MALAYSIA WEEKLY ECONOMIC NEWS

(2 October 2017 – 6 October 2017)

Topics	Highlights
M'sia growth forecast upgrade draws mixed views	Malaysia and Hong Kong received the largest upgrades (5.4% from 4.7% and 3.6% from 2%) for this year among major economies in the Asian Development Bank (ADB)'s latest update, adding that the global trade recovery is helping to boost exports in these two countries. The significant upgrade of Malaysia's economic growth forecast by the ADB has drawn mixed views, with one saying that it may be premature. Factors that can derail Malaysia's growth trajectory over the next 12 to 18 months include lingering uncertainty over fiscal and policy regulations in the US, faster than expected US rate hikes and unsustainable financial and debt risks in China. Financial volatility induced by these headwinds can dampen investors' confidence and weigh on consumption and investment growth. With the Malaysian general elections at least six months away, investors' sentiment may be held down by uncertainty over the economic and policy landscape, post elections. *(The Star, 2 October 2017)*
Govt to rationalise spending in 2018 Budget for the best result - Johari	The Government will be rationalising some of its expenditure in the 2018 Budget to get the best result from the money spent, said Second Finance Minister, YBhg. Datuk Seri Johari Abdul Ghani. The details of the rationalisation process was still being worked out. On the tax on digital platform, Johari said, the Government was studying a few options to ensure that the users would not be taxed. The nation's future economic agenda would be premised on sustainable and inclusive growth and the digital economy would play a significant role in achieving long-term sustainable growth. (The Star, 3 October 2017)
Support for move to tax digital economy	The Government's proposal to tax the digital economy is a step in the right direction, says World Bank Group. Tax imposition on the digital economy will allow diversification of the Government's revenue sources, aside from creating more buffers for an improved fiscal management. The World Bank has recommended that Malaysia should broaden the base of the personal income tax, apart from reducing exemptions under the GST regime. The favourable domestic environment provides a crucial opportunity for the government to further strengthen its finances towards a more sustainable debt path. Broadening of revenue sources and reducing exemptions on GST could further enhance revenue collection, while addressing the rising civil servants' salaries and pensions could contain the expansion in operating expenditures. *(The Star, 5 October 2017)*
World Bank raises Malaysia's GDP growth forecast	The World Bank has revised Malaysia's 2017 gross domestic product (GDP) growth forecast upwards for the second time this year to 5.2%, primarily attributed to stronger investments and the recovery in world trade. In its latest October 2017 edition of the East Asia and Pacific Economic Update, the World Bank raised its GDP forecast from 4.9% in June as domestic economic activities accelerated by 5.7% year-on-year during the first half of 2017. Earlier in April this year, the institution had predicted the Malaysian economy to grow by 4.3% in 2017. *(The Star, 5 October 2017)*

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