MALAYSIA ECONOMIC NEWS

(7 March 2016 – 11 March 2016)

Topics	Highlights
Sukuk market to remain resilient	The global sukuk market is expected to remain fairly resilient at around US$55 billion to US$65 billion (RM231 billion to RM273 billion) this year compared with US$66.4 billion last year, despite ebbing global market sentiment, particularly in Malaysia amid the weaker ringgit, according to RAM Ratings. Given the steep fall in crude oil prices that have adversely affected the core sukuk markets of Malaysia and the Gulf Cooperation Council (GCC), the rating agency's projection takes into account these countries' government expenditure cuts and potential delays in infrastructure spending. Malaysia's global leadership last year was underscored by US$23 billion of sukuk issuance from corporate and quasi-government sectors that remained resilient despite economic headwinds. *(Source: The Star, 8 March 2016)*
No reduction in electricity tariff due to weaker ringgit	Despite declining oil prices, Tenaga Nasional Berhad (TNB) will not lower its electricity tariff due to the weaker ringgit. The Energy, Green Technology and Water Minister, Datuk Seri Dr Maximus Ongkili said that lower costs for petroleum, coal and gas had no impact on electricity tariff. The lower price of crude oil, coal and gas did not translate into lower electricity tariff as the currency exchange and weaker ringgit resulted in paying more for fuel and higher power generation costs. He said the tariff had been fixed for a four year period beginning 2014 until 2017 at a rate of 38.53 cents per kilo watt hour. *(Source: The Star, 9 March 2016)*
MIDA remains optimistic of outlook for O&G sector	Datuk N. Rajendran, Deputy CEO of Malaysian Investment Development Authority (MIDA), told reporters that based on the market indication and the stabilisation of oil prices now, MIDA is optimistic of the outlook for the oil and gas (O&G) sector, especially for downstream activities. Last year, MIDA approved 13 O&G manufacturing projects worth RM203.7 million, facilitated three services projects valued at RM3.7 billion and three Domestic Investment Strategic Fund projects worth RM84.3 million. Ahmad Komarolaili Abu, CEO and Managing Director of Upstream Downstream Process & Services Sdn Bhd (UDPS) felt that O&G industry players must grab the opportunities offered by downstream activities. For instance, he said that in the downstream activities in Pengerang, Johor, the refinery production capacity in the area have doubled to 1 million barrels a day while its petrochemical production have tripled to 1.5 million barrels a day. *(Source: Bernama, 10 March 2016)*
Bank Negara maintains benchmark interest rate	Bank Negara Malaysia (BNM) has maintained the benchmark overnight policy rate (OPR), to which commercial banks base their deposit and lending rates, at 3.25%. This is in view of the heightened risks in the global economic and financial environment. BNM will closely monitor and assess their implications on domestic price stability and growth. The prospects are for domestic demand to remain as the key driver of growth. While private consumption is expected to moderate, household spending will continue to be supported by the growth in income and employment, and the additional disposable income from the measures announced during the 2016 Budget Recalibration. The Central Bank last adjusted the OPR with a 25-basis point hike in July 2014. *(Source: The Star, 10 March 2016)*

Domestic capital expands 2.1% in 2015	The Malaysian capital market expanded by 2.1% to RM2.8 trillion last year, with RM90 billion being raised through the primary market for the fourth consecutive year. A total of RM86 billion was raised through bonds while RM4 billion was raised via initial public offerings (IPOs). Growth was seen in all segments, with the equity market increasing by 2.6% to RM1.7 trillion from RM1.65 trillion in 2014, while the bond and sukuk market grew to RM1.12 trillion, a 1.4% increase. Meanwhile, the size of the Islamic Capital Market (ICM) grew by 6.7% to RM1.7 trillion in 2015 compared to RM1.59 trillion in the previous year. *(Source: The Star, 10 March 2016)*
Malaysia's industrial output beats expectations	Malaysia's industrial output expanded more than expected in January, rising by 3.2% on year-on-year basis, due to growth emanating from the manufacturing, mining and electricity sectors. Output from the manufacturing sector expanded by 3.9% in January 2016 from a year earlier, slightly slower than the 4.0% growth in December 2015. Meanwhile, electricity output expanded by 7.7% and mining sector grew by 0.7% year-on-year, mainly driven by the increase in crude oil and natural gas indices. In December 2015, the industrial production index, which measures output from factories, mines and power plants, rose by 2.7% on a year-on-year basis. *(Source: Market Watch, 11 March 2016)*

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