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HSBC Global Research

The mother of all elections

Malaysia announces general election

MULTI-ASSET
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- The date for Malaysia's 14th General Election - widely referred to locally as the "mother of all elections" - has been set for 9 May
- Our base case is that the ruling Barisan Nasional coalition keeps its parliamentary majority, yet the opposition could gain seats
- We analyse coalition manifestos and ascertain what a surprise opposition victory would mean for policy and the economy

Following the dissolution of parliament last week, 9 May has been set as the date for the 14th General Election (GE14). Malaysians will vote for the 222-member Dewan Rakyat (lower house) on the federal level along with 12 assemblies on the state level. The main challenge to incumbent Prime Minister Najib Razak and his Barisan Nasional (BN) coalition will come from the Pakatan Harapan (PH) coalition led by Malaysia's former and longest-serving Prime Minister Mahathir Mohamad, who has defected to the opposition.

Pakatan Harapan is similar to the Pakatan Rakyat (PR) coalition that won the popular vote in GE13, but without the Islamic party PAS, which split from PR in 2015. Thanks to a split opposition contesting many of the same seats, surveys, admittedly somewhat dated given Malaysia's fluid politics, suggest BN should retain control (*The Malaysian Insight*, 7 January). However, given the unreliable nature of surveys and the unprecedented nature of this election (Mahathir may have an impact on states such as Kedah, his home, plus UMNO may face competition in Malay constituencies where it faces candidates from both PH and PAS), we consider what an unlikely opposition victory might mean for the economy.

We analyse the coalition manifestos, in particular proposals relating to economic and fiscal policy. As always, the focus will be on whether or not the status quo is maintained. We note that key opposition proposals such as the abolition of GST and the reintroduction of some fuel subsidies suggest higher budget deficits in the absence of off-setting revenues. PH also pledges to review key mega-projects (mostly Chinese-financed).

Credit: The outcome of the election is viewed as a spread neutral event as it relates to Malaysia's sovereign and quasi-sovereign bonds. We view Malaysia as a BBB+ rated sovereign, or 1-notch lower than the rating agencies, given that its credit metrics are weak for its rating. However, we don't see a near-term downgrade catalyst (**see page 5**).

FX: Our base case is for USD-MYR to fall to its fair value of 3.70 by year-end, assuming no changes in the BNM's FX policy. In the event that there is a change in government, USD-MYR may rise in the near-term given the potential shift in some economic policies that had hitherto been supportive of the MYR (**page 6**).

Rates: We remain bullish on Malaysia government bonds and expect further gains once the general election is over, assuming our base case that the BN government wins. Moreover, foreign investor sentiment towards Malaysia continues to improve while robust local demand from the provident fund helps to anchor the bond market (**page 8**).

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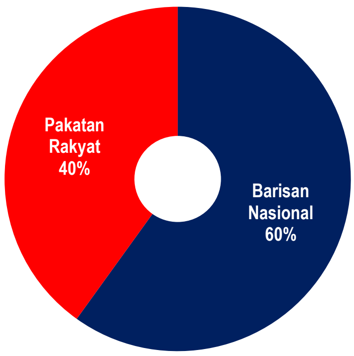
Table 1. Swing states may determine the outcome of federal and state-level elections

	State/Territory	State assembly	Demographic	Federal parliament seats by state, GE2013: BN	PH	PAS	Total	BN share
Opposition	Kelantan	PAS	>90% Bumiputera	5	0	9	**14**	*35.7*
	Selangor	PH	>50% Bumiputera	5	13	4	**22**	*22.7*
	Federal Territories*	N/A	Mixed	4	9	0	**13**	*30.8*
	Penang	PH	Mixed	3	10	0	**13**	*23.1*
???	Terengganu	BN	>90% Bumiputera	4	0	4	**8**	*50.0*
	Perak	BN	>50% Bumiputera	12	10	2	**24**	*50.0*
	Kedah	BN	>70% Bumiputera	10	4	1	**15**	*66.7*
BN stronghold	Negeri Sembilan	BN	>60% Bumiputera	5	3	0	**8**	*62.5*
	Johor	BN	>50% Bumiputera	21	5	0	**26**	*80.8*
	Melaka	BN	>60% Bumiputera	4	2	0	**6**	*66.7*
	Pahang	BN	>70% Bumiputera	10	3	1	**14**	*71.4*
	Perlis	BN	>80% Bumiputera	3	0	0	**3**	*100.0*
	Sabah	BN	>80% Bumiputera	22	3	0	**25**	*88.0*
	Sarawak	BN	>70% Bumiputera	25	6	0	**31**	*80.6*
	Total			133	68	21	222	*59.9*

Source: Malaysia Election Commission, Census 2010, HSBC. NB: Federal territories vote for parliamentary seats but do not have state assemblies as they are directly controlled by the Federal government. Note that federal and state assemblies are based on different constituencies: the numbers on the right refer to federal parliament.

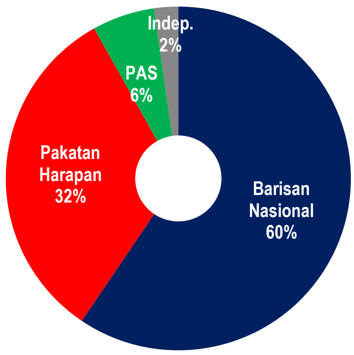
First, the basics. At the federal level, Malaysians will vote for the 222-member Dewan Rakyat (House of Representatives). MPs are elected from single-member constituencies in a first-past-the-post voting system for five-year terms. The coalition with the greatest number of votes will be able to name a Prime Minister. Meanwhile, at the state level voters will elect state legislative assemblies (3 of which are currently controlled by the opposition), with others seen as possible swing states, see Table 1). Note that state assemblies also elect 26 members to the 70-seat Dewan Negara - the largely ceremonial upper house of parliament - with the remaining 44 appointed by the monarch.

2. Despite losing the popular vote, BN took 60% of seats in the 2013 election…



Source: Malaysia Star

3. A newly split opposition should boost BN's chances at maintaining a majority



Source: Malaysia Star. Chart refers to distribution at time of dissolution

HSBC's base case is for the status quo: BN wins the most seats while losing the popular vote. That said, if BN and UMNO continue to lose seats, this may hint at a change in government further down the road. In the unlikely scenario no coalition has a majority in the Dewan Rakyat, the parties would negotiate a broader coalition. In this case, PAS would likely play kingmaker. On the other end of the spectrum of possible outcomes, a two-thirds majority would allow for a "supermajority" necessary for constitutional changes - but this appears unlikely. BN lost its supermajority in the 2008 election, and in 2013 it lost the popular vote for the first time to the opposition.

So, what exactly is the status quo? Over the years, BN has crafted the direction of the Malaysian economy by way of its policy initiatives and 5-year plans. BN's most significant and far-reaching reform was the New Economic Policy (NEP) adopted in 1971. It sought to "achieve national unity, harmony, and integrity" by the socio-economic restructuring of Malaysian society. In particular, the policy set forward a goal to raise the "ratio of economic ownership" of the Bumiputera (indigenous) population from 2.4% to a benchmark of 30% by way of various regulations, quotas, and incentives. This program officially ended in 1990, but most of its policies remain in effect, as some officials believe the 30% target has yet to be achieved. Neither of the opposition coalitions seem to be proposing any significant change to this system.

More recently, the government is working towards "Vision 2020" which aims for Malaysia to become a high-income economy by 2020. Policies to achieve this were unveiled in the 11th Malaysia Plan (11MP) in effect between 2016 and 2020. The government targeted real GDP growth of 5-6%, a goal it is currently meeting with average growth of 5.1% since 2016, thanks to the sharp GDP acceleration in recent quarters, see: *Boleh! Malaysia 4Q GDP*, 14 Feb). Moreover, 11MP targets an increase in the wage share of GDP from 34.9% in 2015 to at least 40% in 2020. To this extent, the minimum wage was increased to 1,300 (MYR/month) in 2016, and the government announced a plan to increase it further to 1,500 over the next five years (the opposition has a similar proposal). This has helped drive strong private consumption growth.

In recent years, the government has also focused on welfare spending for the lowest 40% of households (by income). This policy has been achieved primarily through cash transfers (the BR1M program), which the government plans to increase further this year due to the better-than-expected budget trend. In addition to these overarching goals, PM Najib committed to achieving a balanced budget in 2020, but this target appears to have been pushed back by a few years.

The government has made progress in reducing budget deficits from 6.4% of GDP in 2009 to a projected 2.8% in 2018, but we are still far from an overall balanced budget stance. Moreover, a large share of infrastructure spending is now financed off-balance sheet by government-linked entities or by foreign sources, thus providing short-term budget space at the cost of a longer-term increase in contingent liabilities which could weigh on Malaysia's sovereign rating.

Table 2. Summary of Barisan Nasional and Pakatan Harapan election manifestos

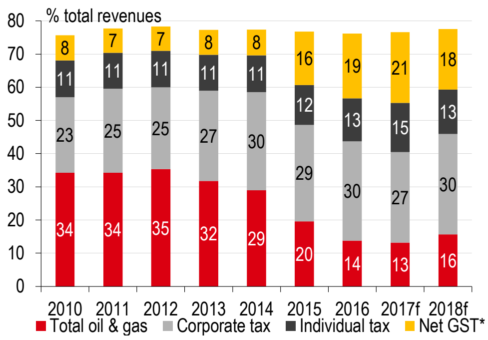
	Incumbent	Opposition
Coalition	Barisan Nasional	Pakatan Harapan
PM candidate	Najib Razak	Mahathir Mohamad
Constituent Parties	UMNO, MCA, MIC	PKR, DAP, PAN (Amanah)
Industrial policy	Create 3 million jobs partly by accelerating development of the 'Malaysian Vision Valley'; Enhance the contribution of SMEs to the national economy through grants and credit guarantees; reduce dependency on foreign workers	
Taxes	Status quo	Abolish the Goods and Services Tax (GST)
Wages and pension	Raise minimum wage to MYR1,500 within 5 years (from 1,300).	Raise minimum wage to MYR1,500 by end of term, with government paying half of pay hike. Equalize minimum wage between Peninsular Malaysia and Borneo. Introduce EPF scheme for housewives (MYR50/month gov't contribution + 2%/salary contribution from husband).
Welfare	Increase maximum BR1M cash hand-out to MYR2,000 from MYR1,200; Enhance healthcare and cost of living allowance for GLC employees who earn RM2,500 and below; Implement a Universal Child Care policy	Introduction of a health insurance scheme for Malaysian households earning less than RM3,900 a month; Maintain BR1M program but reorganize it under different dept.
Subsidies	Special incentive of RM5,000 to every FELDA settler;	Reintroduce fuel subsidies for motorcycles under 125cc and cars under 1,300cc; gradually abolish highway tolls
Housing	Establish a special bank to facilitate loans for low-cost housing (MYR300k and below)	Provide one million affordable houses within 10 years.
Household debt	MYR300m fund to write-off extreme debts of all qualified FELDA settlers	Eliminate the debts of FELDA settlers, ease the burden of National Higher Education Fund Corporation borrowers by allowing debtors who earn less than RM4,000 a month to defer payments
Infrastructure		Review all mega projects
Administrative Policy	Establish a special non-Muslim unit in the Prime Minister's Department to promote inter-racial dialogue and understanding	Limit PM tenure to 2 terms, restructure the PM's department by cutting ministers from 10 to 3, prevent PM from helming other portfolios; Lower voting age from 21 to 18
Legal		Establish an independent task force to inquire into scandal-ridden institutions (1MDB, FELDA, MARA); Abolish Sedition Act and National Security Council act

Source: Barisan Nasional, Pakatan Harapan

In the above table we compare and contrast the key aspects of the various coalitions' proposals. For the purposes of our analysis, we only focus on the economic aspects. **Here, the main differentiating factor is fiscal policy.** For example, a key aspect of both opposition coalitions' manifesto is the abolition of the Goods and Services Tax (we do not include its manifesto in the above table, but PAS' Gagasan Sejahtera coalition also proposes a repeal of GST) which is seen to have contributed to the recent reduction in consumer purchasing power.

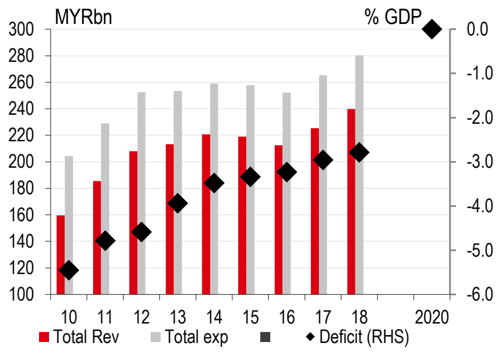
The abolition of GST, even if replaced by the former Sales and Services tax as PH has proposed, would be a significant fiscal risk if there are no offsetting revenue-generating measures. The GST was introduced in 2015 when oil-related dividends and royalties plummeted. This allowed the Malaysian government to gradually pursue fiscal consolidation while continuing to fund growing social expenditure (see: *Malaysia Budget 2018: Delivering the best of both worlds*, 27 October). See charts 4 and 5.

4. GST revenues have offset declining oil-related revenues



Source: CEIC, HSBC. *Before 2015, Net GST refers to Sales and services tax.

5. Fiscal consolidation has made progress, but the government is far from its goal…



Source: CEIC, HSBC

As of 2017, GST provided for 21.3% of the Malaysian government's revenues (compared to 13.1% from total oil & gas related income). Prior to GST the Sales and Services tax only provided roughly 7.5% of revenues. To put this all in context, without the *incremental* tax revenues from GST, the Malaysian government would have run a deficit of 4.9% of GDP in 2017 as opposed to 3.0%. Of course, the opposition could reverse the sharp increases in social spending on wages, pensions, and transfers in recent years, but this does not seem to be on the manifesto. The opposition does however plan a reintroduction of select fuel subsidies (motorbikes under 125cc and cars under 1,300cc), which according to PH's "Alternative 2018 budget" would cost MYR1bn for 2018 (less than 0.1% of GDP) to the deficit (*Free Malaysia Today*, 25 October).

Mega-projects

Another important aspect of the opposition's manifesto is the pledge to review mega projects, in particular those funded by China (according to Mahathir's comments on Bloomberg TV, 9 April). We have noted in previous research that Malaysia's investment outlook will be increasingly driven by foreign-financed infrastructure and other investment projects such as the East Coast Rail Link (see: *Malaysia's Investment Boom: How sustainable is it?* 19 March), partly due to the fiscal constraints faced by the government.

In total, we calculate roughly USD38bn of Chinese-financed projects (see table in the appendix). While these projects will be important in driving growth over the near-term, the foreign-debt financing structure of the projects suggest an increase in the government's contingent liabilities - which could grow at an even faster pace if the projects do not deliver the expected cash flows. While enhanced oversight may improve the sustainability of the projects and reduce long-term contingent debt build-up, we would point out that delays could possibly weigh on the short-term investment outlook (and to a smaller extent, provide some support to the trade and current account balance due to the import-intensive nature of these projects).

Table 3. Election-related implications based on party manifestos

	Campaign period implications	Election outcome possibilities	
	April 29 - May 8	Base case: BN victory	Risk case: PH victory
Growth	Private consumption in 2Q to be supported by election rallies; increase in BR1M payments to support consumption in 2H18	Status-quo	Unclear if the long-term growth trajectory would change
Infrastructure/Investment	Minimal impact, possible short-term deceleration in private investment as investors await clarity following elections.	Status-quo	Possible delays to large-scale infrastructure projects such as ECRL, suggesting a deceleration in investment
Inflation	We expect minimal upward pressure on basic food commodity prices due to elevated campaign demand	Status-quo	Downward pressure on CPI stemming from subsidy increases and repeal of GST
Budget/Fiscal	The government appears to be directing better-than-expected revenues in recent quarters towards BR1M hand-outs	Continued gradual fiscal consolidation with a target of balanced budget by early-2020s	No visibility on balanced budget target, higher fiscal deficits in the short-term if policy pledges are realized in the first 100 days
Sovereign rating	The outcome of the election is viewed as a spread neutral event as it relates to Malaysia's sovereign and quasi-sovereign bonds.		
Local rates	Expect low market activity as investors refrain from adding to their bond exposure until there is political clarity	Continued gradual rebound in foreign demand for bonds	Cautious sentiment is expected as investors wait to see if the fiscal deficit will be widened
FX	Recent historical experience suggest that the MYR tends to strengthen into an election, possibly because of funding-related inflows. But in any case, the MYR should continue to be supported by mandatory exporters' conversion, as has been the case since January 2017.	USD-MYR continues falling toward its fair value, which we estimate could be around 3.70. Even if residents expect future political uncertainty in the event of a further decline in BN's popular vote, they may not be able to accelerate their asset diversification abroad due to certain regulations. That said, election aside, there are other sources of upside risks to our forecast we should consider.	USD-MYR may rise in the near-term if there are outflows by foreign investors who are concerned about potential changes to fiscal reforms and FDI policy. But the volatility should not be as high as in the past, given the various regulations introduced in late 2016 and the diminished influence of the NDF market.

Source: HSBC assumptions based on party manifestos

Credit View on Malaysia [A-(sta)/A3(sta)/A-(sta)]

The outcome of Malaysia' general election is viewed as spread neutral event as it relates to Malaysia's sovereign and quasi-sovereign bonds outstanding. This is largely technical, as outstanding bonds and new issuance from Malaysia has been very low over the past few years. Having said that, we continue to view Malaysia as a BBB+ rated sovereign, or 1-notch lower than the rating agencies, given Malaysia credit metrics are weak for its rating category. For instance government debt/GDP of 53% in 2017 is above the median of 38% for countries rated Baa1-Baa3 and its external debt/GDP of 66% in 2017 is also above the median of 38% for countries rated Baa1-Baa3. In addition, the government's off-balance sheet and financing guarantees have raised public debt further. However, given the cyclical strength of the economy we don't see a near-term catalyst for rating action by the agencies.

FX: Will the MYR weaken after GE14?

The MYR's performance around the last two elections - GE12 on 8 March 2008 and GE13 on 5 May 2013 - gives an impression that the currency tends to strengthen going into the elections but does not do well in the aftermath - either going sideways (2008) or falling sharply (2013; Charts 6-7). A plausible explanation goes like this: there could have been 'one-off' capital inflows (for election funding) that boost the MYR pre-election, and the MYR languishes post-election as residents diversify their assets abroad, thinking that political risk rises alongside a falling popular vote for the ruling party (2004: 63.85%; 2008: 51.39%; 2013: 47.38%).

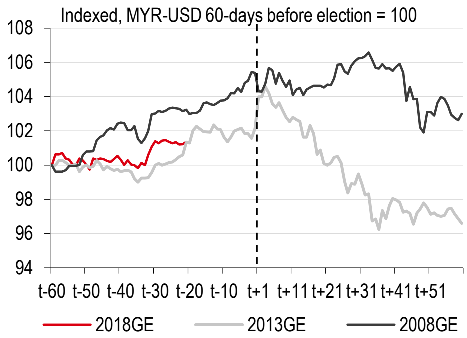
But of course, such simple historical comparisons are almost always flawed and the associated theories are difficult to prove (or disprove for that matter) in the data. For example, we cannot control for the external events that occurred around the same time - the global financial crisis unfolding through 2008 and the Taper Tantrum in mid-2013 - which also affected the MYR.

For GE14, in the status quo scenario of a BN victory, we believe the MYR's outlook should continue to be driven by the BNM's restrained FX intervention policy and the MYR-supportive FX regulations it implemented in late 2016 - as has been the case over the past year or so. Our base case is for no major changes in policy or regulations - and so USD-MYR falls towards 3.70 by year-end, because of mandatory conversion by exporters amid gradual FX reserve accumulation by the BNM. A pick up in FDI and portfolio inflows from foreign investors relieved by the prospect of policy continuity under BN's governance would certainly help too.

Even if the theory behind past MYR weakness post-election is right and residents would indeed like to acquire more FX or foreign assets because of future political risks, we note there are now prudential limits in place since December 2016 that should cap such capital outflows (Chart 8). Companies can only buy FX to meet up to six months' worth of goods imports payables and foreign currency loan obligations. Also, residents can only invest in FX assets onshore and offshore up to MYR50m per year for companies, and up to MYR1mn per year for individuals.

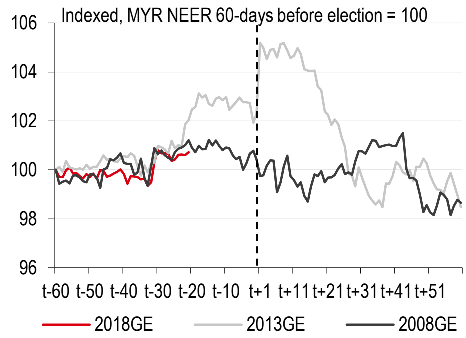
In the other scenario whereby there is a change of government, we believe the MYR may weaken in the near-term, possibly on the back of capital outflows by foreign investors (while residents' outflows are curtailed, as explained above). The opposition party has suggested that it would, among other things, review the GST, fuel subsidies and China's investments in Malaysia. The GST and subsidy reforms shored up Malaysia's fiscal finances, thereby helping the sovereign to avoid a ratings downgrade - supporting foreign investors' confidence in Malaysian assets and the MYR. Meanwhile, China's FDI now comprises nearly half of total FDI into Malaysia which has become all the more important for the MYR against a shrinking current account surplus. A potential reversal of these developments may thus result in a weaker currency, at least in a knee-jerk reaction.

6. The MYR appreciated in the months heading into both GE12 and GE13…



Source: Bloomberg, HSBC

7. …and languished after the elections, but possibly due to other external events



Source: BIS, HSBC

That said, the BNM's FX policy and regulations should help contain the fall-out in this scenario - there is now a steady supply of foreign exchange from exporters, even if foreigners' inflows were to dry up or reverse into outflows. And the BNM may deploy some of its FX reserves - which it has raised to USD108bn as of March 2018, from as low as USD93bn in September 2015 - if necessary. The BNM has also already made it easier for foreign investors to hedge their FX risk in the onshore derivatives market. The greatly diminished influence of the NDF market should further prevent the MYR from displaying volatility as high as in the past.

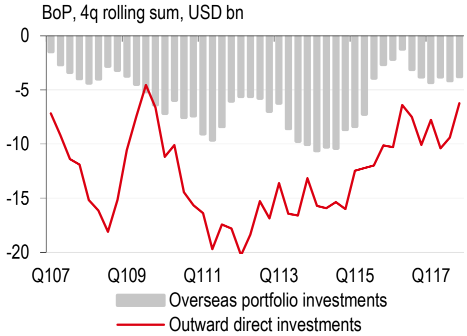
It should be clear from our discussion by now that a crucial domestic determinant of the MYR's outlook - in either election outcome - is the BNM's FX policy, in our view. The main (upside) risk to USD-MYR forecast is that this policy - which has so far been geared towards being supportive of MYR appreciation - changes for whatever reason (see Question 2 of *Asian FX Focus: MYR: Can the rally continue?*, 5 March 2018).

We note that the BNM's FX reserves rose sharply recently (Chart 9), which could suggest that it may already be turning somewhat less tolerant of further MYR strength. This could possibly be because it has a different - higher - view on the fair value of USD-MYR than we do, or perhaps it may see net benefits to having a slightly undervalued MYR amid risks of a trade-cum-currency war between the US and China. We estimate that the BNM made nearly USD3.5bn of FX purchases in March, much larger than the USD0.5bn on average per month in January 2017 - February 2018. Of course, one data point does not make a trend, and we will monitor the situation further.

The other upside risk to our forecast is external. Trade tensions between US and China are rising and may, in a worst case scenario, result in disruptions to global trade and heightened risk aversion in global financial markets. Given Malaysia's openness to trade and its exposure to demand from both US and China, the MYR will likely be among the more affected currencies (see *EM FX Roadmap: Trade wars: Give peace a chance*, 27 March 2018). The MYR has also historically been among the more sensitive EM currencies to elevated volatility in global financial markets, given comparatively high foreign positioning in its local bond market, relatively low FX reserve cover, and above-average exposure to commodity exports (see *EM FX Roadmap: When vol calls…*, 22 February 2018).

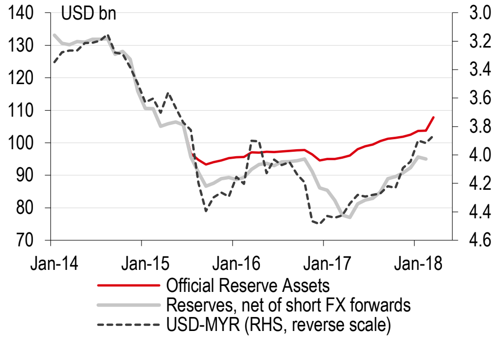
Given the above-mentioned domestic and external risks to our forecast even in the status quo scenario and considering how far the MYR has already come in its recovery such that it is now very close to, if not already at, some estimates of its fair value (ranging 3.44-3.91; see Question 1 of *Asian FX Focus: MYR: Can the rally continue?*, 5 March 2018), we believe it may be prudent for some investors to start considering hedging the topside risk in USD-MYR.

8. Residents' investments abroad have been contained in recent years, in part because of certain regulations



Source: CEIC, HSBC

9. Could FX policy already be changing? There was a noticeable acceleration in reserve accumulation recently



Source: Bloomberg, CEIC, HSBC

Bonds: Still bullish

We remain bullish on Malaysia government bonds and expect further gains to materialise once the general election is over, assuming the incumbent government delivers a convincing win. In the event that the opposition coalition wins, we would be monitoring closely to see if it follows through with some of the pledges listed in its election manifesto, namely to remove the Goods and Services Tax as well as to reintroduce subsidised fuel for selected consumer groups within the first 100 days of office. If these pledges are implemented, we will have to determine the potential size of increase in the fiscal deficit and government bond issuance.

We turned positive on Malaysia government bonds in March 2017 and even after the rally since, we continue to believe that there is room for further gains. It is clear to us that the lack of an offshore foreign exchange hedging market has not permanently dented investors' appetite for Malaysia bonds. We observe from the data that even though foreign asset management companies' holding of Malaysia bonds declined sharply in Q1 2017 following the currency hedging restrictions, it rebounded from Q2 to Q4 2017. As of end 2017, foreign asset managers' holding is just MYR5bn shy of its 2016 level. Meanwhile, Malaysia's weight in the Government Bond Index – Emerging Markets (GBI-EM) has been hovering between 5.60% and 5.80% since September 2017 and unless China bonds get included in the index, we expect Malaysia's index weight to remain range bound. This means that there should be no forced selling of Malaysia bonds by foreign asset managers.

The Ministry of Finance is on track with its financing plans, having net issued MYR13bn, or 33% of its full-year target in Q1 2018. Net issuance volume is expected rise further in Q2 as there will only be one government bond maturing on 15 May (MYR7.5bn of a 3yr Islamic government bond). However, this means that net supply is likely going to be much lower in the second half of 2018, a repeat of what happened in the second half of 2017. With reduced bond supply and greater political clarity, we believe the investment environment will be relatively conducive for a bond rally in the second half of the year. The threat of another policy rate hike is low as high base effects will keep inflation relatively low this year. Moreover, Bank Negara Malaysia governor Muhammad Ibrahim has stated that the country 'is not on a tightening trend' despite the 25bp policy normalisation in January 2018 (The Edge, 5 February).

Furthermore, Malaysia's bond market remains well-supported by the domestic Employee Provident Fund (EPF). As the ringgit depreciated and foreign investors partially exited the market over the last three years, the EPF increased its holdings of conventional and Islamic bonds such that their market share has risen from 22.3% at the end of 2014 to 28.3% in 2017. This has proven to be a sturdy buffer for the domestic market. We expect increasing demand for Islamic government bonds from the EPF with the launch of its Shariah savings scheme, separate from the conventional savings scheme, in 2017.

Appendix

Table 4. Chinese Belt and Road projects in Malaysia

Project	Location	Sector	Cost USDbn	Import USDbn	Chinese partner
East Coast Rail Link (ECRL)	West Malaysia	Infra-Transport	13.0	4.6	China Communications Company Limited
Melaka Gateway Project	Malacca	Other infra/real estate	10.8	2.2	Powerchina
Melaka Gateway Port	Malacca	Infra-Transport	2.0	0.7	PowerChina, Shenzhen Yantian Port, Rizhao Port
Sarawak Steel Plant	Sarawak	Heavy industry	3.3	0.8	Hebei Xinwuan Steel Group
Sarawak Power Plant	Sarawak	Infra-Energy	0.1	0.0	China Machinery Engineering Corp
Malaysia-China Kuantan Industrial Park	Kuantan	Manufacturing	3.8	0.8	Wuxi Suntech; Guangxi Investment Group; LJ Hightech Material
Kuantan Port	Kuantan	Infra-Transport	1.0	0.4	Guangxi Beibu Gulf International Port Group (40%)
Green Technology Park	Pahang	Manufacturing	0.5	0.1	China Nuclear Industry Huaxing Construction
Trans-Sabah gas pipeline	Sabah	Infra-Energy	0.1	0.0	China Petroleum Pipeline Bureau
Petrochemical plant	Sabah	Heavy industry	0.3	0.1	Complant, Sichuan Chemical Industry Holding, China Chengda Engineering
Robotic Future City	Johor Bahru	Manufacturing	3.5	0.7	Siasun Robot Investment
Kuala Linggi International Port	Malacca	Infra-Transport	2.9	1.0	China Railway group
Waterfront Land Reclamation in Penang	Penang	Other infra/real estate	0.5	0.1	China communication and construction company
Green Technology Park	Pahang	Manufacturing	0.5	0.1	China Nuclear Huaxing Construction Co
Methanol and methanol derivates plant	Sarawak	Heavy industry	0.8	0.2	China Huanqiu Constructing and Engineering Corporation
The Shore	Sabah	Other infra/real estate	0.1	0.0	China Railway Group Limited
Solar Ingots Plant	Sarawak	Heavy industry	TBD		Comtec Solar Systems Group Ltd.
TOTAL			**43.1**	**8.9**	

Source: The Star, New Straits Times, Xinhua, Borneo Post, HSBC. NB: Import value based on assumption of import intensity depending on classification of project. Project values subject to change. Projects above have been started, announced, or committed to through a Memorandum of Understanding.

Disclosure appendix

Analyst Certification

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Source: HSBC

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