Economic Research

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2H2011 economic outlook:
Asian economies to run with the hare and hunt with the hounds

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In a nutshell

- Signs of a moderation in global economic activities have emerged in 1H2011 due to a confluence of factors such as rising commodity prices, political instability in Middle East and North Africa (MENA), worries over public finances in advanced countries as well as the lag effect of the natural disasters that assailed Japan in May 2011. Notwithstanding this, we think that the risk of a double-dip recession in the economy is quite remote as the current trend implies a normalisation process following last year's sharp rebound in economic activity.

- Inflationary pressure is creeping in globally: food and energy components underpinned price increases, while demand-led inflation was somewhat less visible given that unemployment remained elevated. This explains why the Federal Reserve (Fed) is comfortable with its asset-purchase programme of USD600 billion which yielded an extremely low interest-rate environment. Notwithstanding this, the European Central Bank (ECB) raised its policy rate by 25 basis points (bps) to 1.25% on April 13 as the central bank remains vigilant on inflationary pressures.

- The main issue confounding the euro-zone economy is the severity of the region's sovereign-debt crisis which, to a large extent, has been responsible for the massive gyrations in the financial markets. Our concern stems from the pessimism in the financial markets that can be transmitted to the real economy. This is particularly true when the threat of sovereign downgrades would have an immediate effect on credit expansion, which, in the worst-case scenario, will result in another credit crunch.

- As for Asia, central bankers have been busy jacking up interest rates to bring down their inflation rates to more acceptable levels. Still, prices are stubbornly high, thus the continuation of the race in rate hikes. Following the tightening measures implemented hitherto, economic activities have moderated, as evidenced by Asia's composite industrial production index (IPI) which has softened after reaching its peak in January 2010.

- The Malaysian economy continued to track its Asian counterparts with slower growth and higher inflation. In 1Q2011, gross domestic product (GDP) growth continued to moderate to 4.6% year-on-year (y-o-y) following a weaker external sector. However, domestic demand remained resilient, offsetting the soft patch that resulted from slower exports. Inflation is still on the uptrend, led by the higher food and non-alcoholic beverages (F&B) as well as transport sub-indices. But the policy response to rising inflation has been forthcoming: the overnight policy rate (OPR) was raised by 25 bps to 3.0%, while subsidy rationalisation has been more gradual than anticipated.

- Going forward, we believe that the normalisation process will continue as the global economy has rebounded quite swiftly in 2010. However, concerns on public finances will continue to hog the limelight, especially when there are rating downgrades by international rating agencies. As such, monetary stimuli will likely be maintained in the United States (US) for an extended period to prevent the relapse of the economy. For Asian economies, we believe that the pace of monetary tightening would shift to slow gear as persistent increases in policy rates have exacerbated the problem of capital inflows in recent months. Additionally, production activities have moderated from their peaks.

- For the Malaysian economy, we maintain our GDP growth target at 5.3% for 2011 as we think that the strength of domestic demand will continue to be underpinned by private consumption, which will likely remain the key driver of the economy amidst steady labour market conditions as well as easy access to credit. As for investment, indicators such as import of investment goods, foreign direct investment and sales of commercial vehicles suggest that private investment will likely chart a healthy growth this year. As for inflation, we expect food prices to remain elevated due to unfavourable weather conditions and a gradual removal of subsidies.

- The monetary policy conduct is expected to be more challenging in 2H2011. Indeed, the combination of a positive output gap and strong credit growth calls for tightening measures by Bank Negara Malaysia (BNM). However, the influx of capital inflows has complicated the direction of monetary policy. Moreover, the need to promote domestic investment as well as the nature of Malaysia's inflation dynamics (largely cost-push rather than demand-pull) warrants the extension of the accommodative stance. As such, we are not ruling out the introduction of macro-prudential measures such as exit levies, especially if capital inflows start to destabilise the financial market and the real economy. On the fiscal side, we believe that Malaysia's fiscal deficit target of 5.4% of GDP in 2011 is within reach as revenue will be boosted by higher oil prices.

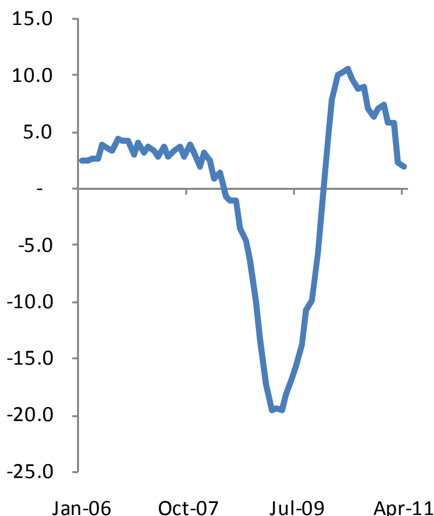
Taking stock of 1H2011 performance

Fear dominates advanced countries

Signs of a moderation in economic activities have emerged in 1H2011 following a sharp rebound that took place in 2010. This is evidenced by the modest expansion in the IPI of advanced countries such as the US, Japan and the euro zone: IPI growth, having peaked at 10.5% y-o-y in May 2010, declined to 1.8% in April 2011. The moderating economic growth is a result of a confluence of factors such as rising commodity prices, political instability in MENA, worries over public finances in advanced countries, as well as the lag effect of the recent earthquake and tsunami in Japan.

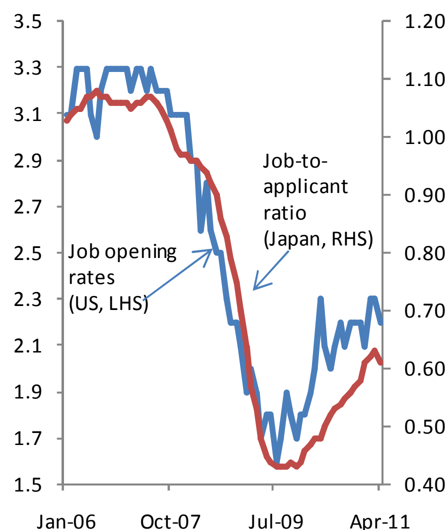
Notwithstanding this, the risk of a double-dip in the economy appears to be remote, at least in our view, due to the stable labour market conditions in these countries. For instance, the job opening rates in the US rose 2.2% in April this year from 1.8% at the start of 2010, despite the consistently high rate of unemployment which is hovering around 9% due to a rising labour participation rate. In Japan, the job-to-application ratio improved to 0.63 in April from its trough of 0.43 in September 2009. Similarly, job vacancy rates in the euro area ameliorated to 1.5% in 4Q2010 (3Q2010: 1.4%). While the 1Q2011 figure has yet to be released for the region, Germany's job vacancy rate rose to 2.7% (4Q2010: 2.6%), suggesting that the current trend is very much intact. The increasing number of jobs available in the advanced countries can be a boon for consumer spending in the near term.

Chart 1: G3 Composite IPI (y-o-y%)



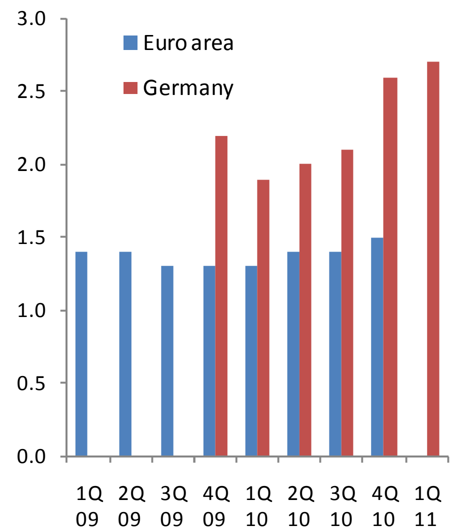
Source: Bloomberg, MARC Economic Research
Note: Nominal GDP (in USD) is used to derive each country's weightage. G3 members are the US, Japan and the euro-zone

Chart 2: US job opening rates and Japan's job-to-applicant ratio



Sources: US Bureau of Labor Statistics, Bloomberg

Chart 3: Euro area and Germany's job vacancy rates



Source: Eurostat

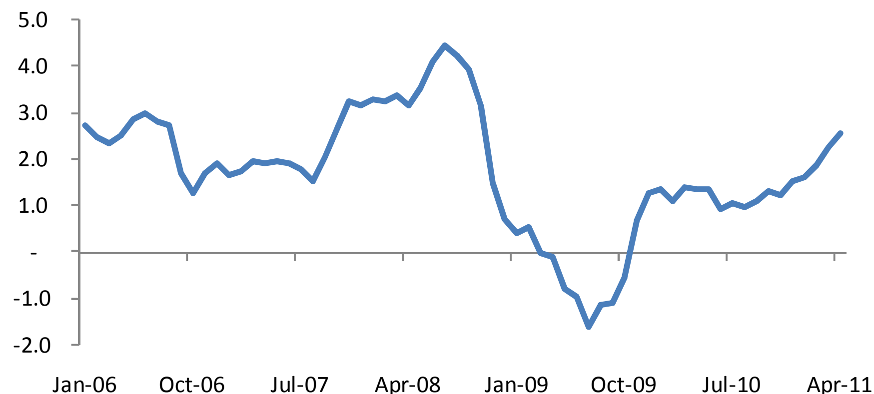
While jobs are being created in the advanced economies, inflationary pressure is creeping in. Indeed, the weighted consumer price index (CPI) for the three major economies of the US, Japan and the euro zone stood at 2.6% in April and has been on the rise since September 2009. Food and energy components underpinned price increases, while demand-led inflation was somewhat less visible given that unemployment remained elevated. This offers an explanation as to why the Fed is comfortable with its asset-purchase programme of USD600 billion which has yielded an extremely low interest-rate environment.

In the same vein, Japan's CPI continued to languish at close to 0%, with the latest national level standing at about 0.3% y-o-y in April. This is unsurprising, as the earthquake and tsunami that assailed the Land of the Rising Sun on March 11 has disrupted the supply chains of various industries, particularly the automotive and electronic sectors. This tragedy will indubitably exert downward pressure on production activities in the short term, leading the Bank of Japan (BOJ) to announce its

readiness to provide the necessary support to tide producers over this difficult period of adjustment. The latest monetary policy meeting in May saw the monetary authority maintaining its policy rate at between 0.0% and 0.1%.

In the case of the euro zone, the ECB's policy rate was raised by 25 bps to 1.25% on April 13 as the central bank remains vigilant on inflationary pressures. Some of the euro zone's peripheral countries have been experiencing capacity constraints in industrial production following improved product demand, especially in Germany. This has resulted in higher demand for factors of production – especially labour – and the attendant fall in unemployment. Since Germany is the largest constituent of the euro zone, it would make good sense for the ECB to ensure that this economy continues to grow at a sustainable pace. Additionally, the May CPI reading of 2.7% has surpassed the ECB limit of 2.0%.

Chart 4: G3 CPI (y-o-y%)



Sources: Bloomberg, MARC Economic Research
Note: Nominal GDP (in USD) is used to derive each country's weightage. G3 members are the US, Japan and the euro-zone

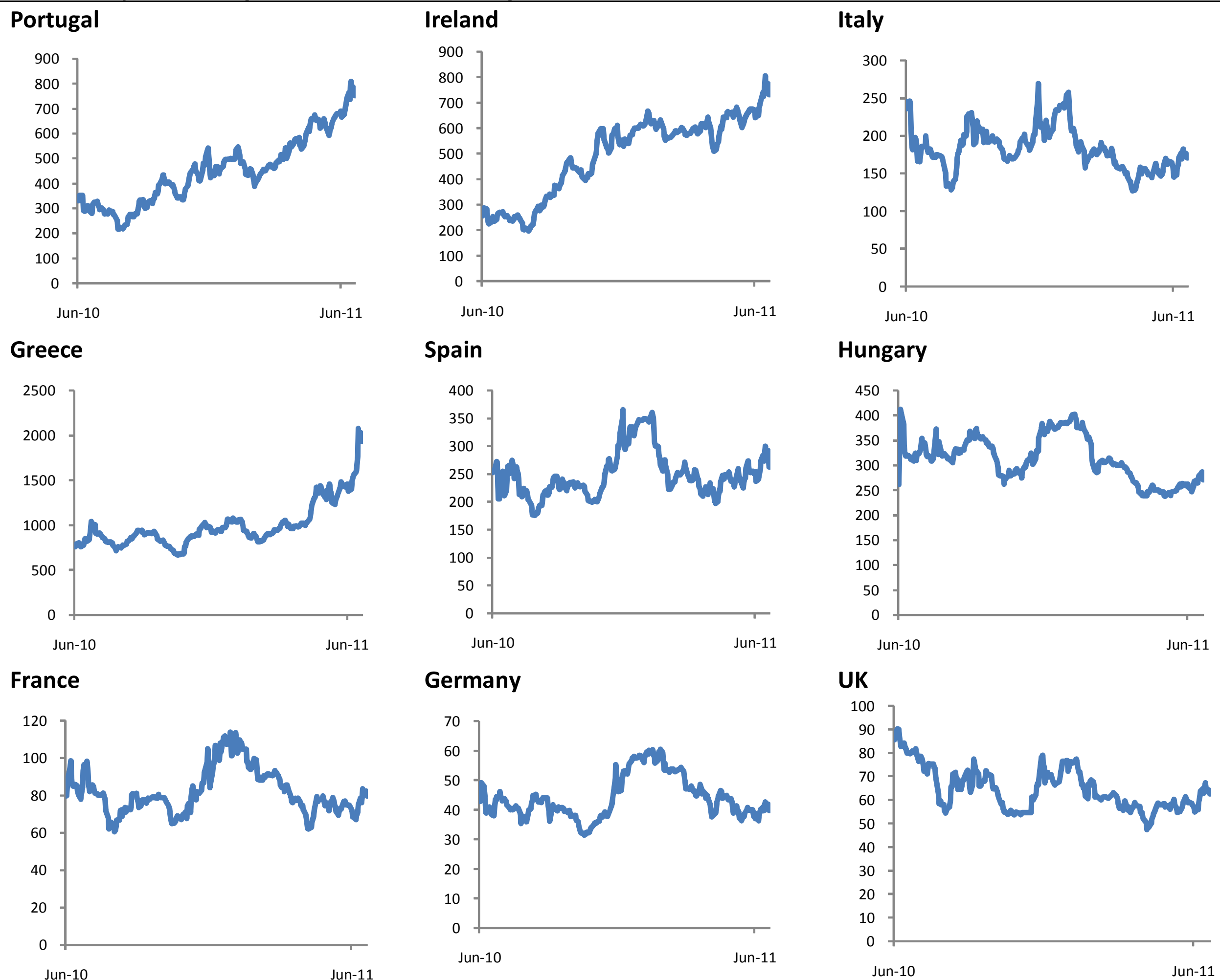
The primary concern over the euro-zone economy is the severity of its sovereign debt, which, to a large extent, has been responsible for the massive gyrations in the financial markets. The latest casualty is Greece, whose rating was downgraded several notches by one of the international rating agencies on June 13. Consequently, the country's credit default swap (CDS) spread skyrocketed in the same month to more than 2,000 bps. A similar trend was also seen in other debt-stricken countries like Portugal and Ireland, where the CDS spreads hovered above 700 bps.

According to a study done by the International Monetary Fund (IMF)[1], sovereign-rating downgrades have statistically and economically significant spillover effects, both across countries and financial markets. It was also found that downgrades to near-speculative grade ratings for relatively large economies such as Greece have systematic spillover effects across euro-zone countries. The study also highlighted that the potential channel for spillover effects would be in the form of holdings of foreign sovereign debt by domestic banks. In the case of the euro region, banks normally hold substantial amounts of sovereign debts in both their trading and banking books. Therefore, potential and actual downgrades by credit rating agencies will invariably have negative repercussions on the profitability of European banks.

Our concern stems from the pessimism in the financial markets that could be transmitted into the real economy. This is particularly true when the threat of sovereign downgrades would have an immediate effect on credit expansion, which, in the worst-case scenario, will result in another credit crunch.

[1] *Sovereign Rating News and Financial Markets Spillovers: Evidence from the European Debt Crisis,* an IMF working paper by Rabah Arezki, Bertrand Candelon and Amadou N.R.Sy, March 2011

Chart 5: 5-year CDS spread for selected European nations



Source: Bloomberg

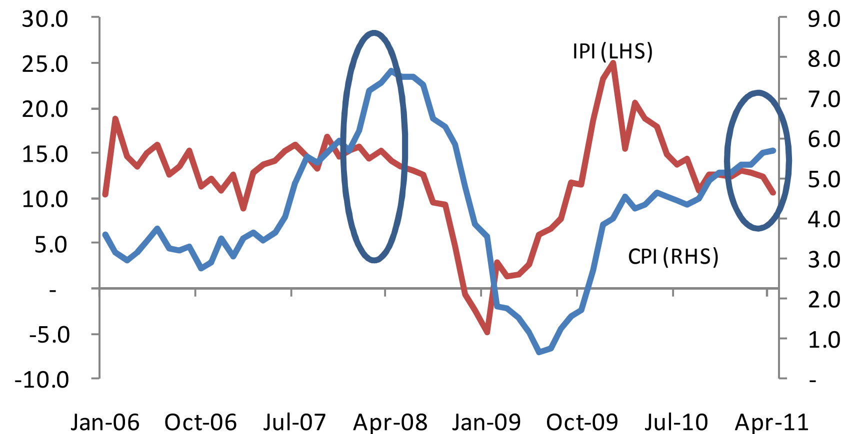
The Asian economy's battle against inflation

It appears that the world is divided into two groups with different, almost opposite issues: one group struggles to address government balance sheets and growth, while the other faces rising inflation. Obviously, Asian countries belong to the latter. Asian central bankers have been busy jacking up interest rates to lower their inflation rates to more acceptable levels. But prices have been stubbornly high, and thus the race in rate hikes continues. Among these countries, India has been leading with a total increase of 100 bps in their repurchase (repo) rate, which currently stands at 7.5%.

Mainland China has implemented a similar policy, but utilises a different policy instrument. The People's Bank of China (PBOC) has been aggressively raising the reserve requirement ratio as the central bank is committed to controlling credit expansion, which continues seemingly uninhibited at a double-digit pace. However, this measure has yet to cool off the inflation rate which stood at 5.5% in May, a startling 34-month high. Other countries, like Singapore, Thailand and the Philippines, also face similar predicaments and as a result, have tightened their monetary stance in recent months.

Following such tightening measures by Asian central banks, economic activities have moderated, as evidenced by Asia's composite IPI softening to 10.6% in April this year after peaking at 25.1% in January 2010.

Chart 6: Asia's composite CPI and IPI (y-o-y%)



Source: MARC Economic Research
Note: Nominal GDP (in USD) is used to derive each country's weightage. These countries include China, Indonesia, Malaysia, Korea, Taiwan, Vietnam, Hong Kong, India, the Philippines, Singapore and Thailand

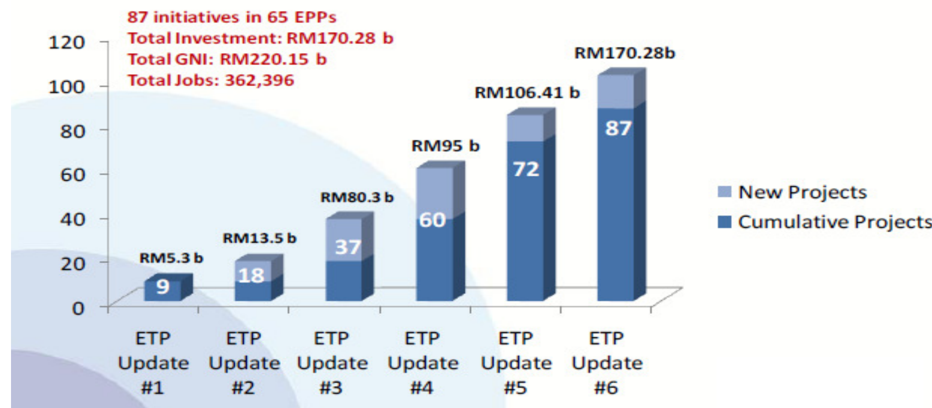
The Malaysian economy in the past six months

The Malaysian economy shared other Asian countries' characteristics in 1H2011, with slower growth and higher inflation making headlines in the period under review. Indeed, in 1Q2011, GDP growth continued to moderate to 4.6% y-o-y after expanding by 5.3% and 4.8% in the preceding two quarters amidst a weaker external sector. However, domestic demand remained resilient, offsetting the soft patch that resulted from slower exports. The CPI sustained its ascent with May's 3.3% growth that was driven by higher food and non-alcoholic beverages (F&B) as well as transport sub-indices which rose 4.5% and 2.6% during the month. Excluding the F&B items, the CPI exhibited the same trend of growth with May's 2.8% increase from 1.9% in January 2011. Despite these increases, sentiment indicators for businesses and consumers, i.e. the Malaysian Institute of Economic Research (MIER) business condition index (BCI) and consumer sentiment index (CSI), remained comfortably higher than the 100-point demarcation line in 1Q2011, connoting a sustenance of the robustness of domestic demand in the near term.

There have been several policy responses to the rising inflation. Certainly, various subsidies have been judiciously removed in incremental steps so not to inflict too heavy a burden on the *rakyat*. At the same time, BNM has been mindful of the state of financial stability, introducing various measures in the period to address financial imbalances. On the interest-rate front, the overnight policy rate (OPR) was raised by 25 bps to 3.0% on May 5 following stable economic growth on the back of sustained strength in domestic demand, despite the weaker external conditions.

Efforts by the government to enhance Malaysia's investment climate continued to grab headlines through continuous updates by the Performance Management and Delivery Unit (PEMANDU) on the progress of the Economic Transformation Programme (ETP). According to the latest statistics disseminated on June 13, 65 out of 131 entry points projects (EPP) have taken off, representing 87 initiatives valued at RM170.3 billion since the first announcement in October 2010.

Chart 7: ETP updates on June 13, 2011



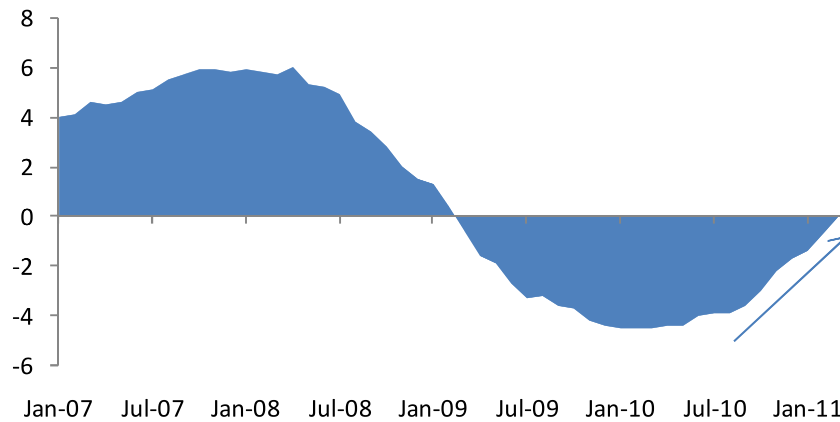
Source: PEMANDU

The economic outlook for 2H2011

Global and Asian economies

We believe that the normalisation process will continue as the global economy has rebounded swiftly in 2010. The latest forecast by the IMF indicated that global economic growth will likely moderate from 5.0% in 2010 to 4.4% and 4.5% in 2011 and 2012 respectively. However, concerns about public finances will continue to hog the limelight, especially when news abound of actual and potential rating downgrades by international rating agencies. But monetary stimulus measures will likely be maintained in the US for an extended period to prevent a relapse of the economy. Such policies have been responsible for the improvement in access to credit, as evidenced by the recent increases in consumer credit growth. The latest statistics demonstrated that US consumer credit growth has crept up into positive territory, having risen by 0.6% y-o-y in April after contracting in the period since March 2009.

Chart 8: US consumer credit growth (y-o-y%)



Source: Bloomberg

As for Asian economies, while the strife against inflation rages on, many central banks will likely be re-assessing their strategies as the current inflation dynamics are related to supply factors more than anything else. In addition, production activities have moderated from their peaks. We believe that the pace of monetary tightening in Asia would shift to slow gear, especially when persistent increases in policy rates have turned on the tap of capital inflows in recent months. Moreover, focusing excessively on interest rates may not be the most effective course of action when the real culprit is the strong credit expansion, which, to some extent, appears unsustainable in the near term. Therefore, macro-prudential measures would be a good alternative in an environment of increasing capital-flow volatility.

The Malaysian economy's steady growth path after a strong rebound

We maintain our GDP growth target at 5.3% for 2011 (as first reported in our annual economic outlook published in January 2011), and this conviction is predicated on the strength of domestic demand that is underpinned by private consumption, which we think will remain the key driver of the economy amidst steady labour market conditions as well as easy access to credit. A stable labour market is reflected in the country's unemployment rate which has been on the decline, falling to 3.0% in March as more jobs became available to the general public. This is evidenced by the number of job vacancies which continued to rise to 568,717 in 1Q2011, representing a 26.4% y-o-y increase. In the same vein, lending to the household sector remained strong, having expanded by 13.0% y-o-y in May due to higher growth in credit cards, personal loans and passenger-car purchases.

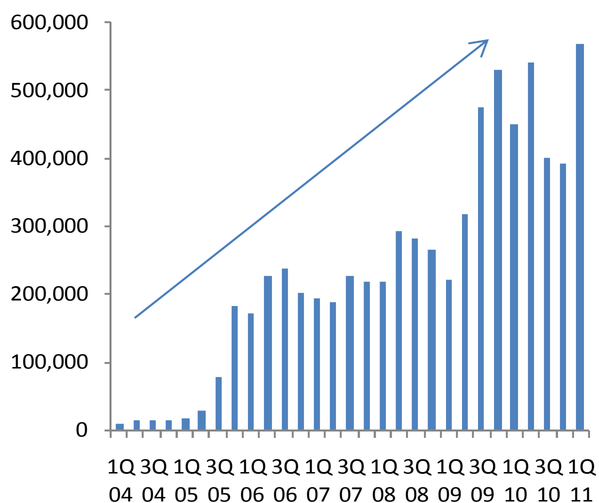
Table 1: GDP componential growth (y-o-y%)

Growth	2007	2008	2009	2010	2011F	2012F
GDP	**6.5%**	**4.7%**	**-1.7%**	**7.2%**	**5.3%**	**5.5%**
Domestic demand	9.6%	6.8%	-0.5%	6.3%	5.2%	6.0%
Consumption	9.7%	9.0%	1.2%	5.3%	5.4%	5.9%
-Private	10.5%	8.5%	0.7%	6.6%	5.8%	6.3%
-Public	6.6%	10.7%	3.1%	0.1%	3.9%	3.9%
Investment	9.4%	0.7%	-5.6%	9.4%	4.6%	6.5%
-Private	13.1%	1.0%	-17.2%	13.8%	8.0%	7.6%
-Public	5.3%	0.5%	8.0%	5.5%	1.2%	5.3%
Real exports	4.1%	1.6%	-10.4%	9.8%	8.8%	11.6%
Real imports	5.9%	2.2%	-12.3%	14.7%	9.4%	11.9%

Source: MARC Economic Research

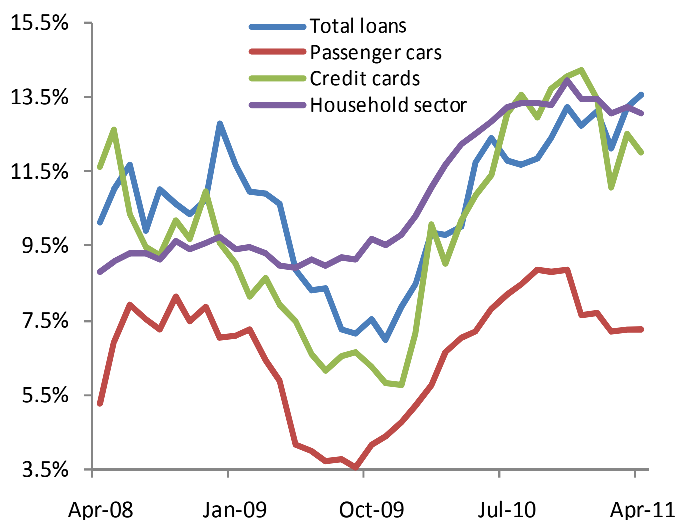
This backdrop implies that private consumption will continue to be well supported by easy access to credit. In addition, double-digit growth in palm oil and SMR20 rubber prices (40.6% and 51.0% respectively) in the first four months of 2011 portends stable or even increased rural-area consumption. As such, we expect private consumption to grow at 5.8% in 2011, a healthy albeit slower pace than the 6.6% expansion seen in the preceding year.

Chart 9: Number of job vacancies



Sources: CEIC, BNM

Chart 10: Loan growth (y-o-y%)



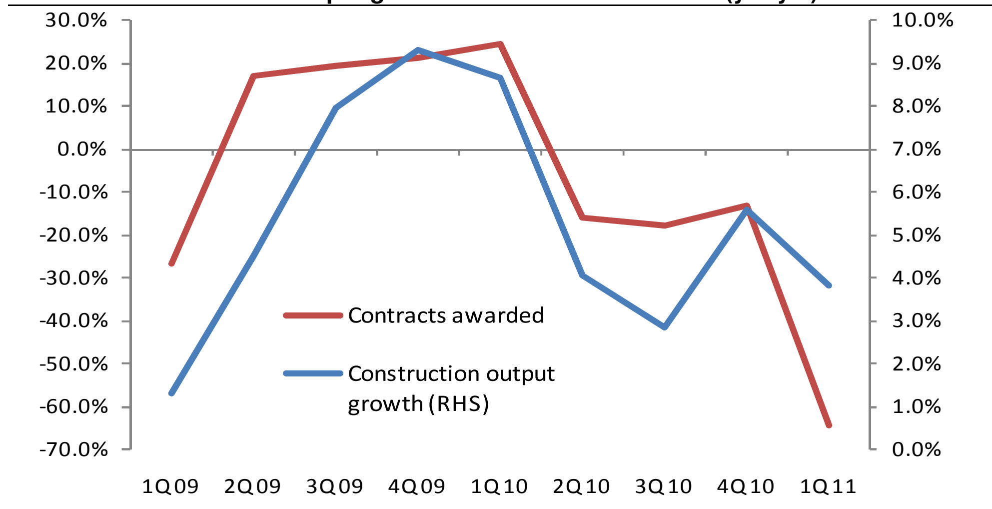
Source: CEIC

As for investment, indicators such as imports of investment goods, foreign direct investment and sales of commercial vehicles suggest that private investment will likely experience healthy growth this year. Additionally, the positive sentiment brought about by PEMANDU's efforts to accelerate private investment will likely be sustained in the near term.

Nonetheless, several national key economic areas (NKEAs) such as financial services, wholesale & retail trade, palm oil and rubber appear to be falling behind schedule in terms of EPP implementation. This is in contrast with some of the NKEAs like health services and oil, gas and energy, which managed to record remarkable achievements so far against their mandated targets. Such imbalances have raised the question as to whether priorities are given to sectors with bigger players rather than to businesses related to the man in the street.

Another issue is related to the efficiency of the government machinery in terms of the awarded contracts following the contraction in the number of projects awarded in 1Q2011 by 64.5% which has adversely affected the growth of the construction sector. In the same vein, government development expenditure declined by 12.0% during this period. Hence, efforts should be focused on improving the pace of awarding projects to ensure smoother acceleration in economic activities in these days of slower global demand. Overall, we are of the view that private investment will grow by 8.0% and 7.6% respectively in 2011 and 2012.

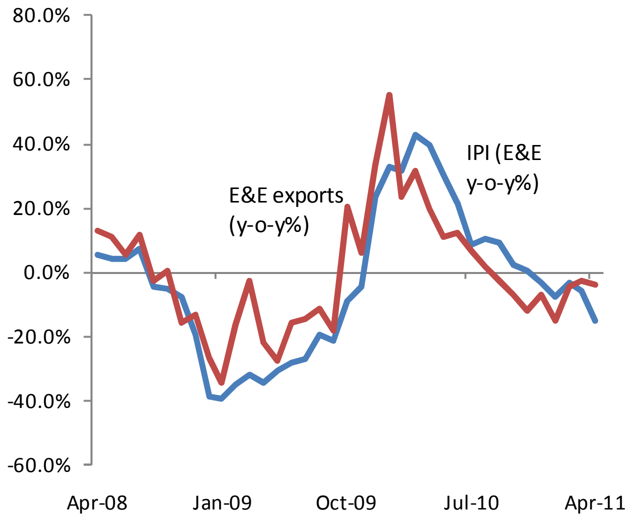
Chart 11: Construction output growth and contracts awarded (y-o-y%)



Sources: CEIC, Construction Industry Development Board

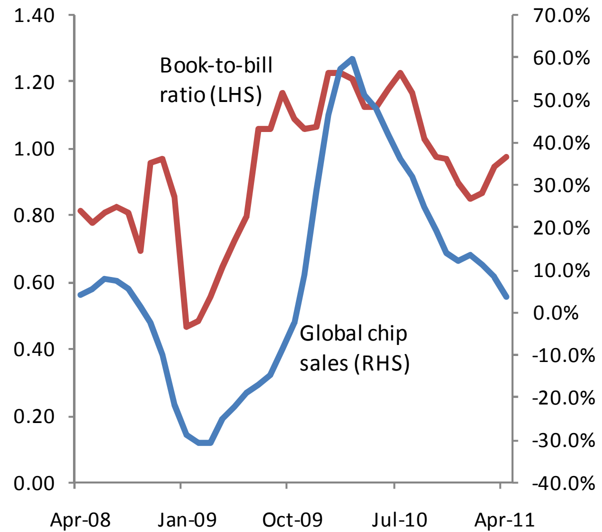
As for the external sector, the risk of a soft patch is certainly increasing, judging by recent statistics which depict weaker exports of electrical and electronic (E&E) products. Currently, leading indicators for E&E exports such as global chip sales and the US book-to-bill ratio continue to suggest a moderation in the global E&E demand. This trend is already reflected in the contractions in Malaysia's E&E exports and production by 4.0% and 15.3% respectively in April this year. As such, we fix our forecast for real export growth at 8.8% for 2011, a whole percentage point lower than last year's level.

Chart 12: E&E sector performance (y-o-y%)



Source: CEIC

Chart 13: E&E lead indicators (index and y-o-y%)



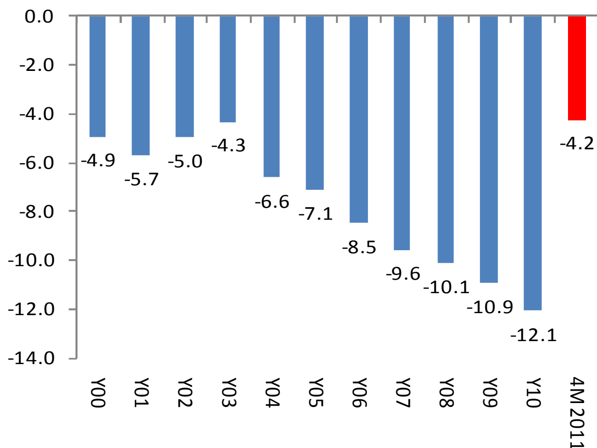
Sources: Semiconductor Industry Association (SIA), SEMI

Inflation is on the rise

Following rapid increases in the prices of food and energy-related products, the issue of inflation will likely still figure prominently in the near term. As for food, low self-sufficiency levels for certain items such as rice (71.4%), milk (4.9%), and meat (28.6%) will make Malaysia more susceptible to international price gyrations as the country needs to import these items to meet local demand. Going forward, we expect food prices to remain elevated, especially due to unfavourable weather conditions internationally. Certainly, recent news in India which predicted below-normal monsoon rains for the second time in three years portend further contractions in farm output - a dim outlook indeed for Malaysia as the amount of imported food and live animals from India has been rising at a rather distressing double-digit pace of 24.4% in the first four months of this year alone.

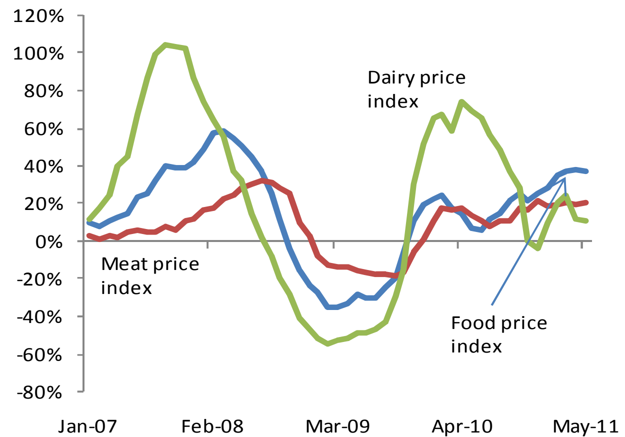
Other than food, we also believe that the subsidy-rationalisation programme would also contribute to inflationary pressures, although the rationalisation efforts have been implemented in measured steps. This, to some extent, can be attributed to profiteering activities in the economy.

Chart 14: Malaysia's trade balance in foodstuff (RM bn)



Source: CEIC

Chart 15: United Nations Food and Agriculture Organization (UN FAO) Food Price Index (y-o-y%)



Source: UN FAO

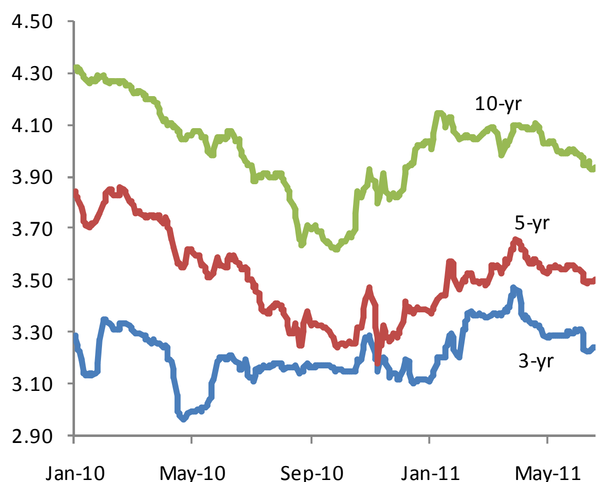
Apart from high food prices and subsidy removals, tight capacity constraints, already evident in some domestic-oriented industries, may be one of several factors that could drive up wages going forward. Heartening news, however, comes in the form of a decline in the capacity utilisation of export-oriented industries to 80% in 1Q2011 (from 82% in the earlier quarter), suggesting that it will be some time yet before such constraints cause higher inflation in the economy.

For the whole of 2011, we maintain our inflation target at 3.3%, almost double that of 2010's 1.7%, while core inflation – excluding volatile energy and F&B prices – will likely rise to 2.7% in 2011 from 1.3% in the preceding year.

Monetary policy caught between a rock and a hard place

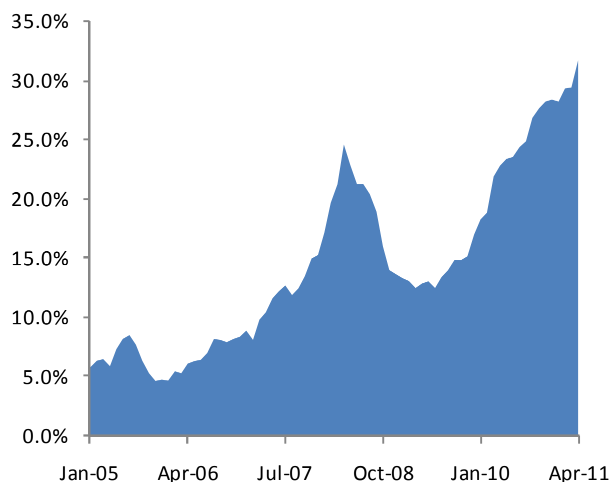
The monetary policy conduct is expected to be more challenging in 2H2011. The combination of a positive output gap and strong credit growth calls for tightening measures by BNM, but the nature of Malaysia's inflation dynamics (largely cost-push rather than demand-pull) and the need to promote domestic investment warrant an extension of the prevailing accommodative stance. In this regard, the end game is not as simple as one would think.

Chart 16: Malaysian Government Securities (MGS) yield-to-maturity (%)



Source: CEIC

Chart 17: Foreign MGS holdings as % of total MGS outstanding amount



Source: CEIC

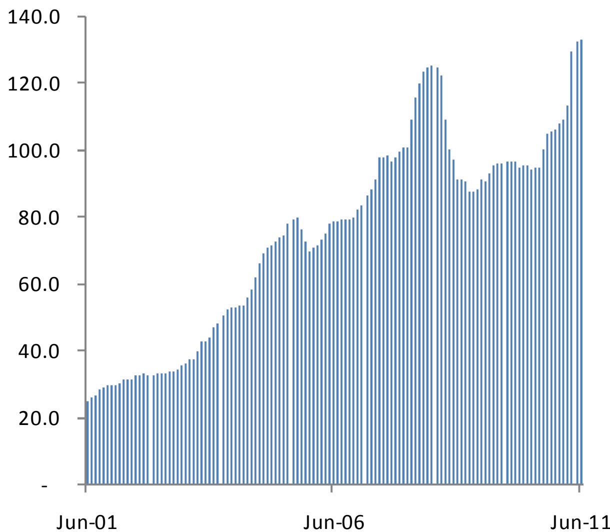
In the financial market, MGS bond yields have remained steady, although they have somewhat declined from their April 2011 peaks. The recent downward trend in yields came about despite the 13.8% increase in MGS issuances in the first four months of 2011 and was made possible by higher foreign demand on the back of the ringgit's sustained strength. As a result, foreign MGS ownership has reached a historical high, judging by the data series that started in January 2005. The influx of capital inflows has indeed complicated the direction of monetary policy.

Against this backdrop, we are not ruling out the introduction of macro-prudential measures like exit levies, especially if capital inflows start to destabilise the financial market and the real economy. Compounding the fear is the level of international reserve assets which hit an all-time high of USD133.2 billion on June 15.

However, a closer look reveals that the buildup in international reserve assets has been primarily attributed to the surpluses in the current account balance, which, as a ratio of GDP, stood at 14.9% in 1Q2011 (4Q2010: 11.7%), while the capital and financial account registered a deficit balance amounting to 3.0% of GDP (4Q2010: 0.6%) during the same period. Therefore, we opine that the current situation is still stable given that the rise in the amount of reserve assets is due to trade-related factors. So far, measures introduced by BNM (e.g. the liberalisation of direct investment abroad to promote two-way capital flows) to alleviate pressures from the deluge of capital inflows have been rather mild.

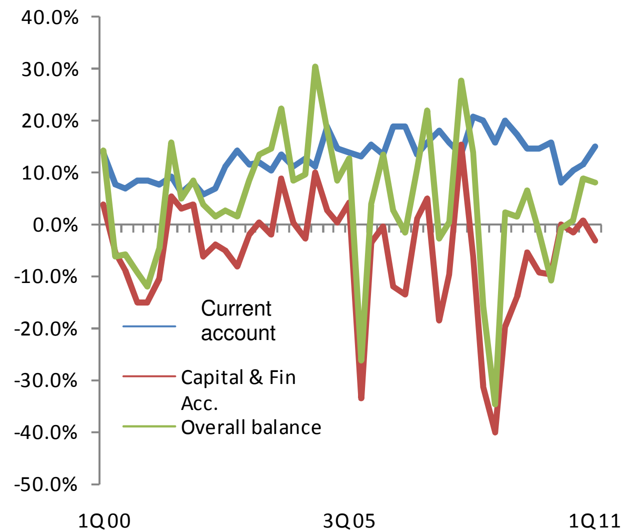
As for interest rates, we still believe that BNM will raise the OPR by another 25 bps in the next six months, especially if growth starts to rebound in 2H2011. This view is predicated on the need for continued prudence with respect to credit growth, which, if left unattended, will adversely affect the real economy. Hence, we see the OPR ending 2011 at 3.25%. Additionally, we expect the statutory reserve requirement (SRR) ratio to be normalised further to 4.0% from the current 3.0%. The risk to our forecast, however, is a continuous weakness in the growth profile amidst the fragile recovery of the US economy in the next year.

Chart 18: International reserve assets (USD billion)



Source: CEIC

Chart 19: Balance of payment components (% of GDP)

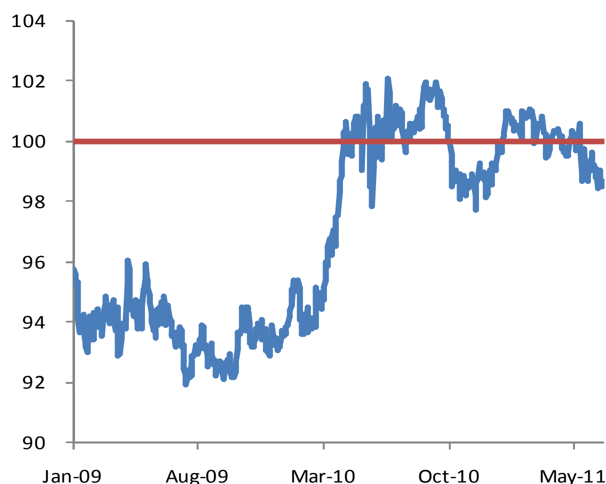


Source: CEIC

Exchange rate against USD has limited upside

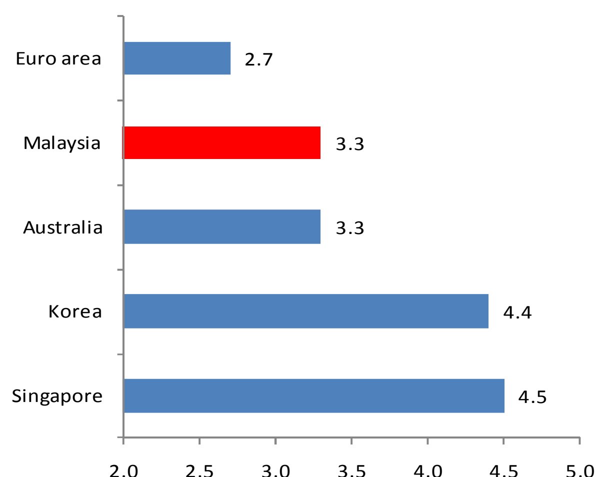
The ringgit (MYR) nominal effective exchange rate (MYRNEER) suggests some upside potential against the currencies of selected major trading partners as the current index hovers below the 100-point threshold. Specifically, the MYR appears to have some upside risks against various currency pairs such as the Singapore dollar (SGD), Euro (EUR), Korean won (KRW) and Aussie dollar (AUD). We believe that the upward bias on the OPR and the relatively high inflationary environments of these countries could catalyse the MYR's appreciation. Nonetheless, against the USD, the MYR appears to be fairly valued at this juncture, implying a rather limited upside potential against the greenback. As such, we maintain our call for MYR/USD in the range of RM2.95 to RM3.05 in the next six months.

Chart 20: MYRNEER (index)



Source: MARC Economic Research

Chart 21: CPI (y-o-y%)



Source: Bloomberg
Euro area = May; Malaysia = April; Australia = March; Korea = May; Singapore = April

Fiscal policy needs to always be mindful of the budget gap

The government has been prudent in managing its limited resources by rationalising untenable subsidies despite speculations of a possible general election this year. As oil revenue accounts for more than 40% of total government revenue, we foresee a general improvement in the government revenue stream following higher oil prices. Additionally, a positive output gap will ensure that tax collection will remain healthy given the higher profitability among businesses and stable labour market this year. The government's revenue has already reached RM39.8 billion in 1Q2011, a 38.4% jump from last year.

On the expenditure side, the gradual removal of subsidies will help keep operating expenses in check. In May this year, the government raised sugar prices to RM2.30 per kilogram, representing a 20 sen or 9.5% increase from the previous level. The super diesel subsidy was also removed at the beginning of June for commercial vehicles such as prime movers, general cargo, and limo taxis. In the same vein, Petronas' gas subsidy was rationalised on June 1 to ensure stability in the dividend stream to government coffers.

Hence, we believe that Malaysia's fiscal deficit target of 5.4% of GDP in 2011 is within reach, and will translate into lower debt levels going forward. As of 1Q2011, the government debt-to-GDP ratio stood at 51.8%, down from 53.1% in 2010.

Table 2: Federal government finances

		2010		2011
	1Q	4Q	Year	1Q
Revenue	**28.7**	**45.8**	**159.7**	**39.8**
y-o-y%	*-19.9*	*7.6*	*0.6*	*38.4*
Operating expenditure	**31.9**	**44.1**	**151.6**	**38.7**
y-o-y%	*-7.1*	*-4.6*	*-3.5*	*21.2*
Gross development expenditure	**7.3**	**20.8**	**52.8**	**6.4**
y-o-y%	*11.4*	*18.6*	*6.6*	*-12.0*
Overall balance	**-10.2**	**-18.2**	**-43.3**	**-5.2**
% of GDP	*-5.6*	*-8.9*	*-5.6*	*-2.6*
Government debt	**378.3**	**407.1**	**407.1**	**430.2**
% of GDP	*49.4*	*53.1*	*53.1*	*51.8*
-Domestic debt	**365.6**	**390.4**	**390.4**	**414.2**
% of GDP	*47.7*	*51.0*	*51.0*	*49.9*
-External debt	**12.7**	**16.7**	**16.7**	**15.9**
% of GDP	*1.7*	*2.2*	*2.2*	*1.9*

Source: BNM Quarterly Bulletin

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