

**Experts too downbeat on Malaysian economy, says Singapore BT**  
**The Malaysian Insider**  
**December 12, 2011**  
**By Yow Hong Chieh**

KUALA LUMPUR, Dec 12 — Malaysia is vulnerable to a sharp Western slump but not as much as experts suggest, the Singapore Business Times said in a commentary today.

Calling downbeat views of the economy “overdone”, the paper’s Kuala Lumpur correspondent noted that Malaysia has so far maintained steady growth in the face of pessimistic market expectations.

File photo of a container yard at North Port in Port Klang. Shipments to China, India and Japan grew in October. — Reuters pic

“No one country, save perhaps those with very large domestic economies like India, Indonesia or China, is immune from a sharp Western slump.

“But to suggest that the country is in imminent peril of falling from a cliff may be something of an overstatement,” S. Jayasankaran said.

He pointed out exports grew almost 16 per cent year-on-year in October — more than double the seven per cent forecast for the month — on soaring commodity exports and improved production, which offset the impact from falling electronics output and exports.

Malaysia’s newly diversified portfolio of trading partners, including China and India, also continued to support growth even as demand from the developed markets slowed, he also said.

“If the Eurozone and the US were struggling, other emerging economies have stepped into the breach to take up the slack,” Jayasankaran said.

Shipments to China grew by 37.1 per cent to RM8.66 billion in October, while exports to India jumped 76.9 per cent that same month on the back of a new trade agreement.

Exports to Japan also rose 29.6 per cent to RM7.52 billion, mainly to meet post-tsunami and earthquake reconstruction needs and new demand arising from supply chain disruptions cause by floods in Thailand.

Jayasankaran also downplayed a warning by a Nomura International economist that Malaysia would be hit harder than its Asian peers by an economic crisis in Europe due to relatively weaker public finances and dependence on commodities.

Nomura chief economist for Asia ex-Japan, Robert Subbaraman, said last week that unlike most Asian countries, Malaysia will be negatively affected by an expected drop in commodity prices while the government will also find it difficult to keep up stimulus policies.

He said Malaysia ranked third in Asia ex-Japan in terms of exposure to European bank claims, after Hong Kong and Singapore, which could mean a drying up of liquidity should European banks start to cut their exposure to the region.

Figures provided by Subbaraman showed that European bank exposure to Malaysia

amounted to US\$50 billion (RM155 billion), or about 19 per cent of GDP, double that of the Asia ex-Japan average of nine per cent.

"That is something of an exaggeration," Jayasankaran said.

"Since the early 1990s, the central bank has pushed foreign banks to incorporate locally which means they actually have capital here and aren't just representative offices that actually derive their funds from their overseas parents."

He said this meant there were risk management practices in place to protect local depositors, implying less exposure.

Bank Negara Malaysia (BNM) governor Tan Sri Zeti Akhtar Aziz has also dismissed the US\$50 billion figure as "exaggerated", he added.

The Malaysian Insider

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