MALAYSIA WEEKLY ECONOMIC NEWS

(28 August 2017 – 30 August 2017)

Topics	Highlights
Bank Negara: Banking M&As driven by market	Mergers and acquisitions (M&As) in the banking industry are driven by the market, which in turn is based largely on commercial and business considerations. Bank Negara plays the role of an enabler in facilitating the merger process. The central bank said it gives the approval for the parties concerned to discuss and negotiate within a stipulated time frame. During this period, the parties will conduct a comprehensive assessment on the merger after weighing in various considerations. "These include assessment of potential synergies as well as risks arising from their respective business models, operations and systems and after taking into account extensive analysis of both financial and non-financial information," it said in the statement. *(The Star, 28 August 2017)*
Machinery and equipment industry on track to achieve RM42 billion export target	Malaysia is likely to achieve its export target of RM42 billion in the machinery and equipment industry by 2020, given the industry's favourable performance in the last two years. International Trade and Industry Minister II YBhg. Datuk Seri Ong Ka Chuan said export performance in that period continued to show a steady increase and exceeded the initial targets of RM32 billion and RM34 billion set by the National Export Council for the years 2015 and 2016 respectively. Noting that the industry registered RM36.7 billion in total exports against total imports of RM58.4 billion last year, Ong added that imports, which stood at RM59.6 billion in 2015, were on a declining trend in part due to the industry's overall competitiveness. The machinery and equipment industry along with the other electrical and electronics sub-sectors, and chemical as well as potential growth areas in two other sectors, namely aerospace and medical devices, has been identified under the 11th Malaysia Plan as several key sectors that would become game changers in transforming the local economy by 2020. *(The Star, 28 August 2017)*
Malaysia's F&B establishments show steady growth	There were 167,490 food and beverage (F&B) establishments in 2015, representing an annual growth rate of 5.1% since 2010, census results by the Department of Statistics Malaysia showed. More people were employed in the sector with the number of persons engaged in food and beverage services growing 6.7% annually to 891,616 persons. This services recorded a total of 569,632 persons as paid full-time employees with percentage share of 63.9%, while working proprietors and unpaid family workers 254,364 persons (28.5%) and paid part-time employees 67,620 persons (7.6%). Women entrepreneurs also showed a growing participation in food and beverage services, with 56,346 women-owned establishments in 2015, comprising about a third of the total number of establishments. This represented an annual growth rate of 0.9%. *(The Star, 30 August 2017)*
StanChart Research raises Malaysia 2017 GDP growth forecast to 5.4%	Standard Chartered Global Research has raised its 2017 GDP growth forecast for Malaysia to 5.4% from 4.6% underpinned by the strong first half performance but it expects growth to moderate in the second half. This reflects strong first half (H1) growth of 5.7%, although it still expects growth to ease in H2. Two key areas positively surprised us in the H1 data are the resilience of private consumption, which rose close to 7% on-year and private investment, which increased 10% on-year. StanChart Research said exports picked up in line with its expectations, although higher imports curtailed the contribution from net exports. Despite the strong H1 growth, we maintain our view that growth will moderate in H2-2017 and that private consumption will ease. The research house also pointed out that real

	wage growth – which has affected consumption with a lag of about three quarters empirically – was slightly negative in H1. Private investment had a stellar H1, but loan growth remains subdued. External demand, especially the robust electronics cycle, may keep growth up in H2, but some base effects may kick in during Q4. *(The Star, 30 August 2017)*
July producer price index up 7.1%	Malaysia's producer price index (PPI) for July 2017 rose 7.1% to 106.0 versus a year earlier. The statistics department said the mining index recorded the highest increase of 24%, followed by agriculture, forestry and fishing (7.8%), manufacturing (5.9%), electricity and gas supply (1.7%) and water supply (0.4%). On a month-on-month basis, the PPI declined 0.3% in July compared to June due to decreases in two sectors - manufacturing (0.7%) and agriculture, forestry and fishing (0.1%). However, mining, electricity, gas and water supply sectors increased by 3%, 0.6% and 0.2%, respectively. Meanwhile, the PPI for local production by stage of processing (SOP) decreased 0.3% in July compared to the previous month, due to a decline in the indices for intermediate materials, supplies and components (0.8%) and finished goods (0.3%). However, the index for crude materials for further processing increased by 1.2%, the department said. *(The Star, 30 August 2017)*

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