MALAYSIA WEEKLY ECONOMIC NEWS

(17 July 2017 – 21 July 2017)

Topics	Highlights
Exports boost for economy	Private consumption in Malaysia has been resilient despite inflationary pressure, low-wage growth and higher unemployment, with several analysts attributing gains in the stock market for an improvement in still-fragile consumer confidence. The FBM KLCI has gained nearly 7% year-to-date. Morgan Stanley expects consumer spending to remain healthy, growing at 6.6% this year and 6.4% next year, with exports recovery to give a boost to employment and wage growth. *(The Star, 18 July 2017)*
Malaysia's CPI up 3.6% on year in June	Malaysian consumer prices index (CPI) in June 2017 rose 3.6% year-on-year, marking the second month of moderation. Economists surveyed by Bloomberg had expected a 3.9% rise in the CPI, which includes volatile food and fuel prices. Core inflation rose 2.5% in June 2017 compared to the same month of the previous year. In March, CPI rose 5.1%, the highest in eight years due to the low base last year and higher retail fuel prices compared to March 2016. According to the Statistics Department, the overall index for CPI rose at 3.6% on a year-on-year basis in June 2017 compared with 3.9% increase in May 2017. Among the major groups which recorded increases were the indices for transport, food and non-alcoholic beverages, recreation services and culture, health, restaurants and hotels and housing, water, electricity, gas and other fuels. *(The Star, 19 July 2017)*
Malaysia's inflation moderates	The moderation was mainly driven by a decline in the transport component, reflecting lower fuel prices – the daily average ceiling price of RON95 petrol was reduced by 4.3% month-on-month in June, based on Nomura Research. Similarly, AmBank Research chief economist Anthony Dass said chances of an interest rate hike for the remaining part of 2017 were relatively low. “The latest data supports our view that the central bank will not reprice upwards its interest rate of 0.25% in the coming meeting in August although inflation has been on the uptrend partly due to higher import cost as a result of the weak pound. “Anaemic wage growth averaging around 2% is still hurting households’ real disposable income, which the central bank is watching closely,” he said. *(The Star, 20 July 2017)*
Positive construction outlook, more jobs coming up	Maybank Investment Bank (IB) Research, which is maintaining a “positive” call on the construction sector, expects more construction jobs in the second half of 2017 and into next year. The research house said construction companies with healthy order books would benefit the most as infrastructure projects pick up. Based on historical trends, Maybank IB said the second half of 2017 should see infrastructure job awards picking up, with the major packages of the RM9 billion Kuala Lumpur Light Rail Transit 3 expected to kick off first. Maybank IB also expects the major civil works tender to kick off in 2018, as the Kuala Lumpur-Singapore High Speed Rail AssetsCo tender is only expected to be called in the fourth quarter of this year. *(The Star, 13 July 2017)*

Johari: Budget 2018 to spur technology sector	Budget 2018 will emphasise on the need to provide tax incentives that focus on the development of the fourth industrial revolution (Industry 4.0). Second Finance Minister YBhg. Datuk Johari Abdul Ghani said this would be in line with the government's effort to promote high-technology industries and minimise dependency on manpower. “These include sectors involved in automation, robotic development, big data and others which are being promoted by the Government,” he said. Johari said the government could no longer provide tax incentives for every sector, and it needs to focus on the current situation, taking into account the country’s present and future needs. “We can no longer provide incentives to all industries, it now depends on the flavour of year and the flavour of the future,” he told reporters after chairing the Budget 2018 focus group meeting – Boosting Private Investment here yesterday. The budget will be presented in Parliament by Prime Minister Datuk Seri Najib Tun Razak on 27 October 2017. *(The Star, 21 July 2017)*

Economics and Policy Division
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