MALAYSIA WEEKLY ECONOMIC NEWS

(31 July 2017 – 4 August 2017)

Topics	Highlights
Johari: Malaysia with RM5.5tril can buffer external shocks	Malaysia's current capital market and financial asset portfolio, worth RM5.5 trillion, will be able to support the country's economy and buffer any external shocks and fund outflows, said Second Finance Minister YBhg. Datuk Seri Johari Abdul Ghani. Of the amount, the capital market was valued at RM3.1 trillion, comprising equities (RM1.8 trillion) and bonds (RM1.3 trillion) while the remaining RM2.4 trillion was in financial assets. He also said that Malaysia's diversified economy, which no longer depended heavily on oil revenue, played a huge role in helping the country withstand external impact in the likes of prolonged volatility in world commodity prices coupled with the uncertainty in global financial markets as a result of changing policies in countries like the US. *(The Star, 1 August 2017)*
Weak local demand weighs on PMI	The Malaysian manufacturing sector's performance, as measured by the Nikkei Malaysia manufacturing purchasing managers' index (PMI), continued to contract in July albeit at a slower pace. The PMI rose to 48.3 in July on further contractions in both output and new orders amid reports of weak market activity and demand from 46.9 in June. A reading below 50 indicates a contraction while above 50 indicates an expansion of the sector. The Malaysian manufacturing sector continued to struggle in the face of tepid demand particularly from the domestic economy in July. He noted that output, purchasing activity and inventories were all cut as near-term prospects remained bleak. *(The Star, 2 August 2017)*
Mixed outlook for banking sector	The local banking industry's outlook remains mixed following the recent release of Bank Negara's latest data on the domestic financial system. While several underlying economic trends, such as the improving global economic outlook and stronger commodities prices indicate a more positive outlook for the sector, concerns remain that subdued loans growth and downward pressure on net interest margin (NIM) could cause headwinds for the industry. Affin Hwang Capital Research, which maintained an "overweight" call on the banking stocks, forecasts that banks will register an earnings growth of 10.6% year-on-year (y-o-y) this year, followed by a more modest growth in the next two years. Favourable domestic demographic trends which drive consumption and housing needs, ample infrastructure projects in the pipeline and accommodative monetary policy are supportive reasons for the growth in earnings. *(The Star, 2 August 2017)*
Business confidence on the uptick	RHB Research Institute says in its latest economic update that it expects private investment to grow at an increased pace of 7.7% year-on-year (Y-o-Y) in 2017, from 4.3% last year, underpinned by ongoing construction of infrastructure projects and a pickup in exports. However, RHB Research notes that the private investment growth could be partly offset by the rising cost of doing business and subdued capex in the oil and gas and housing sectors. "For 2018, we expect the Malaysian economic growth to trend higher to 5% in tandem with a stronger global growth outlook," says RHB Research. *(The Star, 2 August 2017)*

Bank Negara to further strengthen financial inclusion in Sabah	Bank Negara Malaysia (BNM) will step up collaboration with relevant state authorities to improve the financial infrastructure, especially the ATM network, Internet banking and agent banking in its effort to further strengthen the financial inclusion in Sabah. Governor YBhg. Datuk Seri Muhammad Ibrahim said the central bank's regional office here would continue to facilitate and channel consumer complaints and redress, as well as provide advisory on banking and insurance matters. *(The Star, 4 August 2017)*

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8 August 2017