MALAYSIA WEEKLY ECONOMIC NEWS

(5 June 2017 – 9 June 2017)

Topics	Highlights
Malaysia's exports still grow at a robust pace	Malaysia's exports continued to grow at a robust pace in April to a strong demand for electrical and electronic (E&E) products and higher commodity prices. Although the country's export growth had eased to 20.6% in April, compared with 24.1% in the preceding month, the pace came in within the *Bloomberg* consensus estimate. With the steady growth in exports, Malaysia's trade surplus increased to its highest value year-to-date at RM8.8 billion in April. Imports during that month expanded at a slower pace of 24.7%, compared with 39.4% in March. According to AllianceDBS Research chief economist Manokaran Mottain, the solid expansion in exports thus far indicates that Malaysia's gross domestic product (GDP) growth in the second quarter of this year would still remain strong. *(The Star, 6 June 2017)*
More multinational firms moving to M'sia from S'pore due to lower costs	More multinational corporations, particularly in the oil and gas (O&G) sector, are moving their operations here from Singapore because of lower costs due to the depreciation of the ringgit. "Over the the past two to three years, we have seen more multinationals with regional or significant operations in Singapore, relocating some of their departments or expatriates to Kuala Lumpur," said ECA International regional director (Asia) Lee Quane. Between 10 to 20 multinationals in the O&G sector moved significant numbers of expatriate staff from Singapore to Malaysia because benefits such as housing are much cheaper here thanks to the lower value of the ringgit. The ECA surveys compare a basket of like-for-like consumer goods and services commonly purchased by assignees in over 460 locations worldwide, covering prices of groceries, household goods and clothing, among others. *(The Star, 7 June 2017)*
World Bank revision proves M'sia can hit target	The upward revision of Malaysia's gross domestic product (GDP) by the World Bank affirmed that Malaysia can achieve its target to become a developed nation by 2020 if the economy continues to sustain its rapid growth. Minister in the Prime Minister's Department YBhg. Datuk Seri Abdul Rahman Dahlan said the World Bank's upward revision on Malaysia's GDP growth proved that Malaysia was on an accelerated track to achieve developed economy status by 2020. The World Bank has released its bi-annually Global Economic Prospects, in which Malaysia's GDP forecasts for 2017, 2018 and 2019 have been revised upward by 0.6%, 0.4% and 0.5%, respectively. The revised upward forecast for 2017 stems from the robust economic growth of 5.6% in the first quarter of the year, which was announced last month. Subsequently, the World Bank has forecast that Malaysia's economy will grow by 4.9% compared with the earlier forecast of 4.3% in its January 2017 report. *(The Star, 7 June 2017)*
O&G sector momentum expected to pick up from second quarter	The momentum of the oil and gas (O&G) sector in the country is expected to pick up in the second quarter (2Q17) onwards, due to cyclical recovery and high productivity. Maybank IB Research, which is positive on the sector, said it expected further pick-up in momentum in 2Q17 as volatility has receded, confidence improved and costs have reset. The sector is on a cyclical recovery as the oil market re-balances and capital expenditure (capex) grows. *(The Star, 8 June 2017)*

Retail association expects 4.5% growth in sales for 2017	The Malaysian Retail Chain Association (MRCA) is expecting an increase of about 4.5% in retail sales this year, driven by the country's tourism industry. MRCA president Datuk Gary Chua said when the Government implemented the goods and services tax in 2014, consumer sentiment turned cautious, but had since improved, recording a more than 4% growth in 2015 and below 4% last year. Growth was expected to be higher this year due to an increase in tourist arrivals from Europe, the United States, Australia and China. "Tourism activities would have a tremendous multiplier effect on our businesses; from transportation to hotel, entertainment, food and beverages". *(The Star, 8 June 2017)*
Poor first quarter sales for retailers	Weak Chinese New Year sales and rising prices of retail goods mean another disappointing quarter for Malaysian retailers, says Retail Group Malaysia managing director Tan Hai Hsin. He said in a report that domestic retail sales contracted 1.2% for the first quarter compared to the same quarter a year ago. However, while the sales performance was worse than the 0.3% gain in the fourth quarter of 2016, it was an improvement from the 4.4% contraction in the first quarter of 2016 after taking into consideration the high base in the first quarter of 2015 when sales grew strongly in anticipation of the goods and services tax. With regard to the weak Chinese New Year sales in the first quarter, Tan said shoppers have been careful in their spending on festive goods. This was despite the 6.6% y-o-y growth in private consumption in the first quarter, with Malaysian consumers spending more on dining out, services and internet shopping. *(The Star, 9 June 2017)*

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