

# The Malaysian Economy 2020: Outlook and Challenges

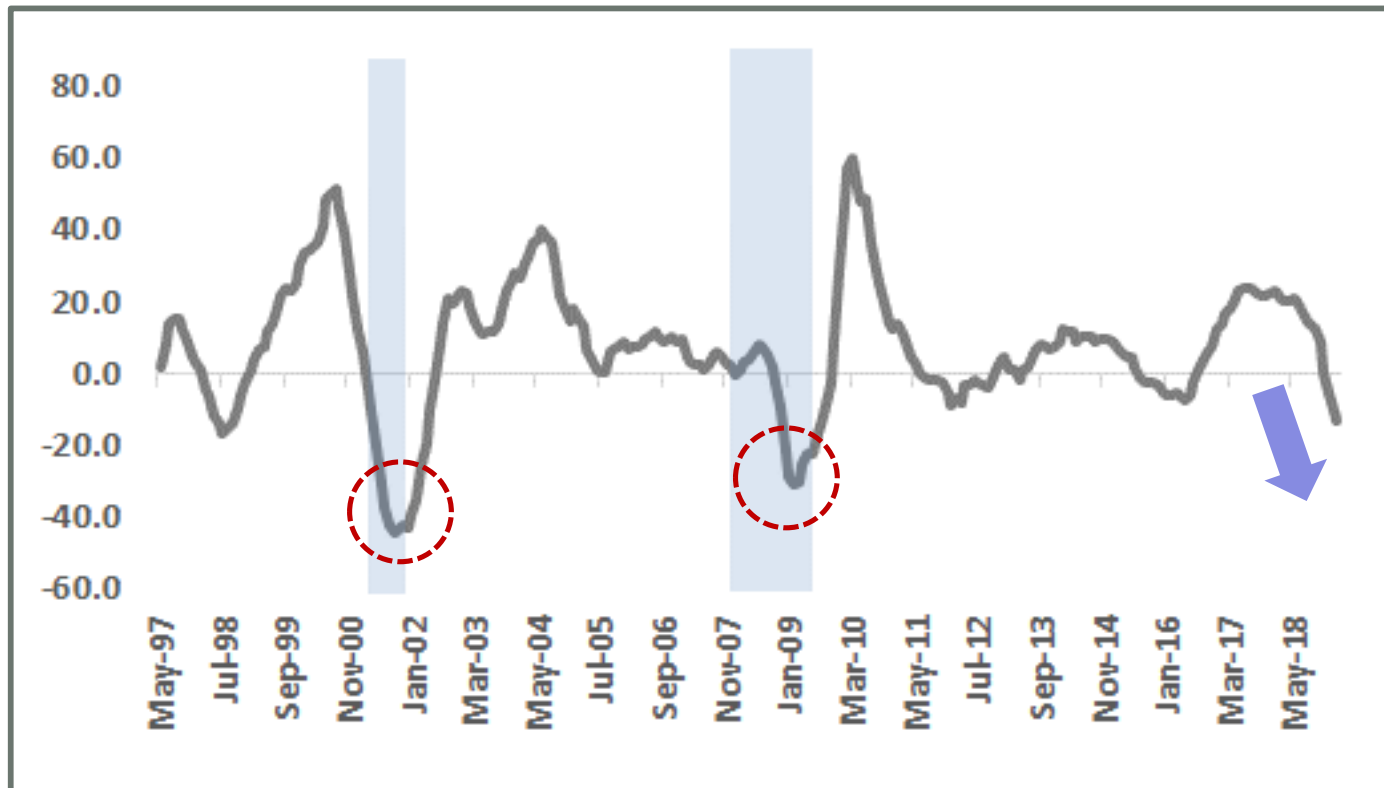
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# Global Trade

**Global semiconductor sales contracted sharply in Feb and Mar, the first back-to-back double-digit contraction since Global Financial Crisis in 2009**



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**Semiconductors**  
✓ **31% of exports**

Sources: SIA, Bloomberg and MARC ERD

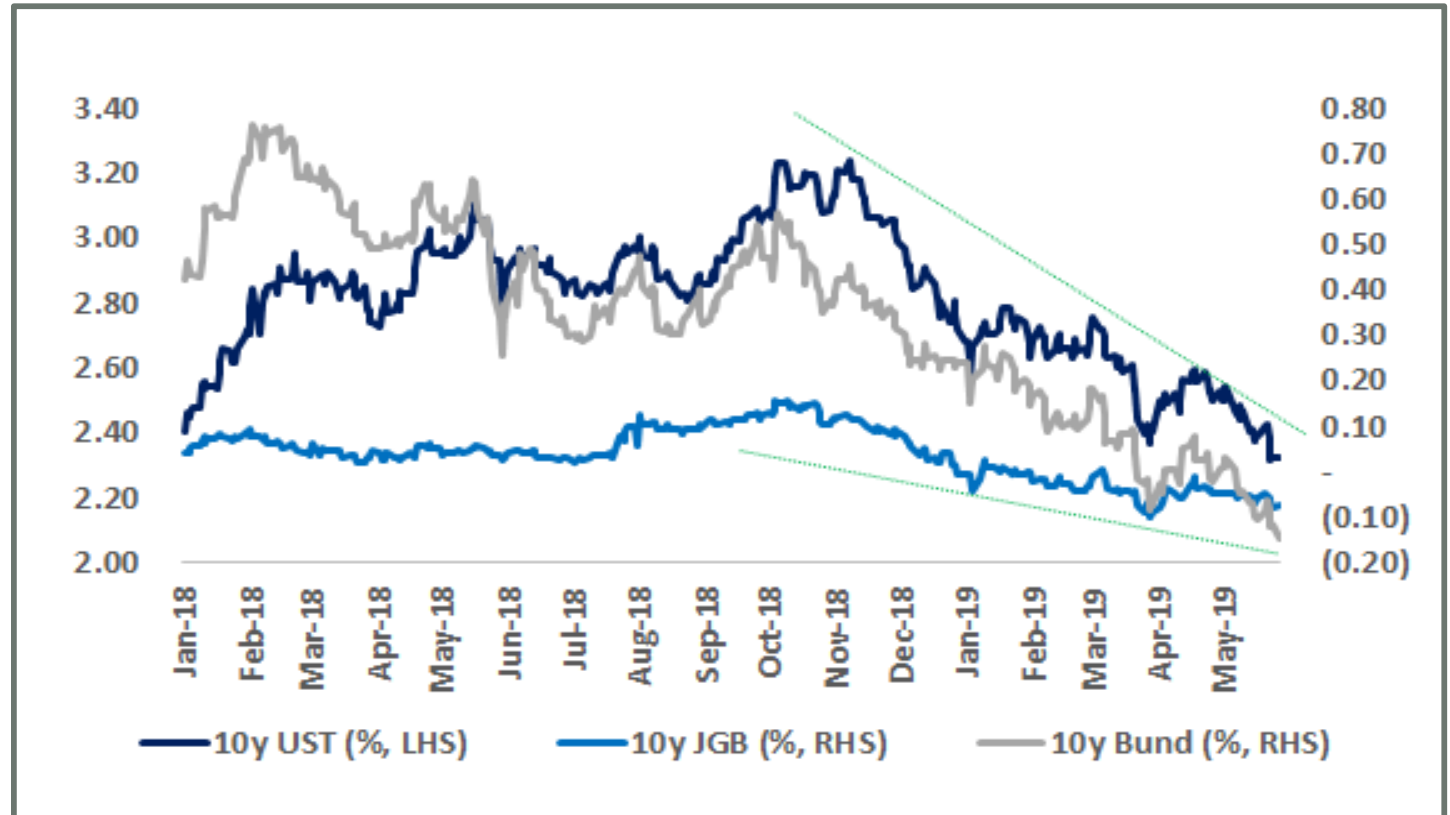


# Signals From the Bond market

Global uncertainties have led to a rush for safe-haven assets, thus exerting downward pressure on global bond yields



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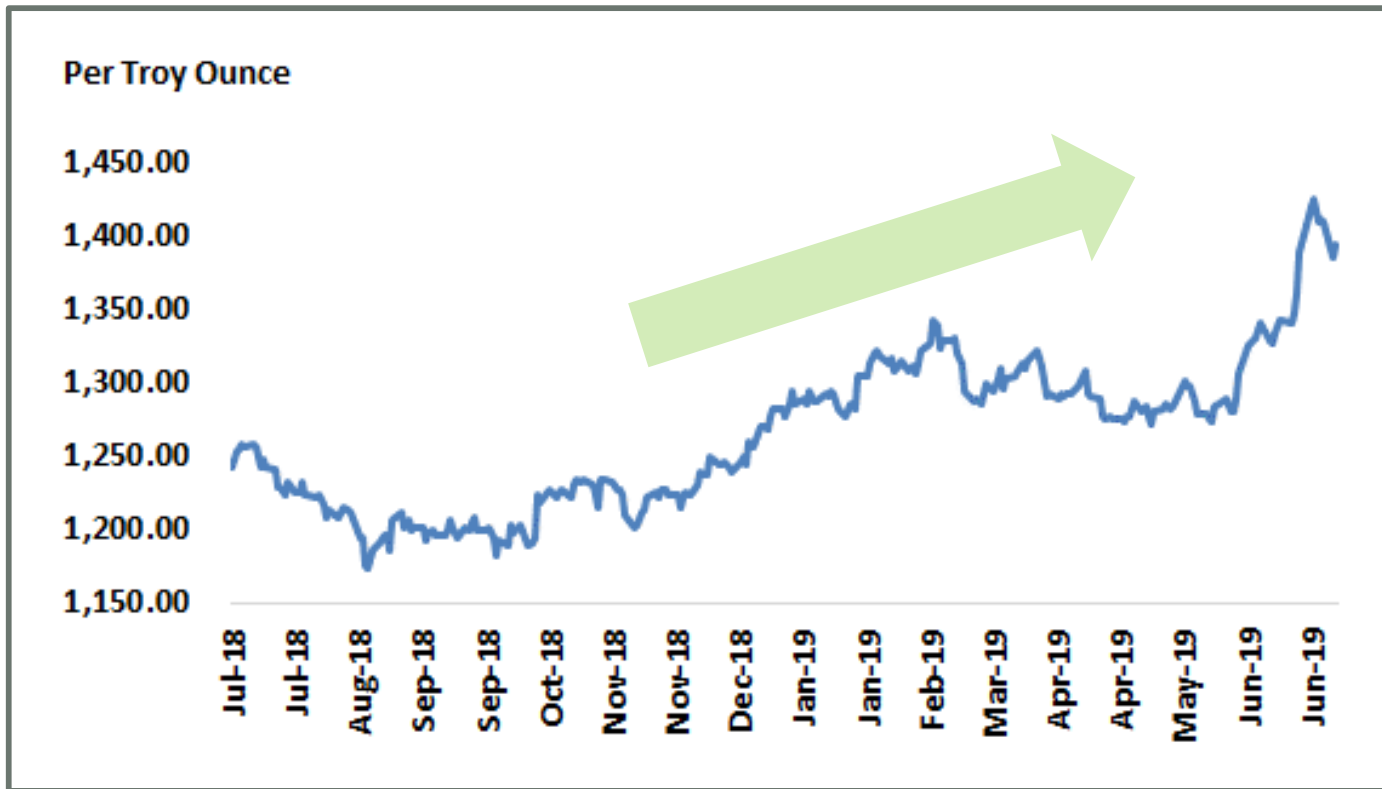


Sources: Bloomberg and MARC ERD



# Trend in Gold Prices

Gold prices have picked up since late 2018 as investors price in a global recession due to trade war and weak global economic growth



Sources: Bloomberg and MARC ERD



Source: pixabay.com

**+18% since Sept 2018**



# The US Economy



Source: pixabay.com

**Strong economy**  
**GDP growth 2.9% (2018)**

**Strong labour market**  
**Unemployment rate 3.6% (Jun'19)**

**Strong US dollar**  
**Dollar index +8% since Jan 2018**



# China's Economy



**Slowing economy**  
**GDP growth 6.6% (2018)**  
**9.5% (2011)**



**High corporate debt**  
**165% of GDP (2018)**

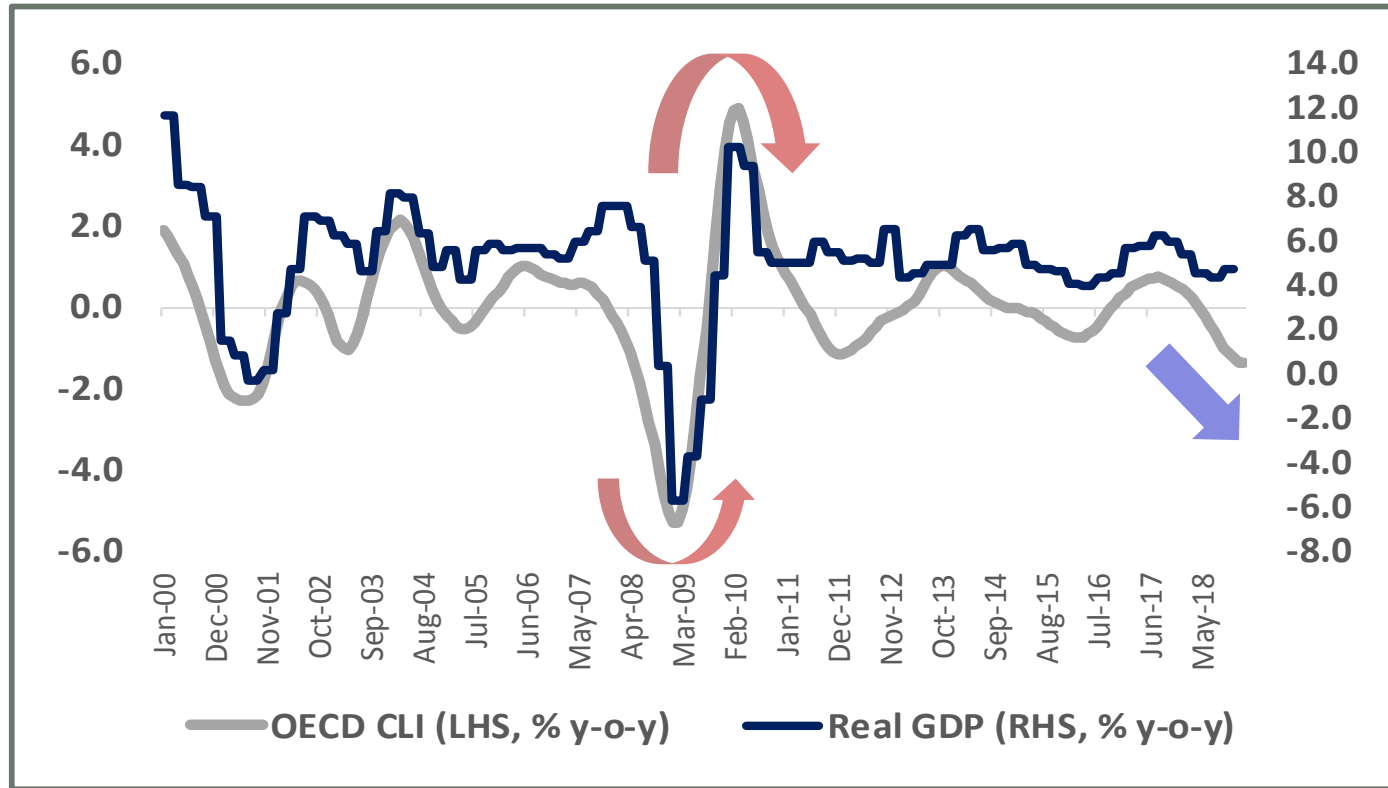


**Weakening renminbi**  
**RMB 6.87/USD (Jun 2019)**  
**RMB 6.20/USD (May 2015)**

Source: pixabay.com

# RISKS : Impact From Weakening Global Economy

Malaysian economic growth moves in tandem with that of the global economy – deteriorating global growth suggests greater challenges ahead



Sources: CEIC and MARC ERD



Source: pixabay.com

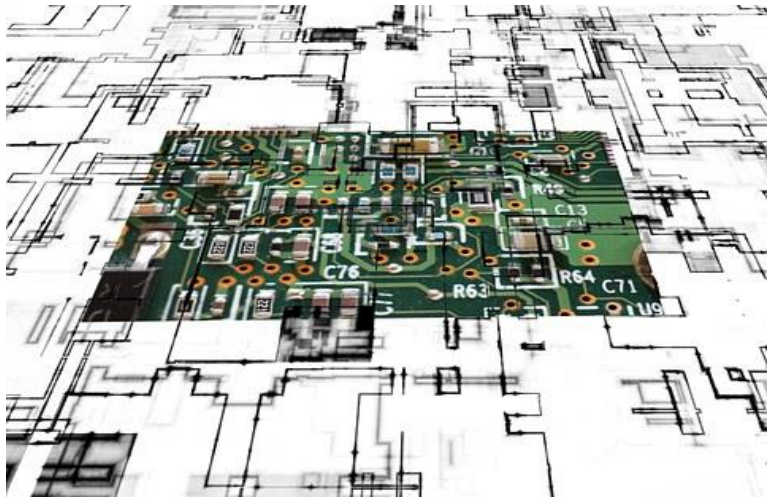
Global economy



Malaysian economy  
+4.5% (1Q2019)

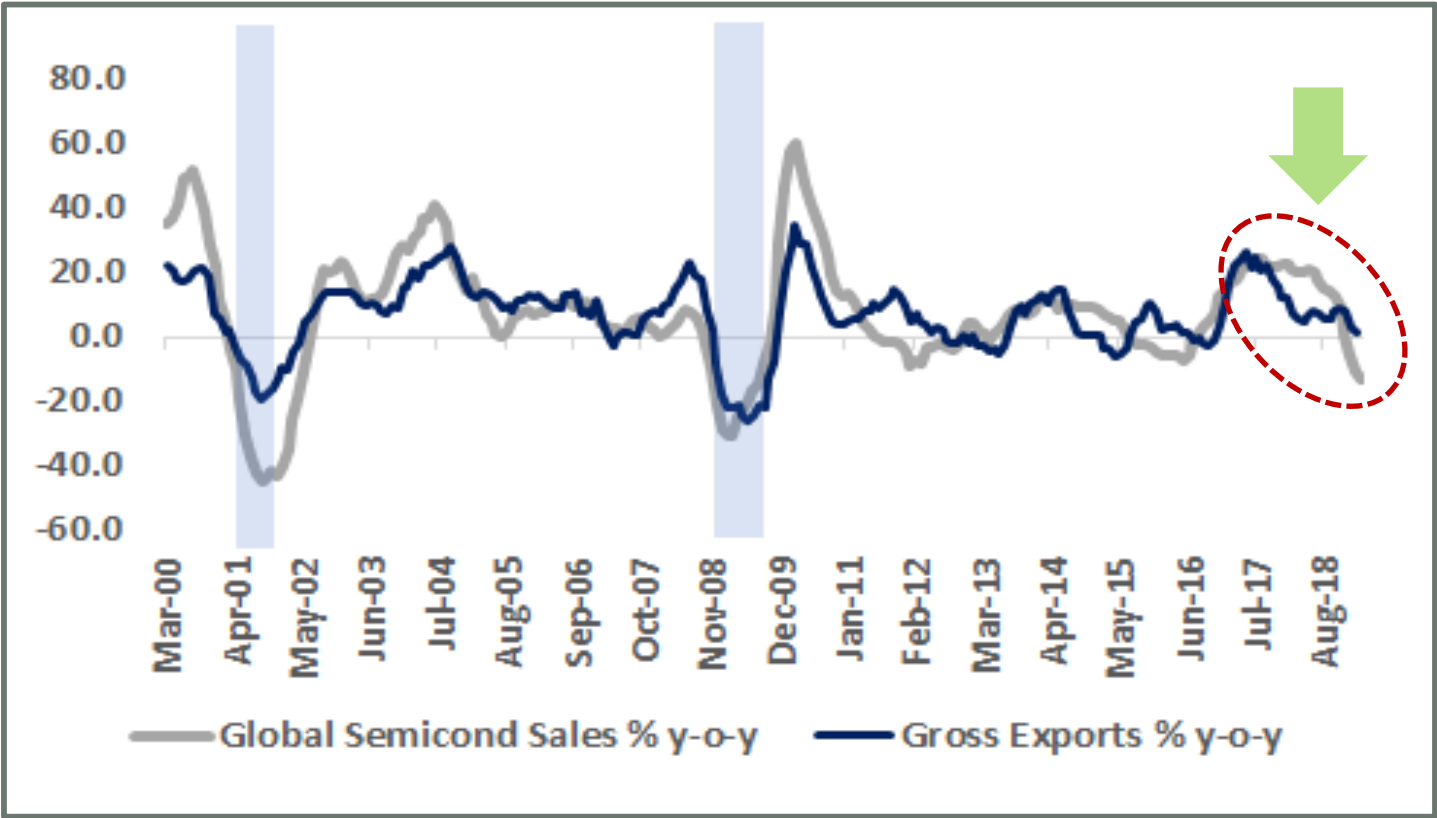


# RISKS : Impact From Weakening Global Economy



Sources: pixabay.com

Weak global semiconductor sales imply more challenging prospects for Malaysia’s trade performance



## Global Semiconductor Sales

Feb 2019 -13%  
 Mar 2019 -10%

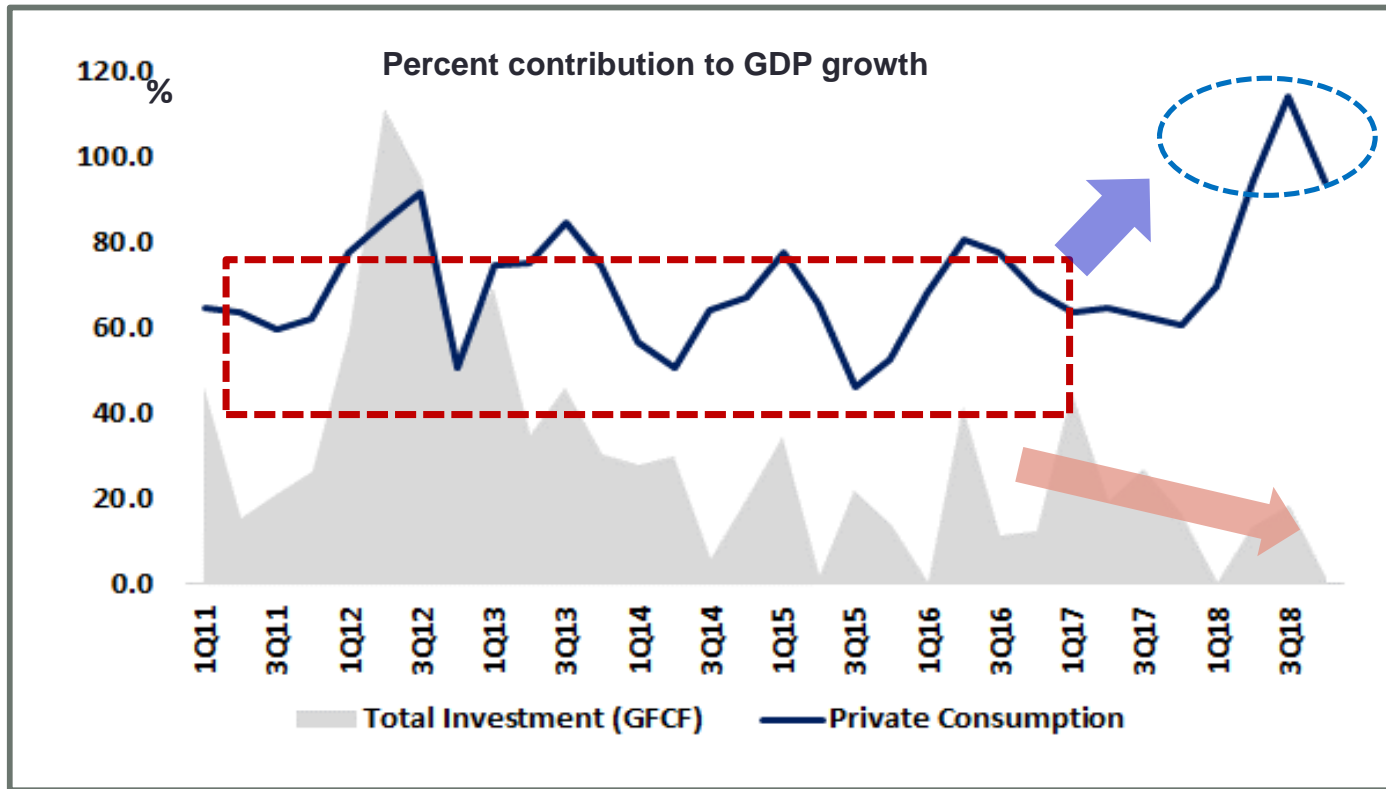
Sources: SIA, CEIC and MARC ERD





# RISKS : Decelerating Domestic Growth Momentum

**Domestic demand, while still resilient, is softening; strong private spending will continue to provide important support**



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Source: pixabay.com

Sources: CEIC, DoSM and MARC ERD

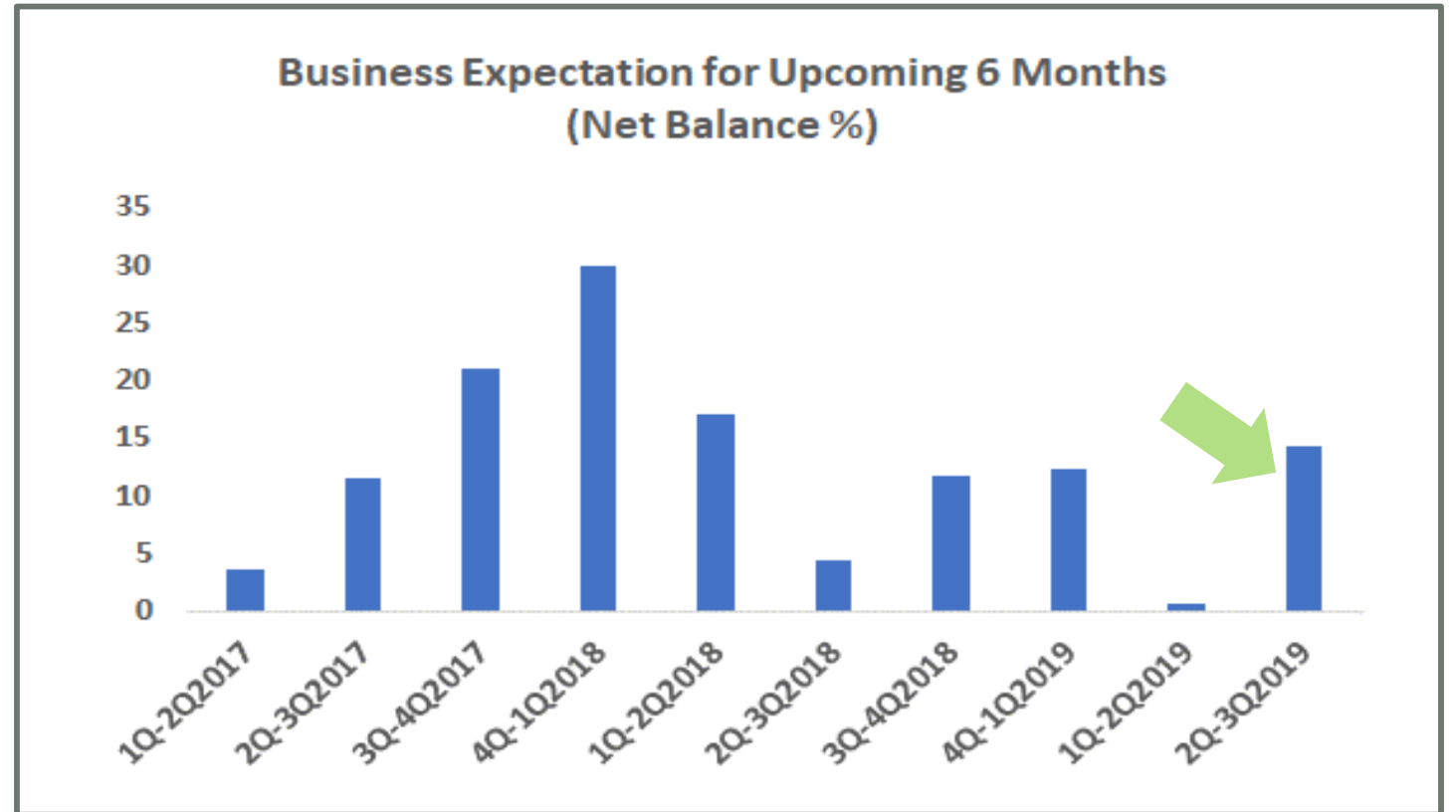


# RISKS : Decelerating Domestic Growth Momentum

Business expectations in the next 6 months have rebounded, suggesting improved sentiment



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Sources: DoSM and MARC ERD

# Malaysia: Capital Flows and Ringgit Trend

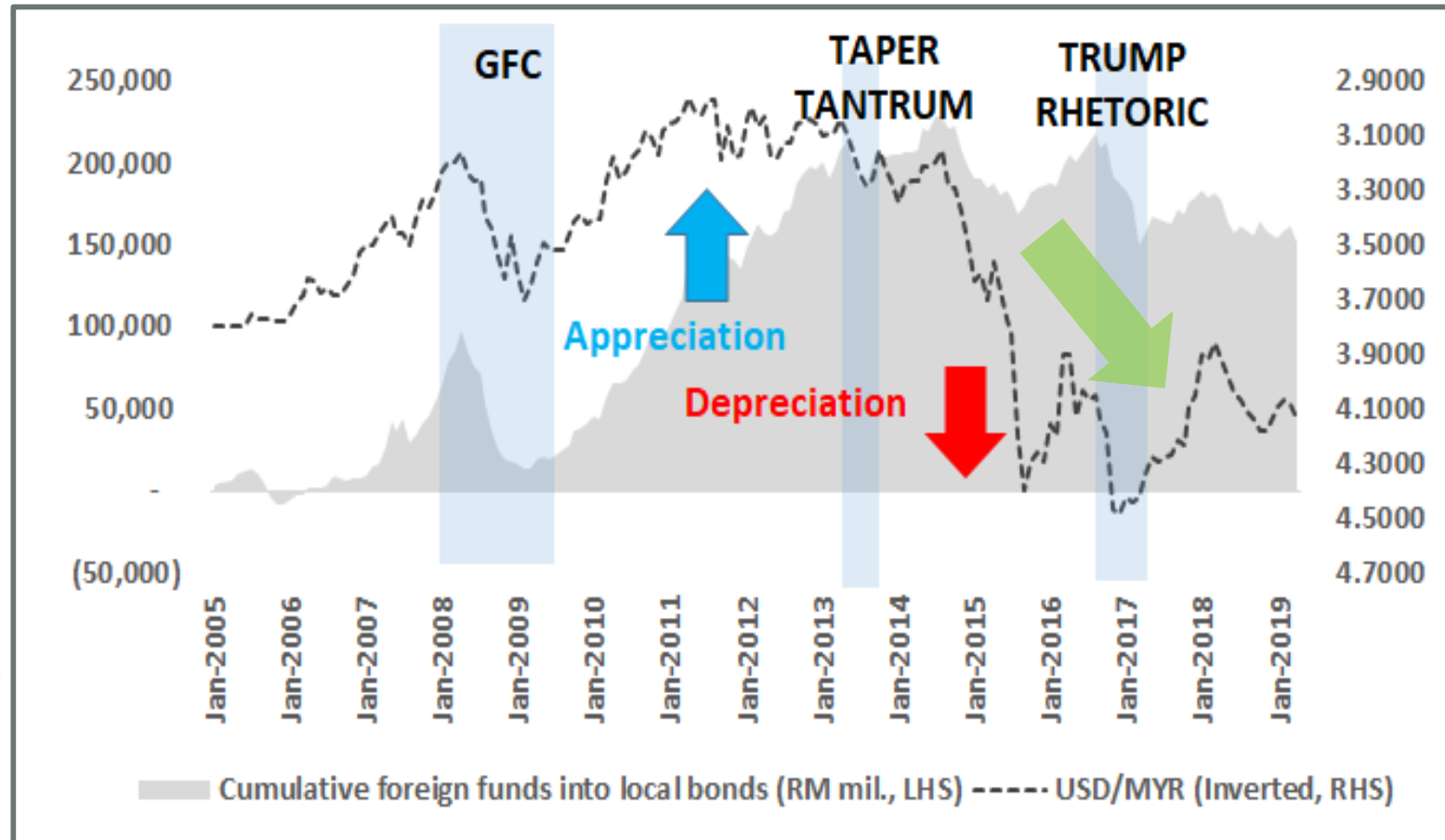
Net capital flows remain the dominant influence on ringgit trend



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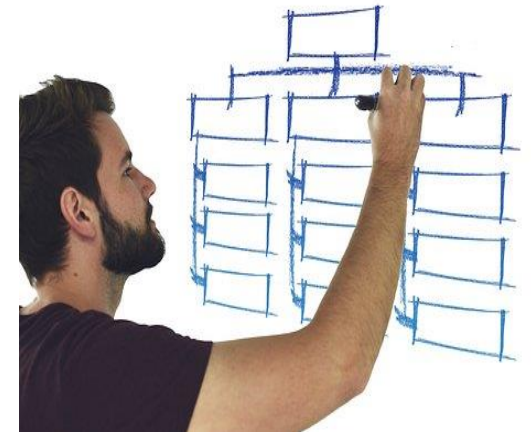
Sources: BNM, Bloomberg and MARC ERD



# Malaysia: Towards a Digital Economy

## How would a digital economy help?

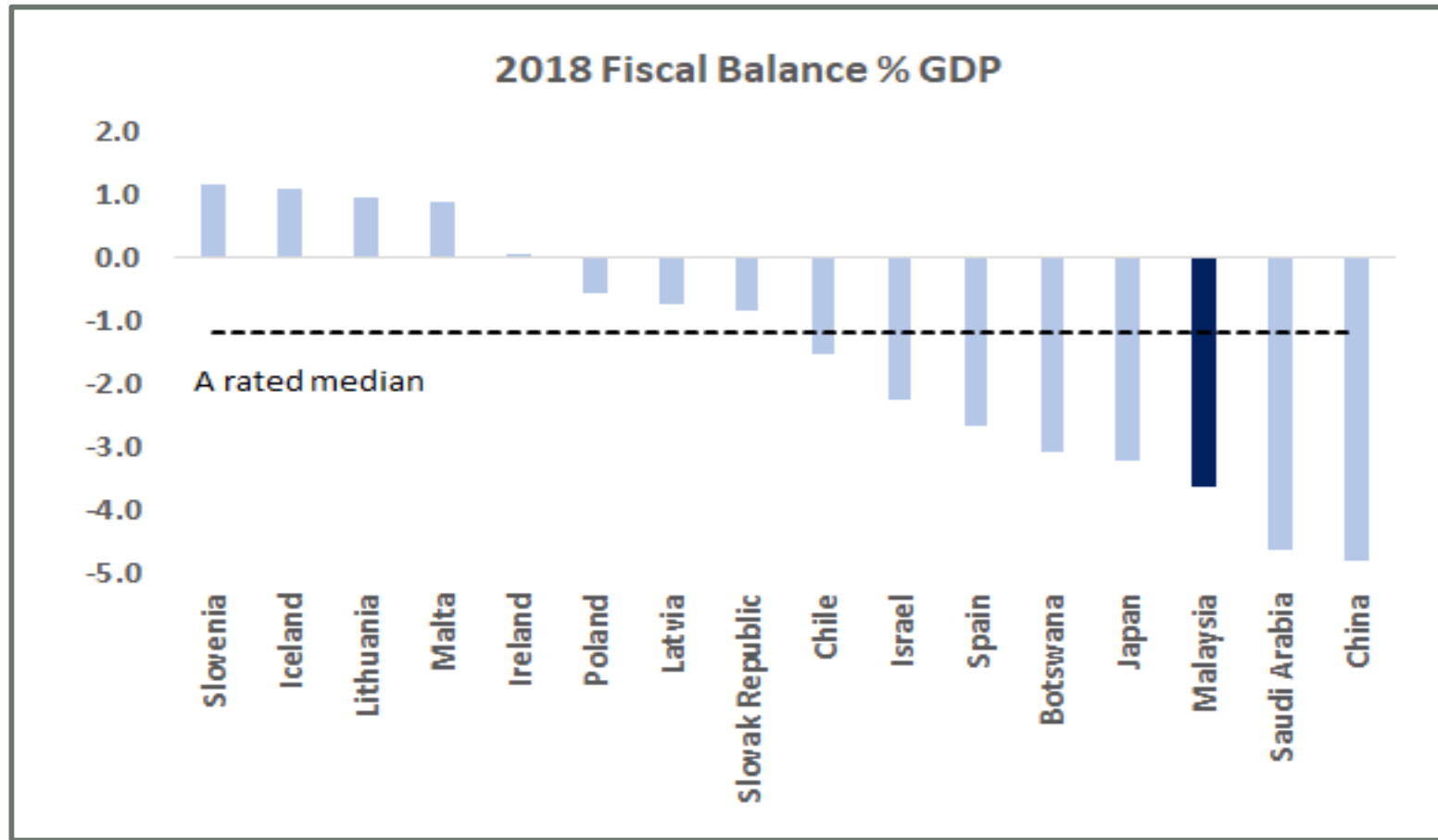
- ✓ Promotes innovation & enhances efficiency
- ✓ Reduces business costs
- ✓ Higher productivity
- ✓ Re-invigorate businesses especially the SMEs
- ✓ Source of government revenue



Source: pixabay.com

# Malaysia: Need For New Revenue Sources

Malaysia needs new and sustainable revenue sources for its economy – and digital economy can help



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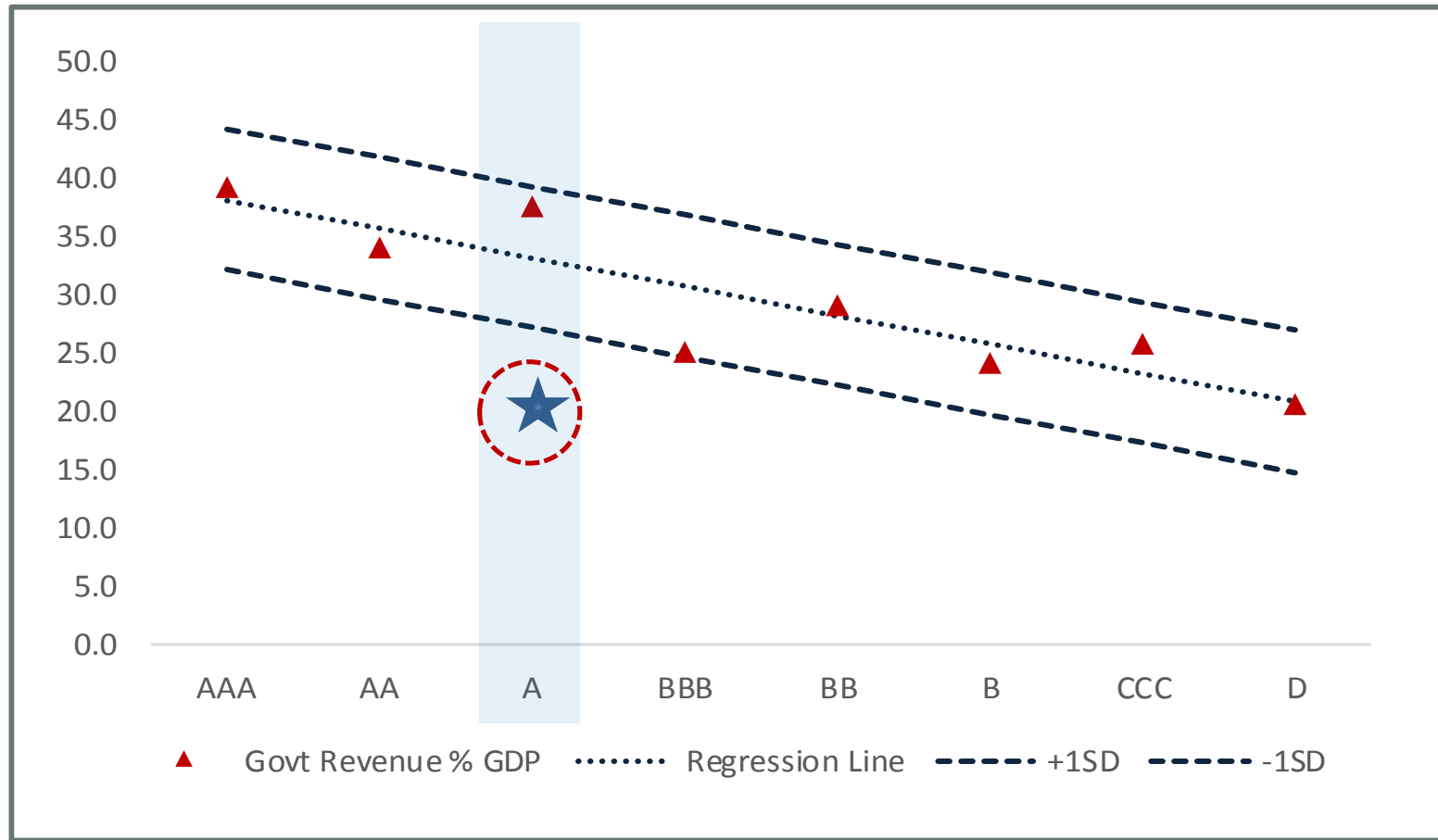
Sources: IMF, CEIC and MARC ERD





# Malaysia: Need For New Revenue Sources

Malaysia's revenue (as % of GDP) is below it's A-rated peers



Sources: IMF, CEI and, MARC ERD



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