MALAYSIA WEEKLY ECONOMIC NEWS

(1 April 2019 – 5 April 2019)

Topics	Highlights
Moody's cuts Malaysia 2019, 2020 GDP growth forecasts	Moody's Investors Service has cut its 2019 GDP growth forecast for Malaysia to 4.4%, down from 4.7% projected in January 2019. The international rating agency has also reduced Malaysia's real GDP growth for year 2020 to 4.3% from 4.5% earlier. President of Moody's, Anushka Shah said that growth in Malaysia will slow this year and next year because of its highly open economy and uncertainty in the global trade front. On March 27, Bank Negara Malaysia cut its economic growth forecast for 2019 and projected a major drop in export expansion due to slowing global growth and the US-China trade war. The GDP for 2019 were projected in the range of 4.3%-4.8%, not 4.9% as projected by the Government in November last year. Shah said as Malaysia's linkages with China are high and rising, China's economic slowdown projected for this year would have an impact on Malaysia. Moody's has projected China's economy to grow at 6.0% this year. Weaker trends in global trade will also act as a drag to Malaysia economic. *(Source: The Star, 3 April 2019)*
AI to nearly double the rate of innovation in Malaysia by 2021	By 2021, Artificial Intelligence (AI) will allow the rate of innovation to almost double and increase employees' productivity improvements by 60% in Malaysia, according to a study by Microsoft and IDC Asia/Pacific titled Future Ready Business: Assessing Asia Pacific's Growth Potential Through AI. The study showed that while 7 in 10 business leaders polled agreed that AI is instrumental for their organisation's competitiveness, only 26% of organisations in Malaysia have embarked on their AI journeys, expecting increase in competitiveness by 2.2 times in 2021. For organisations that are AI-implemented, the top business drivers to adopt the technology were better customer engagements and higher competitiveness (both tied as the number one driver with 31% respondents respectively); accelerated innovation and improved efficiency (12%); as well as more productive employees (8%). Business leaders who are adopting AI faced three top challenges i.e. lack of thought leadership and leadership commitment to invest in AI; lack of skills, resources and continuous learning programs and lack of advanced analytics or adequate infrastructure and tools to develop actionable insights. The study found that Malaysia's business leaders and workers hold positive viewpoints about the AI's impact on the future of jobs. More than half (67% of business leaders and 64% of workers) believe that AI will either help to do their existing jobs better or reduce repetitive tasks. *(Source: Digital News Asia, 3 April 2019)*
Malaysia's factory production worsens but long term outlook is bright	Latest Nikkei Malaysia Purchasing Managers' Index (PMI) indicates deterioration in production trend for Malaysian manufacturers but their outlook of improved sales and output was at its strongest in almost a year. The indicator of manufacturing performance registered 47.2 in March (Feb'19: 47.6), below 50-point line that separates expansion from contraction. It was the 6th straight month of contraction since October 2018. A deterioration in production trend reflects tougher demand conditions particularly in overseas markets, based on anecdotal evidence from the survey provided by PMI panel member companies. Efficiency gains reportedly helped ease pressures on capacity but some panel members attributed backlog depletion to higher staffing levels. However, manufacturing employment was broadly stable overall in March, as hiring in some instances was offset by other firms reducing workforce numbers due to softer demand. The survey data also signalled stable price levels, with input prices and output charges both broadly unchanged since February. Against the challenges signaled by PMI, Malaysian manufacturers has strongest degree of optimism towards future output in almost one year, supported by forecasts of improved sales, new projects and products and successful new contract tenders. *(Source: New Straits Times, 1 April 2019)*

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