MALAYSIA WEEKLY ECONOMIC NEWS

(13 November 2017 –17 November 2017)

Topics	Highlights
BNM sees overall review of investment promotion strategy crucial	Bank Negara Malaysia (BNM) has called for an overall review of the country's investment promotion strategy as in recent years, the net benefits of foreign direct investments (FDIs) have been narrowing. There should be a holistic review of the investment promotion strategy, instruments and landscape to attract quality investments going forward. Malaysia presently offers more than 100 different types of incentives to promote investment in the economy. These are disbursed in three main forms: Pioneer Status, Investment Tax Allowance and Reinvestment Allowance. More targeted, relevant and effective incentive instruments would ensure that the desired investments are attracted to Malaysia and that positive economic spillovers from these investments are maximised. In recent years, however, there is evidence that the net benefits have been narrowing. While FDI has helped create jobs in the economy, the dependency on foreign workers and inputs needs to be addressed. *(The Star, 17 November 2017)*
Economy grew 6.2% in Q3, fastest rate since Q2 of 2014	Malaysia's economic growth continued to surprise on the upside, with the gross domestic product (GDP) expanding 6.2% in the third quarter of 2017, beating the median estimate of a 5.7% by 19 economists polled by Bloomberg. Driven by robust private spending and continued strength in exports, the GDP growth pace for the three months to September was faster than the rate of 5.8% achieved in the second quarter of the year. This higher growth was the fastest rate since second quarter 2014. On a quarter-on-quarter seasonally adjusted, GDP posted a growth of 1.8% against 1.3% in the preceding quarter, according to the Statistics Department. Amid improving economic conditions in the country and globally, BNM had last week said it might review its "accommodative" benchmark overnight policy rate (OPR) of 3%. *(The Star, 17 November 2017)*
Bank Negara's 6 policy options to reduce property market imbalances	BNM has issued six policy options to reduce supply-demand imbalances in the property market, warning that the oversupply of office space and shopping complexes in major states may worsen with incoming supply. The oversupply will be exacerbated by incoming supply, potentially becoming more severe than what was seen during the Asian Financial Crisis of 1997-98. BNM said a multi-faceted approach should be considered to address the imbalances in the property market as the effect of regulatory constraints on lending is limited. This is because developers also fund their projects using internal funds and proceeds from capital market issuances. BNM said for the residential market, total unsold residential properties currently stand at a decade-high, primarily on account of the mismatch between the prices of new housing launches and what the households can afford to pay. In 1Q 2017, total unsold residential properties stood at 130,6903 units, the highest in a decade. This is nearly double the historical average of 72,239 units per year between 2004 and 2016. About 83% of the total unsold units were in the above RM250,000 price category. *(The Star, 17 November 2017)*

Analyst: Digital economy has spurred growth	The highest GDP growth recorded in three years in the third quarter (Q3) of this year mainly reflected the government's move to embark on digital economy, said an analyst. Affin Hwang Investment Bank vice-president and head of retail research Datuk Nazri Khan Adam Khan said the digital economy, namely e-commerce and online shopping, among others, had been among the main catalysts to significantly contribute to consumer spending. *(The Star, 17 November 2017)*

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