



Malaysia

Economic and Currency Outlook

Prospects in 2017 and beyond

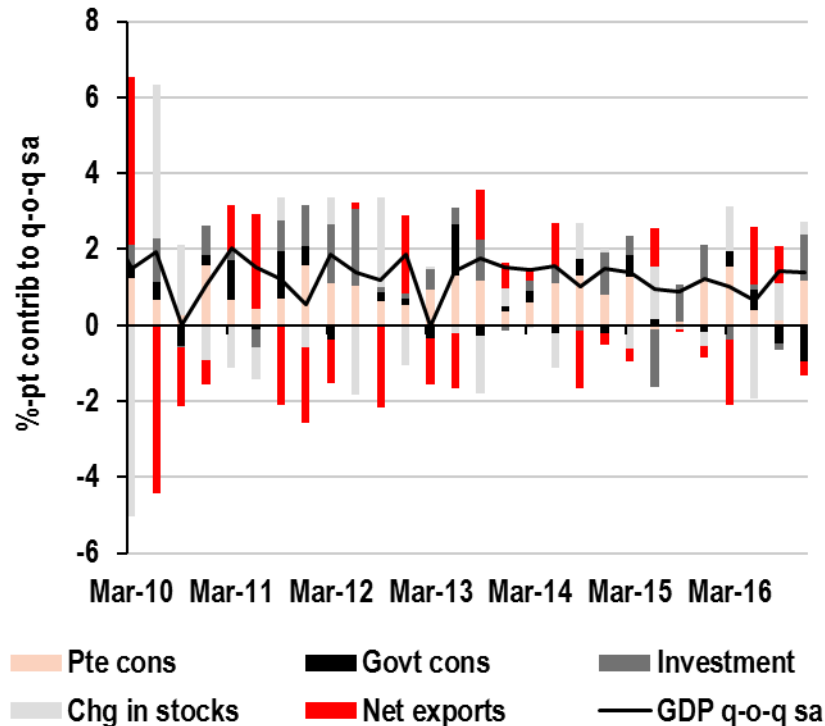
Economics Asia | Macro | February 2017



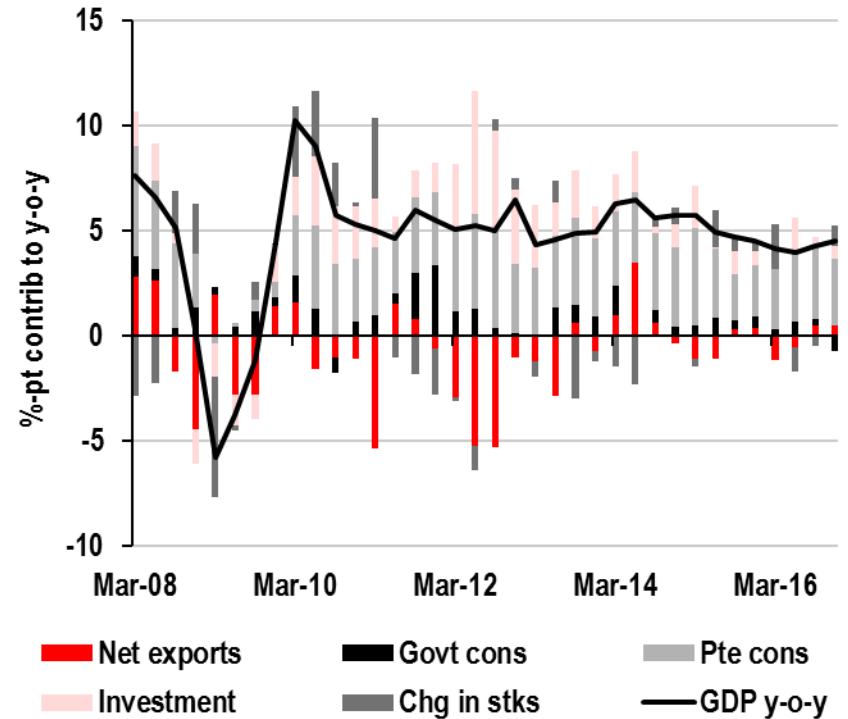
Malaysia: Slow grind down

Unexpectedly strong 4Q16 GDP growth, but we are still wary

Contributions to q-o-q GDP growth, by expenditure



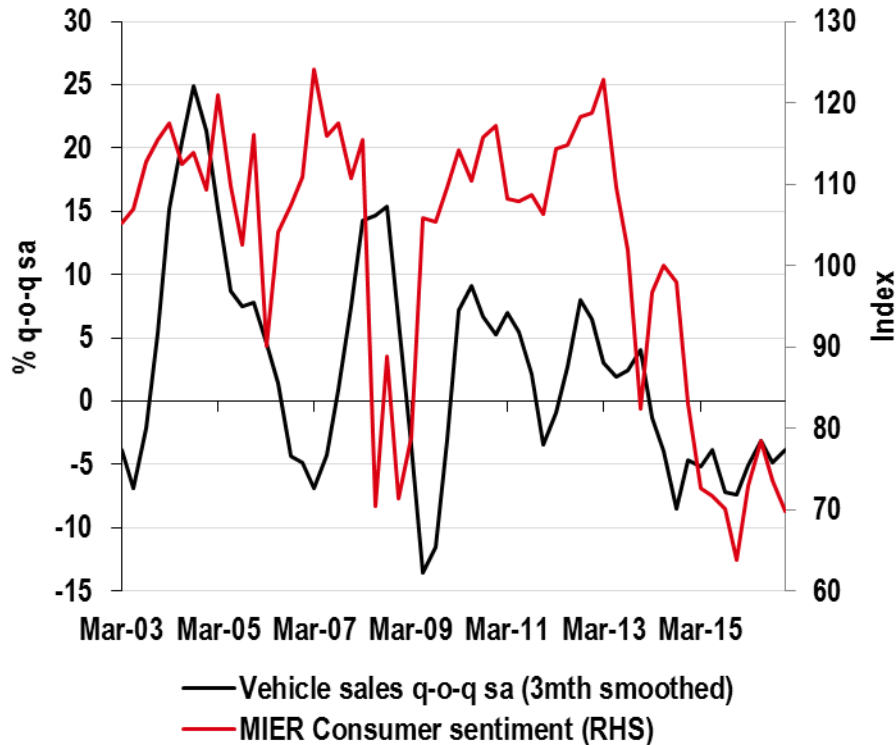
Contributions to y-o-y GDP growth, by expenditure



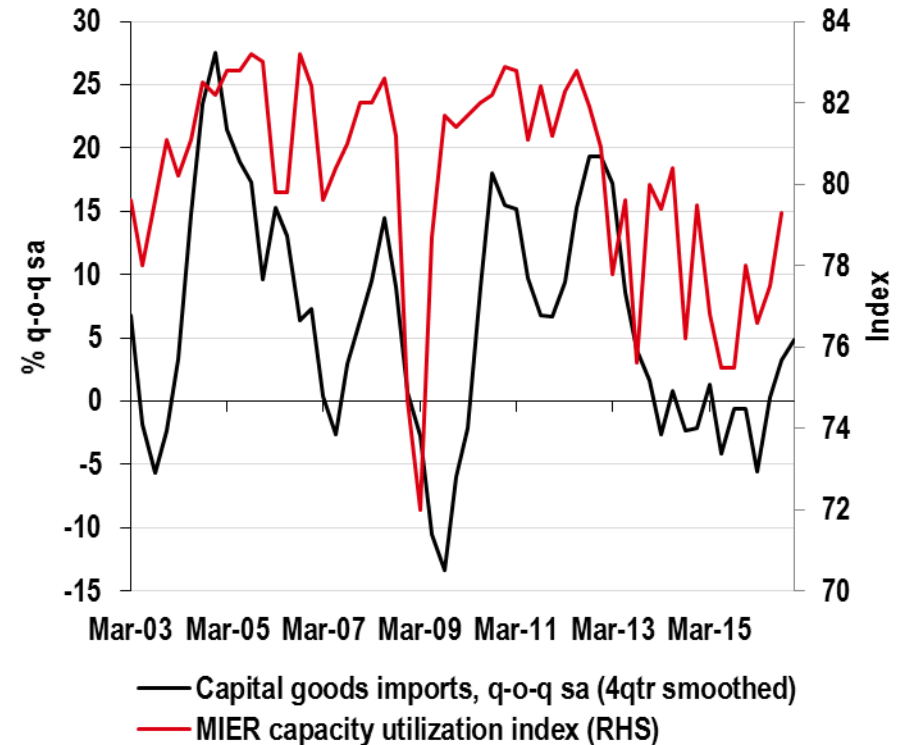
Source for both charts: CEIC, HSBC

Higher frequency indicators still looking weak

Consumer confidence, vehicle sales still weak in 4Q16



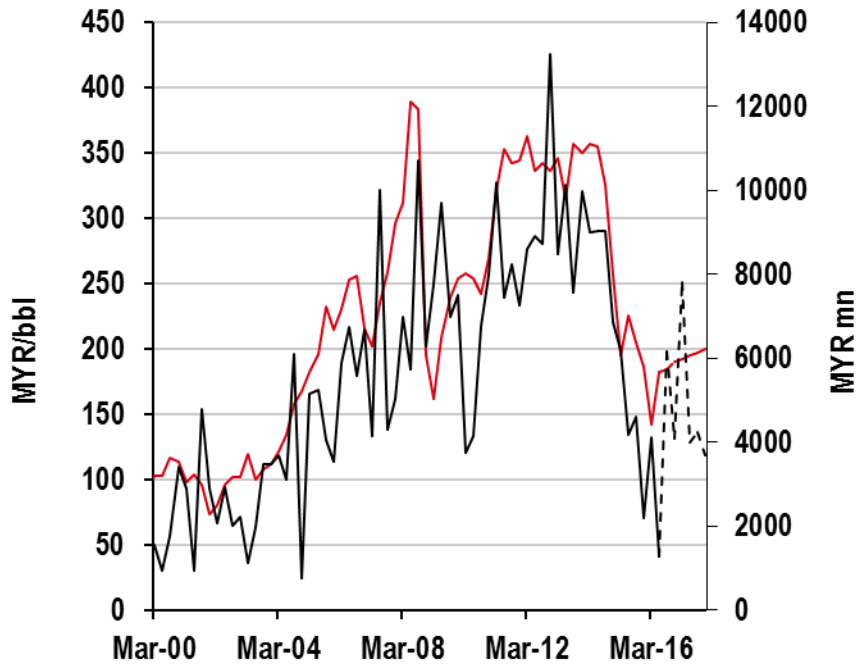
A little more improvement in capacity utilization, capital goods imports



Source for both charts: CEIC, HSBC

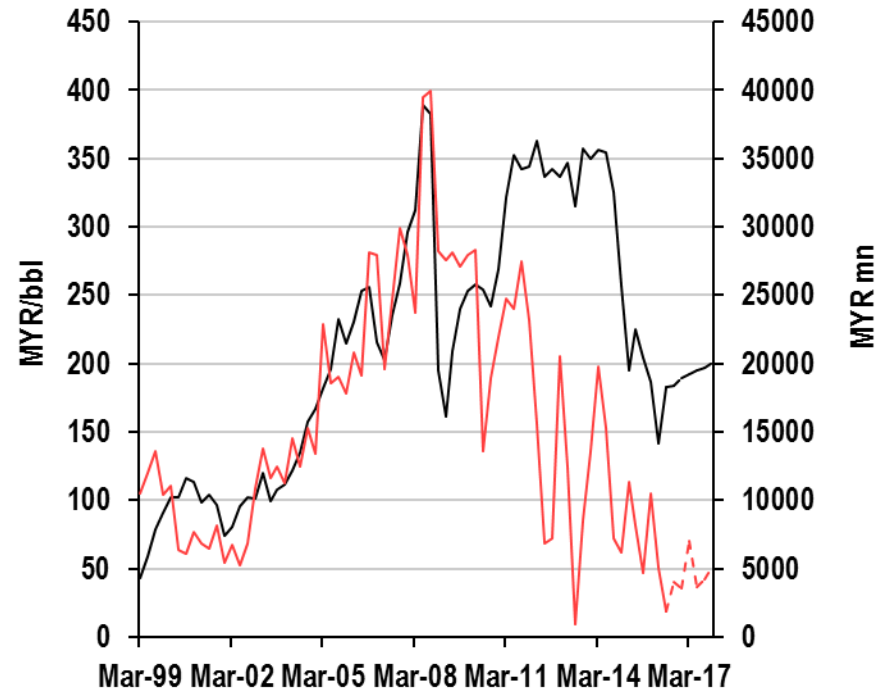
A little help from commodities

Oil-related budget revenues vs Brent



— Brent, MYR/barrel — Oil-related taxes & royalties, sa (RHS)

Current account balance vs Brent

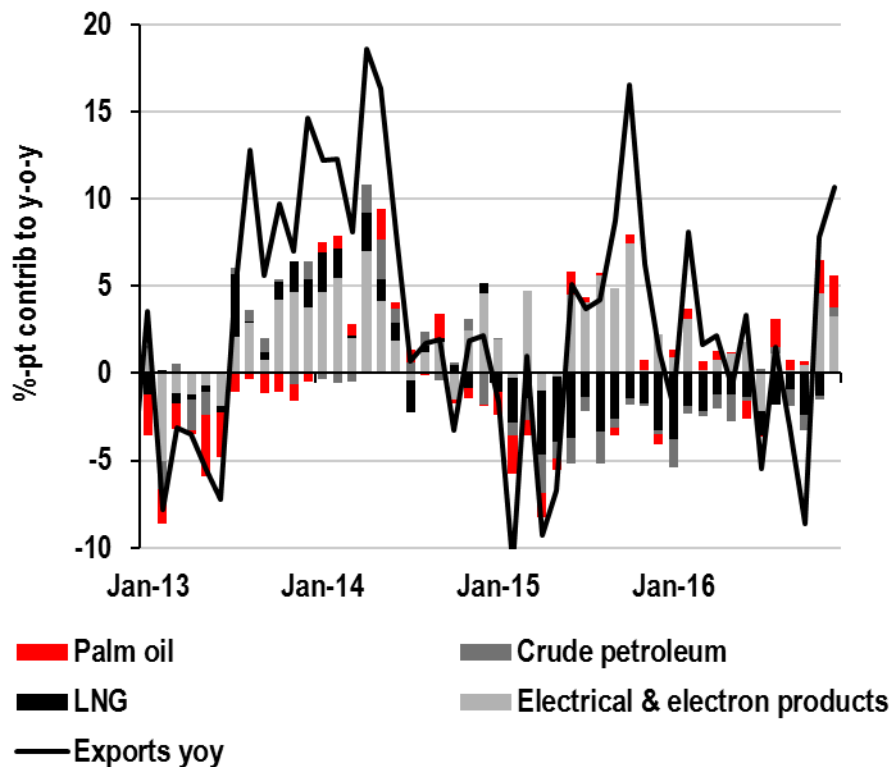


— Brent MYR/bbl — Curr acct (RHS)

Source for both charts: CEIC, HSBC

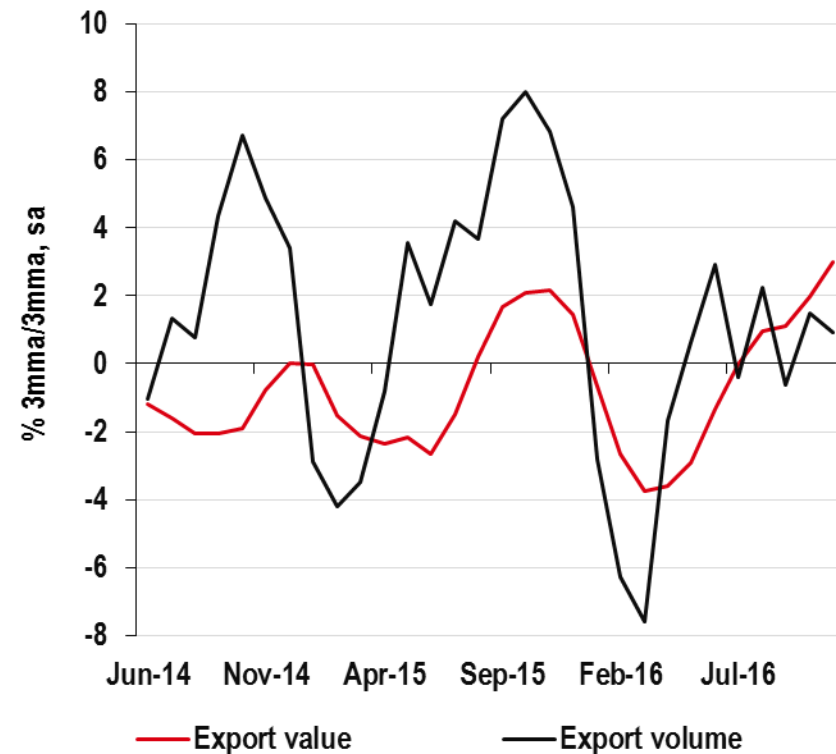
But how sustainable is the export upturn?

Export breakdown by major commodity



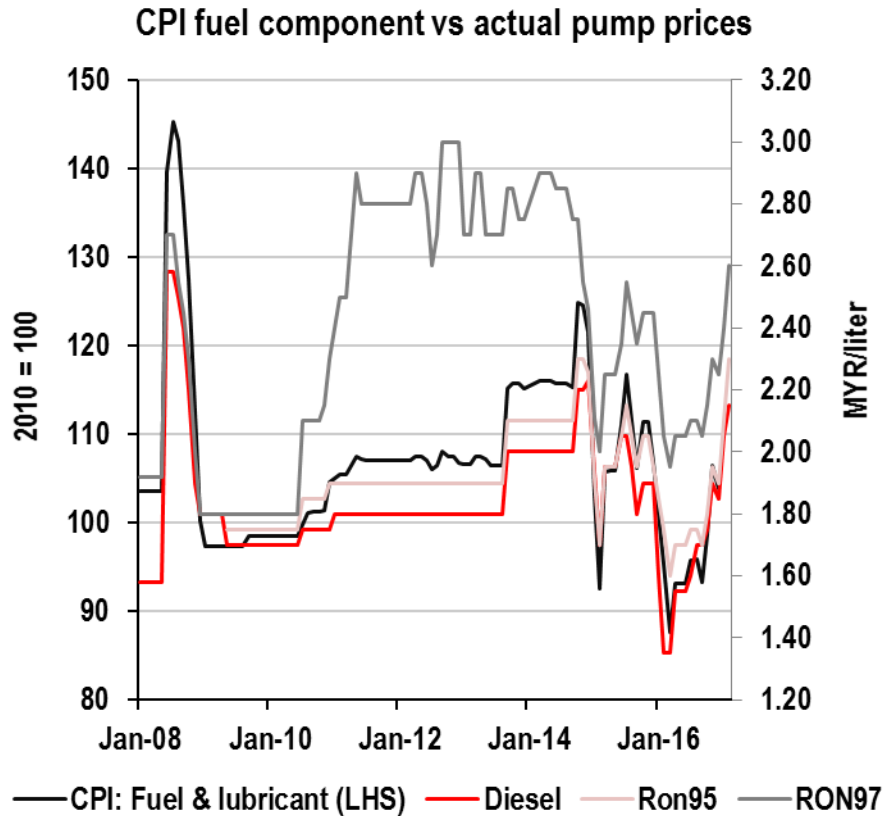
Source: CEIC, HSBC

Export value rising, but volumes are not

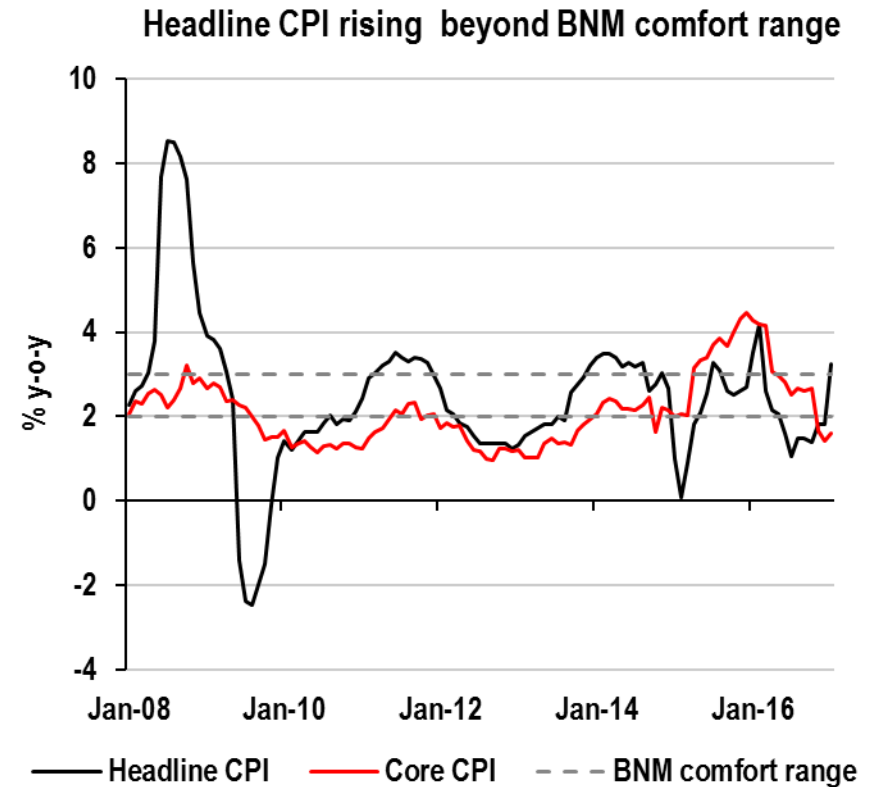


Source: CEIC, HSBC

Higher oil prices also mean higher inflation, and no room for rate cuts



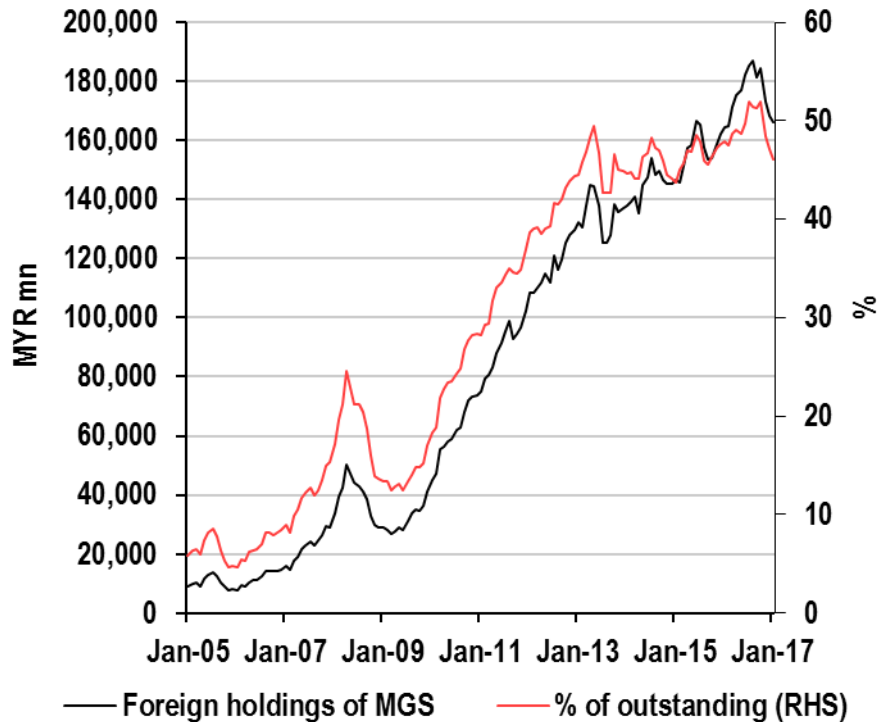
Source: CEIC, Bloomberg, HSBC



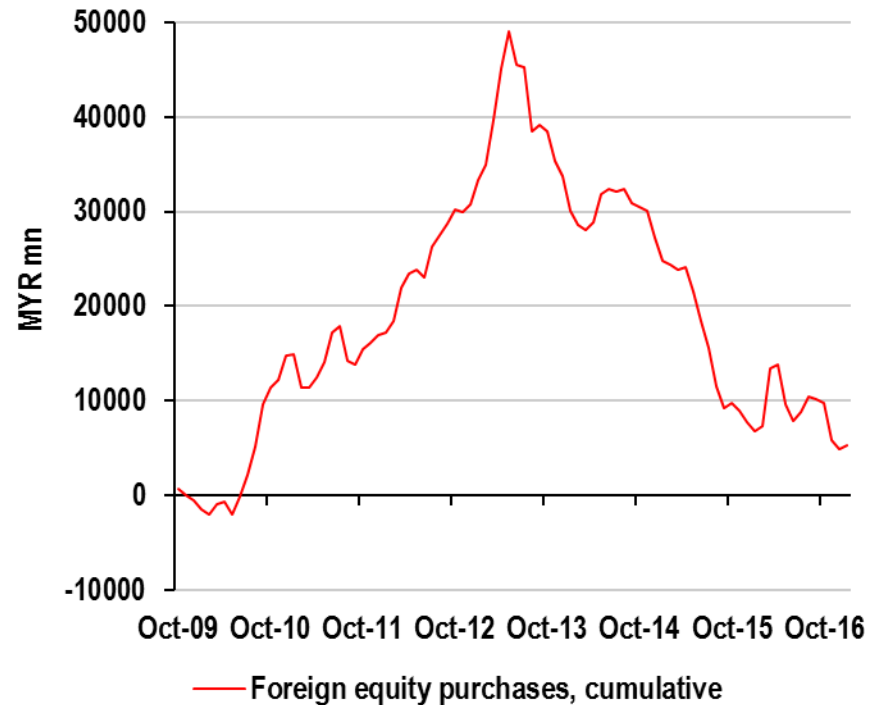
Source: CEIC, HSBC forecasts

Financial market volatility to limit scope for further easing

Foreign holdings of government bonds peaked in July/August 2016

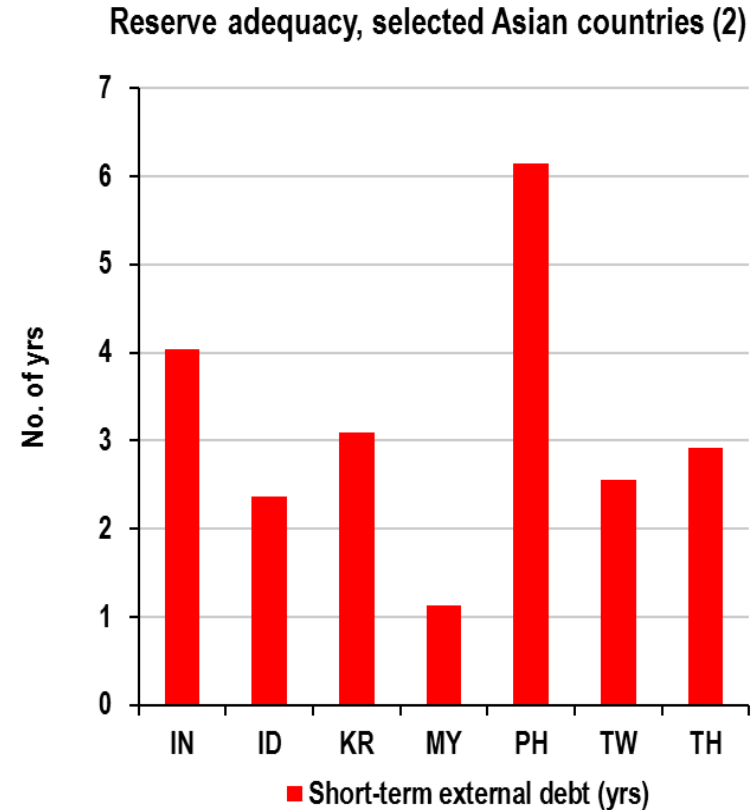
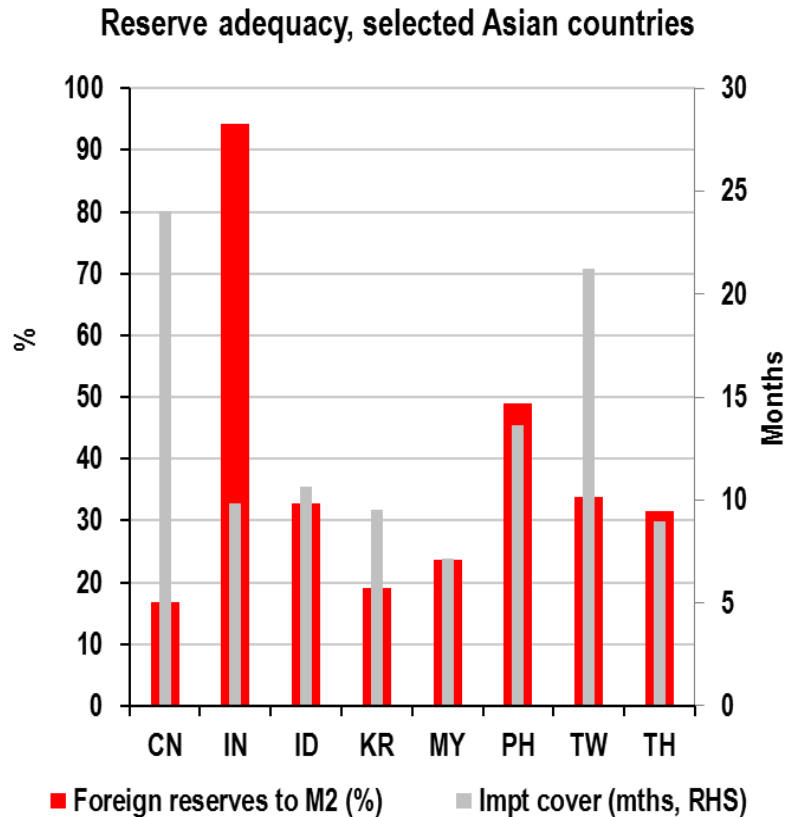


Foreign interest in equity market has also weakened again



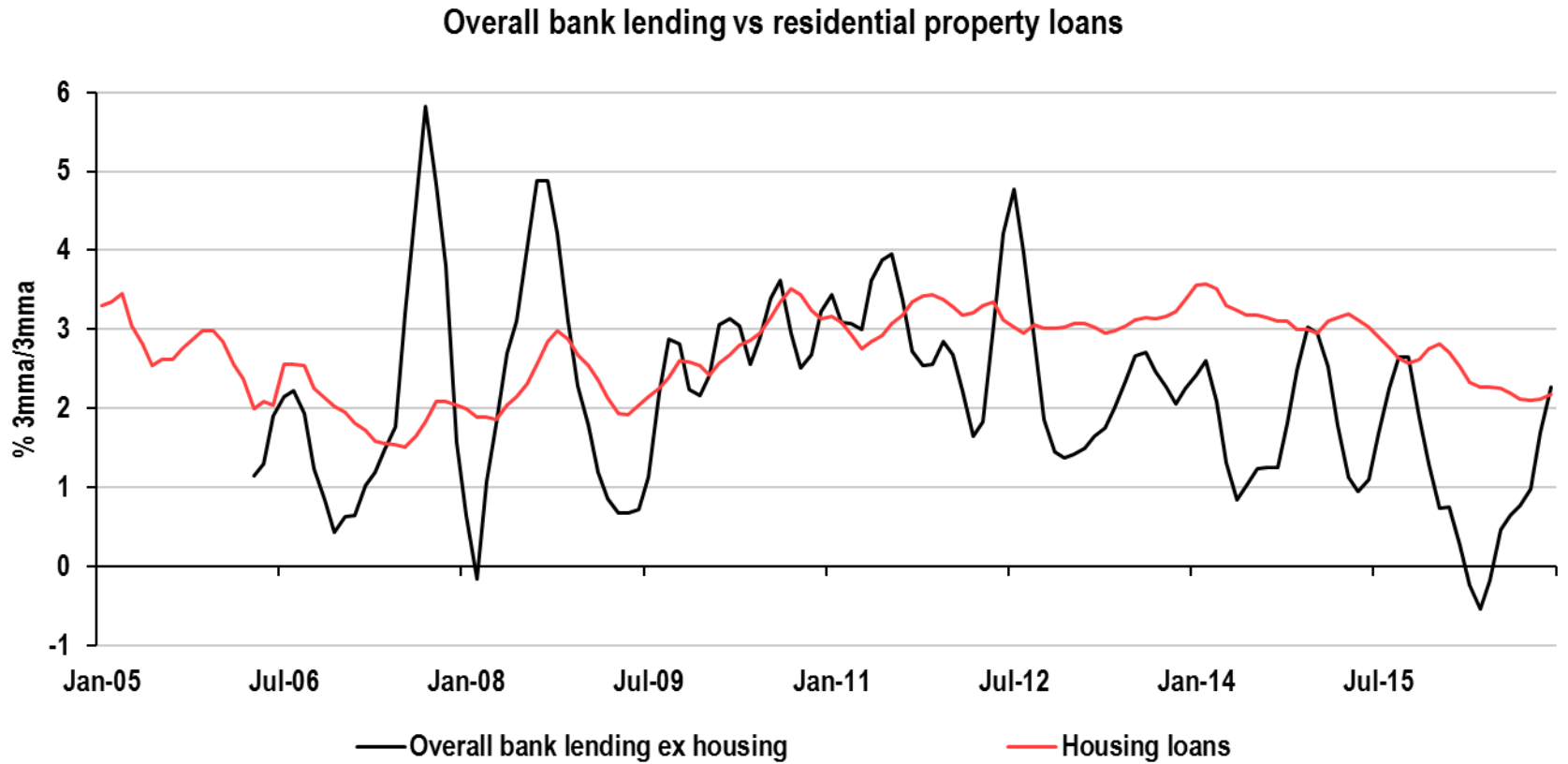
Source for both charts: CEIC, HSBC

FX reserves still thin; BNM to pause for the remainder of 2017



Source for both charts: CEIC, HSBC

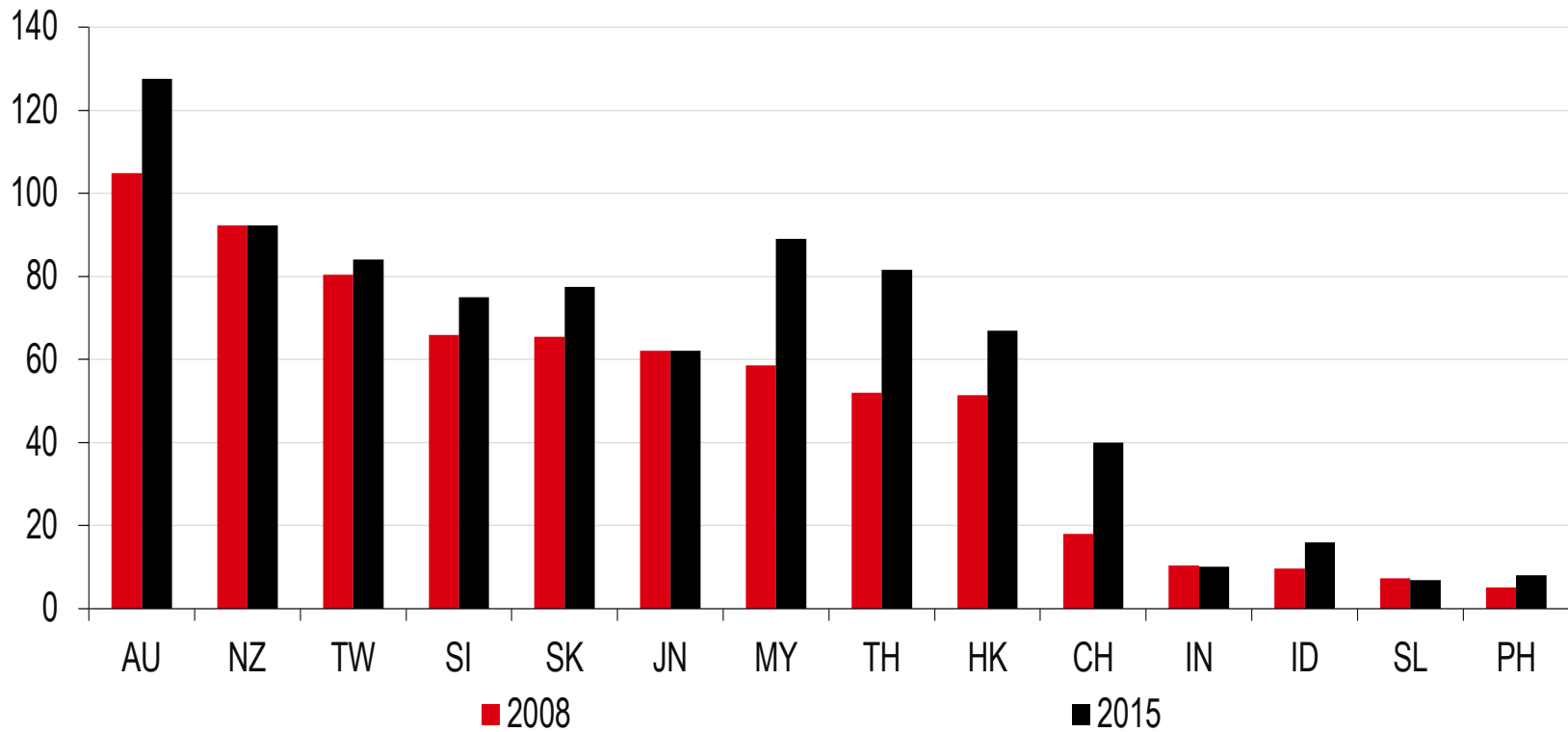
Momentum of overall loan growth has picked up again...



Source: CEIC, HSBC

... even though risks from high household debt have not subsided

Household debt-to-GDP ratio (%)

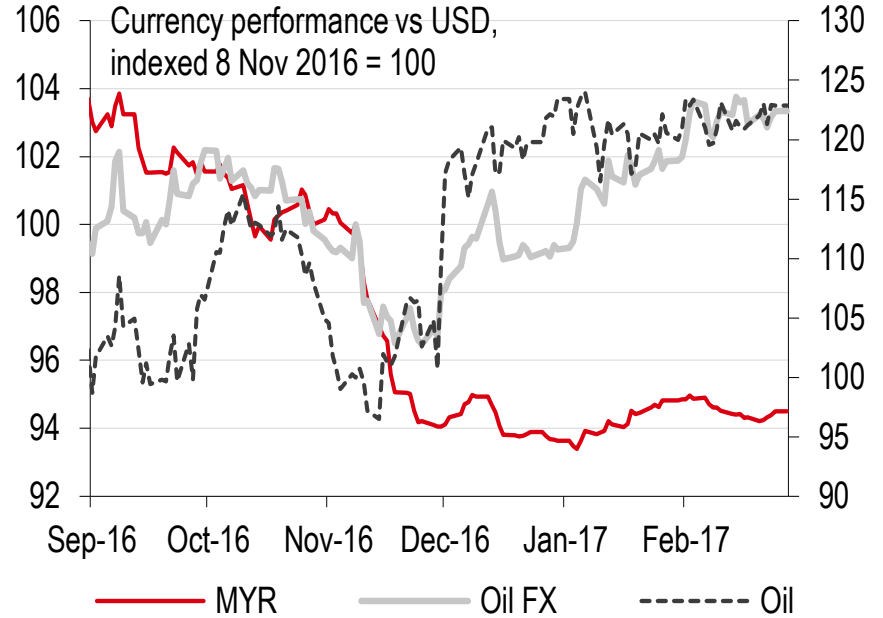
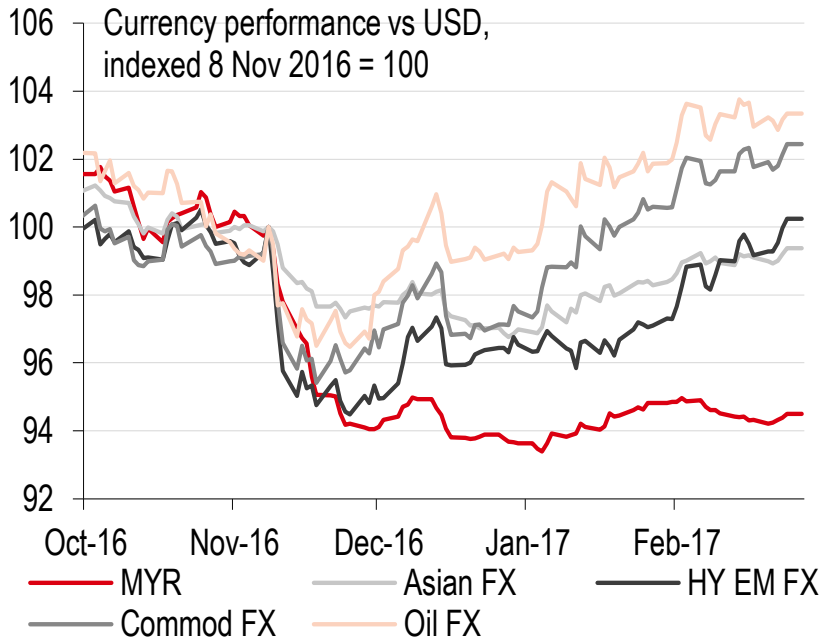


Source: CEIC, HSBC

A horizontal banner with a red tint. The background image shows a close-up of a person's face on the left and a building with windows on the right.

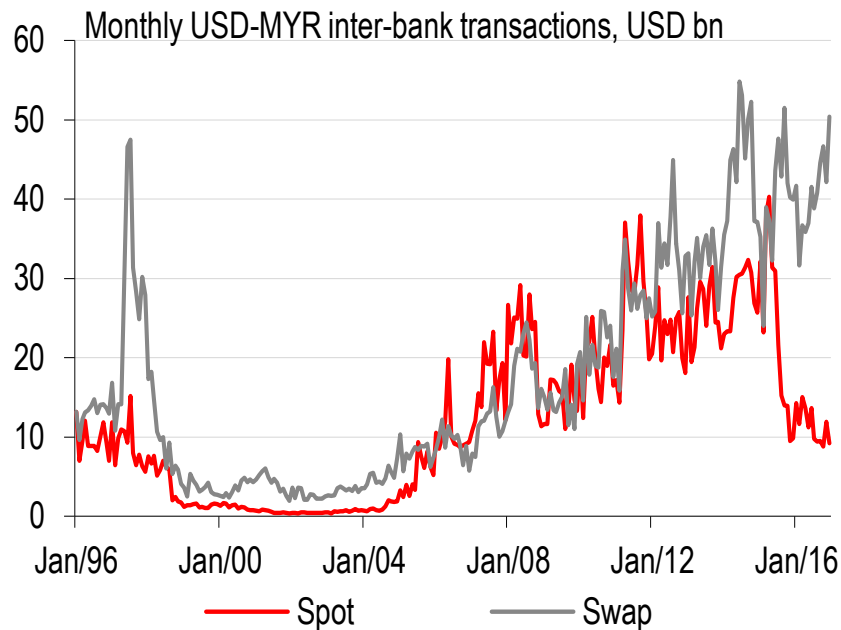
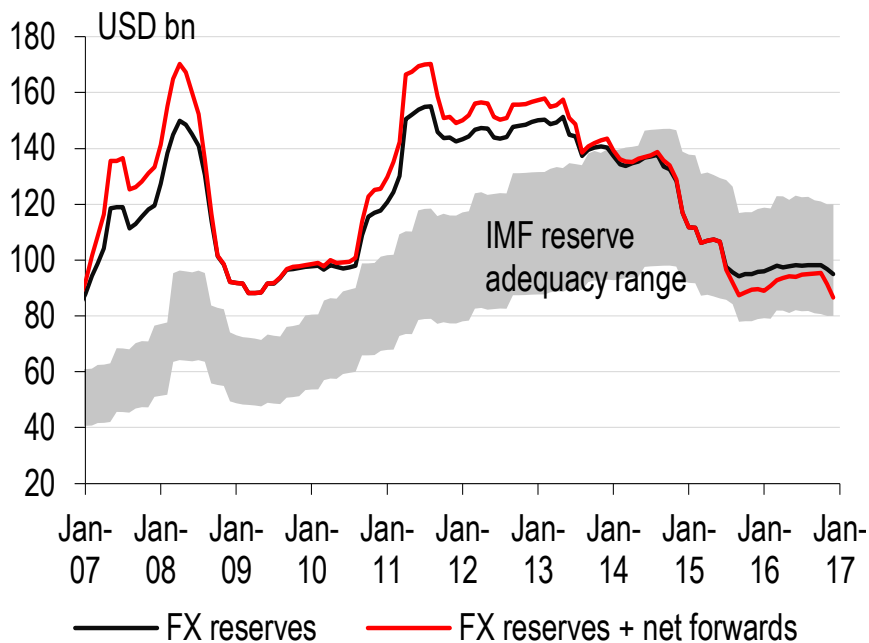
MYR

26. The MYR has underperformed



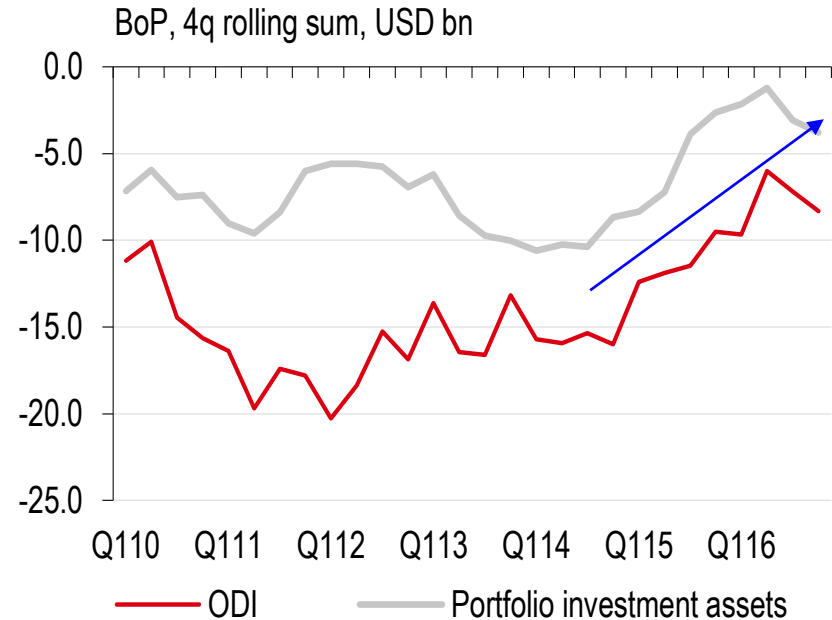
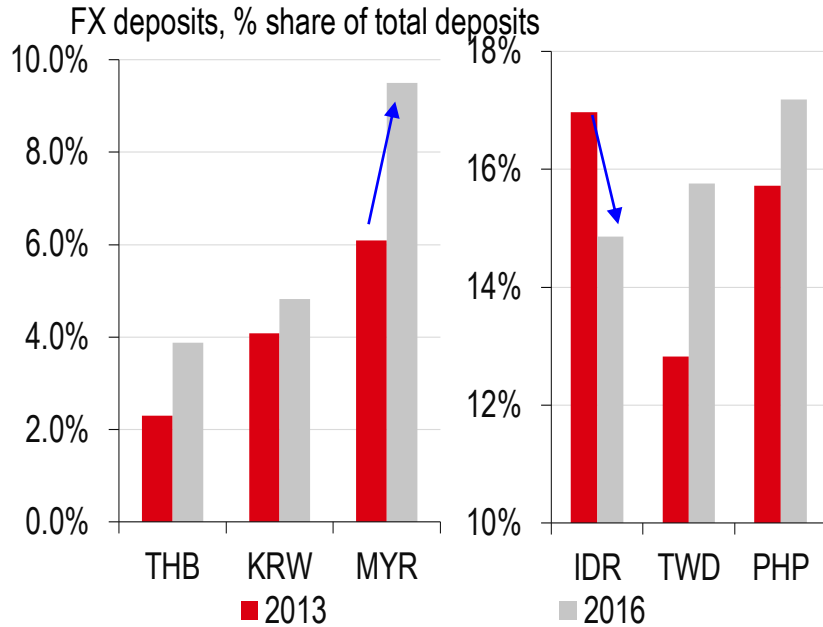
Source for both charts: Bloomberg, HSBC

27. Recent measures will raise FX reserves, deepen the FX market...



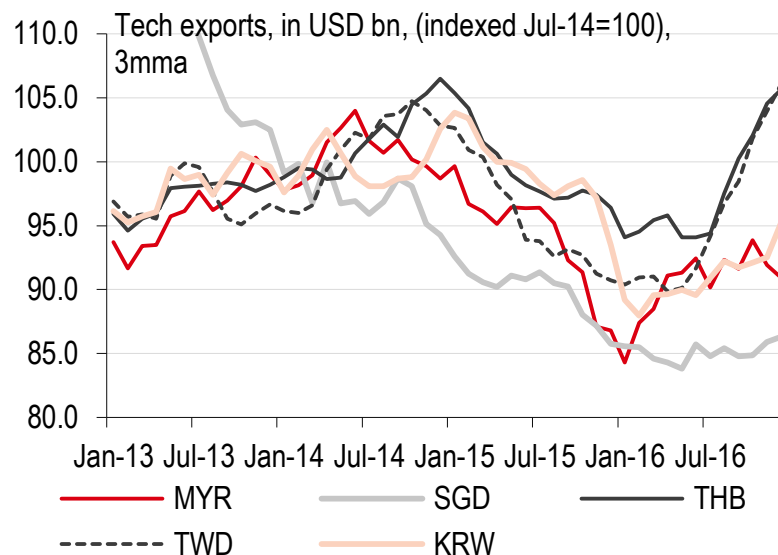
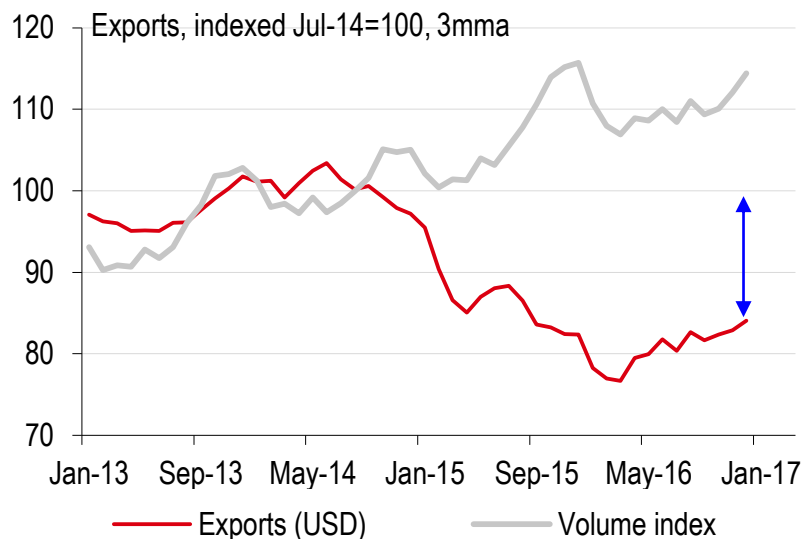
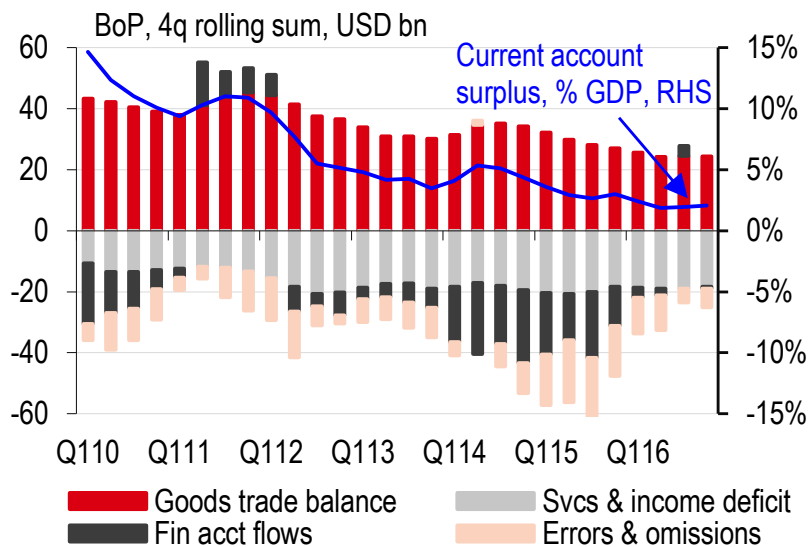
Source for both charts: Bloomberg, CEIC, HSBC

28. ...reduce residents' USD demand and capital outflows

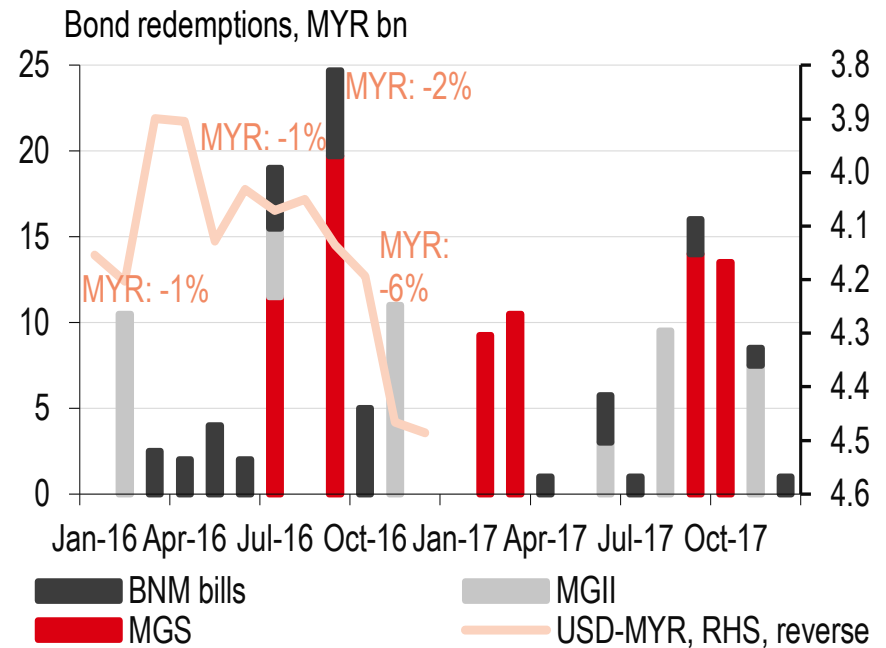
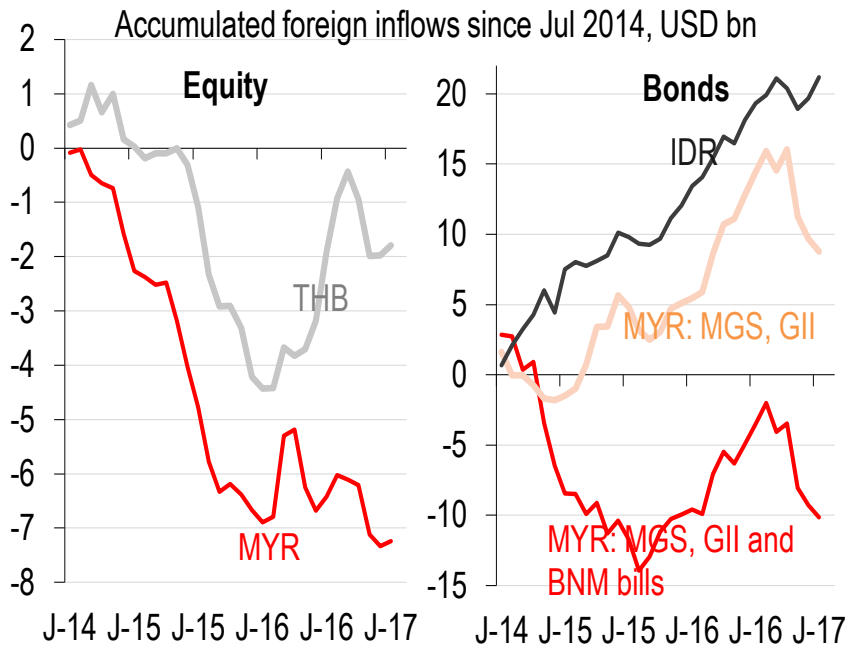


Source for both charts: CEIC, HSBC

29. The current account surplus has stabilised at a thin level

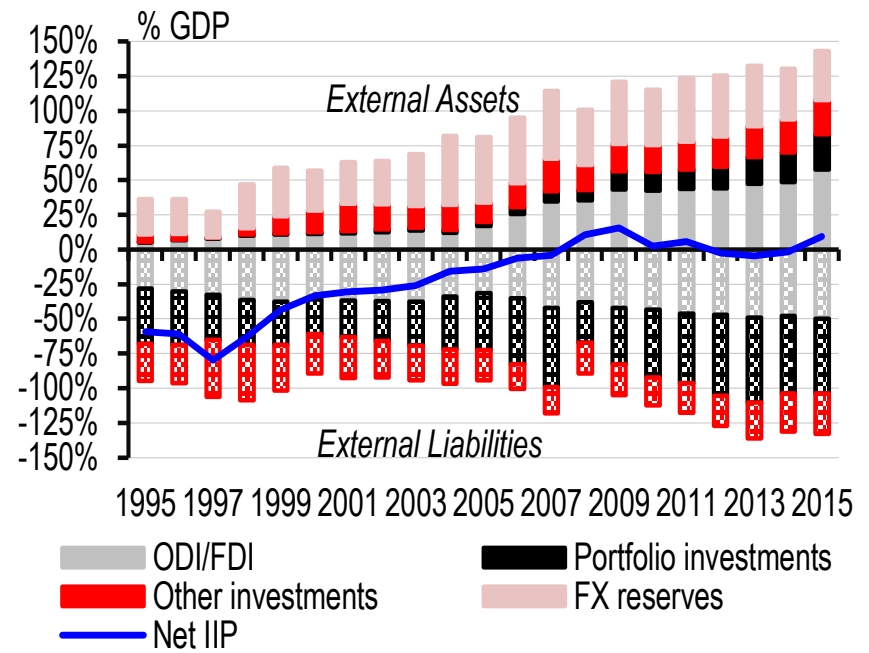
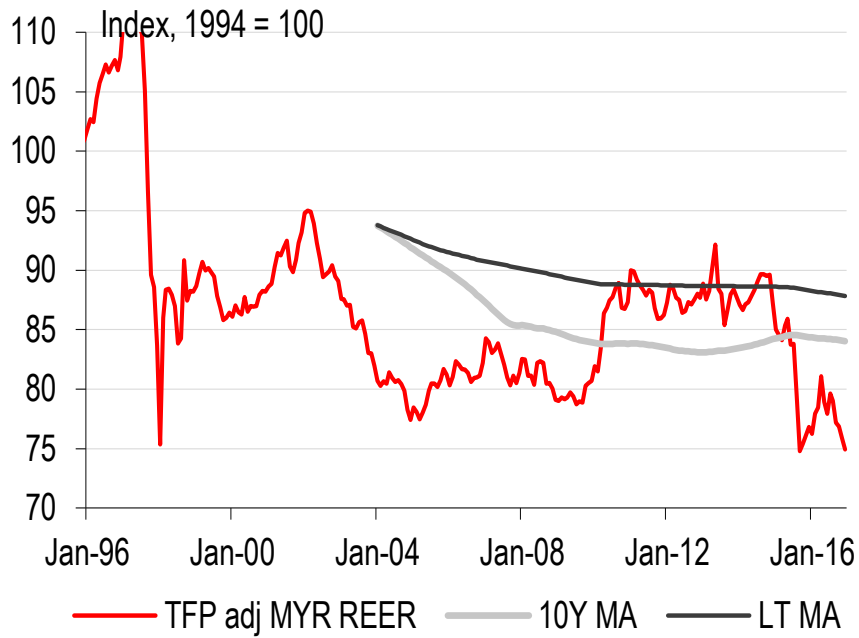


30. Foreign portfolio investment outflows still a risk



Source for both charts: Bloomberg, CEIC, HSBC

31. The MYR is undervalued



Source for both charts: CEIC, HSBC

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