

# KERATAN AKHBAR

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## China reopening a boost for Malaysian economy

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**PETALING JAYA:** China's decision to reopen its borders is a significant positive boost for the Malaysian economy, at a time when domestic economic activities are projected to slow down amid rising global recessionary fears.

HSBC Global Research called China's reopening as "one of the biggest variables" for Malaysia's economy in 2023.

The research house added that the reopening of the world's second-largest economy would help to sustain Malaysia's post-pandemic recovery, particularly on the tourism and foreign direct investment (FDI) front.

This is amid expectations that the domestic reopening impact will likely fade in the second half of 2023, while Malaysia is not fully insulated from the global trade slowdown.

HSBC Global Research said the most direct transmission from China's reopening was via tourism.

While Malaysia is not as heavily dependent on tourism as peers like Thailand, its tourist receipts were still sizeable, accounting for 6.3% of gross domestic product in 2019, with broader tourism-related jobs accounting for

as much as 30%.

Prior to the pandemic, only 12% of Malaysia's tourists came from mainland China (around three million), less than half of Thailand and Vietnam. That said, there are reasons to stay optimistic on China's post-pandemic tourist return.

Based on data from *Trip.com*, Malaysia ranks second in Asean among the top 10 most popular destinations for Chinese tourists.

"While Malaysia's Inbound Tourism Association expects one million Chinese tourists in 2023, if flight constraints can be solved and visa entry requirements can be eased further, a 50% to 80% Chinese tourist return may be achievable," according to the research firm.

In addition, HSBC Global Research said China's reopening would also benefit Malaysia on the trade front.

It added that Malaysia, along with Indonesia, saw resilient exports to China in 2022, despite China's slower growth.

Much of the benefit is from high commodity prices, which are likely to stay elevated due to supply constraints coupled with China's

expected decent economic rebound.

"That said, the boost will likely be limited, as China itself is also susceptible to a cooling global trade cycle," it said.

HSBC Global Research also foresees an increase in Chinese FDI into Malaysia post-reopening of China's borders.

It noted that FDI, which remains robust, should provide positive long-term trade prospects for Malaysia.

Malaysia's trade will benefit from a rebound in Chinese demand, though the near-term boost may be limited.

"However, medium-term trade should thrive if Chinese FDI continues to flock to Malaysia's manufacturing sector," it pointed out.

HSBC Global Research highlighted that China has been investing heavily in Asean's manufacturing, a sector to which Malaysia is heavily exposed, over the past decade.

"That said, the pandemic disrupted the process - China's FDI share more than halved, from almost 20% in 2019 to only 9% as of the third quarter of 2022," stated the research firm.