UNITED NATIONS ESCAP
Economic and Social Commission for Asia and the Pacific

ECONOMIC AND SOCIAL SURVEY OF ASIA AND THE PACIFIC 2016

UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016

MALAYSIA

GDP (current US$, billions):	$338.10	Population (thousands):	29,902
Share of GDP in developing Asia-Pacific:	1.8%	GDP per capita (current US$):	$11,307.06
Share of GDP in South-East Asia:	14.8%	Average inflation (2015)	2.1%

- Malaysia's economy expanded by 5% in 2015, down from 6% in 2014.

- Private consumption slowed amid low prices for rubber and crude palm oil; the introduction of a goods and services tax in April 2015 resulted in a temporary elevation in inflation. Tighter macroprudential measures also held back household credit, especially in riskier segments such as credit cards.

- Fiscal support was modest. Despite lower oil revenue, the fiscal deficit narrowed due to fuel price subsidy rationalization and the introduction of the goods and services tax.

- Fixed investment remained robust with the continuation of infrastructure projects initiated under the Economic Transformation Programme.

- On the external front, continued weakness in commodity exports, in particular petroleum products, was partly offset by solid performance of electrical and electronics exports. The decline in the import of intermediate goods also implied a growing value-added contribution of the electrical and electronics sector.

- Economic growth is expected to ease to 4.4% in 2016 on the back of low commodity prices and fiscal consolidation, before rebounding to 4.8% in 2017.

- Private consumption could be constrained by expected slower growth in inflation-adjusted earnings as price pressures build up slowly in coming years. On the other hand, accommodative monetary policy would continue to support consumption, with the policy interest rate being left unchanged and the reserve requirement ratio having been reduced by 50 basis points in January 2016.

- Public investment should remain robust on the back of the construction of new underground train lines and other infrastructure investments under the new five-year plan. Steady business investment is also anticipated, although low energy prices and further currency depreciation may exert downward pressure on machinery investment. Export growth is likely to remain sluggish, resulting in narrowing of the current account surplus.

- The upside risk is from potential trade and investment impacts related to the Trans-Pacific Partnership trade agreement.