MALAYSIA WEEKLY ECONOMIC NEWS

(10 July 2017 – 14 July 2017)

Topics	Highlights
Manufacturing sector's output value rises to RM1.14 trillion	The gross output value of the manufacturing sector rose to RM1.14 trillion in 2015 compared to RM836.5 billion in 2010, with 6.4% compound annual growth rate (CAGR) value per annum, said Malaysia's Statistics Department. The department said the gross output value in 2015 was the best achievement by sector under Economic Census 2016. It said the electrical, electronic and optical products sub-sector was the largest contributor with RM322 billion (28.2%). Petroleum, chemical, rubber and plastic products was second largest contributing sub-sector with RM299.1 billion (26.2%) followed by vegetable and animal oils and fats and food processing sub-sector recording RM199.8 billion (17.5%). The value of intermediate input also increased by RM219 billion to record RM884.8 billion or CAGR of 5.9%. *(The Star, 10 July 2017)*
MAHB records 11.9% passenger growth in June	MAHB said the overall increase in passengers in June was supported by growth in airline seats and an improvement in average load factors following the long weekend of Hari Raya Aidilfitri at the end-June. International traffic recorded 4.6 million passengers with a year-on-year increase of 16.1%, while domestic traffic improved by 8.6% in recording 5.5 million passengers compared with June 2016.This is the highest traffic handled in a 12-month period by the network. Overall aircraft movement increased by 7.7% with international and domestic movements registering an increase of 8.8% and 7.1% respectively over June 2016. On the local front, airports in Malaysia registered 7.6 million passenger movements in June 2017, a 13.5% year-on-year growth over June 2016. *(The Star, 11 July 2017)*
Malaysia's oil and gas industry on the road to recovery	There is optimism that the nation's oil and gas industry is on the road to recovery, said Deputy Prime Minister YBhg. Datuk Seri Dr Ahmad Zahid Hamidi. He cited the examples of the Organisation of Petroleum Exporting Countries' market forecast and recent survey by Reuters that Brent crude oil could average US$58.20 (RM250.12) per barrel this year as examples of positive signs for the industry. "The interim Q4 (fourth quarter) and FY (financial year) of Malaysia's state giant Petronas noted a 12% year-on-year growth in profit after tax despite revenues that were some 17% lower," he said. He added that Petronas had taken measures to reduce capital investment by 22% while cutting "controllable costs" by 8% last year. Ahmad Zahid said he also remained confident that Malaysia's oil, gas and energy (OGE) sector would achieve 5% annual growth target until year 2020. *(The Star, 12 July 2017)*
Factory output 4.6% higher in May	Factory output jumped 4.6% in May 2017 from a year ago in 2016, boosted by strong demand for electrical and electronic (E&E) goods mainly destined for the export market. The manufacturing and electricity index expanded 7.3% and 2.5% each, the Statistics Department said. Alliance DBS Research noted that the strong performance, as measured by the industrial production index (IPI), suggested that exports growth would continue to be sustainable in the near term. The firm said the IPI three-month moving average rose faster by 4.4% in May against a 4.3% growth in April. It said E&E production continued to drive IPI growth, with a year-to-date increase of 9.1% until May 2017, compared to a 6.8% increase during the same period a year ago. However, it also noted that the crude oil production subsector continued its decline for the fifth consecutive month, in line with Malaysia's commitment towards the oil production cut agreement by the Organisation of the

	Petroleum Exporting Countries (OPEC). *(The Star, 13 July 2017)*
Malaysia's economy to continue to improve in Q2	Malaysia's economy is expected to further improve in the second quarter (Q2) of this year with exports likely to increase amid continuous strong domestic demand and private expenditure as seen in the first quarter. CIMB Group chief executive officer, YBhg. Tengku Datuk Seri Zafrul Tengku Abdul Aziz, said he expected stronger second quarter growth. "It is good for the banking industry if the growth continues to increase because the bank's performance is highly dependent on the performance of the country. "We definitely expect good performance for the banking industry for the first half of this year," he said. *(The Star, 13 July 2017)*
Overnight policy rate stays at 3%, economic growth to pick up	Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) has decided to maintain the Overnight Policy Rate (OPR) at 3% as the current stance of the monetary policy is accommodative and supportive of economic activity. It said the decision to maintain the OPR was made during its meeting on Thursday based on several positive factors on the local and global fronts. BNM said the domestic financial markets have been resilient. Also, the ringgit has remained stable with a more balanced demand and supply of foreign currencies following the implementation of the two financial market development measures. It also said the Malaysian economy performed better than expected in the first quarter of 2017. Growth was lifted by stronger domestic demand with additional impetus from exports. *(The Star, 14 July 2017)*

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