MALAYSIA WEEKLY ECONOMIC NEWS

(14 August 2017 – 18 August 2017)

Topics	Highlights
Alliance DBS raises Q2 GDP forecast to 5.5%	Stronger-than-expected private consumption and manufactured exports have led Alliance DBS Research to upgrade its gross domestic product (GDP) forecast for the second quarter (Q2) of 2017 to 5.5% from 5.2% previously. As a result, the research house said its full-year GDP forecast has also been lifted to 5.2% from 5% previously. It noted that the services sector index may have grown stronger by 7% year-on-year in Q2 2017, representing the fastest pace of growth since Q1 2015. Secondly, improved external demand has led to stronger manufacturing activity, production was faster than expected at 6.2% during the second quarter, led by the electrical and electronics sub-sector production The research house added that the strong trend seen in manufacturing production reflected the export data seen during the quarter. Exports grew 20.6% during the period while imports expanded by 19.1%. *(The Star, 15 August 2017)*
Malaysia's economy seen on uptrend for next three to five years	Malaysia's economy is expected to be on an uptrend for the next three to five years, supported by strong local and foreign investments, increase in exports as well as consistent government support for the companies. This, according to a report, will help the country's gross domestic product to touch US$1.3 trillion by 2030 and overtake its neighbour Singapore. China's Belt and Road Initiative (BRI) is a massive investments would continue to come to Malaysia. The initiative will be a game changer to Malaysia and besides this country, BRI would also be relevant to the other two Asean countries – Indonesia and the Philippines. Soon, Singapore will join the other two countries to benefit from the initiative. The BRI is a development strategy proposed by Chinese President Xi Jinping that focuses on connectivity and cooperation between Eurasian countries. *(The Star, 15 August 2017)*
Malaysia's e-commerce industry now a RM24.6bil business - iPrice	The Malaysian e-commerce industry has grown steadily after its boom in the mid-2000s and is now a RM24.6bil business, said iPrice Group. IPrice Group is a meta-search e-commerce website which enables Malaysian shoppers to connect with hundreds of e-commerce merchants and discover products, compare prices and get the best deals. In a statement, iPrice said Lazada ranked as the top e-commerce company in Malaysia, followed by Zalora and 11 Street, based on their online traffic, staff numbers and followers on social media applications such as SimilarWeb, LinkedIn, Facebook, Instagram and Twitter. It said Lazada's website received an average of 29 million visitors on a monthly basis while 11 Street received nine million visitors monthly. *(The Star, 17 August 2017)*
Fitch affirms Malaysia's rating at A minus, Stable outlook	Malaysia's 'A-' rating is supported by strong GDP growth compared with the median of 'A' category peers, sustained current account surpluses and the country's net external creditor position. However, the rating remains constrained by some structural metrics, including per capita GDP and governance indicators, that are weaker than the 'A' median, and Government debt that is somewhat higher than peers and could be affected by sizeable contingent liabilities. Fitch estimates average five-year real GDP growth of 5%, well above the 'A' category median of 2.9%. Economic performance has been resilient over the past two years even as the economy has adjusted to a number of challenges including lower oil prices and volatile capital flows. Growth momentum has gained pace in 2017, and Fitch has raised its full-year GDP growth forecast to 5.1%, from 4.5% previously. *(The Star, 12 August 2017)*

Private sector spending and exports fuel economic growth	Malaysian economy grew at the fastest pace since the first quarter of 2015 with gross domestic product (GDP) expanding 5.8% for the second quarter on private sector-led spending and exports, exceeding economists' forecast of a 5.4% rise. Bank Negara governor YBhg. Datuk Seri Muhammad Ibrahim says the growth outlook will be revised higher given that GDP for the first-half of the year has exceeded the central bank's forecast of 4.3% to 4.8%. Nomura Singapore Ltd senior economist for South-East Asia says in a report that the data is supporting the view of strong exports spilling over into domestic demand, particularly private consumption. "With first-half GDP growth coming in at a robust 5.7%, we raise our full-year 2017 forecast to 5.5% from 5.3%, further above the consensus estimate of 5%," he says. Citigroup Inc economist who has also raised his GDP forecast to 5.5% from 5.2%, says the probability of a rate hike is now higher. Bank Negara last adjusted the overnight policy rate in July when it cut the benchmark rate by 25 basis points to 3%. *(The Star, 18 August 2017)*

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