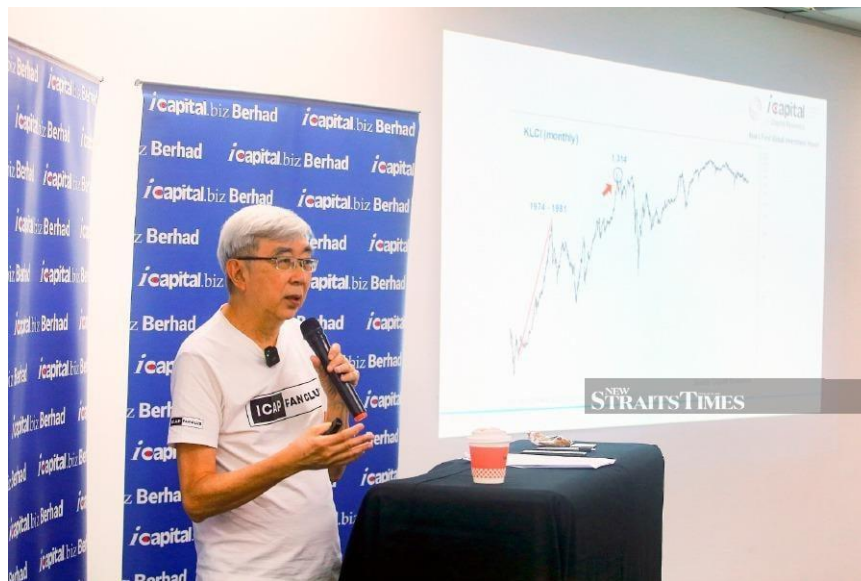


# Malaysia has robust economic fundamentals to weather global challenges, says iCapital Biz

By [S. Joan Santani](#) - October 26, 2023 @ 8:19am



Malaysia's robust economic fundamentals are well-positioned to weather global turbulence, including the ongoing US-China rivalry, concerns over US inflation rates, and geopolitical tensions.

KUALA LUMPUR: Malaysia's robust economic fundamentals are well-positioned to weather global turbulence, including the ongoing US-China rivalry, concerns over US inflation rates, and geopolitical tensions.

iCapital Biz's managing director Tan Teng Boo said Malaysia's current account surplus, currently at 2.0–3.0 per cent of the gross domestic product (GDP), serves as a substantial buffer, capable of mitigating any significant impact on the local market.

"If you have a robust current account surplus, you can keep building your reserve because the surplus will go into your reserve. That's the important fundamental," he told reporters at a media briefing today.

Malaysia's current account balance stood at RM9.1 billion in the second quarter (Q2) of 2023, and it is projected to register a surplus of RM62.24 billion in 2024, according to the Ministry of Finance.

Tan likened the US to a ticking time bomb, given the country's myriad challenges, such as a struggling economy, a high fiscal deficit, and the inability of the House of Representatives to select a speaker.

"Can the US stock market plunge 20 per cent, 30 per cent, 40 per cent? Yes, it is possible, and of course, we will be affected as we are all interconnected. But when it happens like that, that is the best time to invest.

"Such a downturn would considerably impact our market due to the interconnections. Nonetheless, this challenging period could also present an opportune time for investment," he said.

He said the FBM KLCI index projection for the upcoming year relies heavily on the extent of the US market's decline.

"I am optimistic that our FBM KLCI will show resilience and not experience a substantial drop following the performance in the US markets.

"If our local market does dip to 1,200 in the coming year, like how it was during the pandemic, the prospects for recovery are more favourable as our potential loss is limited. In such a scenario, I anticipate our recovery could readily attain the 1,500 to 1,600 range," Tan added.

He said sectors that will benefit next year will be plantations, semiconductors and automotive.

Tan also noted that Malaysia was badly hit in 1997 due to the country's current account deficit, which was very high, and the economic policy was different under the administration of the fourth prime minister.

Tan said he has witnessed many short-term market fluctuations, but only a few investors know that Bursa Malaysia experienced a sustained market upturn from 1974 to 1981.

"Our capital market has been very boring, and we have only been getting very few initial public offerings (IPOs), but I believe this will change under the new administration," said Tan.

Under the leadership of prime minister Datuk Seri Anwar Ibrahim, Malaysia has taken the right steps to maintain an exceptional position in the context of the growing competition between the United States and China.

He is optimistic about Malaysia's future for the next 5 to 10 years, as Malaysia's economy is gradually transforming, and the negative influence from the old political leadership is no longer lingering.

"Next year will be the peak of the US dollar. Not just the ringgit and rupiah, but other currencies will also start to appreciate," said Tan.

"The current weakness of the ringgit is due to the strengthening of the greenback. If conditions stabilise, the ringgit can strengthen further from RM4.30 to RM4.50 next year," he added.