# MALAYSIA WEEKLY ECONOMIC NEWS

***(21 August 2017 – 25 August 2017)***

| Topics | Highlights |
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| **Cautious optimism on Malaysia's economic growth** | Following stronger-than-expected second-quarter economic growth, analysts have turned more bullish about the prospects for the full year, with many raising their growth forecasts. However, they cautioned that gross domestic product (GDP) growth for the second half would increase at a slightly slower pace due to the higher base effect from the same period last year. Among those warning of a slower growth was CIMB Group Holdings Bhd chairman YBhg. Datuk Seri Nazir Razak, who said expectations of GDP growth for the period should be lowered. Several research houses have lifted their forecasts for the full year, following the strong second-quarter performance. Among them are BMI Research, which has raised its 2017 and 2018 real GDP growth forecasts to 5.3% and 5.0% respectively, from 4.7% and 4.6% previously. *(The Star, 22 August 2017)* |
| **GDP to grow more than 5% this year, says Treasury sec-gen** | The Government is confident that Malaysia's economic growth will surpass five per cent this year, driven by external factors such as exports, private investments and private consumption, said Treasury Secretary General, YBhg. Tan Sri Dr Mohd Irwan Serigar Abdullah. He said the government is also positive that the growth would be above what Bank Negara Malaysia had targeted with the private sector being the economic driver. Malaysia's GDP rose 5.8% in the second quarter this year, after climbing 5.6% in the first. Following the robust growth, the central bank raised its 2017 growth forecast to above 4.8%. The last forecast in March predicted growth of 4.3 to 4.8%. *(The Star, 23 August 2017)* |
| **Signs of manufacturing boom** | Signs of a manufacturing boom are emerging, with factory owners projecting higher output in the second half of the year on strong export sales and robust domestic demand. Solid manufacturing and exports helped Malaysia's economy expand 5.8% in the three months ended June 30, its fastest pace in two years. The latest FMM-MIER results showed that business activity has remained fairly stable for Malaysian manufacturing firms in recent months, while the outlook for the second half of 2017 is favourable, with firms expecting business conditions to improve, especially local sales and production volume. A total of 396 manufacturers from various industries were polled to gauge their sentiment on the current and expected levels of general business activity; local and export sales; production and capacity utilisation; capital investment and employment size; and cost of production. *(The Star, 24 August 2017)* |
| **Morgan Stanley positive on Malaysia's economy** | Morgan Stanley has an Overweight recommendation on Malaysia, underpinned by second half catalysts including the general election, currency and infrastructure momentum. According to Bloomberg, the increase in campaigning suggests prospect of poll in the 2H17, market historically outperforms two months before parliament dissolution. About 20%-30% value of the RM55 billion east coast rail contract may go to local contractors. Bloomberg quoted Morgan Stanley's report that commodities supply growth still strong, demand accelerating; lower palm oil prices, higher volumes, seasonally stronger 2H. It also pointed out that the currency support factor with ringgit returns of 4% year-to-date; which a preferred emerging markets currency. Bloomberg noted that in the second quarter ended June 30, Malaysia's GDP growth beats forecasts as the economy expanded 5.8%, which was the fastest since the first quarter of 2015. *(The Star, 24 August 2017)* |

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| **Johari: No need to measure M'sia economy in US dollar** | Second Finance Minister YBhg. Datuk Seri Johari Abdul Ghani says Malaysia is a mature and sophisticated economy and there is no need to measure the GDP in US dollars. He said GDP measured in US dollars is not relevant for a mature and sophisticated economy like Malaysia, nor is it appropriate for an economy that is not dollarised in any sense. "In any economy that is 'dollarised', there would be a loss of policy independence and flexibility, hence undermining a nation's sovereignty," he said in a statement in response to a news report on the accuracy of the calculation of GDP growth. The Federation of Malaysian Manufacturers had issued a statement which appeared in a local financial daily that the Malaysian GDP should be measured in US dollars for a better reflection of the country's economic growth. *(The Star, 25 August 2017)* |

Economics and Policy Division
SME Corp. Malaysia
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