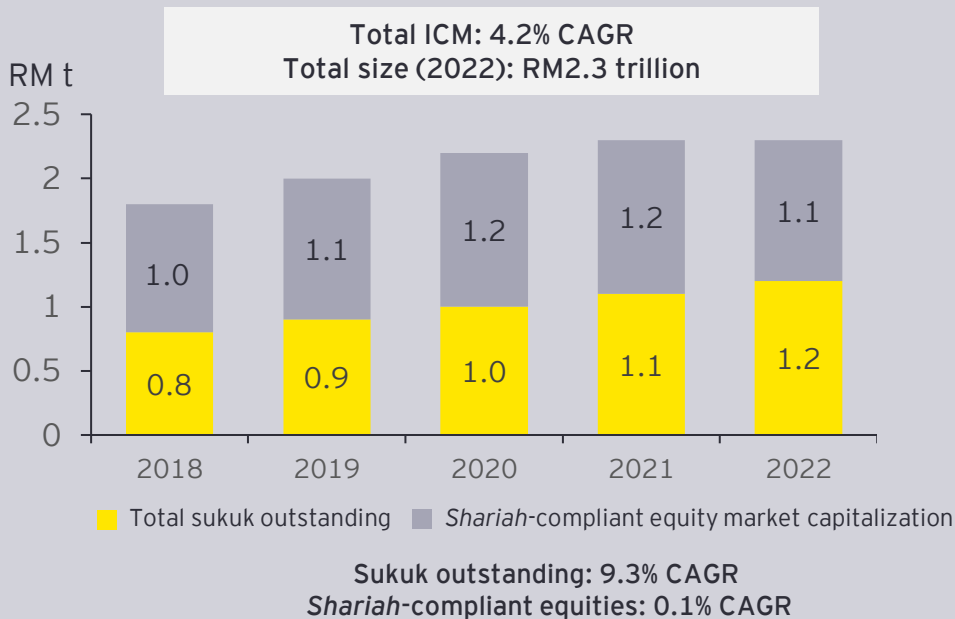
### Total capital market size



From 2018 to 2022, Malaysia's total capital market growth was largely driven by bonds and sukuk (7.7% CAGR).

In 2022, the total capital market grew steadily by 2.2% y-o-y in tandem with market growth of 2.4% CAGR over the last five years.

### Total Islamic capital market size



From 2018 to 2022, Malaysia's total Islamic Capital market (ICM) recorded a growth of 4.2% (CAGR) driven by sukuk outstanding (9.3% CAGR). *Shariah*-compliant equities remained flat at 0.1% CAGR.

In 2022, growth of Malaysia's total Islamic capital market (ICM) was at 0.6% y-o-y.

Notes:

\*Total value may not add up due to rounding

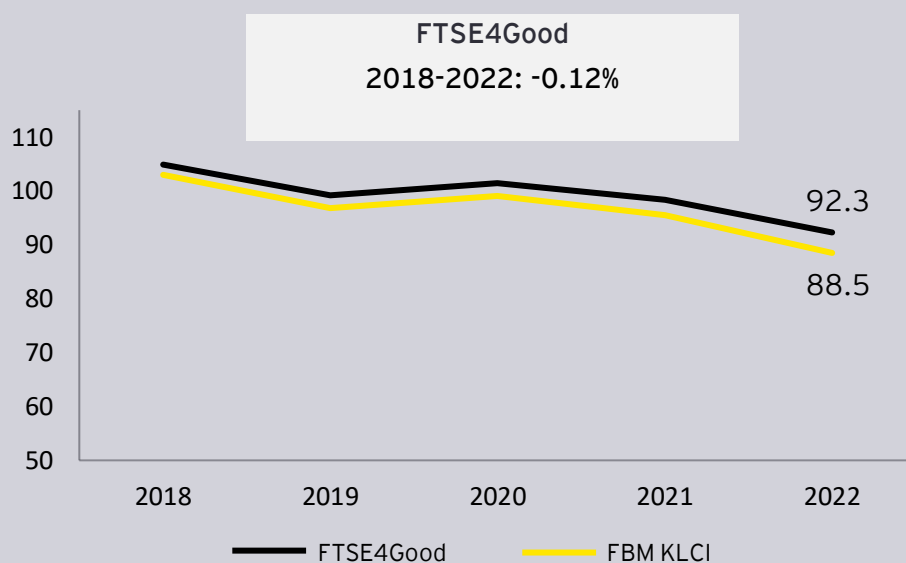
CAGR: Compound Annual Growth Rate

# Capital Market Performance

## Malaysia's five-year performance (2018-2022)

### Malaysia's sustainability index performance

\*as of 30 December 2022



From 2018 to 2022, the FTSE4Good index generally moved in tandem with FBMKLCI.

With positive investor interest in ESG-rated equities, the FTSE4Good performance is reflected by its slightly higher trending line.

### Bursa Malaysia sectorial index returns

As of 31 March 2023

Sectors	Returns (%)		
	1-year	3-year	5-year
Consumer products and services	-1.7	12.0	-19.0
Industrial products and services	-16.7	59.0	-0.2
Construction	-0.8	16.0	-43.8
<b>Technology</b>	<b>-19.1</b>	<b>111.7</b>	<b>92.7</b>
Financial services	-6.4	28.0	-13.8
Property	-3.9	24.6	-36.6
Plantation	-15.2	7.8	-15.8
Real estate investment trusts	1.4	-5.3	-8.6
Energy	16.6	35.7	-29.4
<b>Healthcare</b>	<b>-16.8</b>	<b>36.1</b>	<b>43.9</b>
Telecommunications and media	-7.8	10.6	-26.9
Transportation and logistics	5.5	69.5	-6.8
Utilities	6.5	7.7	0.8

As of 31 March 2023, the technology (92.7%) and healthcare (43.9%) sectors reported the highest index return over the last five years.

Notes:

#Total values may not add up due to rounding

CAGR: Compound Annual Growth Rate

Sources:

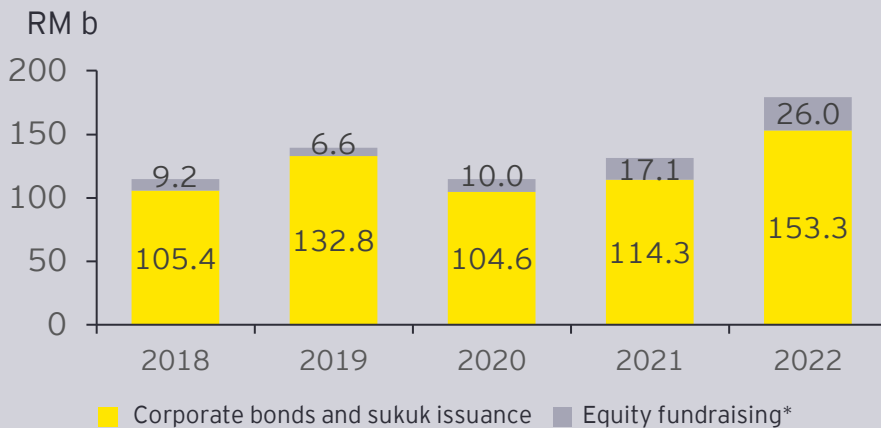
Bursa Malaysia; FTSE Russell; EY research

# Capital Market Performance

## Malaysia's five-year performance (2018-2022)

### Total equity and debt fundraising

Total equity and bonds: 11.9% CAGR  
Total size (2022): RM 179.4 billion



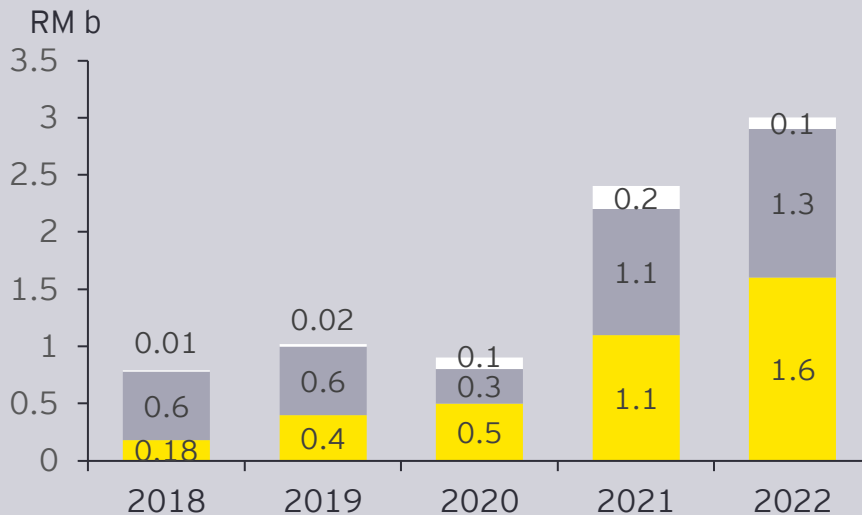
Corporate bond and sukuk issuance: 9.8% CAGR  
Equity fundraising: 29.7% CAGR

From 2018 to 2022, Malaysia's total equity and bonds garnered growth of 11.9% CAGR.

In 2022, total capital market funds raised (equities, corporate bonds and sukuk) rose exponentially by 37% y-o-y to RM179.4 billion.

### Total alternative fundraising

Total alternative fundraising CAGR: 44.6%  
Total size (2022): RM 3.0 billion



Over the last five years, all three alternative fundraising segments recorded significant CAGR growth: P2P (+72%), VC/PE (+21%) and ECF (+112%).

Total alternative fundraising grew 24% y-o-y to RM3 billion in 2022. Growth was highest in the peer-to-peer (P2P) financing segment with a 38% y-o-y increase to RM1.6 billion in 2022. Equity crowdfunding (ECF) however declined 36% y-o-y to RM140.4 million in 2022.

Peer-to-peer financing (P2P) Venture capital (VC)/Private equity (PE) Equity crowdfunding (ECF)

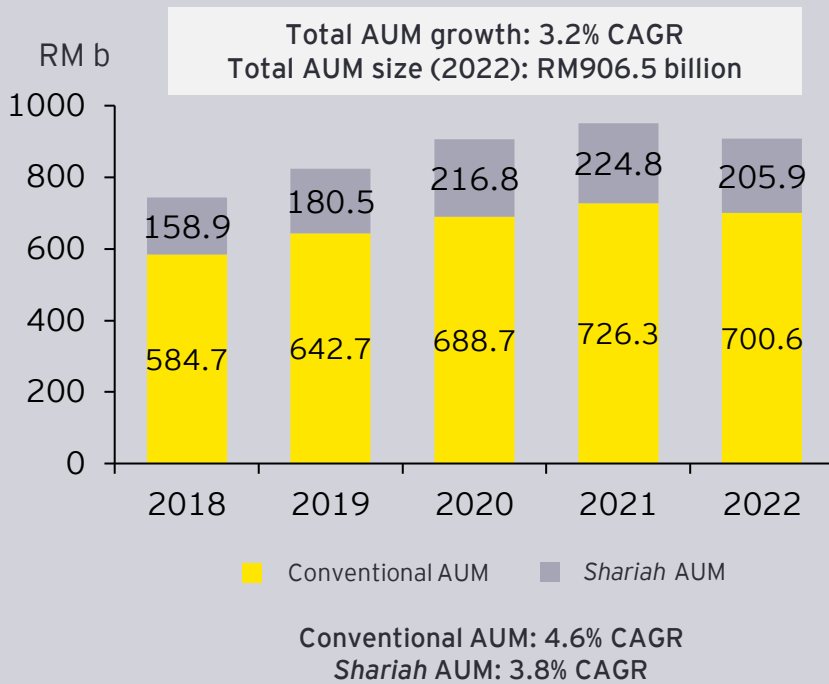
P2P: 72% CAGR  
VC/PE: 21% CAGR  
ECF: 112% CAGR

Notes:  
\*Total values may not add up due to rounding  
\*Equity fundraising includes real estate investment trusts.  
CAGR: Compound Annual Growth Rate

# Capital Market Performance

## Malaysia's five-year performance (2018-2022)

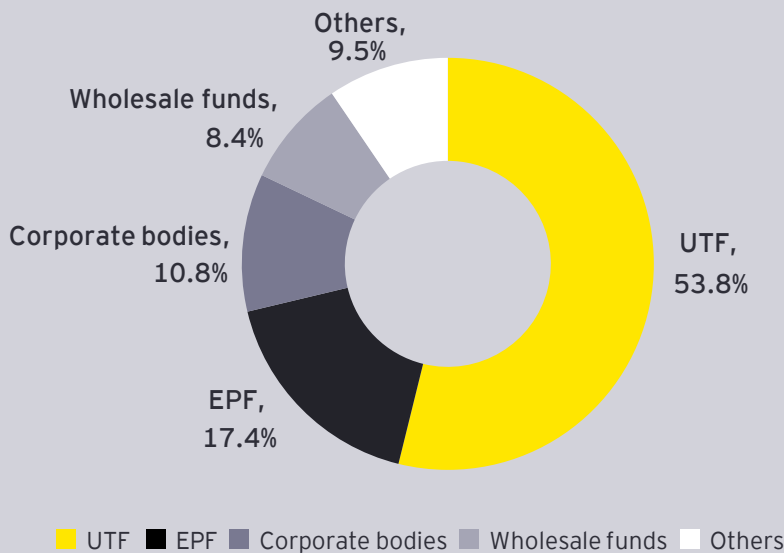
### Assets under management



From 2018 to 2022, total assets under management (AUM) of Malaysia's fund management industry grew by 3.2% CAGR.

In 2022, both total AUM and Islamic AUM declined 4.7% and 8.4% y-o-y respectively.

### Profile of assets under management



As at end-December 2022, total AUM for the fund management industry declined 4.7% y-o-y to RM906.5 billion.

In 2022, unit trust funds (UTF) comprise over half of the total AUM (53.8%) and recorded a -2.8% y-o-y decline.

The Employees Provident Fund (EPF) grew 0.6% y-o-y. Funds managed by corporate bodies (10.8% share) grew 8.3% y-o-y.

Notes:  
#Total values may not add up due to rounding  
CAGR: Compound Annual Growth Rate

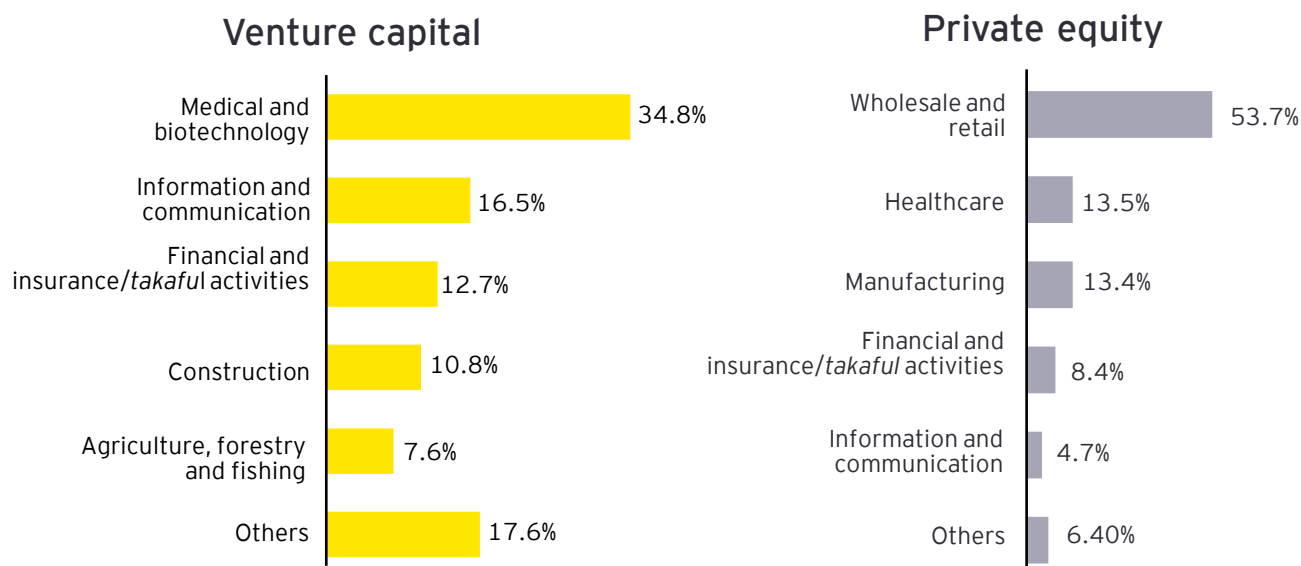
Sources:  
Bloomberg; Bursa Malaysia; SC Annual Report 2022; SC Capital Market Stability Review 2022



## Alternative fundraising: Targeted sectors

As at end-2022, total committed funds in the alternative fundraising industry was estimated at RM16.1 billion.

Between 2021-2022, growth of alternative fundraising in some sectors are highlighted in the following charts:



In 2022, medical and biotechnology saw the highest share of VC investments with 34.8%, followed by information and communication (16.5%), and financial and insurance/*takaful* activities (12.7%).

In contrast, PEs were highly focused on wholesale and retail (53.7%), followed by healthcare (13.5%) and manufacturing (13.4%).

Note:

#Total values may not add up due to rounding

Source: SC Annual Report 2022, SC Capital Market Stability Review 2022

## Alternative fundraising: Targeted sectors

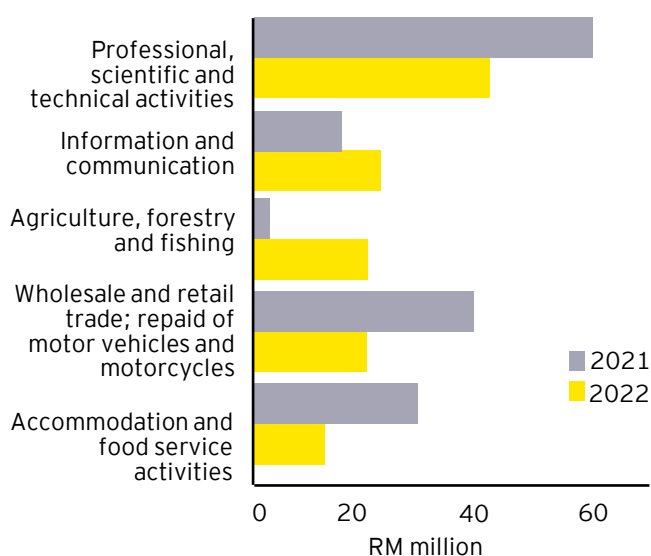
In 2022, total funds raised through equity crowdfunding (ECF) declined 57.2% y-o-y to RM140.4 million. Of this amount, the professional, scientific and technical activities sector received 29.5% (or RM41.4 million) of the ECF funds.

ECF funding of the agriculture, forestry and fishing sector leapt by 2,463% y-o-y, from RM753,750 in 2021 to RM19.3 million in 2022.

Meanwhile, total funds raised via peer-to-peer financing increased 45.5% y-o-y to RM1.6 billion in 2022. Of this amount, over half (58% or RM927.7 million) went to the wholesale and retail trade sector (e.g. repair of motor vehicles and motorcycles).

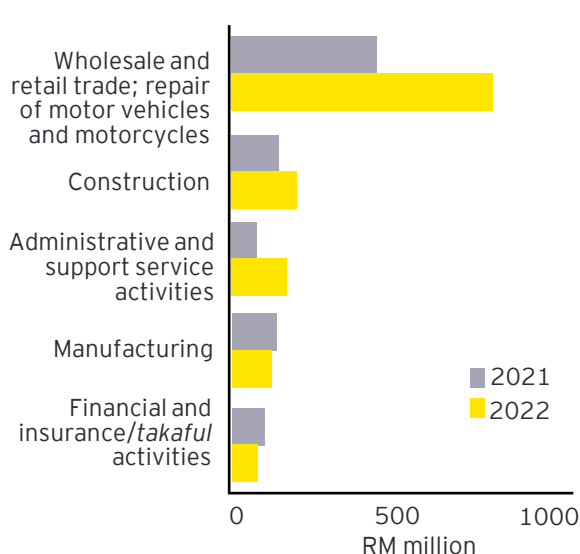
### Equity crowdfunding

Top five sectors by total funds raised



### Peer-to-peer financing

Top five sectors by total funds raised



Note: Total values may not add up due to rounding

Source: SC Annual Report 2022, SC Capital Market Stability Review 2022

## Administrative sanctions

In 2022, SC imposed a total of 118 administrative sanctions for various misconducts and breaches of securities laws.

The administrative sanctions include:

- ▶ breach of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001,
- ▶ furnishing of false or misleading information to Bursa Malaysia, and
- ▶ breach of takeovers and mergers provisions

Sanctions imposed on the parties in breach comprise reprimands, revocation of licenses, suspension of licenses, imposition of penalties and requirements to make restitution.

Administrative actions taken in 2022 by type of sanction and parties in breach include:

Parties in breach	Type of sanction					
	Reprimand	Penalty	Restitution	Directive	Revocation of license	Suspension of license
Licensed persons	10	11	-	3	1	1
PLC or company applying for listing	2	-	-	-	-	-
Directors/senior management of PLC or company applying for listing	15	10	-	-	-	-
Unlisted public companies	1	1	-	-	-	-
Principal adviser	1	-	-	-	-	-
Persons acting in concert	9	1	-	-	-	-
Other entities/ individuals	34	16	1	-	-	-
<b>Total</b>	<b>72</b>	<b>39</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>1</b>

Source: SC Annual Report 2022

# Outlook

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Today's accelerating pace of market changes catalyzed by technological advancements, extreme climate changes and geopolitical tensions portend to a future of significant opportunities and threats for global capital markets. Against this backdrop, the future of Malaysia's capital market will be shaped by the transformative agility of industry participants in adapting to digitalization, ESG practices, geopolitical changes, as well as complying with regulatory demands.

Within a complex and rapidly changing environment, organizations can further advance the sustainability agenda through far-sighted strategies which include re-modelling business models with digitalization and ESG strategies. The impending release of global sustainability-related disclosure standards will guide the development of Malaysia's ESG regulatory framework towards building a supportive ecosystem for sustainability disclosures and practices.

In addition, SC's proposed modernization of key regulatory pillars - the Capital Markets and Services Act 2007 (CMSA) and the Securities Commission Act 1993 (SCMA) - will help steer Malaysia towards a future-ready capital market. Further, Malaysia's Islamic capital market (ICM) will be able to advance with innovative product offerings which facilitate sustainable as well as socially beneficial outcomes.

# EY thought leadership



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**Global Climate Risk Barometer**  
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