MALAYSIA WEEKLY ECONOMIC NEWS

(13 February 2017 – 17 February 2017)

Topics	Highlights
Malaysia's Q4 real GDP growth forecast 4.7%	Maybank Investment Bank Research estimates that the real GDP growth for the fourth quarter of 2016 (4Q16) was 4.7% on-year, implying a 4.3% full-year growth. The research house said that this forecast was slightly above its full-year estimate of 4.2%. It said the estimate was based on the fact that industrial production growth quickened, index of services slowed, the drop in palm oil output eased, pointing to smaller contraction in agriculture sector, while growth in the value of construction works moderated during the quarter. Maybank IB Research noted that the Industrial Production Index (IPI) strengthened to 5.0% on-year in 4Q 2016 on faster growth in manufacturing and mining which offset the moderation in electricity, pointing to firmer growth in manufacturing GDP and mining GDP. *(Source: The Star, 13 February 2017)*
Medical tourism expected to hit RM1.3bil in revenue this year	The medical tourism industry in Malaysia is expected to achieve its targeted revenue of RM1.3 billion this year, said Malaysia Healthcare Travel Council (MHTC). The industry was experiencing a 30% growth year-on-year. On average, a foreign patient would spend about RM1,000 per visit, not including other expenditures while being in the country. Revenue from medical tourism stood at RM1 billion in the 2016 financial year. On prospects, MHTC estimated that one million visitors would flock to Malaysia this year, contributing up to RM5 billion to the total gross domestic product (GDP). Last year, over 860,000 medical travellers sought treatment in the country. The number was expected to grow, with more private hospitals able to cater to more foreign patients. Private hospitals nationwide currently have an estimated 15,000 beds. The top five treatments sought by medical travellers were cardiology, oncology, orthopaedics, IVF (In Vitro Fertilisation), dental and cosmetics. The travellers came from the ASEAN region, with China and India. *(Source: The Star, 14 February 2017)*
Malaysia's jobless rate up slightly	The country's unemployment rate has inched up by 0.1% to 3.5% in December 2016 compared to the previous month, according to the Statistics Department. On a year-on-year comparison, the unemployment rate was also up 0.1% from December 2015. On a seasonally adjusted month-on-month basis, however, the department noted that the unemployment rate had decreased 0.1% to 3.5%.It said that in December 2016, 14,276,700 people were employed out of the country's total labour force of 14,788,900, while 512,000 were unemployed. Malaysia's total labour force participation rate fell 0.1% to 67.6% in December 2016, compared to the previous month. A year-on-year comparison showed that the labour force participation rate in December 2016 was down 0.3% compared to December 2015. The department noted that 32.4% or 7,072,800 of the country's working age population, which is between the ages 15 and 64 years, were outside the labour force, mainly consisting of housewives, students, retired or disabled persons and those not interested in working. (*Source: The Star,14 February 2017)*

Economists: Malaysia to record modest growth this year	Malaysia will record a modest growth of between 4.2% and 4.3% this year, largely driven by domestic demand and infrastructural projects. The country's strong labour market and stable income growth would be able to sustain domestic demand. The Government has also been pushing for infrastructural projects, which counter-balance the declining private investments. The improving commodity prices had also been a boon to Malaysia. Some improvements in several sectors related to the commodities, such as palm oil, would benefit from higher prices. The move taken by US president Donald Trump to withdraw from the TPPA had weakened the effect of the mega trade agreement. Trump's campaign had labelled China as a currency manipulator, which immediately allows them to impose 45% tariffs on China's imports. There is a lot of risk to global trade flows, particularly within South-East Asia, as the region does not export a lot of finished goods. (*Source: The Star, 15 February 2017)*
RAM Ratings: Malaysia's GDP growth forecast at 4.5% for 2017	RAM Rating Services Bhd has forecast gross domestic product (GDP) growth of 4.5% for Malaysia in 2017, thus representing a "delicate recovery". The growth momentum is projected to pick up after the sluggishness of the last couple of years, mainly led by stabilising domestic demand. Private consumption is anticipated to remain resilient at 6.0%, while private investment growth is seen to strengthen to 5.5%, on the back of ongoing infrastructure developments. The external demand will pose the biggest uncertainty in terms of economic performance. As for 2016, RAM Ratings has estimated the country's economy to clock in at 4.2%, with resilience underpinned by domestic demand. Private consumption growth, meanwhile, is anticipated to strengthen to 5.8% following the Goods and Services Tax (GST) shock of the previous year. The data on forward-looking export orders and the tech cycle's momentum had provided some recent upside to exports of electronic and electrical goods, there were also some downside risks. (*Source: NST, 15 February 2017)*
Malaysian economy set to grow at quicker pace in final quarter	Malaysia's economy is expected to have grown at a faster pace in the fourth quarter, supported by its oil and commodity exports after over a year of tepid global demand that bodes well for a more durable recovery over 2017. The median forecast in a Reuters poll of 14 economists was for 4.5% annual growth in October-December, better than the 4.3% expansion over the previous quarter. The forecast matches the growth rate achieved in the fourth quarter of 2015, and some economists say the positive momentum puts South-East Asia's third-largest economy on track for a modest recovery. Malaysia, an energy and commodities exporter, snapped five quarters of declining growth in July-September. The economy will grow between 4% and 5% in 2017. The Government revised Malaysia's full year 2016 growth target to 4%-4.5% from 4%-5% following the sharp drop in global crude oil prices. But there are signs of a pick up in external trade with December exports up 10.7% on-year on a strong recovery in shipments of crude oil, petroleum products and palm oil and palm-based products. (Source: The Star, 16 February 2017)

Malaysia's economy records 4.5% growth in Q4 of 2016	Malaysia's economy expanded at 4.5% in the fourth quarter of 2016, exceeding economists' survey of 4.4%, underpinned by the manufacturing and services sector. The Q4, 2016 economic growth, as measured by the gross domestic product (GDP), was flat when compared to a year ago. For 2016, the GDP grew at a slower pace of 4.2% when compared with the 5% expansion in 2015. On a quarter-on-quarter seasonally-adjusted basis, the economy recorded a sustained growth of 1.4% (3Q 2016: 1.4%). The 4.5% growth in the fourth quarter of 2016 and the 4.2% expansion in 2016 were within the range projected by Treasury. The global economy was expected to improve but remain on a moderate growth path. The Malaysian economy will experience sustained growth with the primary driver being domestic demand. Private consumption is anticipated to remain supported by wage and employment growth, with additional impetus coming from announced government measures to support disposable income of households. The Q4 2016 growth was supported by the continued expansion in private sector expenditure. On the supply side, growth continued to be driven by the manufacturing and services sectors. Overall, domestic demand expanded at a more moderate pace, as the improvement in private consumption and investment activity was more than offset by the decline in public expenditure (Source: The Star, 16 February 2017)
Malaysian bond outflows stabilising although uncertainties remain	The pace of foreign investment outflow slowed to 1.8% in January, compared to a 2.4% net outflow in December 2016, according to RAM Ratings. The rating agency said foreign holdings of Malaysian Government Securities (MGS) still made up a significant 46% of total holdings (December 2016: 47.1%). In addition, fundamental demand for long-term investment appeared intact. Bank Negara's decision to hold the overnight policy rate (OPR) at 3.00% in January was consistent with its view that current volatility, growth and inflation expectations should contribute to the OPR staying put for now. The rate to remain unchanged through the rest of the year, barring any significant deceleration in the current and expected momentum of economic growth, projected by RAM at 4.5% for 2017. Inflation came in below our expectations at 2.1% in 2016. Nonetheless, we expect the general improvement in global crude oil prices to lift inflation this year, accounting for the bulk of the projected upward momentum in price levels. For 2017, inflation is envisaged to clock in at 3%. (Source: The Star, 17 February 2017)

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