

**OCBC Sees More Favourable Trade Balance This Year**  
**Bernama**  
**10 March, 2014**

KUALA LUMPUR, March 10 (Bernama) -- Oversea-Chinese Banking Corp sees Malaysia's trade balance to be more favourable this year as exports are staging a more significant recovery on the back of improving global outlook.

The bank's economist, Wellian Wiranto, said exports to China have started to pick up more forcefully, aided by stabilising demand and uptick in crude palm oil prices.

"China is quickly becoming a contender to replace Singapore as the top destination for Malaysian exports.

"The exports turnaround would help alleviate concerns that Malaysia's current surplus is thinning," he said in a statement.

Wellian said emerging market investor sentiment rout should be there as the improvement in current account outlook would act as a useful buffer for any capital outflow fear.

He said the economy could continue the recent favourable momentum to clock growth at around five per cent this year as private consumption has proven to be more resilient than initially expected, supported by what Bank Negara has described to be "stable employment conditions and sustained wage growth".

On currency, Wellian said the Malaysian Ringgit may see some further depreciation.

"The degree at which it will do so is going to be relatively small. However, we are forecasting US dollar-ringgit level at 3.34 by year-end.

"Essentially, since the ringgit escaped the brunt of the emerging market currency weaknesses on a relative basis last year, some catch-up is in store this year against the background of a generally strong US dollar," he said.

On inflation, the economist said it is part and parcel of the fiscal adjustment process, as the government cuts back on subsidies.

For instance, the upside surprise in recent headline inflation can be attributed to the hike in electricity tariffs.

"While the price uptick will undoubtedly compel Bank Negara to be more vigilant on the risk of inflation pass-through, we doubt that it is enough to force the central bank to hike its Overnight Policy Rate in the near-term just yet.

"Even as the headline inflation jumped to around eight per cent in early 2008, Bank Negara did not react, judging correctly that it was more cost-push than demand-led," he added.

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