

COUNTRY PROFILE:**Malaysia****DATED:****November 2011****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<i>Export Department Comment/Opinion</i>	Rating: 2B. Cover considered on an open basis. High exposure and commitments. Not a claims free market (Euler Hermes: A ; Altradius 3/7: ; Coface A2/A3:) Sanctions: None
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Recent Political Highlights

- Malaysia is a constitutional monarchy and is currently headed by Sultan Mizan Zainal Abidin. He became the King of Malaysia in December 2006. The King plays a ceremonial role but he heads the armed forces and the appointment of cabinet ministers requires his approval. The prime minister is Najib Abdul Razak, and he has been in this position since early 2009 and he also holds the position of finance minister. In July 2011 there were demonstrations in Kuala Lumpur for reforms in the electoral process. The ruling party, the Barisan Nasional coalition might call an early election in 2012.

Recent Economic Highlights

- The country's population is approximately 27.9 million. The economy is characterised by a moderate budget, coupled by large government debt levels. A World Bank study in collaboration with the IMF stated that Malaysia is vulnerable to potential changes in lending by European banks. The country holds loans from Europe worth more than 25% of its GDP.
- The Central Bank of Malaysia reported an improvement in growth of 5.8% y-o-y for the third quarter of 2011 in comparison to 4.3% reported in the second quarter. Headline inflation was 3.4% in the third quarter, an increase from the second quarter's inflation figure of 3.3%. Domestic demand fueled the increase in growth with household, business and public sector spending showing advancements. The manufacturing sector reflected positively as a result of an increase in regional demand for resource based products and an end to the supply chain disruptions caused by the earthquakes in Japan. The economy is export orientated which exposes it to external risks.
- It is reported that political factors more than economics determined the budget for 2012. The country will run trade and current account surpluses from 2012-2016. In May 2011 the deputy prime minister stated that approximately \$1 billion has been set aside for subsidies, incentives and assistance and this amount is 60% greater than subsidies for 2011.
- A rural transformation scheme was announced by the government; an estimated \$1.5 billion has been set aside for basic infrastructure investment. The government is also looking into programmes aimed at supplying clean water in rural areas. Spending on rural development and agriculture will increase by 124.8% according to the 2012 budget; this is in contrast to the cuts in development expenditure, education and training and spending in the trade and industry sector. The New Economic Model (NEM), and the Tenth Malaysia Plan (10MP) and Economic Transformation Programme were announced in 2010. The aim of these programmes is to transform Malaysia into a high income country by 2020 through private investments in value added sectors. The targeted growth for the 10MP is 6% per annum stemming from the services and manufacturing sectors. The Government's aim is also to focus on high value added products in the agricultural sector.
- Malaysia has expanded plans in the health tourism sector. Tourists are also attracted by alternative medicine available in Malaysia and lower medical costs. Malaysian airlines (MAS) have seen this gap in the market and will collaborate with local hospitals to promote medical tourism packages. In January plans to build the largest private hospital in the Malaysian state of Sabah were revealed; 2014 is the estimated deadline for the completion of the hospital.

Latest Trade Developments

- Major exports from Malaysia: electronic equipment, petroleum and liquefied natural gas, wood and wood products, palm oil, rubber, textiles, chemicals.
- Major imports to Malaysia: electronics, machinery, petroleum products, plastics, vehicles, iron and steel products, chemicals.
- Main trading partners of Malaysia: Singapore, China, Japan, US, Thailand, Hong Kong, Indonesia.
- SA's exports to Malaysia in 2009 totaled R4.59bn; in 2010 they were R5.4bn; and R5.1bn year to September 2011.
- SA's import from Malaysia in 2009 totaled R7.38bn; in 2010 they were R8.5bn; and R6.5bn year to September 2011.

Researched and compiled by Nthabiseng Ntuli, economic services – Credit Guarantee Insurance