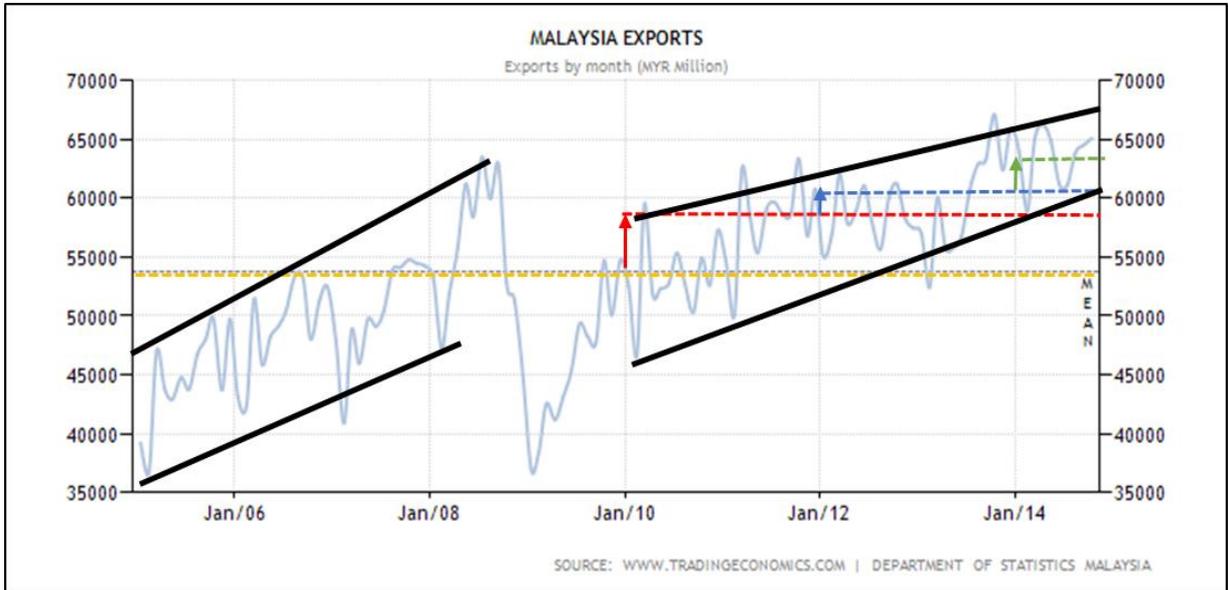
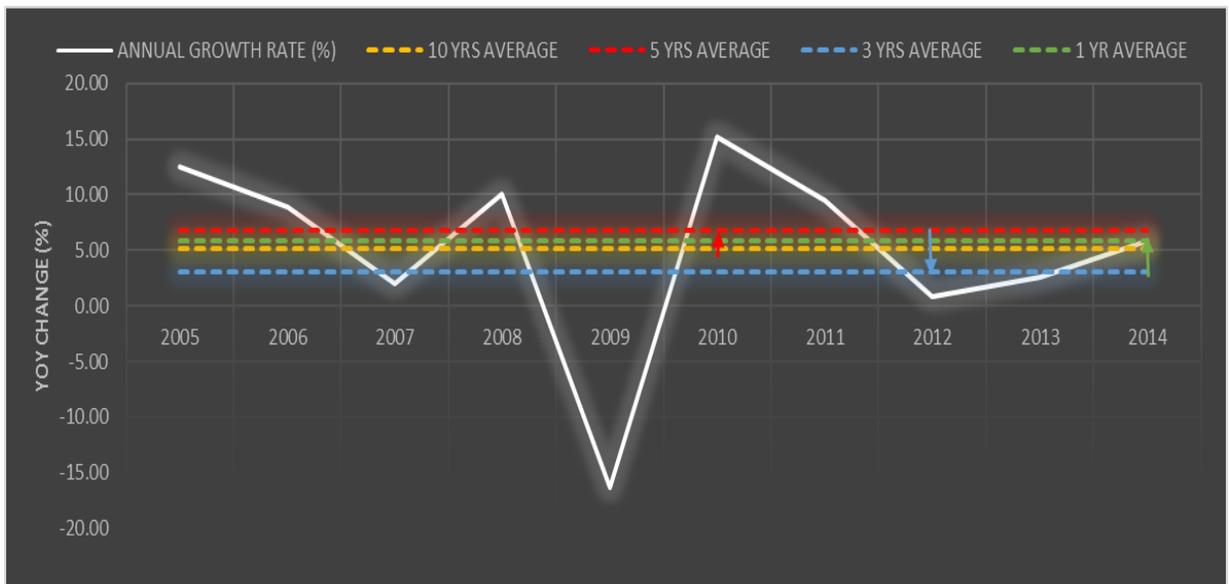


6.1(a) Movement of Malaysian Exports.

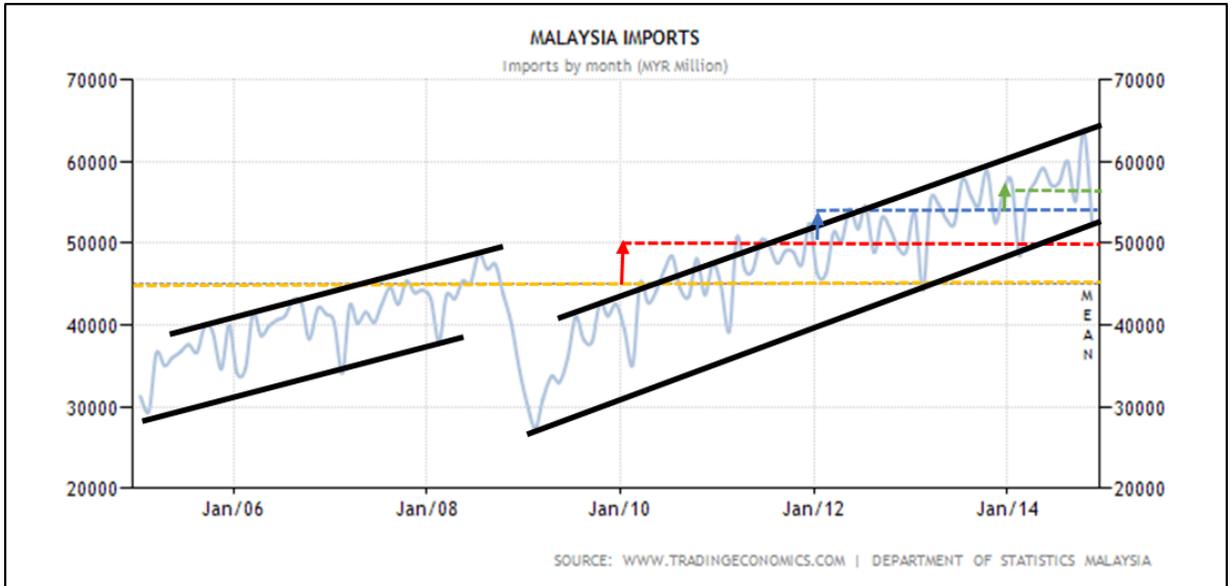


Malaysian exports is in a long-term uptrend from 2005 to 2014, with a 10-year average growth rate of 5.10%. The only negative annual reading was recorded in 2009 during this 10-year period. The most recent 1-year average of 2014 is above the 10-year line at 5.83%.

6.1(b) Growth Rate of Exports in Malaysia.

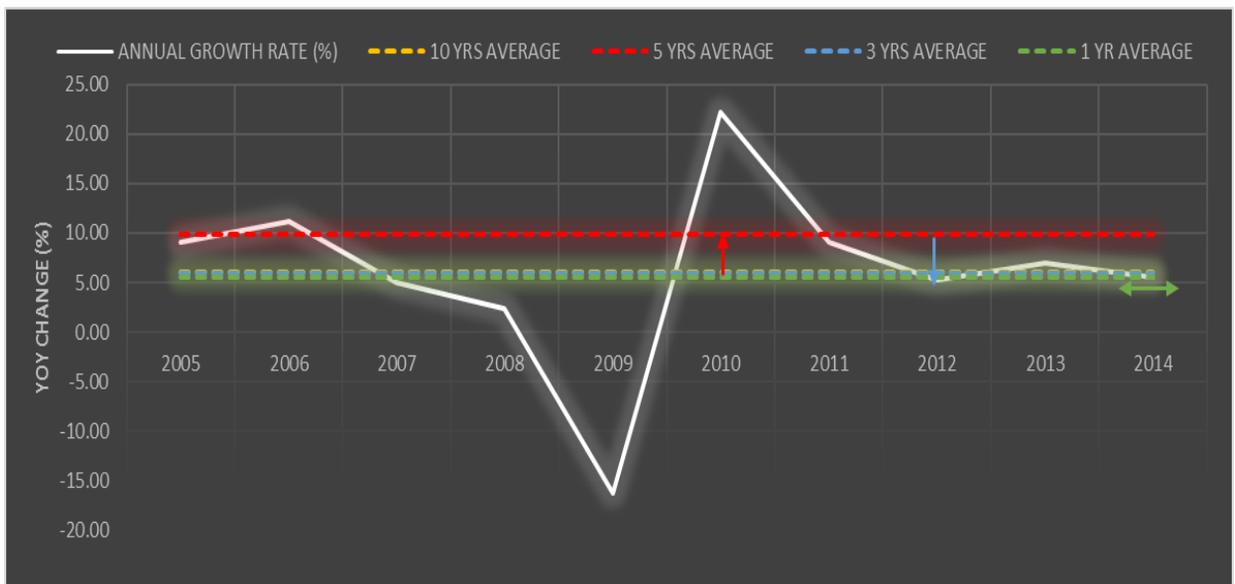


6.2(a) Movement of Malaysian Imports.

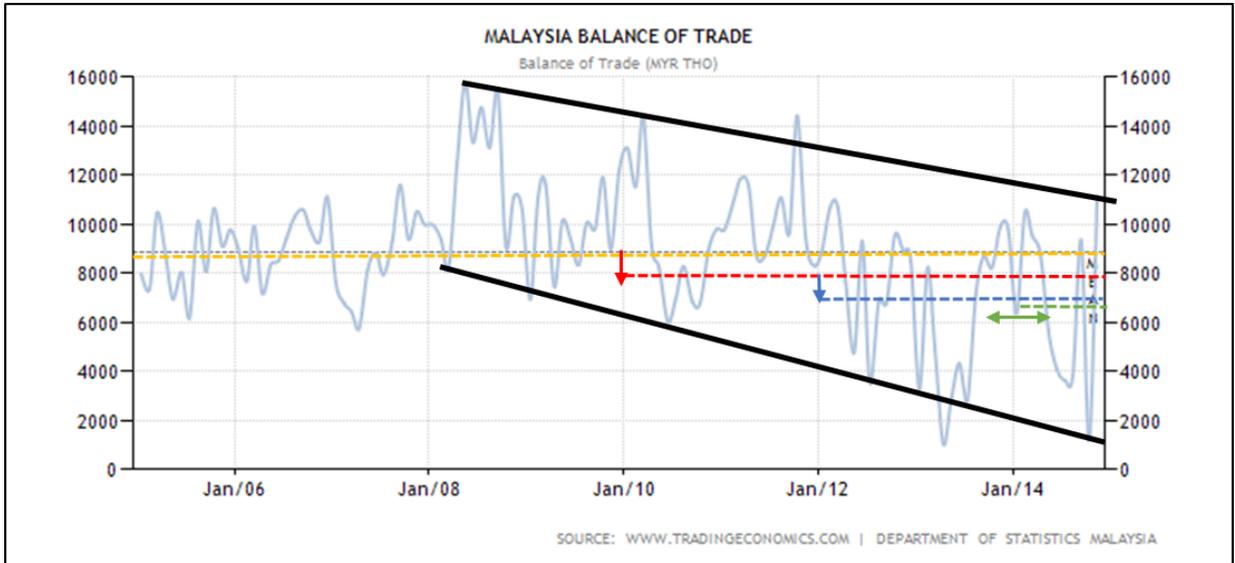


Similar to exports, Malaysian imports is in a long-term uptrend from 2005 to 2014, with a 10-year average growth rate of 6.03%. The only negative annual reading was recorded in 2009 during this 10-year period. The most recent 1-year average of 2014 is slightly below the 10-year line at 5.56%.

6.2(b) Growth Rate of Imports in Malaysia.



6.3(a) Changes in Malaysian Balance of Trade.

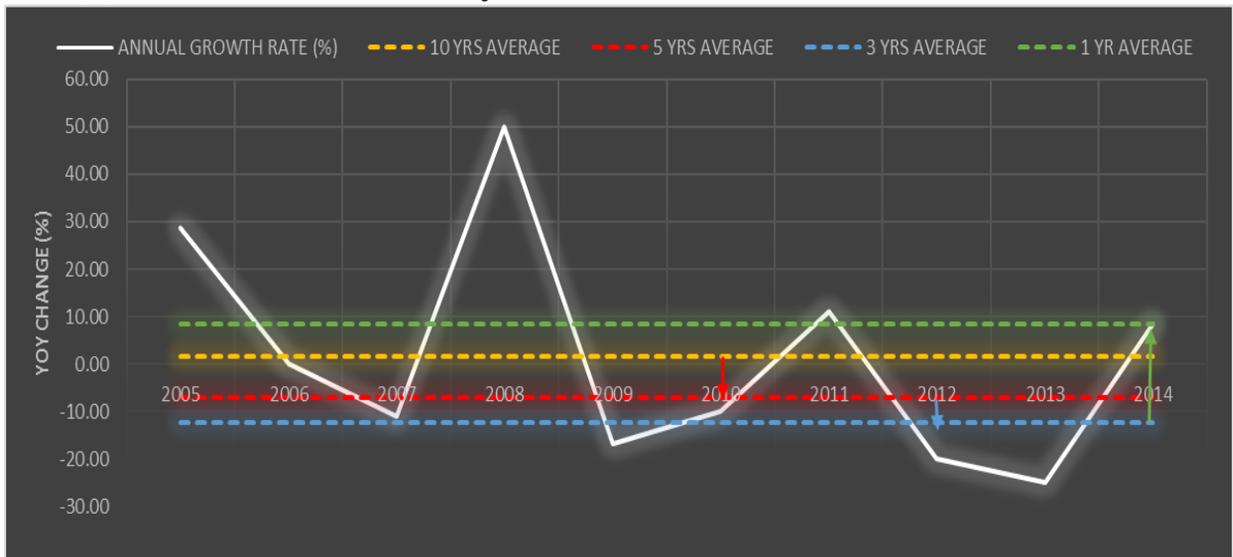


10-YRS AVERAGE
 5-YRS AVERAGE
 3-YRS AVERAGE
 1-YR AVERAGE
 TREND LINE

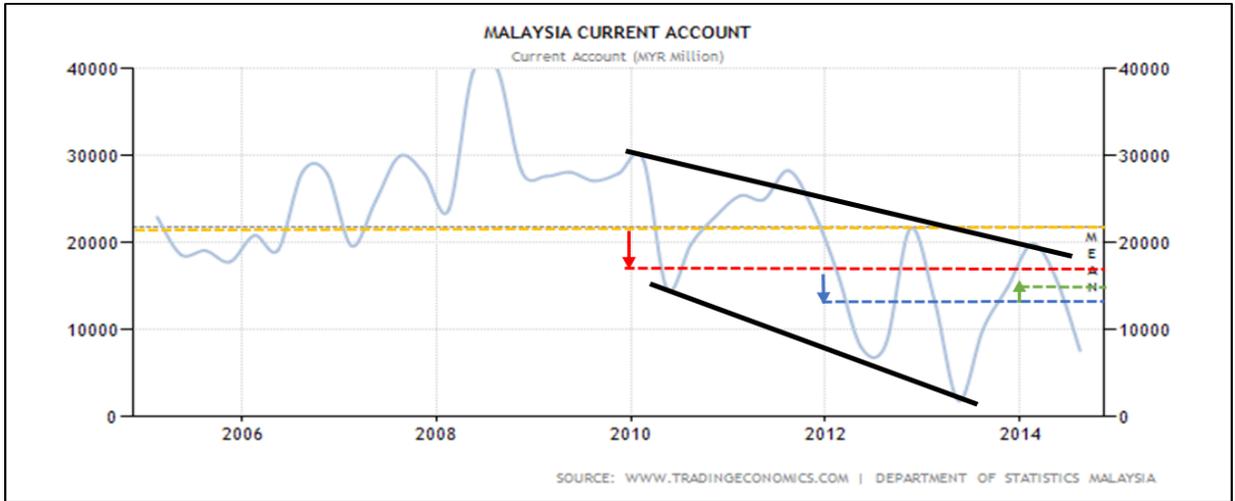
Malaysian balance of trade deteriorated for the 10-year period being examined; with the downtrend starting from 2008. This was caused primarily by the faster growth rate of imports compared to exports.

The 10-year average growth rate was 1.5%, 5-year at -7%, 3-year at -12%, and 1-year at 8%. Thus 2014 1-year average trade surplus stood at RM 6.5 billion, which was below the 10-year line of RM 9 billion.

6.3(b) Growth Rate of Malaysian Balance of Trade.



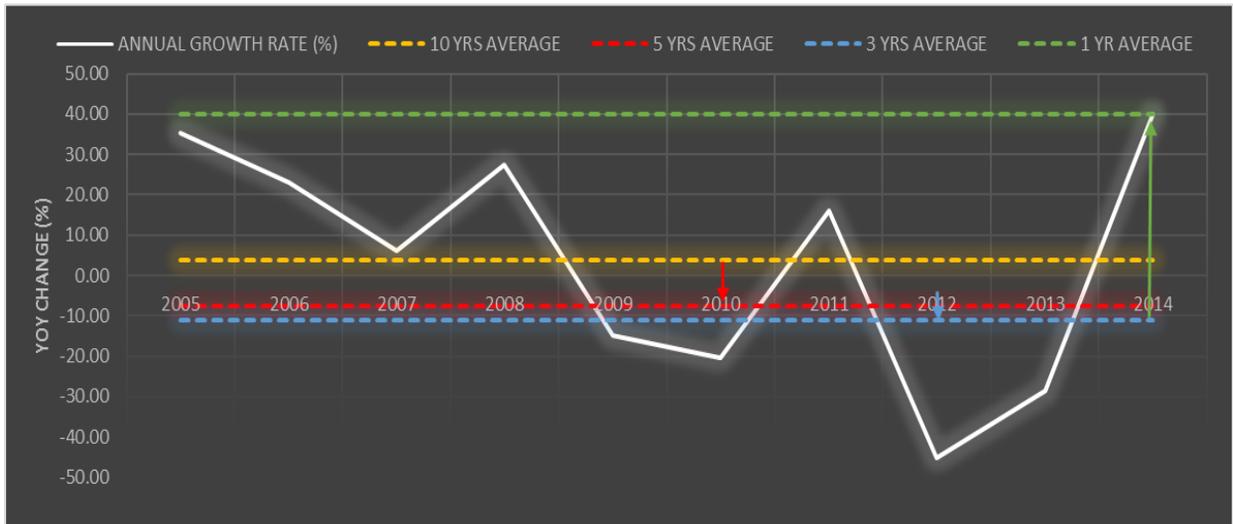
6.4(a) Changes in Malaysian Current Account.



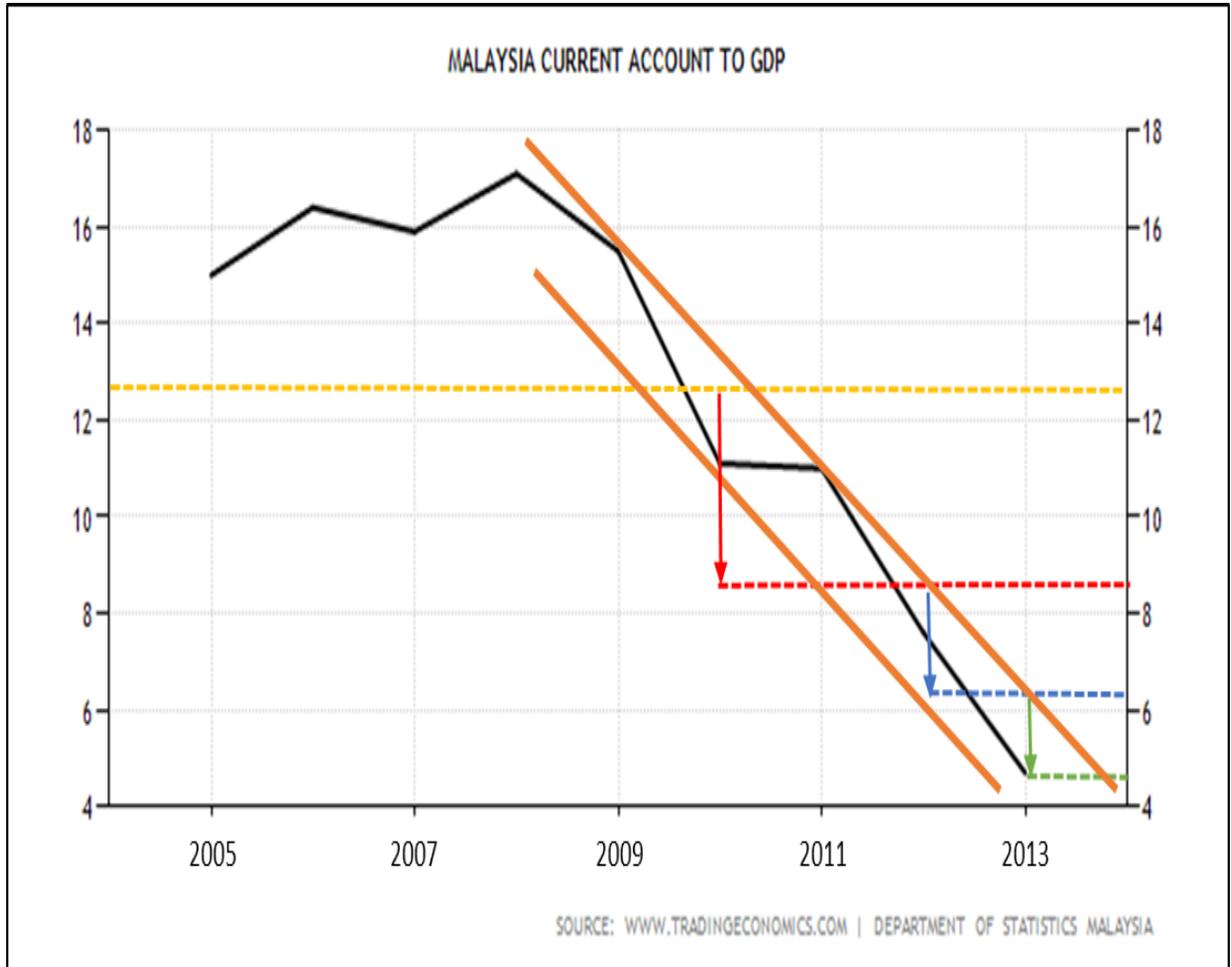
Similar to balance of trade, Malaysian current account surplus deteriorated for the 10-year period being examined; with the downtrend starting from 2008. This was caused primarily by the faster growth rate of imports compared to exports.

The 10-year average growth rate was 4.4%, 5-year at -6.7%, 3-year at -9.5%, and 1-year at 40%. Thus 2014 1-year average current account surplus stood at RM 14 billion, which was below the 10-year line of RM 21.5 billion.

6.4(b) Growth Rate of Current Account in Malaysia.



6.5 Malaysian Current Account to GDP

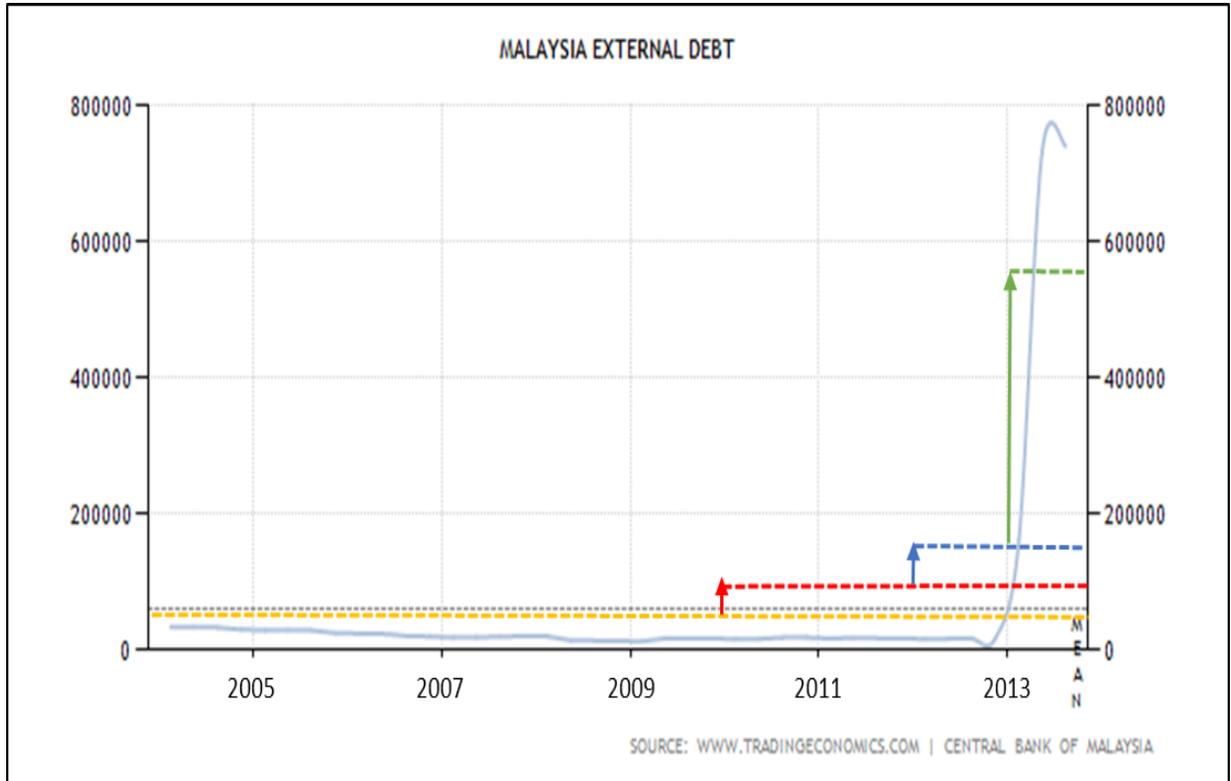


10-YRS AVERAGE
 5-YRS AVERAGE
 3-YRS AVERAGE
 1-YR AVERAGE
 TREND LINE

Malaysia has been recording current account to GDP surplus for the past 18 years. While the 10-year average from 2005 to 2014 came in at 12.5%. However, this ratio has since slipped drastically from 17.1% in 2008 to 4.7% in 2013. This raises a red flag for export-oriented country such as Malaysia.

Nonetheless, such reading is still considered healthy under an international standard; while Malaysia is slowly shifting towards an economy that is more driven by domestic demand. A domestic demand-oriented economy would usually reduce its reliance on exports and increase imports. This would thus strain the current account to GDP ratio. In addition, the increasing capital account inflow and formation would therefore accumulate a larger share of the balance of payment, which further strains the current account.

6.6 Malaysian External Debt.



Malaysian external debt was in a declining trend from 2005 to 2013; with a 9-year average of RM 20 billion. However, there was surge in the second quarter of 2014 from RM 160 billion to RM 740 billion in external debt, mainly caused by the adoption of a new definition system by IMF.

Under such system, the coverage of the definition would be broaden; by including non-resident holdings of local-currency denominated debt papers. The higher redefined external debt reflects the high level of non-resident holdings of Ringgit-denominated debt securities, accounting for about two-thirds of the external debt following the redefinition.

It is noteworthy that the prevalence of higher external debt amid the growing depth and sophistication of domestic capital markets is a general observation for countries moving to more developed financial markets. However, the country might be prone to significant capital flights and outflows should there be any change in the fundamentals of that respective country.

7. GOVERNMENT

7.1 Malaysian Credit Rating.

AGENCY	RATING	OUTLOOK	RANK
S&P	A-	STABLE	UPPER
MOODY'S	A3	POSITIVE	MEDIUM
FITCH	A-	NEGATIVE	GRADE
TE	66.50	STABLE	41/183

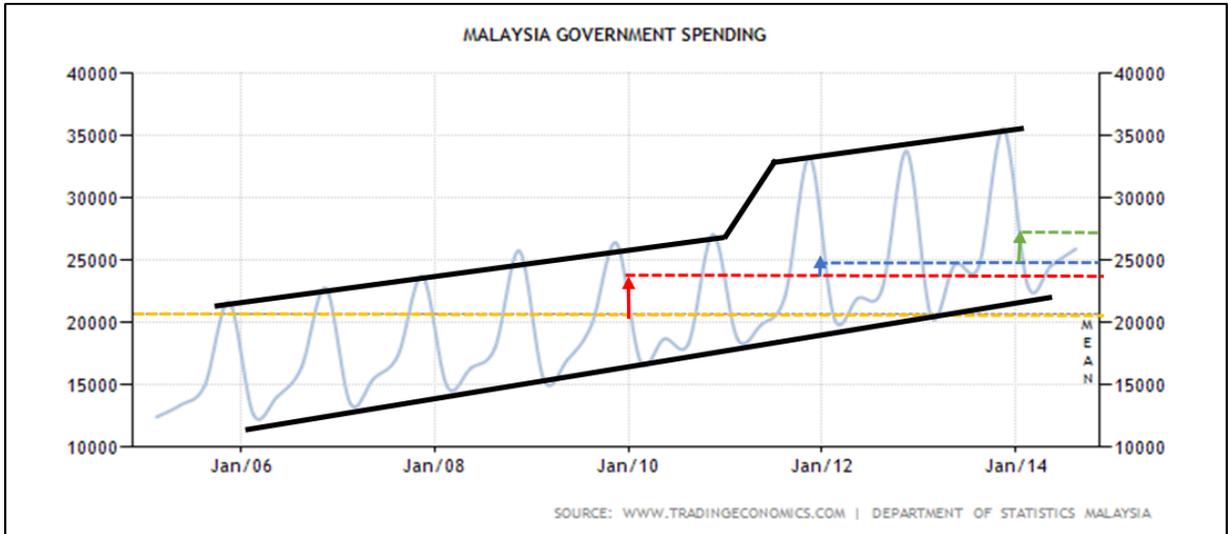
Malaysian sovereign debt is rated under the upper-medium class grade of A- and A3 according to different rating agencies. However, the outlook of the country was downgraded by Fitch to negative in the second quarter of 2014 due to the deteriorating conditions of the current account and budget deficit.

Malaysia has a TE (Trading Economics) score of 66.50, and is ranked number 41 out of 183 countries graded. In the near term, the country does not face any significant risk of a downgrade unless the current conditions deteriorate further.

In view of the dire situation, the Malaysian government has undertaken specific measures to address the weaknesses ; such as reducing subsidies, implementing GST, and phasing out mega projects over a longer timeframe.

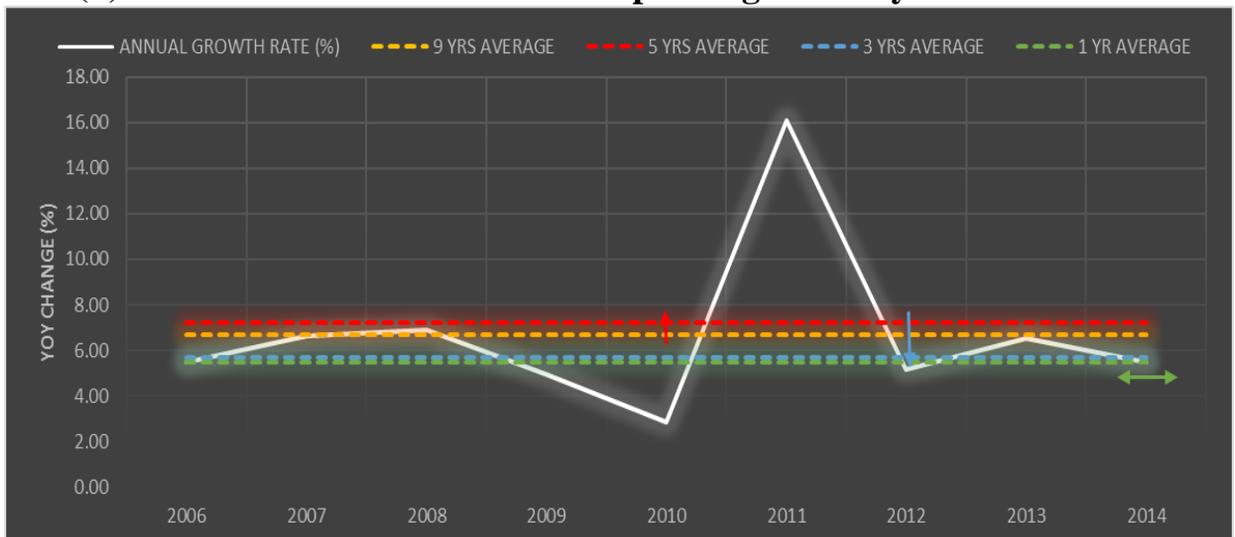
7. GOVERNMENT

7.2(a) Changes in Malaysian Government Spending.



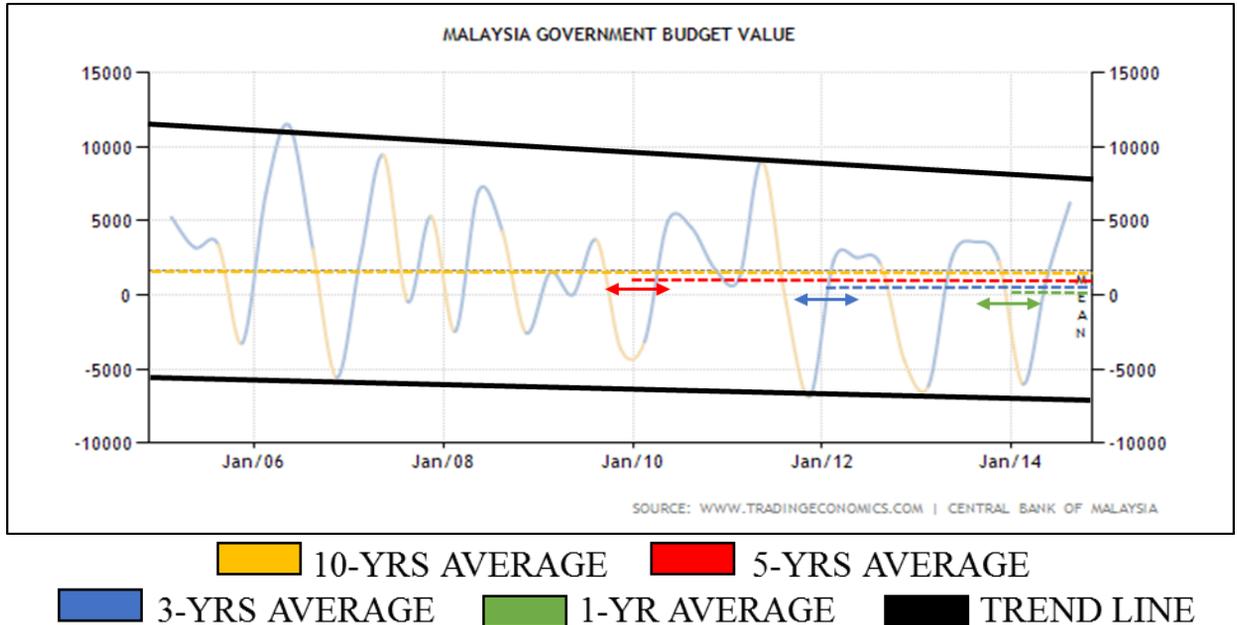
Malaysian government spending is in a long-term uptrend with a 10-year average growth rate of 6.7%. Conversely, there was a huge spike in 2011 which saw an unusual increment of 16% for that particular year. 2014 average growth rate is estimated to be approximately 5.5%, which is slightly lower than the 10-year line. Government spending typically surges during the last quarter of every year and then decreases rapidly over the next (first) quarter.

7.2(b) Growth Rate of Government Spending in Malaysia.



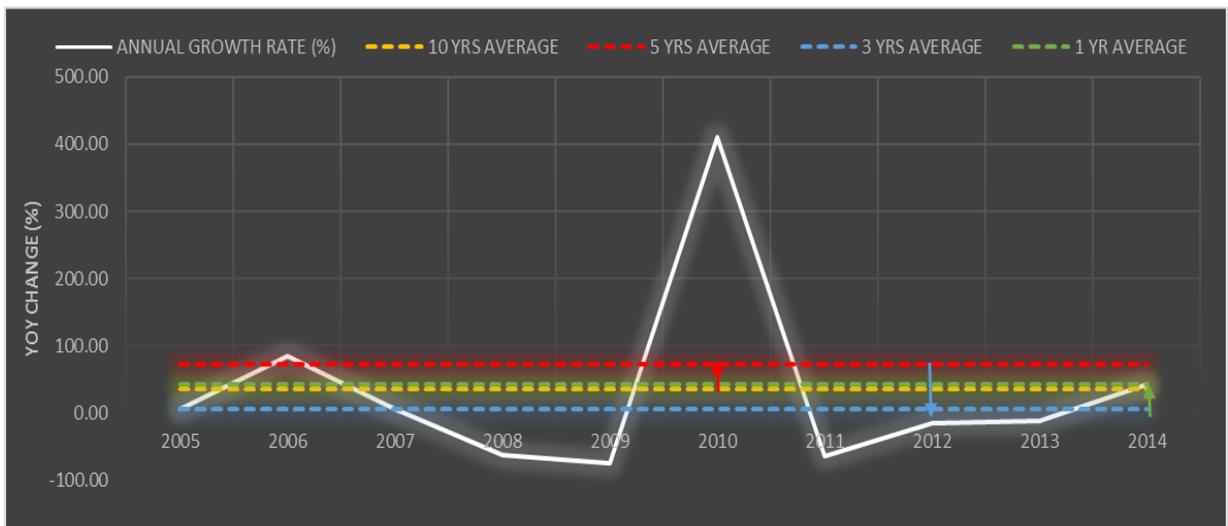
7. GOVERNMENT

7.3(a) Malaysian Government Budget Value.



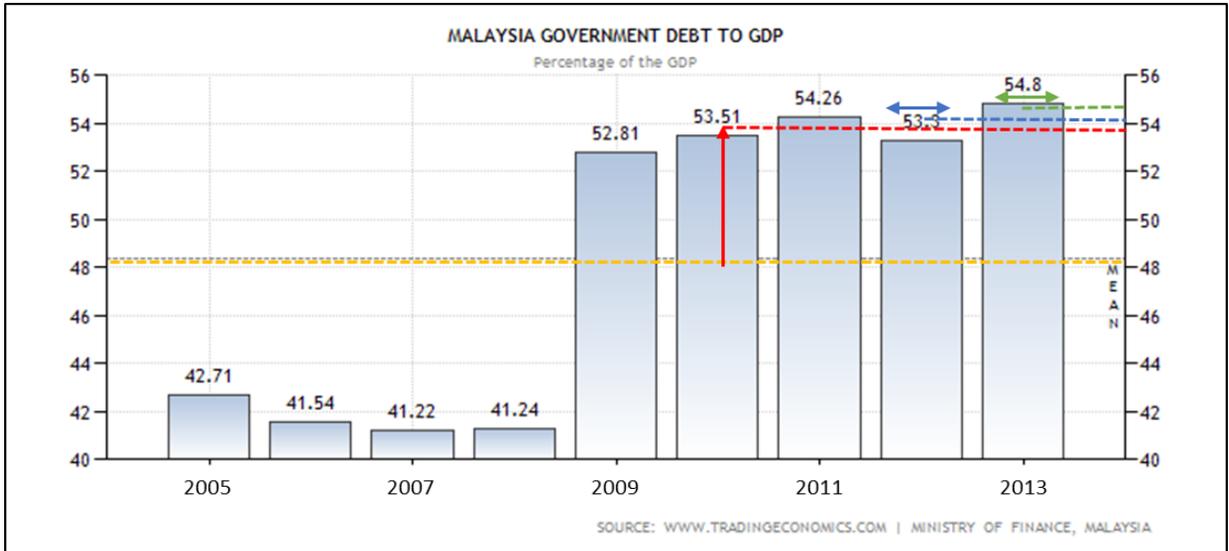
Malaysian government budget value is quite stable and revolves around a wide moving range of the 10-year quarterly average of RM 1.8 billion. The bandwidth is customarily between -RM 5 billion and RM 10 billion per quarter. However, there was a slight negative bias towards the downside for the 10-year period being examined. Nonetheless, the 2014 government budget value increased considerably compared to the previous two years. Historically, the budget value usually declines in the first and last quarters of every year.

7.3(b) Growth Rate of Government Budget Value in Malaysia.



7. GOVERNMENT

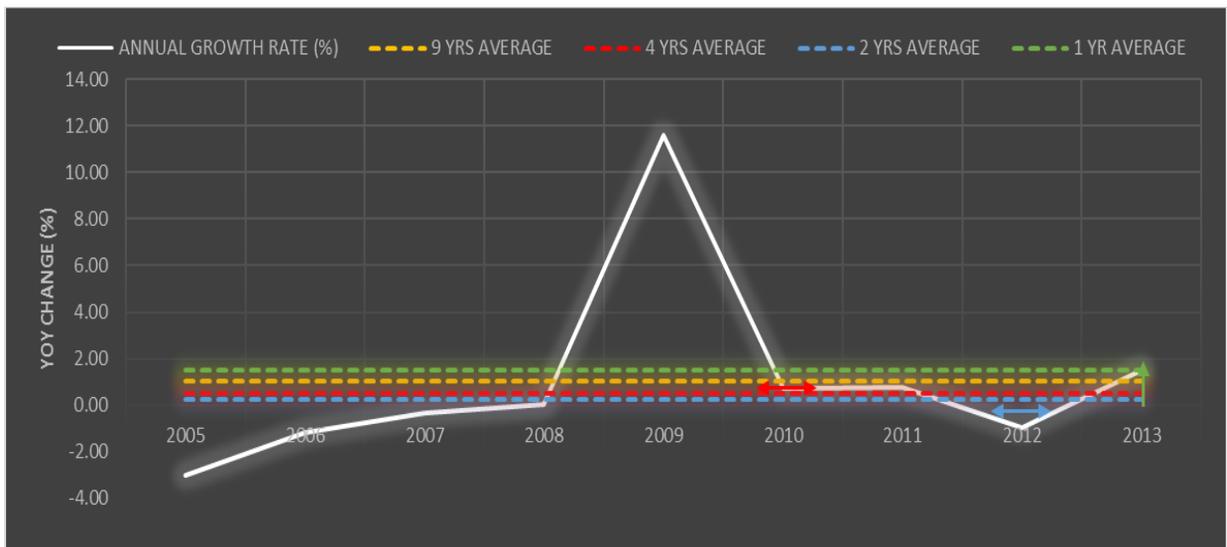
7.4(a) Malaysian Government Debt to GDP.



- 9-YRS AVERAGE
- 4-YRS AVERAGE
- 2-YRS AVERAGE
- 1-YR AVERAGE

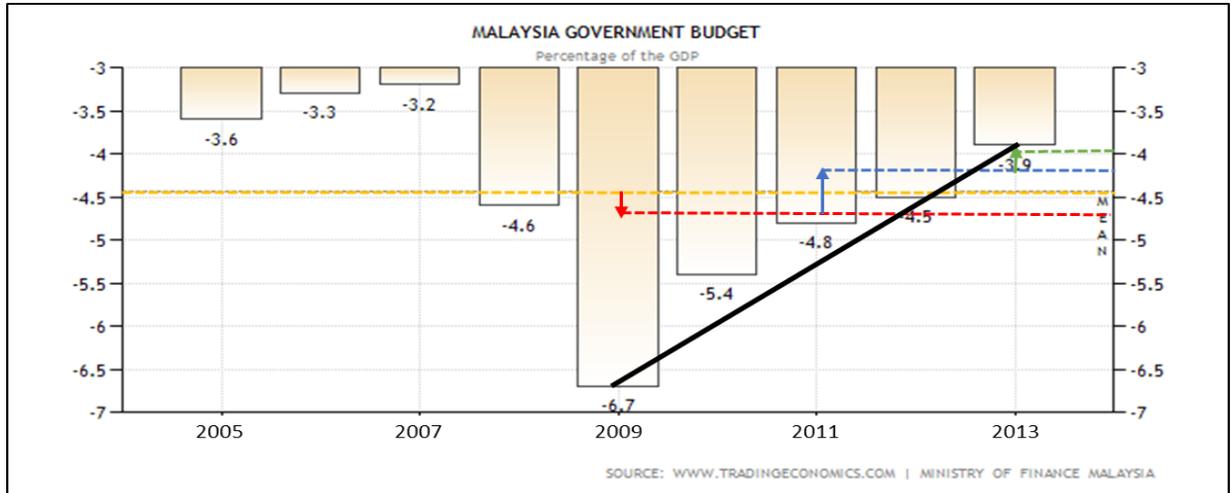
Malaysian government debt to GDP dropped considerably from 80% in 1990 to a low of 32% in 1997. For 15 years (1994 to 2008), this ratio has been consistently below the long-term average of 48%. The onset of the US subprime mortgage crisis has resulted in the government rolling out stimulus packages to support the economy in 2009. This resulted in a sharp increase in government debt to GDP in 2009 and has been persistent for the last 5 years.

7.4(b) Growth Rate of Malaysian Government Debt to GDP.



7. GOVERNMENT

7.5(a) Malaysian Government Budget to GDP.

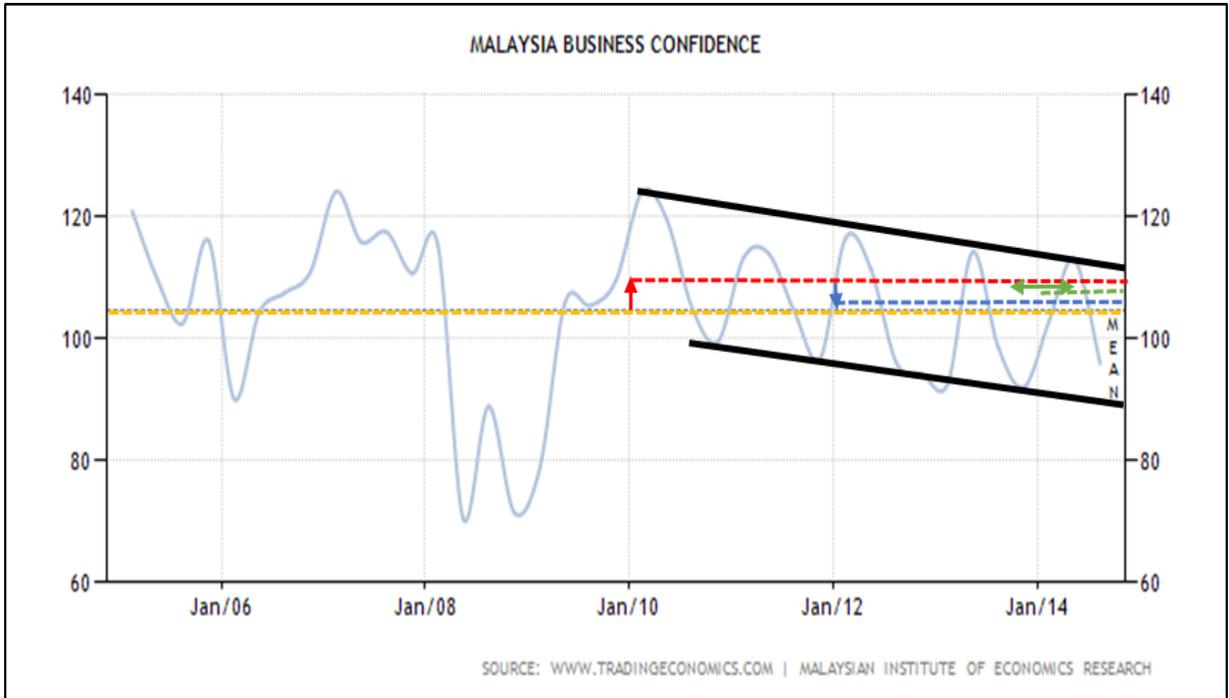


For the 10-year period being examined, the Malaysian government has consistently posted negative budget deficits with the worst year in 2009 at -6.7% of the GDP. However, since then, the government has managed to reduced its deficit progressively to -3.9% in 2013; which was below the 9-year average of -4.5%. The removal of oil subsidies and the implementation of GST will increase the revenue base for the government, while the drastic fall in oil price proved to be challenge for the Malaysian government; in which one third of the government’s revenue is derived from oil.

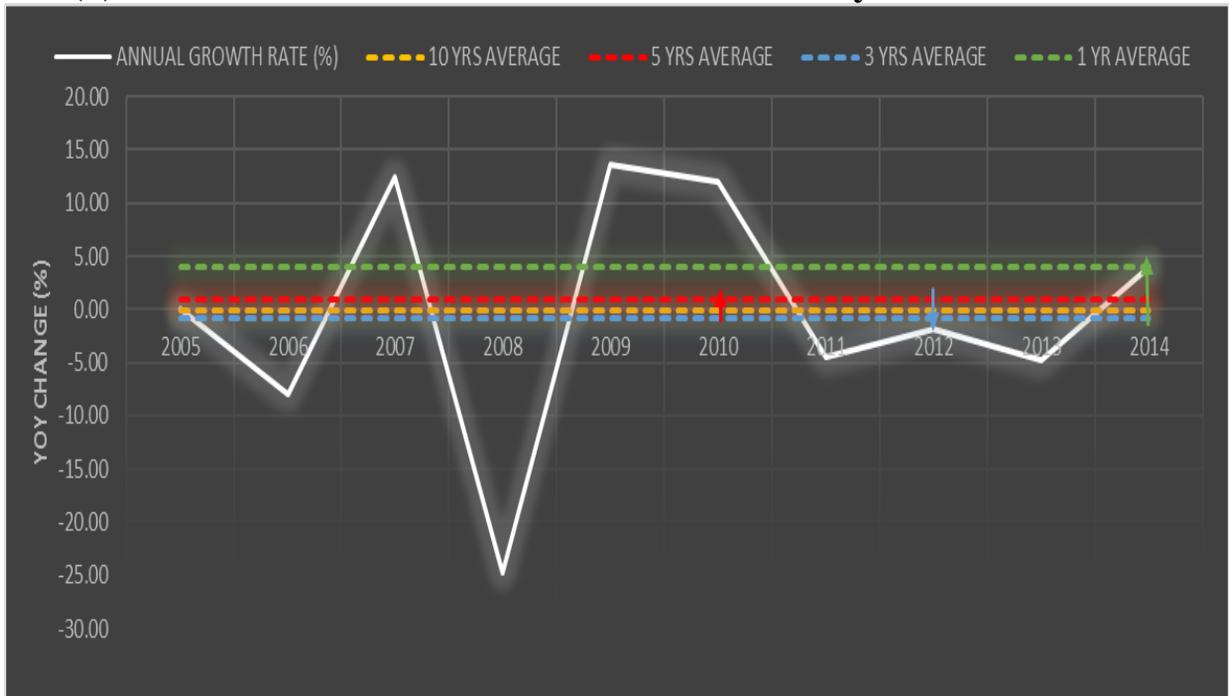
7.5(b) Growth Rate of Malaysian Government Budget to GDP.



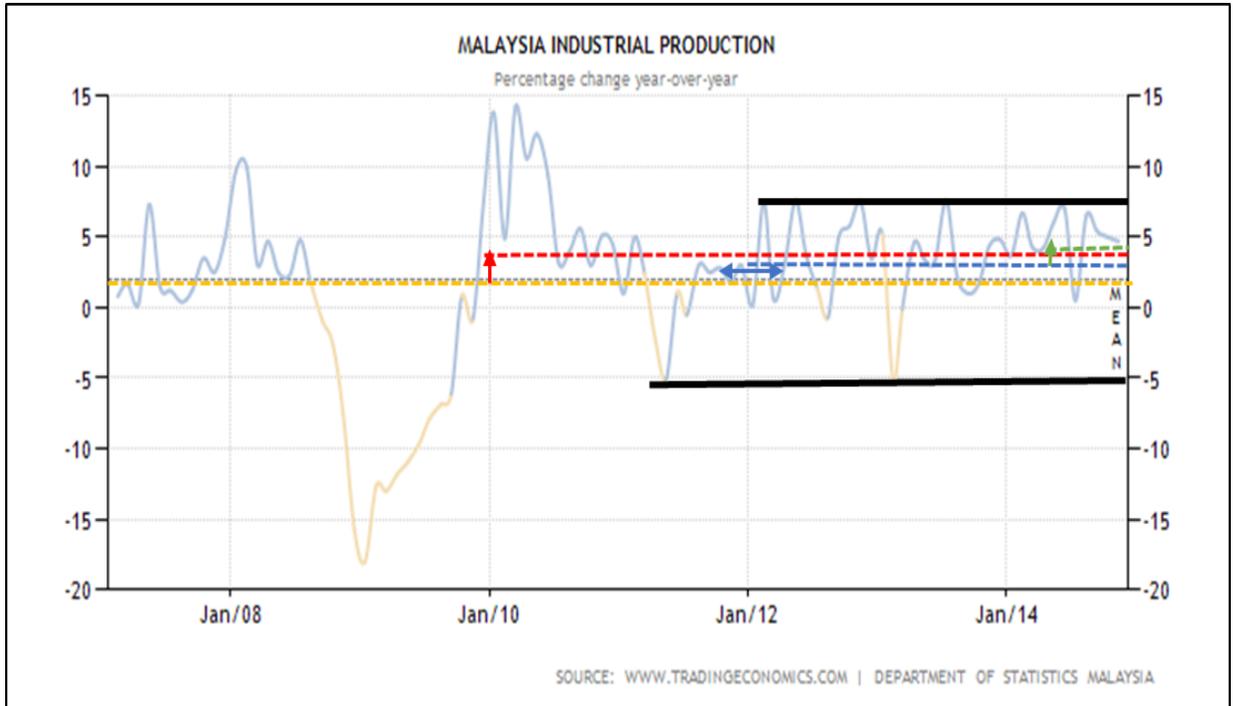
8.1(a) Business Confidence in Malaysia.



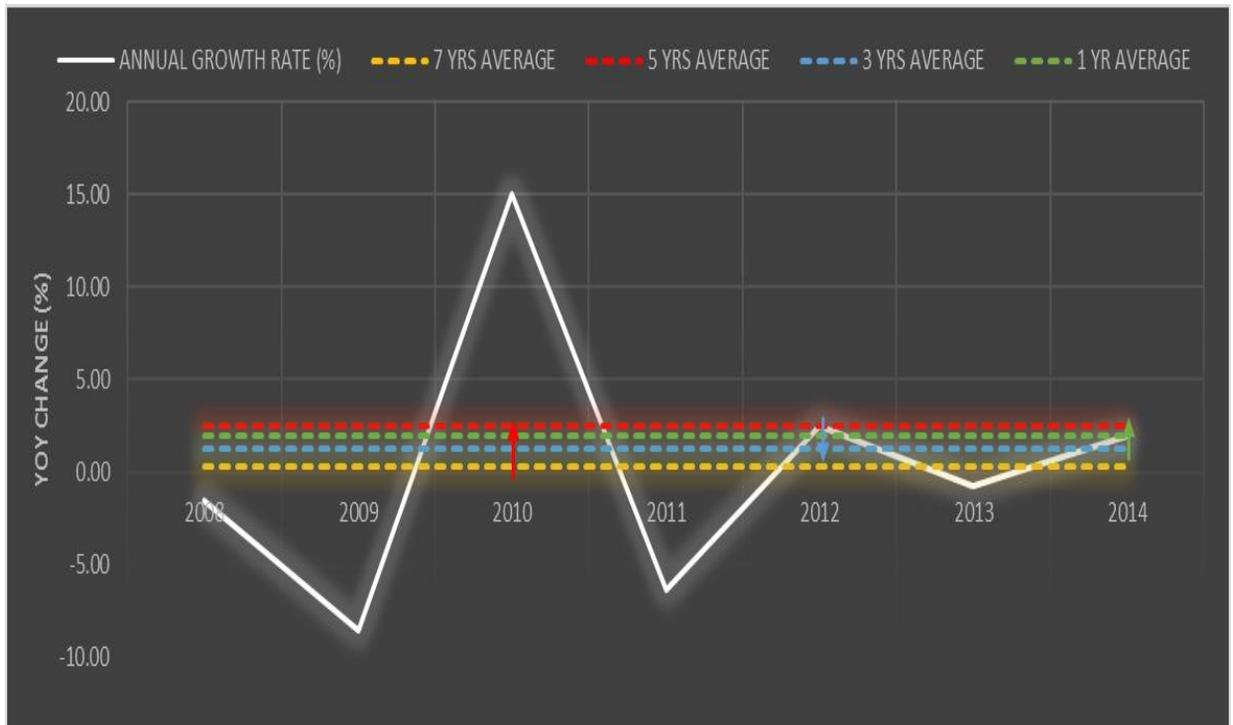
8.1(b) Growth Rate of Business Confidence in Malaysia.



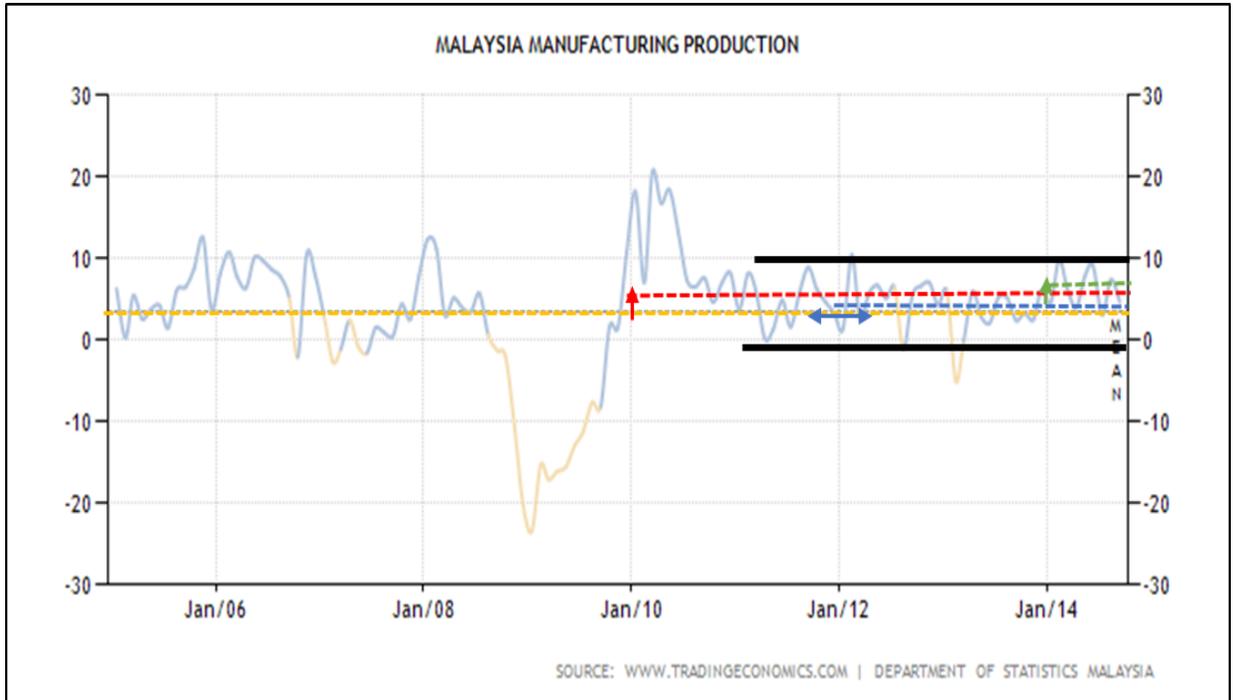
8.2(a) Changes in Malaysian Industrial Production (YOY).



8.2(b) Growth Rate in Malaysian Industrial Production.

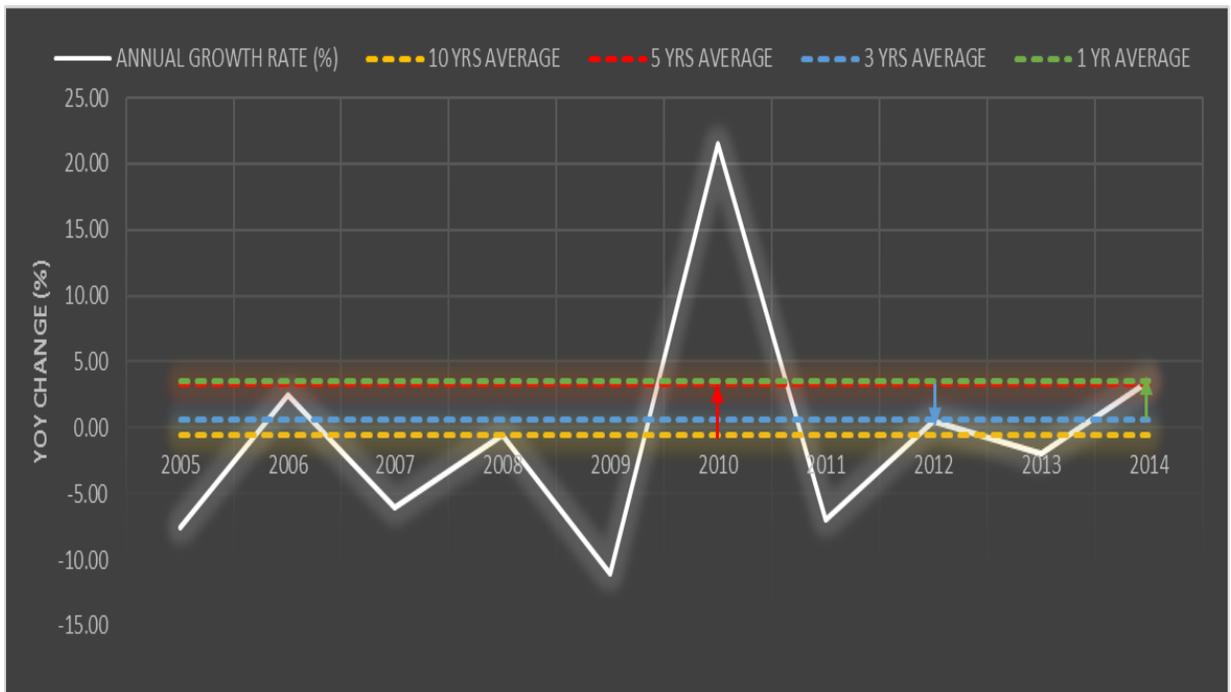


8.3(a) Changes in Malaysian Manufacturing Production (YOY).



10-YRS AVERAGE
 5-YRS AVERAGE
 3-YRS AVERAGE
 1-YR AVERAGE
 TREND LINE

8.3(b) Growth Rate of Malaysian Manufacturing Production.



8.1 Business Confidence

Business confidence is normally a leading indicator for the Malaysian economy. For the 10-year period being examined, business confidence in Malaysia posted an annual average of 105. Starting from 2010, business confidence is in a slow declining trend. The graph usually moves in a cyclical manner, with lows at the end of the year. In the first 3 quarters of 2014, Malaysia posted a moderate average reading of 104. However, the most recent third quarter of 2014 has seen the business confidence level tumbling to 95.9 with further downward pressure expected.

**A value above 100 indicates expected improvement in conditions, a value below 100 shows lack of confidence and 100 indicates neutrality.*

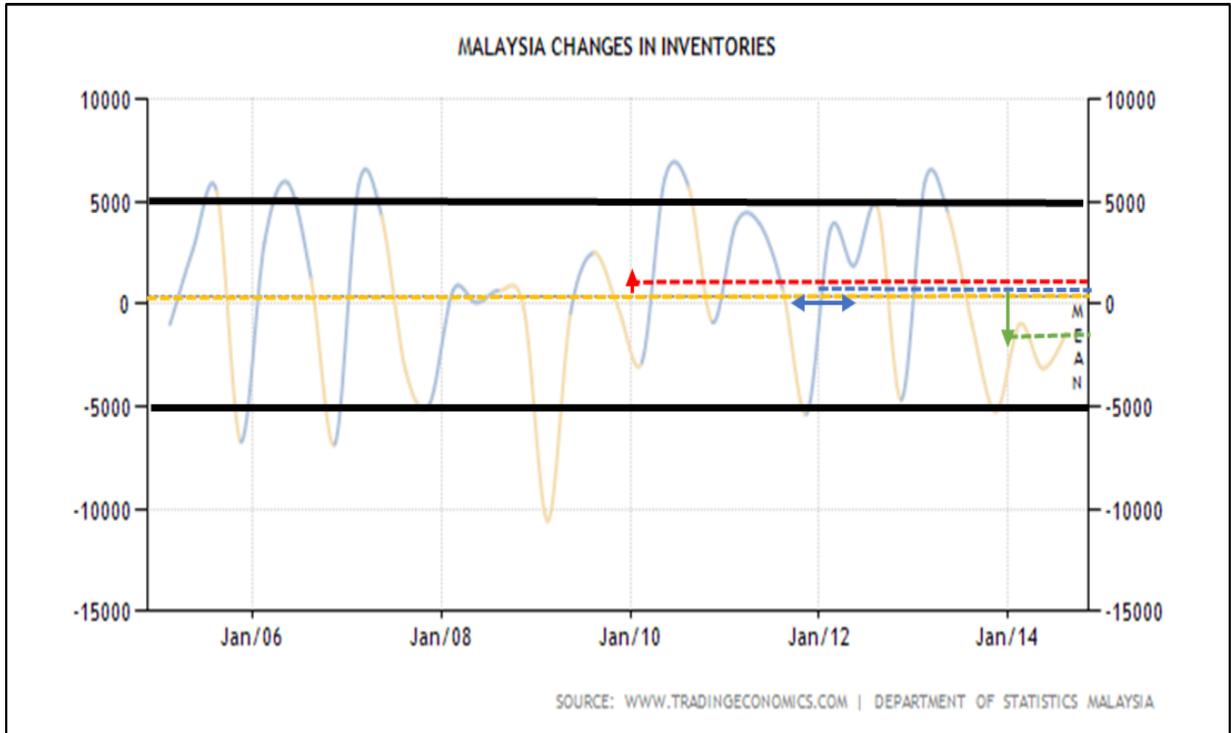
8.2 Industrial Production

Malaysian industrial production has been moving in a flat line since 2011 with a 8-year annual average of 2% and a moving range of -5% to 7%. 2014 has an annual average of 5%. While long-term YOY percentage change was stagnant at 0.36%. 2014 came in higher at 2%.

8.3 Manufacturing Production

Similar to industrial production, Malaysian manufacturing production has been moving in a flat line as well since 2011 with a 10-year annual average of 3% and moving range of 0% to 10%. 2014 has an annual average of 6.5%. While long-term YOY percentage change was stagnant at -0.60%. 2014 came in higher at 3.5%.

8.4 Changes of Inventories in Malaysia.



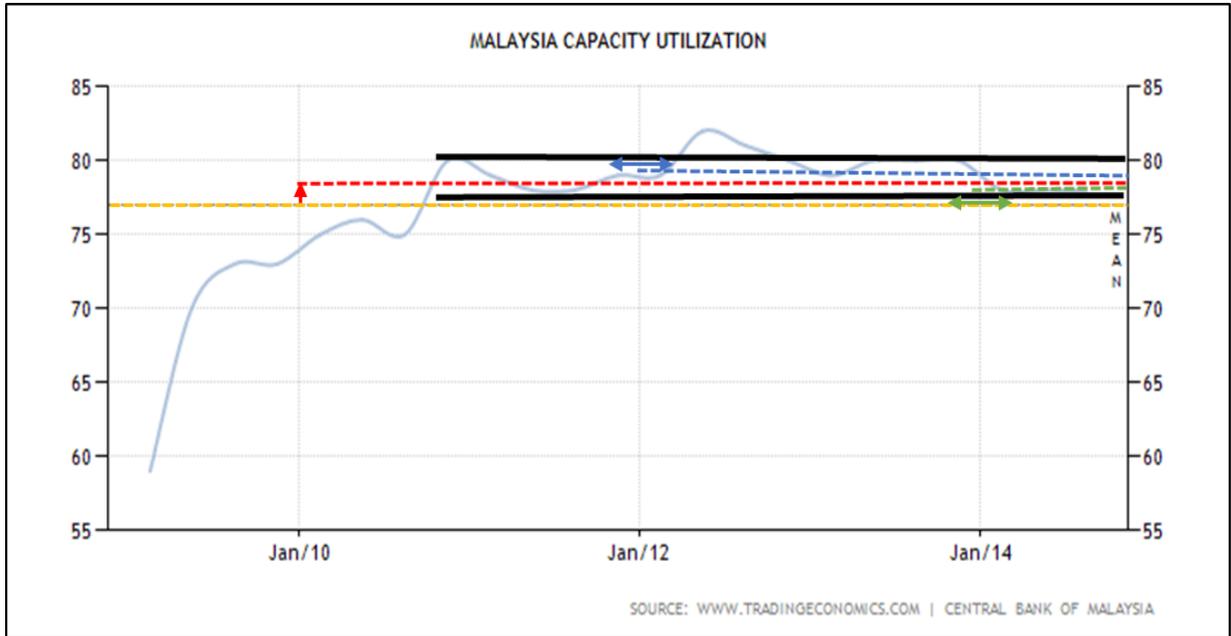
10-YRS AVERAGE
 5-YRS AVERAGE
 3-YRS AVERAGE
 1-YR AVERAGE
 TREND LINE

Malaysian changes in inventories equal to a zero-sum game in the long run with the 10-year average line close to 0 and a symmetrical moving range of -RM 5 billion to RM 5 billion from 2005 to 2014.

Similar to Malaysian budget value and business confidence, changes in inventories moved in a cyclical manner with usual lows at the end of every year. Readings for the last 4 consecutive quarters were negative, which is persistently below the 10-year line. The only other time such observation is detected, was during the US subprime mortgage crisis of 2008 and 2009.

Since changes in inventories is often a leading indicator for the overall performance of the economy. Such would imply that the current demand is still strong, since the rate of depletion is faster than the rate of replenishment. While the future outlook may not be so rosy; since businesses are holding back on stocking up their inventories, even though sales are still coming in at the moment.

8.5 Capacity Utilization in Malaysia.



8.5 Capacity Utilization

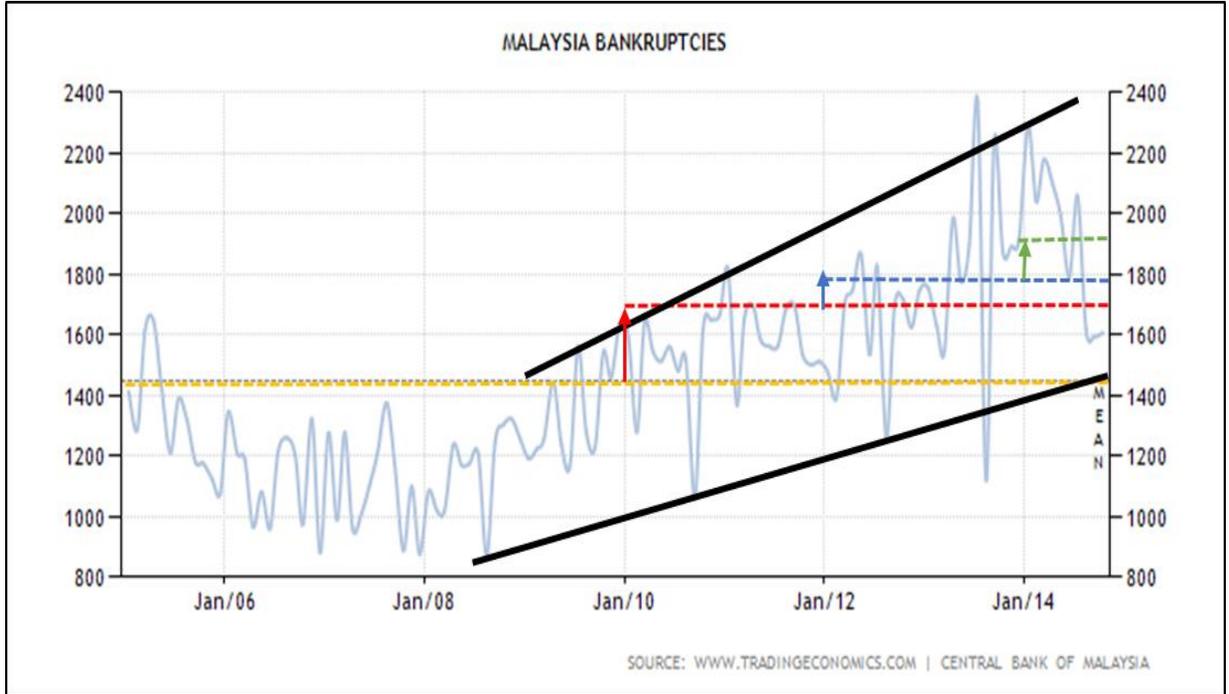
Malaysian capacity utilization has been quite stable for the last 4 years since 2011 with a 6-year annual average of 77% and a narrow moving range of 78% to 80%. The reading for the first 3 quarters of 2014 came in 78%, which is very close to the long-term average. There is still room for this capacity to grow.

8.6 Bankruptcies

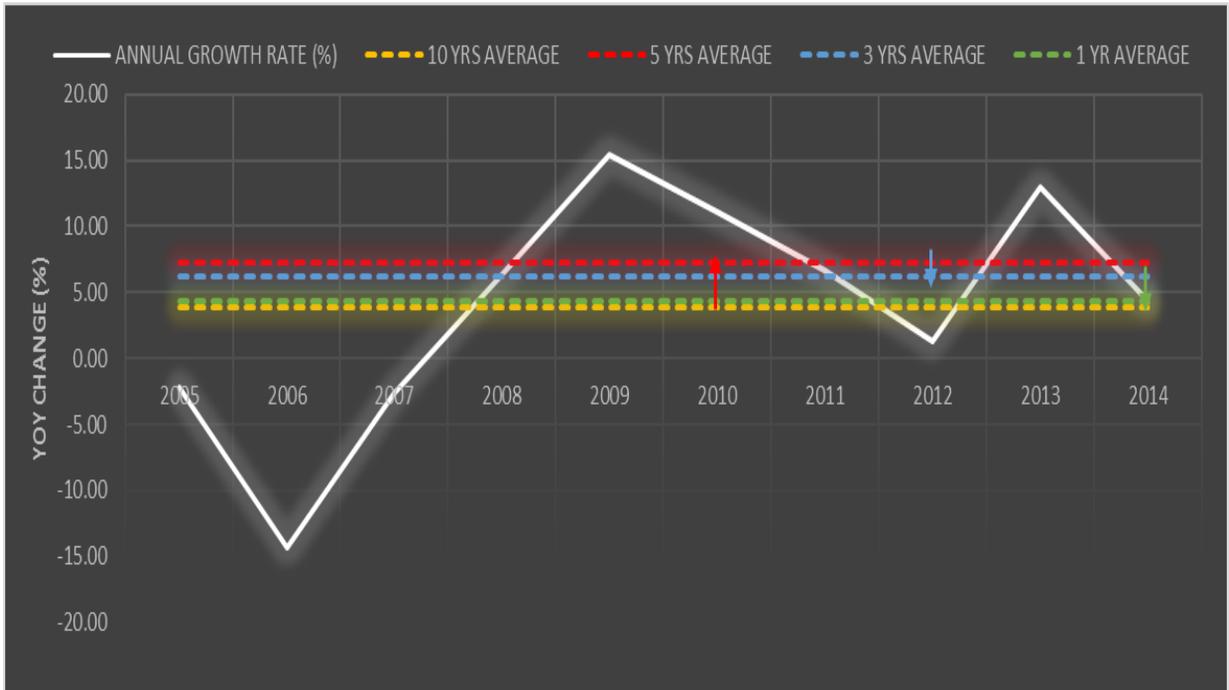
Bankruptcy rate in Malaysia has been in an uptrend since 2008 with a 10-year monthly average of 1,450 companies. The most recent peak was formed in July 2013 at 2,400 companies. It has since slowed down considerably to 1,606 companies in October 2014; with a 1-year monthly average of 1,910 which is still above the long-term line.

YOY, Malaysia has a 10-year growth rate of 3.88%, 5-year at 7.27%, 3-year at 6.19%, and 1-year at 4.37%. The introduction of more prudent lending guidelines by Bank Negara has successfully reduced the approval of more risky loans and thus directly lessen the rates for non-performing loans and bankruptcies.

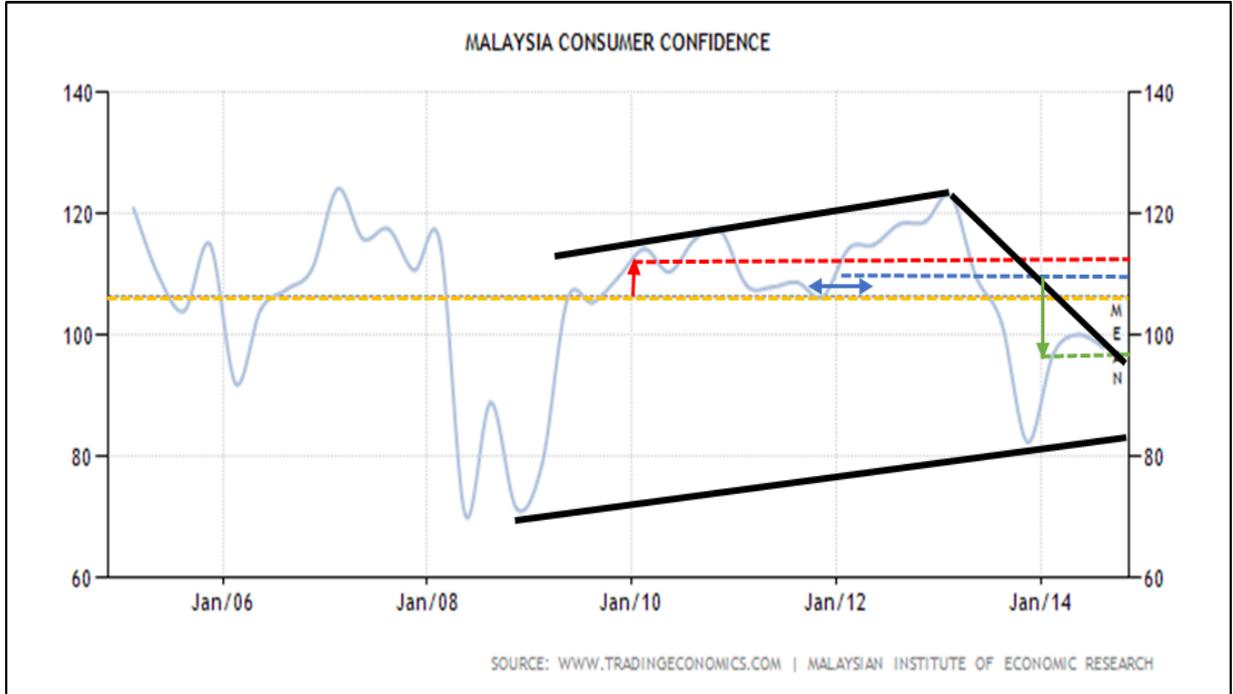
8.6(a) Number of Bankruptcies in Malaysia.



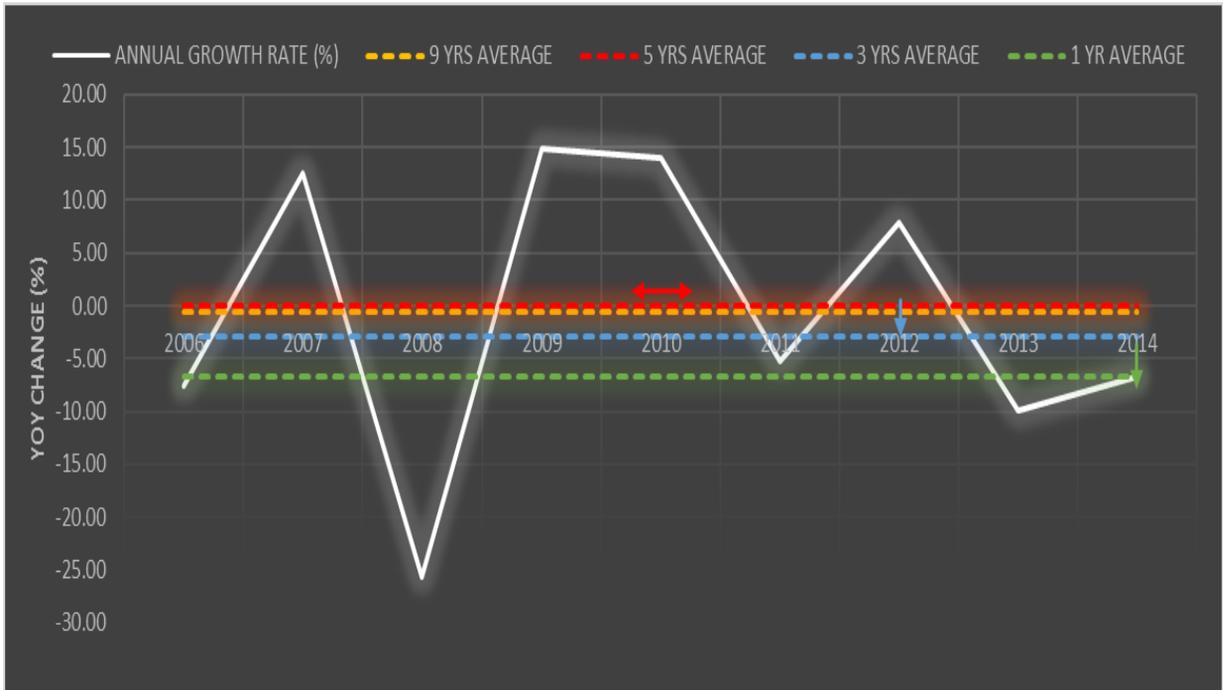
8.6(b) Growth Rate of Bankruptcies in Malaysia.



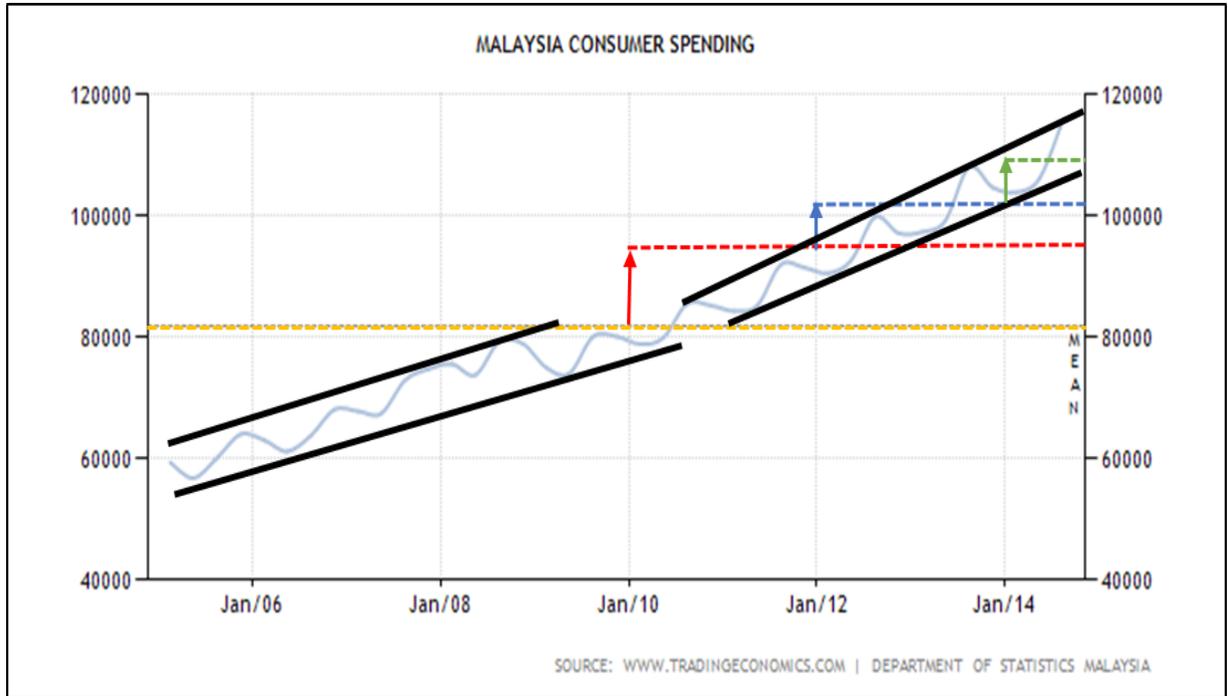
9.1(a) Consumer Confidence in Malaysia.



9.1(b) Changes in Malaysian Consumer Confidence.

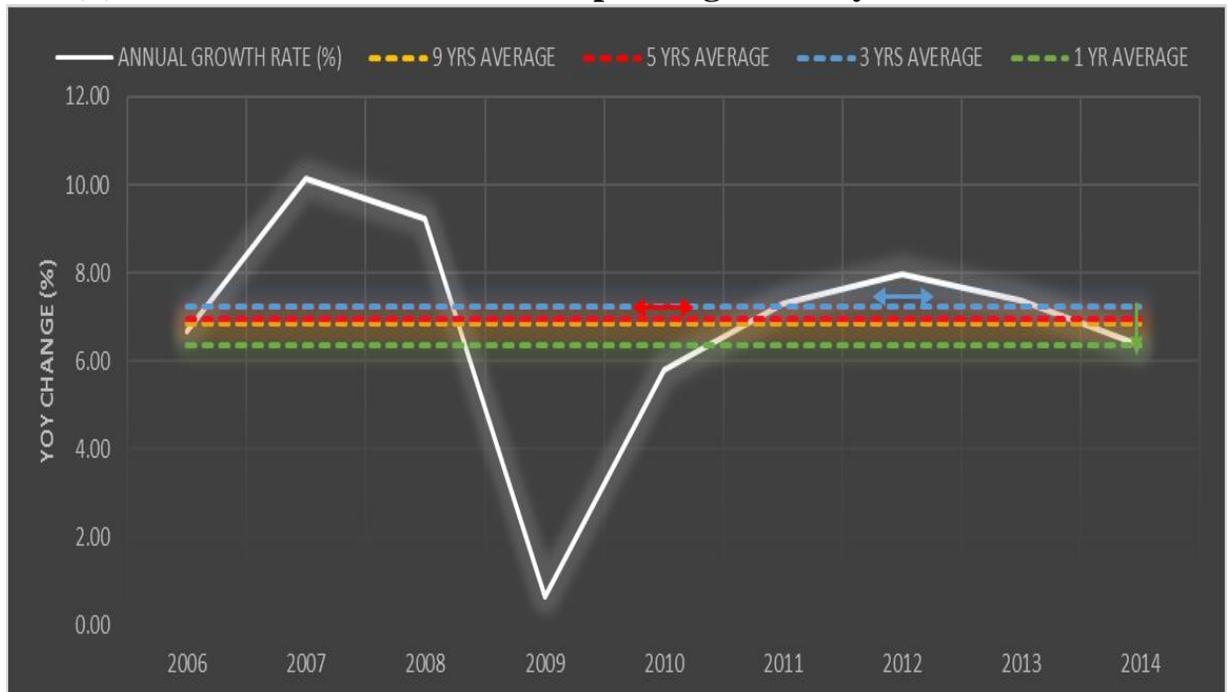


9.2(a) Movement of Malaysian Consumer Spending.

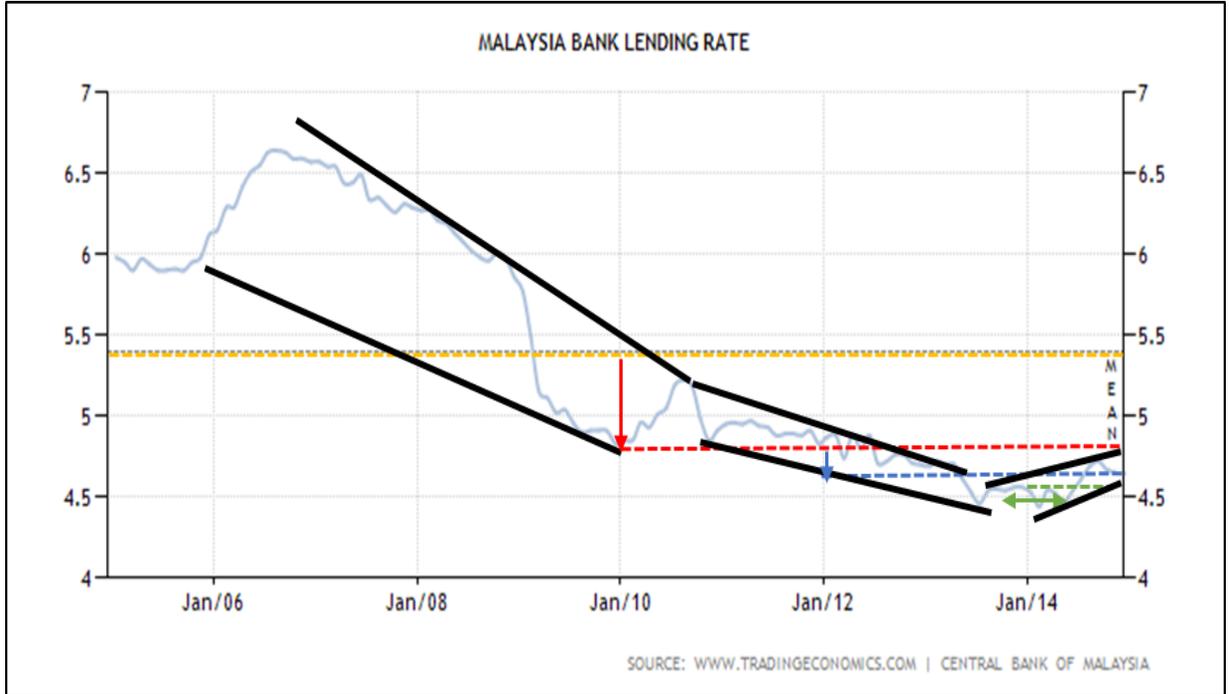


- 10-YRS AVERAGE
- 5-YRS AVERAGE
- 3-YRS AVERAGE
- 1-YR AVERAGE
- TREND LINE

9.2(b) Growth Rate of Consumer Spending in Malaysia.

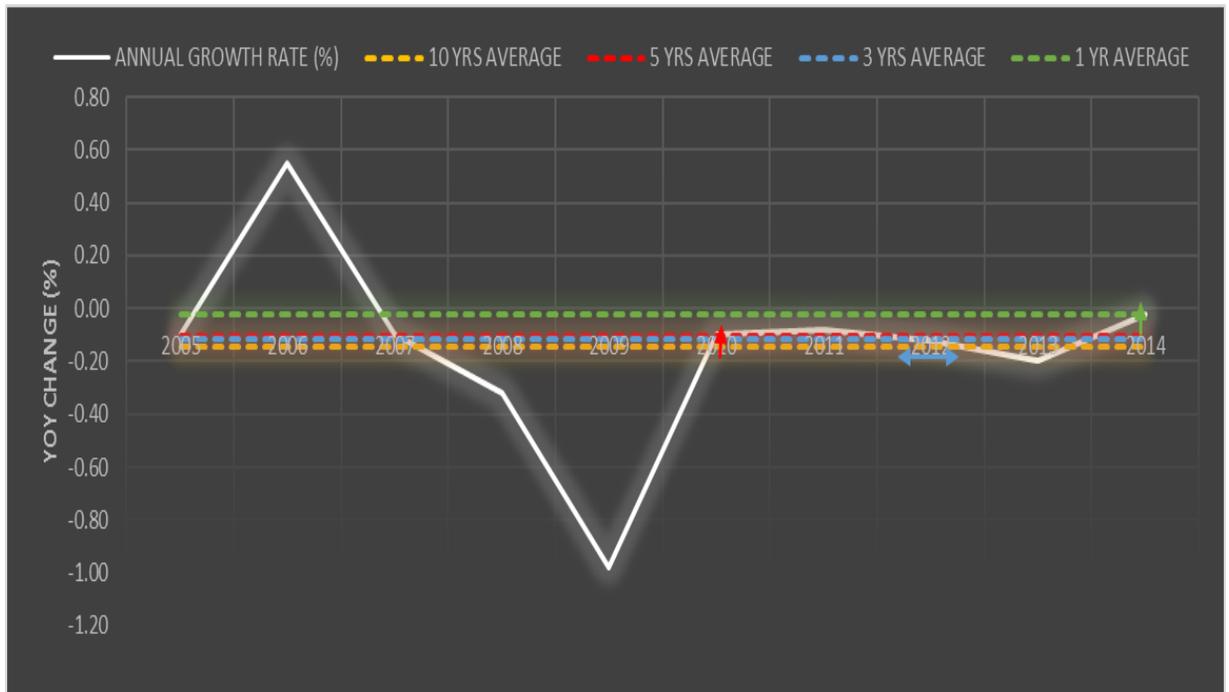


9.3(a) Movement in Malaysian Bank Lending Rate.



- 10-YRS AVERAGE
- 5-YRS AVERAGE
- 3-YRS AVERAGE
- 1-YR AVERAGE
- TREND LINE

9.3(b) Changes in Malaysian Bank Lending Rate.



9.1 Consumer Confidence

Consumer confidence is normally a leading indicator for the domestic consumption economy. For the 10-year period being examined, consumer confidence in Malaysia posted an annual average of 106. Starting from 2009, it is in a slow ascending trend. Unlike business confidence, the graph for consumer confidence does not move in a cyclical manner.

However, there was a sharp fall in 2013; from a high of 123 in the first quarter, to a low of 82 in the last quarter. An improvement was noticed in 2014 with an average reading of 98 for the first three quarters of the year, which is still below the 100 mark. Further downward pressure might be expected in the near-term.

**A value above 100 indicates expected improvement in conditions, a value below 100 shows lack of confidence and 100 indicates neutrality.*

9.2 Consumer Spending

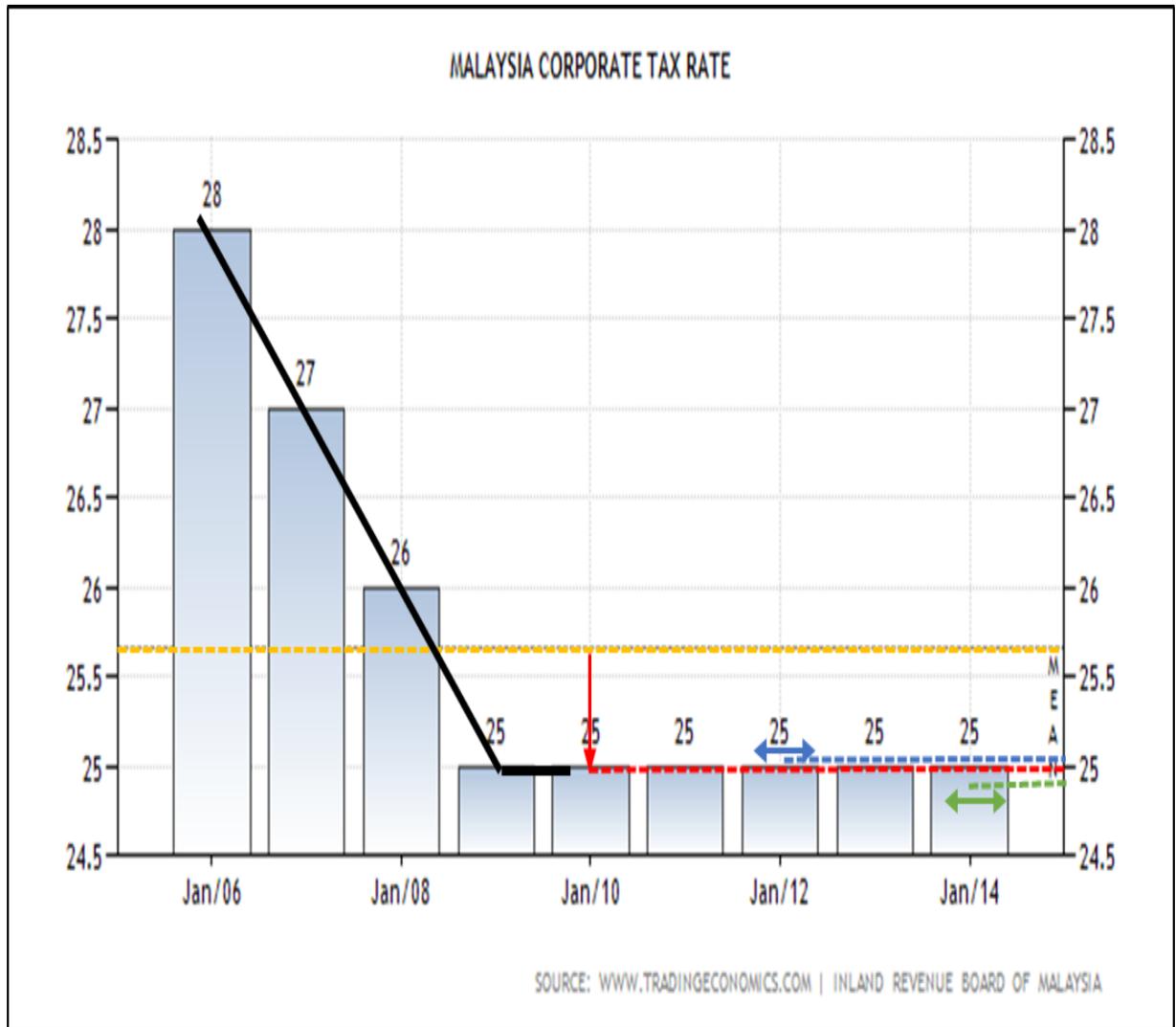
Malaysian consumer spending is in a long-term uptrend with a 9-year annual average of 6.83% and a historical high at RM 116 billion in the third quarter of 2014. The first three quarters of 2014 has an average growth rate of 6.37% which is in line with the long-term average. Consumer spending typically moves in a cyclical manner with highs in the third and fourth quarters of every year.

9.3 Bank Lending Rate

Malaysian bank lending rate has a very strong positive correlation with interbank rate and interest rate as mentioned in the earlier parts of 5.1 and 5.2 respectively. Since 1998, it is in a long-term downtrend with a high of 13.5% in May 1998 and a low of 4.4% in February 2014.

For the past 10 years, it has averaged 5.4% and has a YOY change of -0.15% per annum. Since September 2013, there was a short-term reversal of trend and further tightening by Bank Negara might be possible in the near-term.

10.1 Malaysian Corporate Tax Rate.

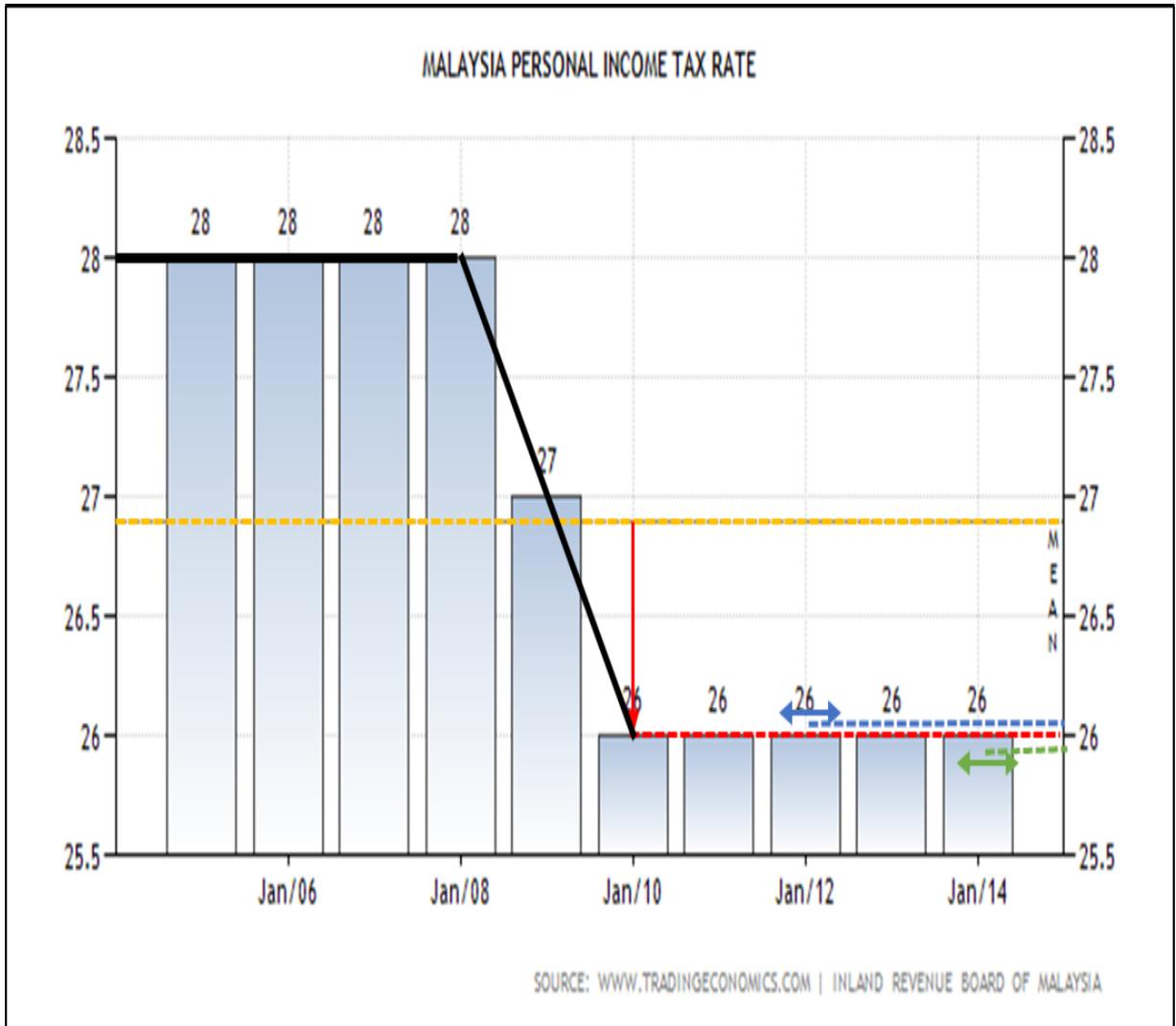


9-YRS AVERAGE
 5-YRS AVERAGE
 3-YRS AVERAGE
 1-YR AVERAGE
 TREND LINE

Malaysian corporate tax rate is in a long-term downtrend with the current rate at 25%; which was held on for 6 consecutive years. Such rate remained accommodative at the time being.

As a reference, corporate tax rate of other competing ASEAN nations include Singapore (17%), Thailand (20%), Vietnam (20%), Indonesia (25%), and Philippines (30%).

10.2 Malaysian Personal Income Tax Rate.

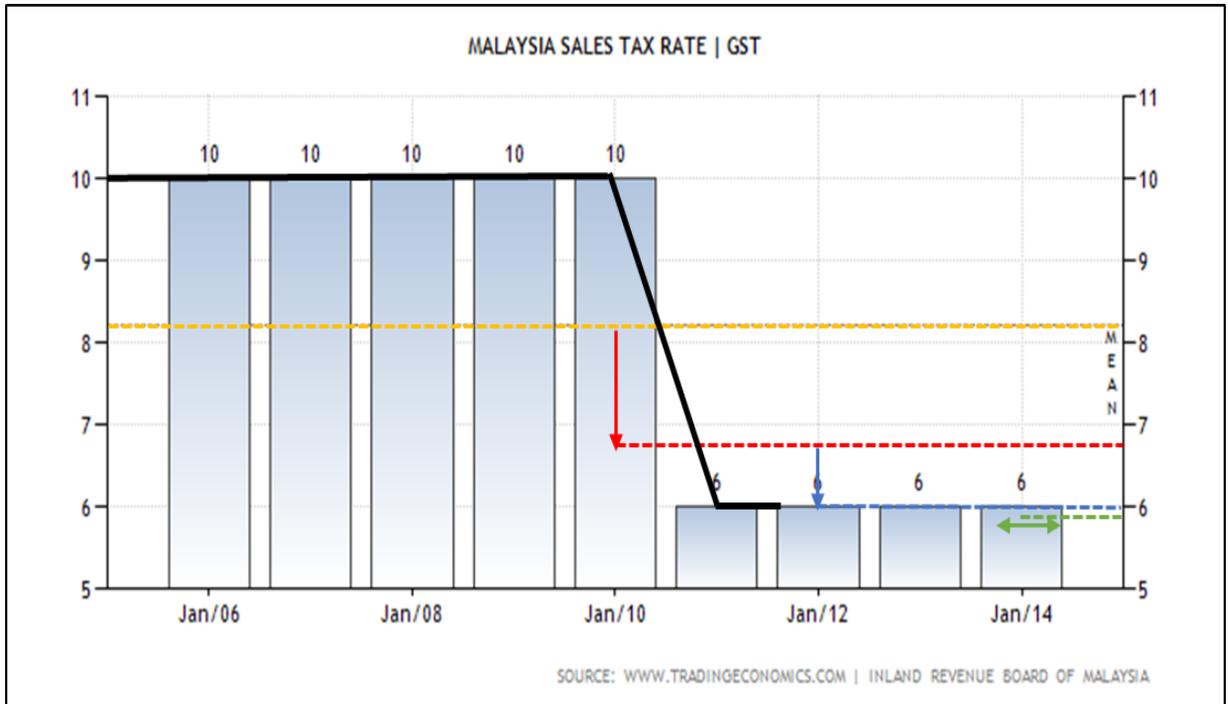


10-YRS AVERAGE
 5-YRS AVERAGE
 3-YRS AVERAGE
 1-YR AVERAGE
 TREND LINE

Malaysian personal income tax rate is in a long-term downtrend with the current rate at 26%; which was held on for 5 consecutive years. Such rate remained accommodative at the time being.

As a reference, personal income tax rate of other competing ASEAN nations include Singapore (20%), Indonesia (30%), Philippines (32%), Thailand (35%), and Vietnam (35%).

10.3 Malaysian Sales Tax Rate / GST.



10-YRS AVERAGE
 5-YRS AVERAGE
 3-YRS AVERAGE
 1-YR AVERAGE
 TREND LINE

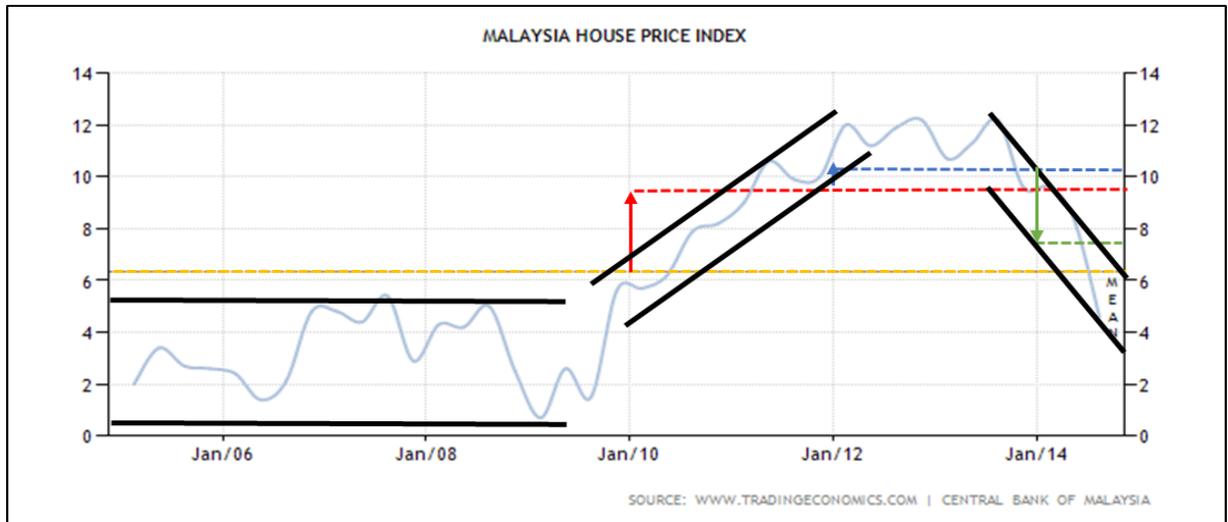
Malaysian sales tax rate is in a long-term downtrend with the current rate at 6%; which was held on for 4 consecutive years. Such rate remained accommodative at the time being.

This rate will be replaced by the GST in 2015 at the same scale of 6% (which could be subject to revision). However, GST will be implemented at all levels of production (which could drive up the cost of end products).

In order to ensure that the GST is progressive rather than regressive; basic goods, such as food, water, public transportation, and healthcare are tax exempt. Such taxation system will better improve the budget outlook of the Malaysian government which has been running a deficit for 15 consecutive years.

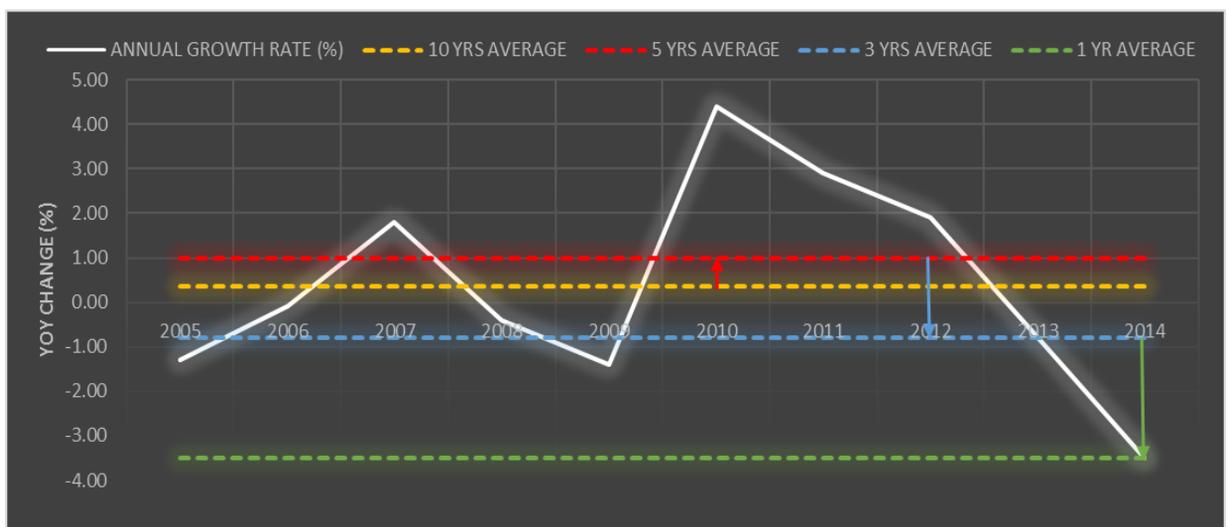
As a reference, VAT/GST/sales tax rate of other competing ASEAN nations include Singapore (7%), Thailand (7%), Indonesia (10%), Philippines (0 - 12%), and Vietnam (8 - 12%).

11.1(a) Malaysian House Price Index.



Malaysian House Price Index has witnessed several distinctive moving patterns in the last 10 years with an average of 6.35%. Growth rate was quite stable from 2005 to 2009 with an average of 3.2%. However, from 2010 to 2013; there was an upsurge in growth rate with an average of 10% per annum for this 4-year period. Post 2013, the first three quarters of 2014 has an average of 7.5%. The third quarter growth rate fell to 4.6% from 9.6% in the first quarter. Nonetheless, it is still a positive growth rate. The only time in history that this index recorded negative readings were 1998 and 1999.

11.1(b) Changes in Malaysian House Price Index.



Bank Negara Malaysia. (2014) *Rates & Statistics*, [Online], Available: <http://www.bnm.gov.my/index.php?ch=statistic&lang=en> [15 Jan 2014].

Trading Economics. (2014) *Malaysia – Economic Indicators*, [Online], Available: <http://www.tradingeconomics.com/malaysia/indicators> [15 Jan 2014].

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Czech Republic	Huber Holdings Prag s.r.o
Fiji	Raine & Horne Fiji
Hong Kong	Raine & Horne Projects Hong Kong
Hungary	Dr. Max Huber Kft.
India	Arora & Associates Realty Ltd.
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