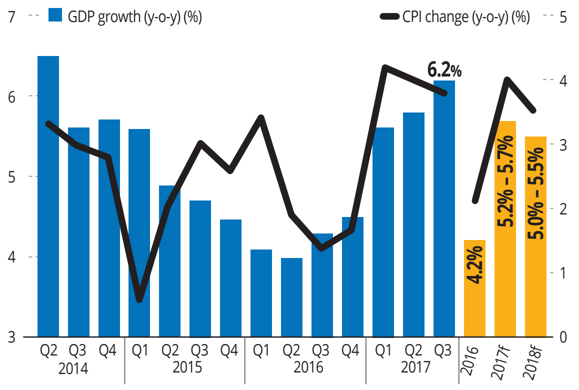
Economic growth vs inflation



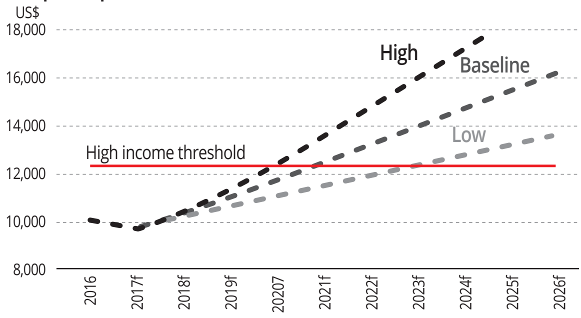
Robust growth

Thanks to robust private sector spending and continued strength in exports, Malaysia's gross domestic product (GDP) growth has been pretty robust in the last three quarters.

Accordingly, 2017 growth will likely reach the upper end of the official projection of 5.2%-5.7%, or even exceed that. The Government expects 2018 GDP growth to range at 5%-5.5%.

Inflation this year will likely be at the upper end of the official target of 3%-4%. The Government expects inflation to be more moderate next year at 2.5%-3.5%.

GNI per capita

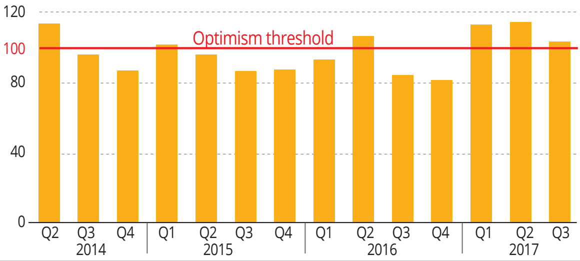


Source: World Bank staff projections

High-income dream

According to simulations conducted by the World Bank, Malaysia is projected to exceed the threshold that defines high-income economy status at some point in the period from 2020 to 2024. The global institution says a strong growth environment offers Malaysia a crucial window of opportunity to accelerate structural reforms that will facilitate the country's transition towards the achievement of high-income status in the coming years.

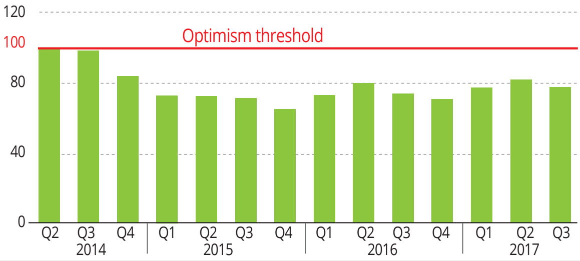
Business Conditions Index



Volatile business confidence

The private sector continues to hold an optimistic view on the business conditions in the country. But sentiment has eased in the third quarter despite the robust economic expansion due to poor manufacturing sales, slowdown in production and lower domestic and export orders.

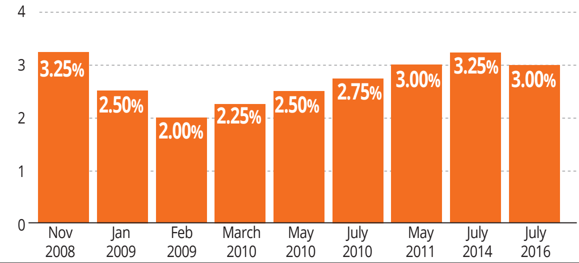
Consumer Sentiment Index



Consumers remain pessimistic

Index shows consumers continue to feel a disconnect from the country's strong GDP growth. They remain pessimistic due to deteriorating household finances, lacklustre income and job outlook, concerns about rising cost of living, among others.

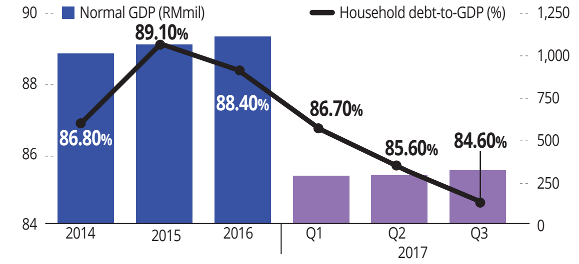
Movement of OPR



Normalising interest rates

Bank Negara is widely expected to raise the overnight policy rate by 25 basis points to 3.25% next year. The hike could come as early as January 2018.

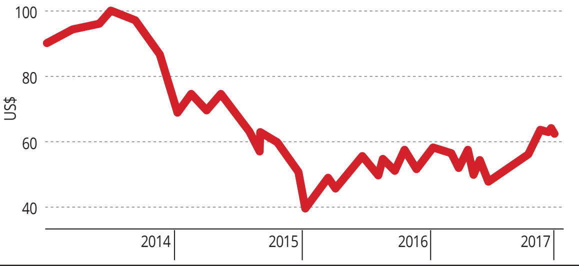
Household debt vs GDP



Moderating household debt

Household debt has moderated to 84.6% of GDP in the third quarter of this year, compared with 85.6% in the preceding quarter.

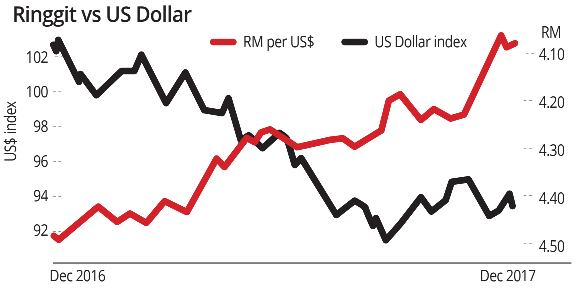
Brent crude oil prices (per barrel)



Recovering oil prices

Crude oil prices are expected to remain on a recovery path, with the benchmark Brent expected to average at around US$53.88 per barrel in 2017 and US$57.26 per barrel in 2018. This bodes well for Malaysia's economy and the Government's finances.

Ringgit vs US Dollar



Strengthening ringgit

The local currency is expected to strengthen amid expectations of an interest rate hike and higher oil prices, with some economists expecting the note to appreciate below the psychological level of 4.00 against the US dollar next year.

Sources: Bank Negara, World Bank, MIER and Bloomberg