MALAYSIA WEEKLY ECONOMIC NEWS

(11 December 2017 – 15 December 2017)

Topics	Highlights
Malaysia's long-term potential growth to stay robust	Moody's Investors Service highlighted that Malaysia will be able to maintain a strong growth trend with the economy's long-term potential growth to stay robust at around 5%, significantly stronger than most other A-rated sovereigns. In its recently-released report titled, "Government of Malaysia: FAQ On Credit Resilience To High Leverage and External Vulnerability Risks", Moody's said Malaysia's highly diversified and competitive economic structure underpinned stable and relatively robust growth trends that have proven to be resilient to external headwinds. Malaysia resilient economic growth, deep domestic capital markets, large international asset position and large export proceeds mitigate the sovereign's vulnerability to sudden shocks. On whether household debt presented challenges to Malaysia's macro-financial stability and growth, Moody's said at 84.6% of gross domestic product (GDP) at end-September 2017, the country's household debt levels while stable posed downside risks to growth. Nevertheless, it said such debt did not pose material threats to financial stability. *(The Star, 13 December 2017)*
IMF expects Malaysia's economy to expand by 5% to 5.5% in 2018	The International Monetary Fund (IMF) expects Malaysia's economy to expand by 5% to 5.5% next year on exports and domestic demand with moderating headline inflation. The IMF said in a statement following the annual Article IV meeting with Malaysian government officials and private-sector representatives that "risks to the near–term outlook are balanced" as strong global demand for electronics, which has benefited the country's exports, could last longer than anticipated. The Article IV meeting refers to the annual meetings held to assess economic and financial developments of member countries. Choueiri noted that striking the right balance in policies will be key as downside risks including policy uncertainty in advanced economies and tighter global financial conditions continue to shadow global sentiment. (*The Star, 13 December 2017*)
MIDF positive on property sector outlook next year	There were more interest in property purchases for the first 10 months of this year compared to 2016 based on the latest Bank Negara statistics. MIDF Research said in a report it is maintaining a positive stance on the property sector based on loan statistic from Bank Negara and a stable House Price Index outlook from the National Property Information Centre. It also viewed certain property counters with Klang Valley projects positively. The report said total applied loans for property purchases in October increased 17.6% year-on-year (y-o-y). On a 10-month basis, it grew 13% y-o-y. Loans applied for property purchases grew "uninterrupted" since February 2017, "indicating stronger buying interest" compared to 2016. Total approved loans for property purchases also grew y-o-y. Over a 10-month period this year, cumulative total approved loans totalled RM111 billion, an increase of 11%. The higher approved loans disbursed into the market is a good leading indicator that property sales as a whole should improve compared to last year. *(The Star, 13 December 2017)*

World Bank: Malaysia's economic growth at 5.2%	The World Bank projects Malaysia's economy to continue growing at a strong pace of 5.2% in 2018, although slightly slower compared with the expected 5.8% growth this year. The World Bank's Malaysia Economic Monitor report issued said the 5.8% on-year growth would be the highest annual growth rate since 2014. Accelerated growth has been fuelled by strengthening domestic demand, improved labour market conditions and wage growth, as well as improved external demand for Malaysia's manufactured products and commodity exports. Capital expenditure has also increased due to higher private and public investment. According to the report, Malaysia's stronger-than-expected growth creates opportunities for deeper structural reforms that can lead to higher growth. These reforms include policies that enhance productivity and address constraints such as a lack of competition in key markets and critical skills deficits. Such policies will enable access to more remunerative employment and real income gains for lower-income families. *(The Star, 15 December 2017)*

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