

Economic Research

KDN No.: PP14787/11/2012(030811)

Country Outlook: People's Republic of China



MALAYSIAN RATING CORPORATION BERHAD
(364803-V)

Vol.: ER/015/2012

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the last page of this report*

In a nutshell

- Since the beginning of the Great Recession, China's growth has come down from the low teens to below the once sacred 8% level. The strong growth contribution from external trade since China's ascension to the World Trade Organisation (WTO) in 2004 has now come down closer to the pre-WTO contribution rate, which is likely to be more sustainable and less likely to cause trade tensions. The latest data shows that China's growth in 3Q2012 is at the lowest level since the depths of the Great Recession in 4Q2008. Data from 4Q2012 indicates that growth during the quarter will not be much better, but high frequency data such as industrial sales and retail sales have begun to grow again, suggesting that this will be the bottom of the cycle.
- After peaking at 6.5% in July 2011, inflation has fallen off steadily to just 1.9% as of September this year, the second lowest since January 2010. Consumer goods sales are still growing strongly, and have begun to accelerate again. Data in the last two months (Aug-Sept 2012) have shown consumer goods sales climbing back to over 15%, pointing to a pickup in consumer confidence and spending.
- The monetary policy settings have responded through lower one-year lending and deposit rates despite maintaining its rediscount rate (one-year lending was reduced from 6.58% to 6%). There have been two cuts in the banks' required reserve ratio to 20.0% in 2012, although these have fewer implications on monetary conditions than it does on liquidity conditions in the banking system. Recent developments, however, point to a recovery in lending and in liquidity, with M1 and M2 growth for October hitting 2012 highs of 7.3% and 14.8% respectively. Loan growth has recovered to levels not seen since 3Q2011, at 16.3% in September.
- On the external front, after a two-year period during the Great Recession when the Chinese renminbi (RMB) reverted to a US dollar (USD) peg, it was allowed to begin appreciating again in June 2010. Over the course of the past two years, the RMB has appreciated approximately 6.1% against the USD, and 1.2% in the last three months alone.
- Trade growth has slowed considerably in 2012, averaging below 10% in January-September 2012 compared to above 20% for 2011 as a whole. The impact of recession in Europe is certainly a factor, although the trade balance remains in surplus. Somewhat unusual for a country with a trade surplus, China also maintains a surplus on the capital account, which can be largely explained by the tight controls over capital flows, with considerable restrictions on inflows of portfolio capital. Foreign direct investment (FDI), however, is highly welcomed, and China is the world's number two destination for direct investment, raking in over USD100 billion a year since 2008.
- In terms of external debt, China's exposure is on the low side, with external debt averaging below 10% of gross domestic product (GDP) since 2008. A relatively high proportion of this debt (averaging nearly 60% since 2001) is public sector debt, which is not surprising given the government's involvement in the economy. Nevertheless, the public sector share of external debt has been gradually declining over the last 15 years – nearly 100% of external debt was public in 1997 – and as a share of total public debt is miniscule.
- Receipts and expenditure of the general government sector are almost on the average of the countries under MARC's coverage at 22.0% and 23.1% of GDP respectively in 2011. Both revenue and expenditure growth have been strong over the last ten years, averaging 20.4% and 19.2% respectively. The overall government sector has been running a small deficit since 2007 amounting to less than an average of 1.6% of GDP per annum, well below the level required for sustainability given China's high nominal growth rate. Most of the deficit is being incurred at the local government level where expenditure growth has exceeded 20% since 2004, while the central government has generally run a surplus. The level of government debt is also on par or lower than many emerging economies at about 25.8% of GDP in 2011. Even this relatively benign level was a result of higher government spending to combat the Great Recession, as pre-crisis debt levels averaged below 20% of GDP.
- Looking at the macroeconomic 5-year median matrices, China's position is about average on most measures except for its high growth rate over the past five years. Debt (both domestic and foreign) and government finance are all within reasonable bounds. Two things of note, however, is that despite China's growth record, per capita income remains on the low side and population growth – which defines future growth potential – is also on the low side. China also has had difficulty in containing corruption, which remains a concern for investors. Apart from these factors, China's economic fundamentals are rock solid.

Introduction

China is the world's most populous country, with a largely homogenous population of 1.34 billion as of 2012. It is also the second largest country in the world by land area, covering 9.7 million square kilometers and spanning half the Asian continent. It is bounded to the north by Russia and Mongolia, to the East by the Pacific Ocean, to the south by ASEAN and to the West by the Central Asian Republics and India. China has been a world power for much of recorded history but has had a troubled past in the Industrial Era.

Figure 1: The map of China



Source: CIA – The World Factbook

The Qing dynasty fell in 1912, and China subsequently operated as a republic, albeit one that was wracked by power struggles and a civil war that erupted against the Communists in the late 1920s. Japan's invasion beginning in 1937 and the subsequent involvement in World War II severely weakened the central government's authority, leading to the Communist takeover in 1949, with the rump national government retreating offshore to the island of Taiwan.

The communist rule of China, now known as the People's Republic of China, began with some promise but the social and economic experiment known as the Great Leap Forward (1958) and the Cultural Revolution (1966) gutted the economy and resulted in the loss of millions of lives. The death of Mao Zedong in 1976 marks the beginning of modern China as Deng Xiaoping rolled back government control and introduced market-based reforms, notably in agriculture.

China's economic transformation gathered pace through the intervening years, but another milestone was marked in 2001 with its formal acceptance into the WTO. China's abundant labour, low wages, large domestic market and business-friendly administration pulled in substantial foreign investment, boosted manufacturing output and catalysed the development of what has now become the world's second largest economy.

The government and legal system

China's highest law is the constitution adopted in 1982, but the government remains under the control of the Communist Party as do other major organs of state, including the judiciary and the military. The party in turn is governed by a National Congress held every five years, though effective control lies with the Central Committee comprising the General Secretary, the Politburo Standing Committee, and the Politburo itself.

The administrative and executive positions of the state are filled by party members, following the same hierarchy, with the general secretary also taking the highest executive position of Vice President. The President is the nominal head of state, but this is a ceremonial position. The other major central government position is that of Premier, who chairs the State Council which coordinates the actual administration of the government.

While these positions are nominally elected via the National Congress, in practice, transitions of political power have been conducted behind the scenes well in advance of convening a National Congress, and leadership changes follow an approximate decennial (10-year) cycle. The next transition is to take place in March 2013, with Xi Jinping replacing Hu Jintao as President and Li Keqiang replacing Wen Jiabao as Premier.

The country is divided into 22 provinces and five ostensibly autonomous regions (each rating a governor), four municipalities (under a mayor), and the two special administrative regions (SAR) of Hong Kong and Macau. Apart from the SARs which are politically and judicially semi-autonomous, each local government leader is a party appointee.

One other large political body would be that of the People's Liberation Army (PLA), which is governed by the Central Military Commission under the nominal control of the National Congress. It is thus somewhat separated from the state administrative structure. The PLA has a significant economic impact, with 2.3 million troops under arms and holdings in various enterprises. Unlike more conventional national arrangements, with separation of powers between the executive, legislative and judiciary, China's power structure could be said to lie between the party, the state and the army.

Economic background and structure

China has made a successful transition from a largely agrarian economy to an industrial one in the last 30 years. Known as the "world's factory", China has become the manufacturing base for many foreign companies ranging from Europe to the United States (US), to more recent global giants from Japan and Korea.

Much of the attraction of China comes from its enormous domestic market, with 1.3 billion people transitioning from low-income agriculture to higher value-added activities in manufacturing and services, greater affluence and a growing middle class population has increased demand for many products and services ranging from luxury items to more prosaic products like food. As a manufacturing base, China also has compelling factors in its favour, not least of which is a relatively cheap labour force (though high wage growth has been eating into this competitive advantage), as well as established research and development (R&D) capabilities and a government determined to boost business.

At the time of Mao Zedong's death in 1976, a third of the economy was in agriculture and mining, with about 47% in manufacturing and a little over 20% in services. As of 2011, primary industries accounted for just 10% of the economy, while the share of services has grown to over 43%. Growth of the economy has largely been driven by increasing output in manufacturing and services.

This structural shift has not come without challenges, however, as much of economic development has taken place in the coastal provinces at the expense of the interior. This has driven an increase in wealth and income inequality in socialist China, with a Gini coefficient about on par with the capitalist US. While economic activity has gradually moved inland, there remains a stark contrast in development levels between the coast and the interior. Investment (and therefore savings) is also a large contributor to the economy, and private consumption is well below developed country norms, suggesting that increases in GDP are not fully translating into consumer welfare.

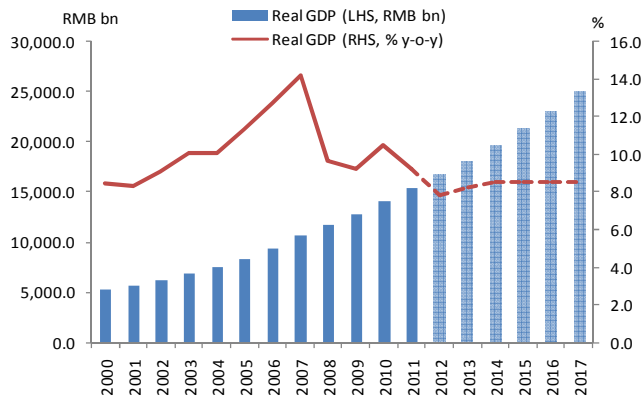
Unlike most other developing countries, China also has an ageing population due to the country's one-child policy that was instituted in 1978. Some estimates show that the labour force will begin shrinking in the next two to three years, a development that would limit China's potential long-term growth rate. The policy has also had other notable social effects, like a gender disparity in favour of males which could potentially mean 30 million males without potential brides by 2020, and a higher savings rates due to bridal competition. Be that as it may, at the macro-level, the demographic factor means that China's future growth will rely heavily on investment and improvements in productivity.

Production and expenditure

Growth potential being capped

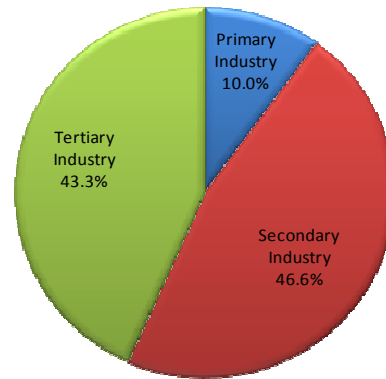
It was once accepted wisdom that China needed 8% growth to supply enough jobs for workers transitioning from agriculture to higher value-added manufacturing and services jobs. However, since the beginning of the Great Recession, China's growth has come down from the low teens to below the once sacred 8% level. The strong growth contribution from external trade since China's ascension to the WTO in 2004 has now come down closer to the pre-WTO contribution rate, which is likely to be more sustainable and less likely to cause trade tensions.

Chart 1: Real GDP growth



Source: IMF World Economic Outlook.
Note: 2012-16 GDP are forecast figures

Chart 2: China's economic structure (2011)

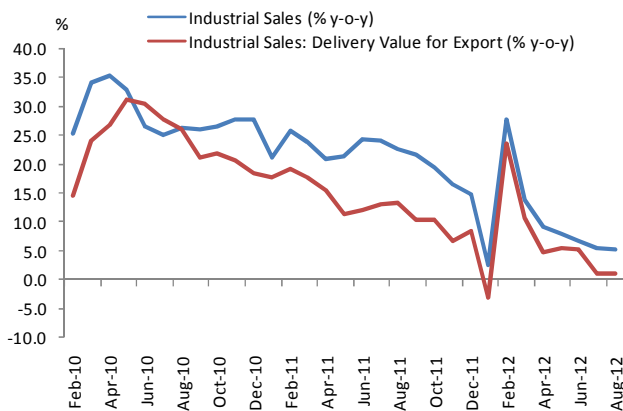


Source: CEIC, MARC Economic Research.

While weakening growth and outright recession in major export markets are a major factor in this slowdown, so is the declining growth of the population. The economy is also heavily weighted towards investment, understandable considering that China was starting from a low base. However, this is at the expense of private consumption which is abnormally low (alternatively, investment is too high).

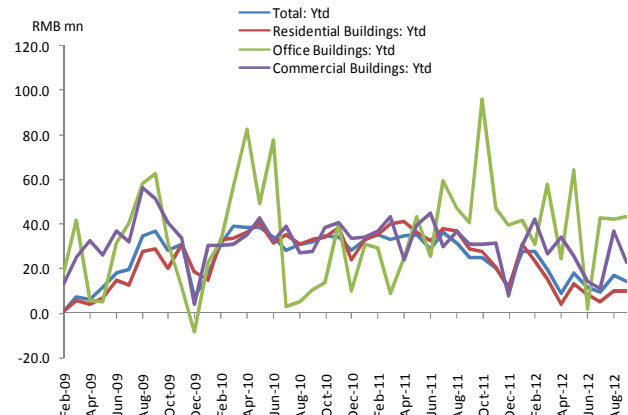
The latest data shows that China's growth in 3Q2012 is at the lowest level since the depths of the Great Recession in 4Q2008. Data from 4Q2012 indicates that growth during the quarter will not be much better, but high frequency data such as industrial sales and retail sales have begun to grow again, suggesting that this will be the bottom of the cycle.

Chart 3: Industrial sales growth



Source: CEIC, MARC Economic Research.

Chart 4: Real estate investment



Source: CEIC.

The slowdown is partly cyclical and partly structural: the cyclical component comes from weak growth in advanced economies, which form the biggest part of China's export markets. The structural component comes from slowing fixed capital investment, which is thought to have been growing excessively in the aftermath of the Great Recession on the back of a massive policy stimulus in 2009.

In addition, China's workforce is set to begin shrinking by 2015, a product of the one-child policy. This will cap China's headline growth going forward, and the authorities have been laying the groundwork for public and market acceptance of China's slowing headline growth by targeting growth in the 7%-8% region for the coming five years.

Table 1: GDP growth (% y-o-y)

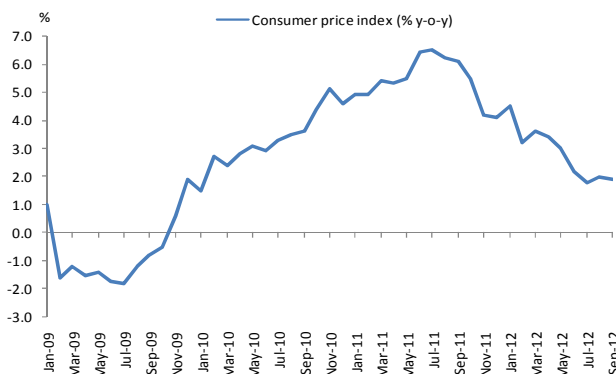
| | 4Q10 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 | 3Q12 |
|-------------------------------|------|------|------|------|------|------|------|------|
| Gross Domestic Product | 9.8 | 9.7 | 9.5 | 9.1 | 8.9 | 8.1 | 7.6 | 7.4 |
| <i>By Industry</i> | | | | | | | | |
| Primary | 4.3 | 3.5 | 3.2 | 3.8 | 4.3 | 3.8 | 4.3 | 4.2 |
| Secondary | 12.3 | 11.1 | 10.9 | 10.8 | 10.3 | 9.1 | 8.3 | 8.1 |
| Tertiary | 9.8 | 9.1 | 9.2 | 9.0 | 9.4 | 7.5 | 7.7 | 7.9 |

Source: CEIC

Prices

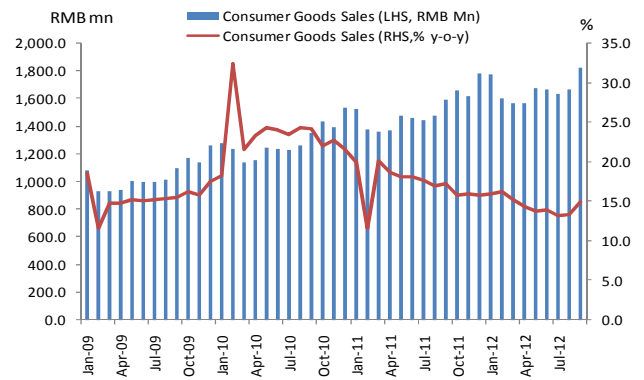
Inflation in China has followed the same pattern as other regional economies, with acceleration in the 2010-2011 period followed by weakening price pressures from 2011 onwards. In China's case, the increase in the price level is being driven by volatile components such as food, where prices are increasing at twice the headline rate. It could be said that volatility in prices, particularly of food and raw commodities such as oil and construction materials, can be attributed to China's increasing weight in international markets.

Chart 5: Consumer price index



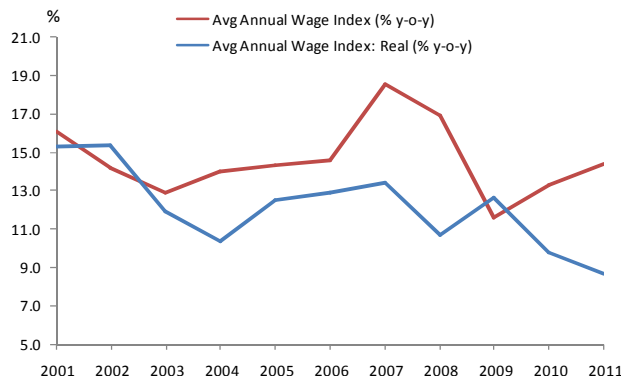
Source: CEIC.

Chart 6: Consumer goods sales



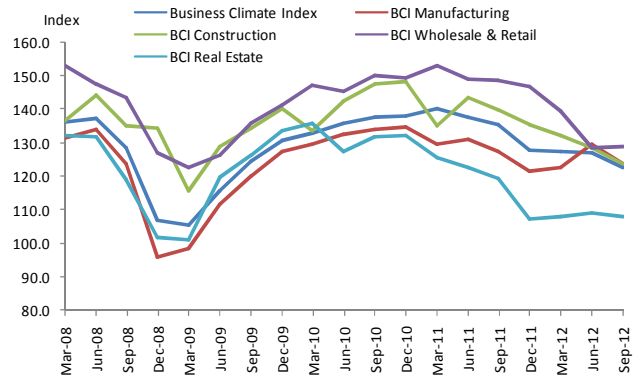
Source: CEIC.

Chart 7: Wage growth



Source: CEIC.

Chart 8: Business climate index



Source: CEIC.

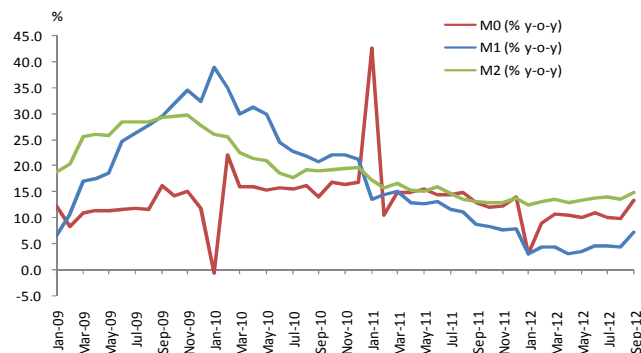
Domestically, however, the higher average inflation over the past three years is having an impact on disposable income, where real wage growth has fallen to the lowest point in a decade. Nonetheless, real wages are still increasing at an average of over 8%, helping to sustain consumption spending.

After peaking at 6.5% in July 2011, inflation has fallen off steadily to just 1.9% as of September this year, the second lowest since January 2010. Consumer goods sales are still growing strongly, and have begun to accelerate again. The last two months of data (Aug-Sept 2012) have shown consumer goods sales climbing back to over 15%, pointing to a pick-up in consumer confidence and spending.

Monetary conditions

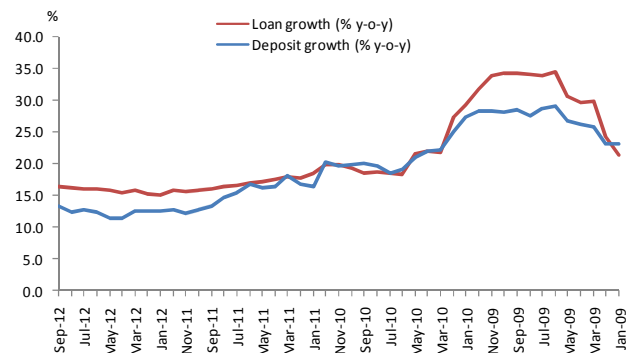
Monetary conditions in China have been gradually tightened since the 2009 monetary and fiscal stimulus implemented to combat the Great Recession. As a result, growth in monetary aggregates generally dropped until mid-2012, in tandem with loan and deposit growth, even as market interest rates and inflation declined.

Chart 9: Monetary aggregates



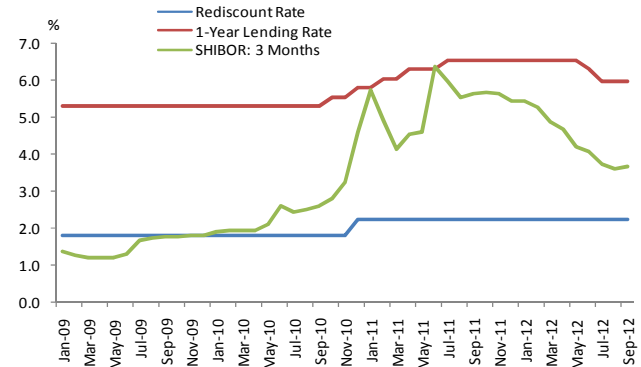
Source: CEIC.

Chart 10: Financial institutions loan and deposits



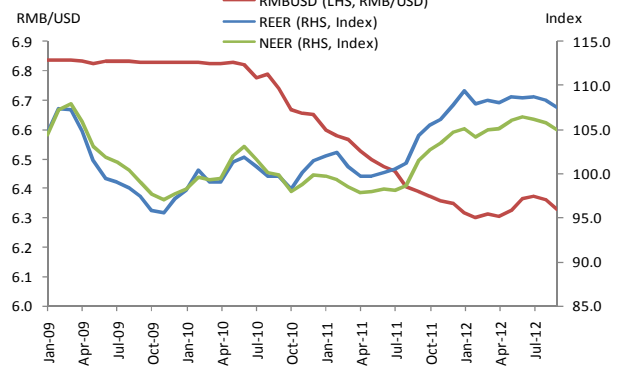
Source: CEIC, MARC Economic Research.

Chart 11: Interest rates



Source: CEIC.

Chart 12: RMB exchange rate and broad indexes



Source: CEIC.

The monetary policy settings have also responded through lower one-year lending and deposit rates despite maintaining its rediscount rate (one-year lending was reduced from 6.58% to 6%). There have been two cuts in the banks' required reserve ratio to 20.0% in 2012, although these have fewer implications on monetary conditions than it does on liquidity conditions in the banking system.

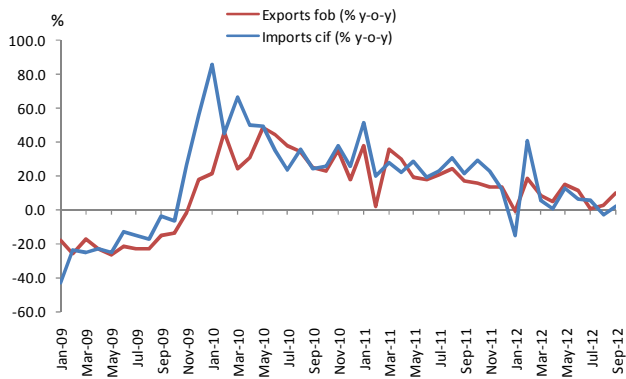
Recent developments, however, point to a recovery in lending and in liquidity, with M1 and M2 growth for October hitting 2012 highs of 7.3% and 14.8% respectively. Loan growth has recovered to levels not seen since 3Q2011, at 16.3% in September.

On the external front, after a two-year period during the Great Recession when the RMB reverted to a USD peg, it was allowed to begin appreciating again in June 2010. Over the course of the past two years, the RMB has appreciated approximately 8.1% against the USD, and 1.7% in the last three months alone.

Balance of payments and official reserves

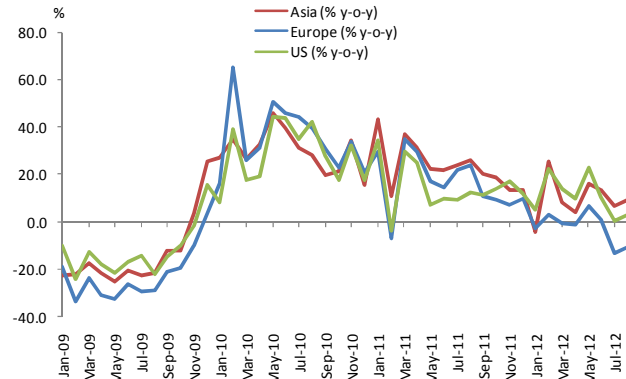
China's current account surplus continues to remain a source of political and trade tensions with the West, despite having come down from a peak of over 10.1% of GDP in 2007 to a more sustainable level of 2.8% of GDP in 2011. Part of this tension lies with China's continued accumulation of international reserves which have been largely "recycled" into US Treasuries, and have brought charges of currency manipulation. Given the drop in the current account surplus, this is perhaps undeserved. Nevertheless, China remains the largest holder of US Treasuries and has an accumulated war chest of USD3.2 trillion.

Chart 13: Exports and imports growth



Source: CEIC, MARC Economic Research.

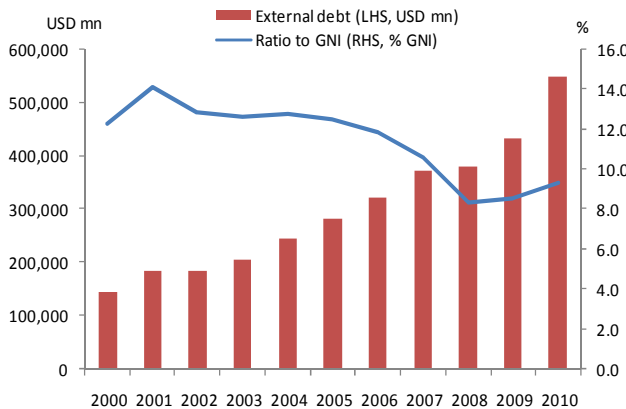
Chart 14: Exports growth to major trade partners



Source: CEIC, MARC Economic Research.

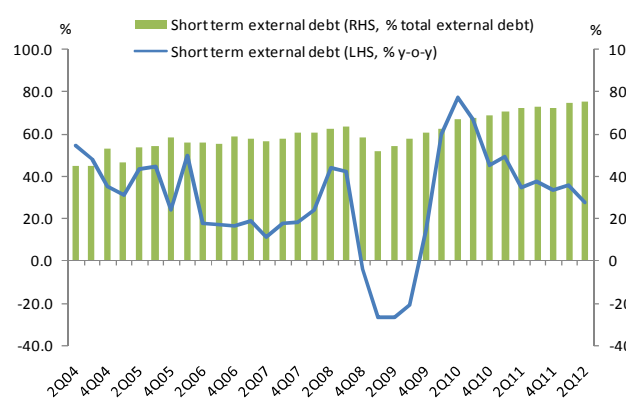
Trade growth has slowed considerably in 2012, averaging below 10% in January-September 2012 compared to above 20% for 2011 as a whole. The impact of recession in Europe is certainly a factor, although the trade balance remains in surplus. Somewhat unusual for a country with a trade surplus, China also maintains a surplus on the capital account, which can be largely explained via tight controls over capital flows, with considerable restrictions on inflows of portfolio capital. FDI, however, is highly welcomed, and China is the world's number two destination for direct investment, raking in over USD100 billion a year since 2008.

Chart 15: Gross external debt and ratio to GNI



Source: CEIC.

Chart 16: Short term external debt



Source: CEIC, MARC Economic Research.

In terms of external debt, China's exposure is on the low side, with external debt averaging below 10% of GDP since 2008. A relatively high proportion of this debt (averaging nearly 60% since 2001) is public sector debt, which is not surprising given the government's involvement in the economy. Nevertheless, the public sector share of external debt has been gradually declining over the last 15 years – nearly 100% of external debt was public in 1997 – and as a share of total public debt is miniscule.

Table 2: Balance of payments

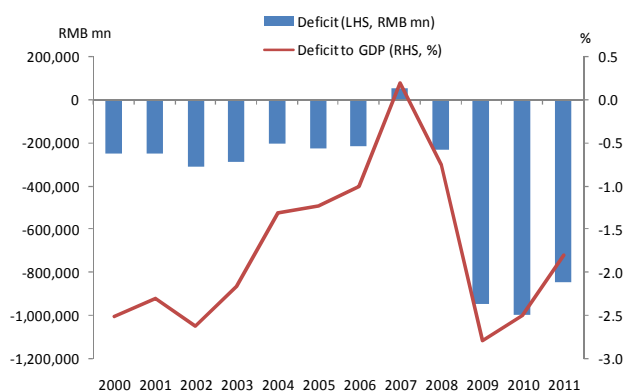
| USD million | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|
| Current Account | 231,843 | 353,183 | 420,569 | 243,257 | 237,810 | 201,714 |
| -Goods | 217,746 | 315,946 | 360,646 | 249,511 | 254,180 | 243,549 |
| -Services | -8,827 | -7,910 | -11,814 | -29,380 | -31,156 | -55,228 |
| -Income | -5,143 | 8,044 | 28,580 | -8,533 | -25,899 | -11,868 |
| Capital and Financial Account | 49,305 | 94,232 | 40,126 | 198,470 | 286,864 | 221,056 |
| -Capital Account | 4,020 | 3,099 | 3,051 | 3,939 | 4,630 | 5,446 |
| -Financial Account | 45,285 | 91,132 | 37,075 | 194,531 | 282,234 | 215,610 |
| Net Errors and Omissions | 3,628 | 13,290 | 18,844 | -41,383 | -52,936 | -34,969 |
| Overall Balance | 284,776 | 460,704 | 479,539 | 400,344 | 471,739 | 387,801 |

Source: CEIC.

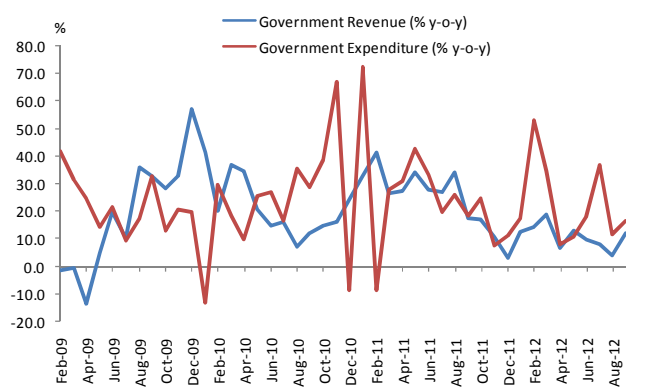
Government operations and debt

Given its antecedents as a communist country, it is perhaps not surprising that China's government plays an important role in the economy. Nevertheless, taken alone, the central government's finances are not out of line with that of other, more ostensibly capitalist economies, and in fact look to be on a sounder footing.

Receipts and expenditure of the general government are almost on the average of the countries under MARC's coverage at 22.0% and 23.1% of GDP respectively in 2011. Both revenue and expenditure growth have been strong over the last ten years, averaging 20.4% and 19.2% respectively.

Chart 17: General government deficit and deficit to GDP ratio

Source: CEIC, MARC Economic Research.

Chart 18: General government revenue and expenditure growth

Source: CEIC, MARC Economic Research.

The overall government has been running a small deficit since 2007 amounting to less than an average of 1.6% of GDP per annum, well below the level required for sustainability given China's high nominal growth rate. Most of the deficit is being incurred at the local government level where expenditure growth has exceeded 20% since 2004, while the central government has generally run a surplus.

The level of government debt is also on par or lower than many emerging economies, at about 25.8% of GDP in 2011. Even this relatively benign level was a result of higher government spending to combat the Great Recession, as pre-crisis debt levels averaged below 20% of GDP.

In short, China has considerable fiscal space and is blessed with substantial growth in revenue and thus has the latitude to increase expenditure on social services and to support the economy as and when necessary.

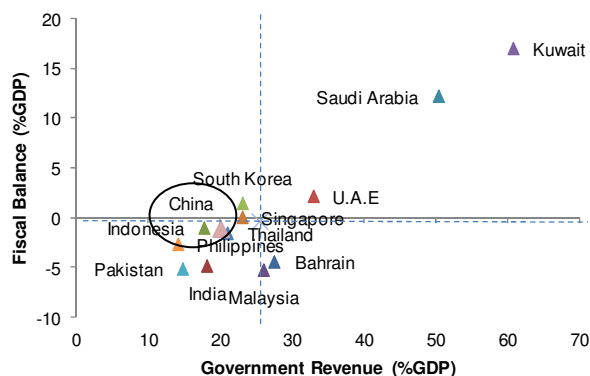
Table 3: Government finances

| RMB billion | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------------------------|----------|----------|----------|----------|----------|----------|
| Total Revenue | 3,876.0 | 5,132.2 | 6,133.0 | 6,851.8 | 8,310.2 | 10,387.4 |
| -Local government | 1,830.4 | 2,357.3 | 2,865.0 | 3,260.3 | 4,061.3 | 5,254.7 |
| -Central government | 2,045.7 | 2,774.9 | 3,268.1 | 3,591.6 | 4,248.8 | 5,132.7 |
| Total expenditure and lending | 4,042.3 | 4,978.1 | 6,259.3 | 7,630.0 | 8,987.4 | 10,924.8 |
| -Local government | 3,043.1 | 3,833.9 | 4,924.8 | 6,104.4 | 7,388.4 | 9,273.4 |
| -Central government | 999.1 | 1,144.2 | 1,985.5 | 3,006.9 | 3,298.9 | 3,831.8 |
| Overall balance | -216.3 | 50.8 | -236.2 | -950.0 | -1,000.0 | -850.0 |
| -Local government | -1,212.8 | -1,476.7 | -2,059.9 | -2,844.2 | -3,327.1 | -4,018.7 |
| -Central government | 1,046.5 | 1,630.7 | 1,282.6 | 584.7 | 949.9 | 1,300.9 |
| Overall balance (% GDP) | -1.0% | 0.2% | -0.8% | -2.8% | -2.5% | -1.8% |
| Government debt (% GDP) | 16.2% | 19.6% | 17.0% | 17.7% | 33.5% | 25.8% |

Source: CEIC, IMF (figures may not sum due to rounding).

Comparison of five-year median macroeconomic matrices

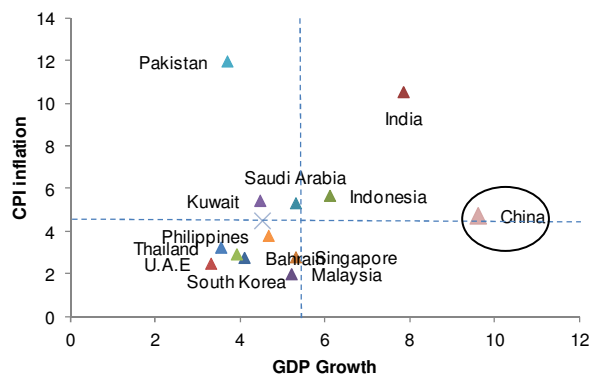
Chart 19: Government revenue vs. Fiscal balance



Sources: IMF & MARC Economic Research.

- In the revenue against fiscal balance matrix, China's numbers are about the average for the sample, although in a slightly more favourable position.
- The government has considerable fiscal space, although this is somewhat mitigated by local government debts and the need to support loss-making state-owned enterprises.

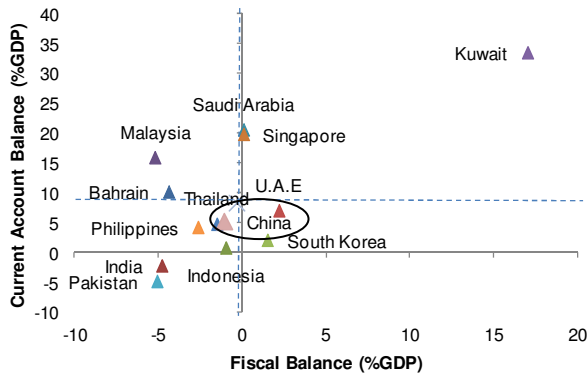
Chart 20: CPI & GDP growth



Sources: IMF & MARC Economic Research.

- China's growth rate, the highest in our coverage, is matched against a rate of inflation just a hair over average.
- That shows that growth is largely a factor of external demand and productivity improvements, suggesting that despite being on the high side, growth is sustainable in an economic sense.

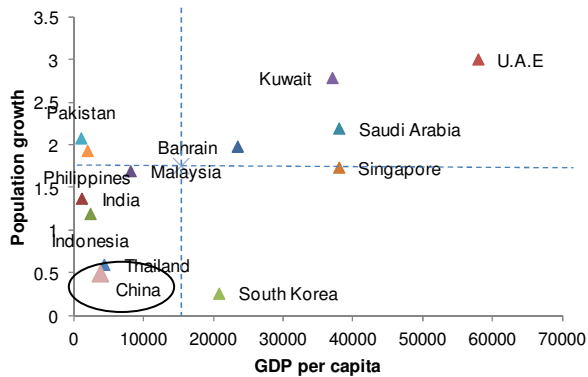
Chart 21: Current account % of GDP vs. fiscal balance % of GDP



Sources: IMF & MARC Economic Research.

- In the current account fiscal balance matrix, China is in the “safe” category, running a current account surplus but also a fiscal deficit.
- This suggests that the government is prioritising employment, matching public dis-saving against private savings and thus keeping output at its potential.

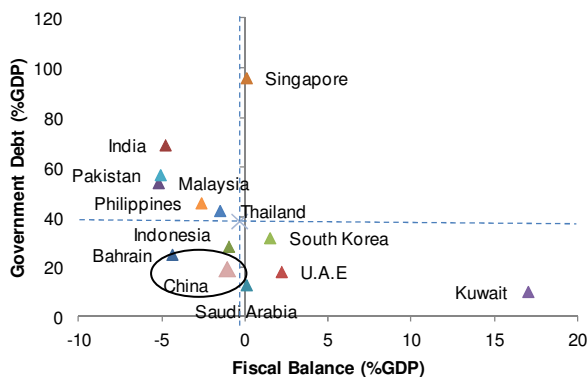
Chart 22: Population growth vs. GDP per capita



Sources: IMF & MARC Economic Research.

- China’s population growth is the second lowest in our coverage, and is matched against a similarly low GDP per capita.
- This presents the largest long-term hurdle to China’s development, as future growth will depend largely on increasing capital stocks and labour productivity, rather than increasing inputs alone.

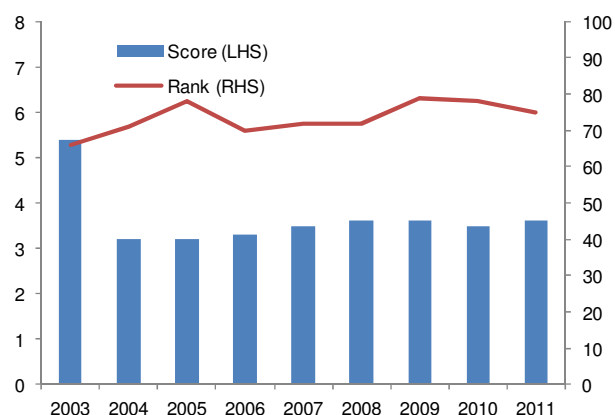
Chart 23: Govt. debt % of GDP vs. fiscal balance % of GDP



Sources: IMF & MARC Economic Research.

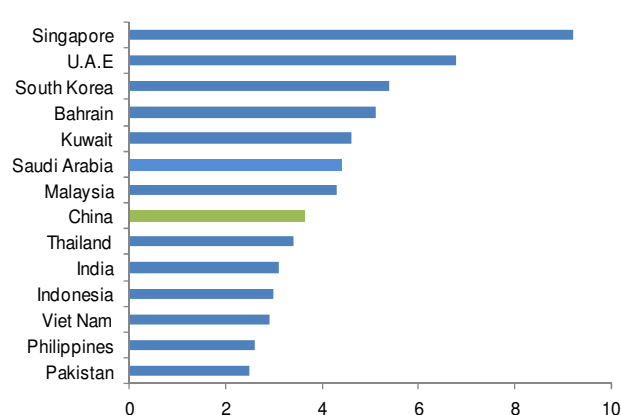
- In the debt to balance matrix, China’s position is in the second most favourable quadrant, with a slight negative fiscal balance but also low government debt.
- With revenue growth continuing at a level on par with income growth and a fairly conservative approach to managing government finances, we expect this relatively favourable position to be maintained.

Chart 24: Corruption Perception Index



Source: Transparency International.

Chart 25: Corruption perception index (the higher the better)



Source: World Bank.

China's corruption statistics are stable, with some small improvement in the index scores over the past decade (the 2003 data appears to be an outlier). Based on the Corruption Perception Index by Transparency International, the overall perception score of corruption in China has seen some improvement since 1995, but has been relatively stagnant since 2007 (the higher the better). The country's ranking in 2011 is middle of the road, at 75 out of 183 countries. While China has made some strides in reining in corruption in past years, the public perception suggests it continues to remain a problem.

Table 4: Summary of Macro Matrices

| Matrix | Explanation |
|--|---|
| Government revenue and fiscal balance | China's government has a solid revenue base and is fairly conservative with finances, running at worst a small deficit that looks to be sustainable over the long term. |
| CPI and real GDP growth | China's inflation rate is at a moderate level, coupled with high rates of nominal income growth. |
| Current account and fiscal balance | China is in the safe zone, maximising economic potential. |
| GDP per capita and population growth | This is the area that where China is most vulnerable, with weak population growth despite a low per capita GDP. |
| Fiscal balance and government debt | Central government debt in China is low, despite running a deficit. |
| Control of corruption | China's efforts at containing corruption have not translated into substantial improvements in public perception. |

Appendix

Vital statistics - China

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012F |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| National accounts | | | | | | | |
| Growth (%) | | | | | | | |
| GDP | 12.7% | 14.2% | 9.6% | 9.2% | 10.4% | 9.3% | 8.0% |
| Supply side | | | | | | | |
| Primary industry | 5.0% | 3.7% | 5.4% | 4.2% | 4.3% | 4.3% | n.a. |
| Secondary industry | 13.4% | 15.1% | 9.9% | 9.9% | 12.3% | 10.3% | n.a. |
| Tertiary industry | 14.1% | 16.0% | 10.4% | 9.6% | 9.8% | 9.4% | n.a. |
| Demand side | | | | | | | |
| Total domestic demand | 11.4% | 12.6% | 9.7% | 14.0% | 10.6% | 10.1% | 9.4% |
| -Consumption | 9.8% | 11.1% | 8.5% | 9.4% | 9.2% | 9.7% | 10.1% |
| -Gross fixed capital formation | 13.4% | 14.5% | 11.1% | 19.3% | 12.0% | 10.5% | 8.8% |
| Net Exports | 2.1% | 2.6% | 0.9% | -3.5% | 0.4% | -0.4% | -1.0% |
| Public finance (% of GDP) - General government | | | | | | | |
| Total receipts | 17.9% | 19.3% | 19.5% | 20.1% | 20.7% | 22.0% | 23.2% |
| -Tax revenue | 16.1% | 17.2% | 17.3% | 17.5% | 18.2% | 19.0% | 21.2% |
| -Non tax revenue | 1.8% | 2.1% | 2.3% | 2.6% | 2.5% | 3.0% | 2.0% |
| Total expenditure | 18.7% | 18.7% | 19.9% | 22.4% | 22.4% | 23.1% | 24.5% |
| Fiscal balance | -1.0% | 0.2% | -0.8% | -2.8% | -2.5% | -1.8% | -1.3% |
| Government debt | 16.2% | 19.6% | 17.0% | 17.7% | 33.5% | 25.8% | 22.0% |
| Inflation rate | | | | | | | |
| Producer Price Index (PPI) | -1.9% | 0.2% | 3.6% | -11.5% | 11.6% | 0.5% | n.a. |
| Consumer Price Index (CPI) | 1.5% | 4.8% | 5.9% | -0.7% | 3.3% | 5.4% | 3.3% |
| Money, banking and policy rates | | | | | | | |
| M1 growth | 17.5% | 21.0% | 9.1% | 32.4% | 21.2% | 7.9% | n.a. |
| M2 growth | 16.9% | 16.7% | 17.8% | 27.7% | 19.7% | 13.6% | n.a. |
| Bank credit growth (financial institution) | 15.1% | 16.1% | 18.7% | 31.7% | 19.9% | 15.8% | n.a. |
| loan-to-deposit ratio (financial institution) | 67.2% | 67.2% | 65.1% | 66.9% | 66.7% | 67.7% | n.a. |
| NPL Ratio (financial institution) | 7.1% | 6.2% | 2.4% | 1.6% | 1.1% | 1.1% | n.a. |
| Base Rate (rediscount rate) | 3.24% | 3.24% | 1.80% | 1.80% | 2.25% | 2.25% | n.a. |
| Balance of payments (% of GDP) | | | | | | | |
| Current account | 8.5% | 10.1% | 9.3% | 4.9% | 4.0% | 2.8% | 2.3% |
| Capital account and financial account | 1.8% | 2.7% | 0.9% | 4.0% | 4.8% | 3.0% | n.a. |
| Overall balance | 10.5% | 13.2% | 10.6% | 8.0% | 8.0% | 5.3% | n.a. |
| International reserves (USD bn) | 1,066.3 | 1,528.2 | 1,946.0 | 2,399.2 | 2,847.3 | 3,181.1 | n.a. |
| Reserve-to-import (x) | 12.4 | 14.9 | 21.1 | 19.1 | 18.2 | 18.9 | n.a. |
| External debt - USD bn | 338.6 | 389.2 | 390.2 | 428.7 | 548.9 | 695.0 | n.a. |
| External debt - % of GDP | 12.5% | 11.1% | 8.6% | 8.6% | 9.3% | 9.5% | 11.4% |
| Debt service ratio (% Reserves) | 31.8% | 25.5% | 20.1% | 17.9% | 19.3% | 21.8% | n.a. |
| Development indicators | | | | | | | |
| Population (in mn) | 1314.5 | 1321.3 | 1328.0 | 1334.5 | 1340.9 | 1347.4 | n.a. |
| Population (growth) | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | n.a. |
| | <u>1990</u> | <u>2000</u> | <u>2005</u> | <u>2008</u> | <u>2009</u> | <u>2011</u> | |
| Human Development Index (HDI) - Medium human dev. | 0.490 | 0.588 | 0.633 | 0.665 | 0.674 | 0.687 | n.a. |

Sources: CEIC, IMF, MARC Economic Research.

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Published and Printed by:

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