Regional Summary: Southeast Asia

- Southeast Asia includes countries spanning the development continuum, from Singapore with a per capita GDP around USD65000, to Papua New Guinea, with a per capita GDP of approximately USD2500, according to the latest IMF figures. The region's geographic spread includes countries located north of Australia, west of New Guinea, east of India, and south of China.

- Growth in the region has been relatively robust, supported by strong domestic demand, government-led infrastructure spending, and increased foreign direct investment. However, growth is expected to moderate with downside risks including the negative impact of geopolitical tensions on trade, declining export-driven demand, energy price volatility, and potential exchange rate volatility.

- Three of region's countries—Thailand, Indonesia, and the Philippines—had elections in 2019, the results of which signal policy continuity.

- After moves to normalize monetary policy (following rate increases by the US Federal Reserve), most of the region's central banks are now expected to ease in light of the US Federal Reserve's more dovish stance.
Economic Risk: Moderate

- Now considered an upper-middle income country by the World Bank, Malaysia is targeting high-income classification by 2024. Malaysia’s economy is well diversified, with services accounting for 56% of GDP, followed by manufacturing at just over a fifth of GDP.

- Malaysia’s top exports are electronics, petroleum, chemicals, and palm oil. Growth in exports is likely to slow as external demand remains weak. Rather than exports, private consumption is expected to be the main driver of economic growth.

- The May 2018 elimination of the Goods and Services Tax gave the Malaysian consumer a boost. Government revenues fell as a result, and public-sector investment is expected to be subdued. The country continues to generate a current account surplus.

- The openness of Malaysia's economy is a challenge for the county in light of global protectionist trends. The country ranked 22nd in the world in the latest Index of Economic Freedom.

Political Risk: Moderate

- After elections in May of 2018, Prime Minister Mahathir Mohamad formed a coalition government. However, as part of the coalition formation, Prime Minister Mohamad pledged to serve only 1-2 years as prime minister, after which he would transfer the position to the leader of another party in the coalition.

- Although criticizing the increasing level of Chinese investment in Malaysia shortly after coming to office, Prime Minister Mohamad has demonstrated willingness to resume some initiatives following renegotiation.

- The judiciary is efficient, capable, and relatively independent. Perceived high levels of corruption, especially in the government, weakens public trust. Malaysia is ranked 61 out of 180 countries in Transparency International’s Corruption Perception Index. In January 2019, the government launched a five year National Anti-Corruption Plan, focused on the public sector.

- Malaysia significantly increased its ranking in the latest World Bank’s Ease of Doing Business Index, jumping from 24th in the world to 15th. The improvement was a result of six reforms the country enacted in 2018, many of which related to efficiency gains through technological adoption.

Financial System Risk: Low

- The insurance industry in Malaysia is regulated by the central bank, Bank Negara Malaysia (BNM). The IMF described the BNM’s financial oversight framework as robust and effective.

- The IMF considers Malaysia’s financial sector to be resilient and well positioned for potential shocks. Liquidity and profitability are supportive and non-performing loans are low.