MALAYSIA WEEKLY ECONOMIC NEWS

(13 August 2018 – 17 August 2018)

Topics	*Highlights*
Malaysia's economy grew 4.5% second quarter	Malaysian economy grew at a slower pace year-on-year by 4.5% in the second quarter of this year, a level not seen since the fourth quarter of 2016. The growth which fell below a consensus estimate of 5.4%, was mainly driven by private consumption that grew at its highest level since pre-GST. Governor of Bank Negara Malaysia, Nor Shamsiah Mohd Yunus said private sector activity continued to be the primary driver of growth as both private consumption and investment expanded strongly during the quarter. The economy had lower support from net exports and public investment which contracted as some large projects near completion. On the supply side, the growth was affected by commodity-specific shocks. Growth in the mining sector contracted mainly due to unplanned supply outages, while the agriculture sector was affected by production constraints and adverse weather conditions. Moving forward, the economy is expected to remain on a steady growth path. Bank Negara Malaysia has also revised the economic growth forecast to 5% for 2018 from the previous target of 5.5 – 6% *(Source: News Straits Times, 17 August 2018)*
Fitch affirms A- rating for Malaysia, estimates Govt debt at 65% of GDP	Fitch Ratings has affirmed Malaysia's long-term foreign-currency issuer default rating (IDR) at 'A-' with a stable outlook supported by solid economic growth and a net external creditor position built up from a record of current account surplus. The affirmation not only takes into consideration measures such as the rollback of the GST, but also the intention to reduce fiscal deficits and improve governance. The agency has raised its estimate of central government debt at end-2017 to around 65% of GDP, from 50.8%, following the government's recognition that it will need to service a large share of explicitly guaranteed debt. As for GDP, Fitch expects GDP growth to slow to 5.2% in 2018, 4.8% in 2019 and 4.6% in 2020, as the government seeks to constrain recurrent spending in line with its narrower revenue base. In addition, public capital spending is being held back by a review of large infrastructure projects and exports are likely to moderate from slowing external demand. Downside risks to growth projections include accelerated spending cuts, disruption to capital projects or slowing investment in the event of prolonged policy and political uncertainty. *(Source: The Star Online, 14 August 2018)*
Malaysia readies to cushion its trade impact of Turkey's financial crisis	MITI cautioned that recent financial crisis in Turkey will have some effects to our trade with the country. MITI Minister, Darell Leiking said the government is ready to prepare some solutions to minimise the impact. Darell is hopeful that Malaysia would be able to sustain exports to Turkey and get payment that are due despite the financial crisis in Turkey. MITI will be at the forefront to try and resolve trade and economy related issues but remained hopeful that Turkey would find solutions. According to MITI, Malaysia's trade with Turkey amounted to RM12.06 billion, while export and imported accounted for RM10.51 billion and RM1.55 billion, respectively. Asked on PH's 100-day trade performance of the country, Darrel said every decision made by the administration has affected the country's trade. For example, the anti-fake news and SST implementation are good as investors has given Malaysia another chance. The govt would position Malaysia as the centre of all business, assured by investors and trade commissions. *(Source: News Straits Times, 14 August 2018)*

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