

China To Help Cushion Us Recession Impact On Malaysia's Economy

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KUALA LUMPUR, Aug 8 -- A strong Malaysia-China economic relationship is expected to help the country face and overcome the adverse effects of a US recession, said Capital Dynamics Asset Management Sdn Bhd.

Its managing director, Tan Teng Boo, said China is set to introduce aggressive policies to shore up its economy on the back of the latest development in the country and the US, helping to cushion the impacts of a possible global recession.

Therefore, he believed Malaysia's economy would still grow relatively better than other countries due to its links with China.

Tan also opined that Bursa Malaysia's FBM KLCI would be able to end the year at the 1,600 level and the ringgit between 4.40 to 4.50 as US recession risks are set to induce monetary policy change in the world's largest economy.

"China has always been an important country to the world and Malaysia, not just for businesses and investments but also for the nation's economy and foreign policies," he told reporters during a media conference today.

He described the US recession as potentially unprecedented and very much different from previous crises, with the US government having limited policy space, and may cut its interest rates significantly starting this year.

"I will not be surprised if the US cuts interest rates to near zero again," he highlighted.

Tan said that with a 2024 budget deficit estimated at 7.0 per cent of gross domestic product, the US has limited means to launch fiscal stimulus to boost its economy.

He opined that Bank Negara Malaysia may retain its overnight policy rate at the current 3.00 per cent to ensure that the monetary policy stance remains conducive to sustainable economic growth, amid a narrow rate differential should the US start cutting interest rates this year.

Tan said China is in an excellent position to make use of fiscal measures to support the economy, and it has plenty of room to loosen its monetary policy.

He added that with the decoupling already ongoing with the US, the resilient Chinese economy will be able to safely sail through another US-led financial crisis, just like 2008 - 2009.

Tan said China saved the global economy in 2009 with her massive fiscal stimulus and again in 2022 to 2023 from a cost of living crisis, by not taking a fiscal-bazooka stimulus.

"This time, we may see China saving the global economy for the third time," he said.

China has been Malaysia's largest trading partner since 2009, making up 14 per cent of exports.

Tourist arrivals from China reached nearly 1.2 million Chinese in five months of 2024, a 200 per cent increase over the same period of last year.

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