MALAYSIA WEEKLY ECONOMIC NEWS

(7 January 2019 – 11 January 2019)

Topics	Highlights
IPI up 2.5% in November 2018	Malaysia's Industrial Production Index (IPI) rose by 2.5% in November 2018 as compared with the same month of the previous year, supported by the increase in manufacturing index (3.6%) and electricity index (3.2%). The Statistics Department, in releasing the IPI for November 2018, said the statistics on IPI consists of three main sectors, which are mining, manufacturing and electricity. The mining index declined by 0.7%. Chief Statistician Malaysia, Datuk Seri Dr Mohd Uzir Mahidin said the manufacturing sector output expanded by 3.6% in November 2018 after registering a growth of 5.4% in October 2018. The major sub-sectors that contributed to the growth in November 2018 were transport equipment and other manufactures products (8.3%), electrical and electronic equipment products (5.3%) and petroleum, chemical, rubber & plastic products (3.4%). The electricity sector index increased by 3.2% in November 2018 as against November 2017. Meanwhile, the mining sector output recorded a decline of 0.7% in November 2018 as compared to the same period of the previous year due to a decrease in natural gas index (-1.8%), while crude oil index increased marginally by 0.6%. *(Source: The Sun Daily, 10 January 2019)*
Malaysia's economy to grow 4.7pc to RM1.48 trillion in 2019	The World Bank forecasted Malaysia's RM1.41 trillion economy to grow at 4.7% in 2019 and to slow down to 4.6% in 2020. In its January 2019 Global Economic Prospects report, the World Bank said Malaysia's lower public investment is weighing on growth, reflecting the completion of several infrastructure projects and a more prudent approach toward new ones. In contrast to the regional trend, import growth in Malaysia has been weak, reflecting weak demand for capital goods imports combined with lower imports of intermediate goods. The report also highlighted Malaysia had few vulnerabilities, including high levels of public and private debt, external debt, foreign participation in local-currency sovereign bond markets. Furthermore, the cost of rising import tariffs may be magnified by Malaysia's participation in complex global value chains. The report also pointed out Malaysia is among the countries with the highest educational attainment and the lowest share of informal employment at 25% of working population. On the global growth, World Bank projected that global economic growth to soften from a downwardly revised 3% in 2018 to 2.9% in 2019, amid rising downside risks to the outlook. Slowing external demand, rising borrowing costs, and persistent policy uncertainties are expected to weigh on the outlook for emerging market and developing economies. *(Source: New Straits Times, 9 January 2019)*
RAM: Malaysia business confidence in 1H19 hits record low	Business confidence, as measured by RAM Business Confidence Index (BCI) from a poll of 3,500 firms in Malaysia on their sentiment in the first six months of 2019, has fallen to the lowest level since the index began tracking in 2017. One of the key factors driving firms' sentiment this year is the weak economic prospects over the next six months. The number of firms citing weak economic conditions as their main challenge within this period spiked up to more than 40% of total firms surveyed. RAM cited that decelerating domestic growth, uncertain global demand and investment activities as well as a lack of positive catalysts, including the relatively neutral Budget 2019, play a part in the generally weaker business sentiment on the next six months. Amid the weaker prospects, firms are holding back on capacity building. The sub-indices that track corporate business expansion, capital investment and hiring have fallen to their lowest levels since the inception of the RAM BCI, after having declined in three consecutive surveys. RAM noted that firms' expressed reticence on capacity building remains the most prominent downside risk, as it could weigh on the momentum of economic growth in 2019 and potential economic output over the longer run. The construction sector, notably, was the least bullish among both corporates and SMEs, given that there is no new growth catalyst amid the overhang in the property segment, plus the shelving of new big-ticket infrastructure projects. *(Source: The Edge Markets, 7 January 2019)*

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