

Dots & Plots

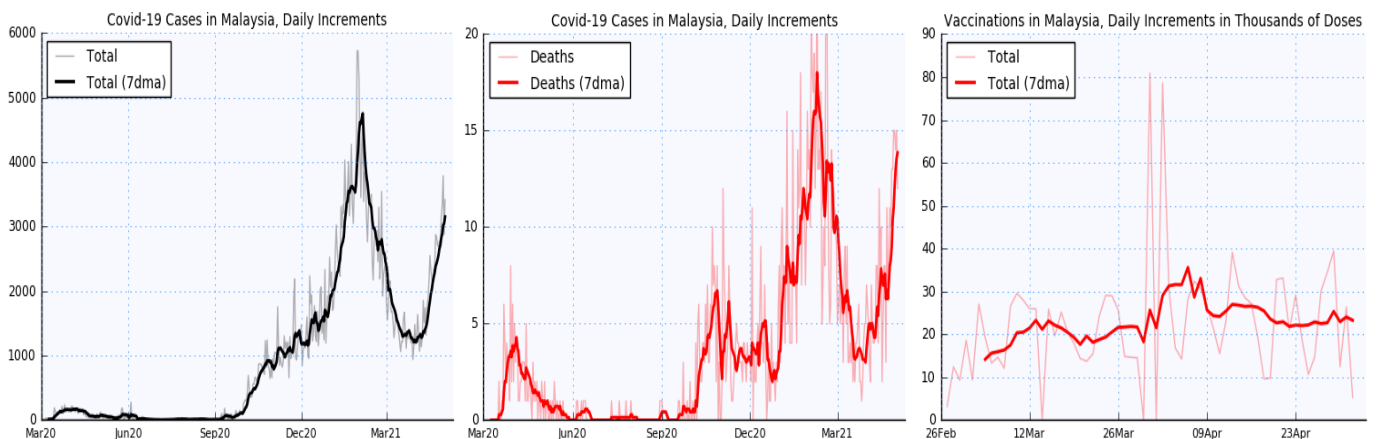
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Wellian Wiranto
 +65 6530 6818
WellianWiranto@ocbc.com

A New Wave?

Malaysia’s Covid-19 resurgence threatens its economic recovery

- “When can we ever be rid of the Covid-19 threat?” That question must be hanging on many minds in recent days, as we stare helplessly at the grim upticks in cases yet again across the region. The resurgence in Malaysia is a case in point. After the apparent success in taming down the “3rd Wave” early this year, the country is facing a potential successor surge yet again.
- New cases have crept up to above 3000 recently. While still some distance away from the over 5700 in late January, there are signs that the healthcare system is already stretched as it is. Hospitals in the populous Klang Valley area are experiencing [a shortage of ICU beds](#), and the death rate is creeping up. Invasion of the more infectious [virus variant from India](#) has been reported, as well, adding to the sense of unease on the ground.
- Recent reports suggest that the government is [considering a reimposition of targeted MCO](#) in areas such as Selangor, KL, Penang, and Johor. Although this has been [refuted by a senior minister](#), the evolving situation would deserve a close watch. This is particularly so when vaccination rate remains low, with less than 2% of its population being fully inoculated.
- There is hope that, if implemented, any new restriction order can spare the bulk of economic activities, like in January when factories and shops could stay open even if social and religious activities were curtailed. That would limit the economic damage. Still, the impact will remain palpable, hurting the nascent recovery in business and consumer confidence into Q2.
- Against this backdrop, BNM is meeting this week on May 6th. While we and the market do not expect the central bank to cut its OPR on balance – it held rate unchanged during the previous virus resurgence in January – there remains a small tail risk that it might just do so. At the very least, it would start to flag some of the downside risks more vocally and signal that it continues to have some space for further accommodative policy if needed.



Source: OCBC, Bloomberg.

Treasury Research & Strategy

Macro Research

Selena Ling

Head of Research & Strategy

LingSSSelena@ocbc.com

Tommy Xie Dongming

Head of Greater China Research

XieD@ocbc.com

Wellian Wiranto

Malaysia & Indonesia

WellianWiranto@ocbc.com

Howie Lee

Thailand & Commodities

HowieLee@ocbc.com

Carie Li

Hong Kong & Macau

carierli@ocbcwh.com

Herbert Wong

Hong Kong & Macau

herberhtwong@ocbcwh.com

FX/Rates Strategy

Frances Cheung

Rates Strategist

FrancesCheung@ocbc.com

Terence Wu

FX Strategist

TerenceWu@ocbc.com

Credit Research

Andrew Wong

Credit Research Analyst

WongVKAM@ocbc.com

Ezien Hoo

Credit Research Analyst

EzienHoo@ocbc.com

Wong Hong Wei

Credit Research Analyst

WongHongWei@ocbc.com

Seow Zhi Qi

Credit Research Analyst

ZhiQiSeow@ocbc.com

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