

Ending the first half on a (very) good note

Friday, 18 August 2017

Highlights:

- **Malaysia's GDP printed a strong 5.8% yoy (+1.3% qoqsa) in 2Q17, just shy of our in-house call of 5.7% yoy and surprising market-call of 5.4%.** This marks the fourth consecutive quarter in which economic growth has accelerated from its previous print. Thus, accounting for the 2Q GDP print, Malaysia's 1H17 growth averaged 5.7%, clocking its fastest space since 1H14.
- **The external environment remains supportive of overall growth.** Exports climbed a strong 9.6% while manufacturing growth jumped 6.0% (fastest since 2Q14) in 2Q17. The strong prints were underpinned in part due to the relatively weaker ringgit which gave Malaysia's a competitive edge over its Asian peers, as well as overall stronger-than-expected improvement in global economic performance. More importantly perhaps, is the translation of the better external environment into domestic demand, particularly consumer spending, which accelerated to 7.1% (highest growth pace since 4Q14) and private investment (+7.4%).
- **Given the strong performance in both external environment and domestic demand since year-to-date, we keep our year-end growth outlook at 4.9%,** in line with BNM's outlook for growth "to expand by more than 4.8% in 2017". Still, we note that Malaysia's growth has also been underpinned by the relatively stronger crude oil prices on a year-on-year basis in 1H17, which in part may fade into 2H17 given the high base seen in the second half of last year. On the same note, headline inflation is also expected to moderate into the second half as well to our year-end outlook of 2.9%, slightly lower than official range of between 3 – 4%. With inflation to stay tame given flattish oil prices into 2H17 (OCBC WTI year-end outlook: \$55/bbl) amid a relatively rosier economic environment, we look for BNM to keep their overnight rate unchanged at 3.0% for the rest of the year.

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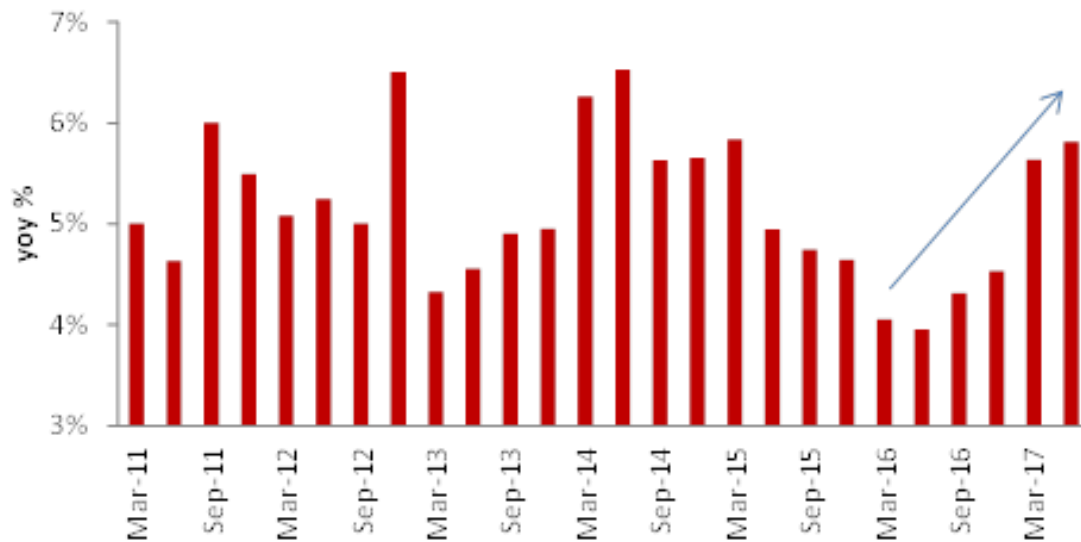
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Malaysia's growth print seeing a nice uptick into 1H17



OCBC Malaysia Growth Outlook 2017

	GDP	Final Consumption	Private C	Government	Gross Capital Formation	Exports of Goods & Services	Imports of Goods & Services
Mar-17	5.6%	6.8%	6.6%	7.5%	9.0%	9.8%	12.9%
Jun-17	5.8%	6.4%	7.1%	3.3%	5.6%	9.6%	10.7%
Sep-17	4.9%	6.7%	6.9%	5.6%	4.1%	9.0%	11.3%
Dec-17	3.9%	6.3%	6.2%	6.9%	0.1%	6.8%	8.3%
2017	4.9%	6.5%	6.7%	5.8%	4.7%	8.8%	10.8%

Source: Bloomberg, CEIC, OCBC Bank

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