MALAYSIA WEEKLY ECONOMIC NEWS

(13 March 2017 – 17 March 2017)

Topics	Highlights
March industrial output up 3.5% in January	Malaysia's industrial output rose 3.5% in January from 2016, underpinned by gains especially in the manufacturing sector, which was below Bloomberg's survey of a 5.3% increase. The Statistics Department announced the industrial production index (IPI) was supported a 4.6% increase in manufacturing, mining (1.1%) and electricity (1.1%). The department said the major sub-sectors which increased in January 2017 were: electrical and electronics products (6.9%); petroleum, chemical, rubber and plastic Products (2.3%); and food, beverages and tobacco (6.8%). However, the mining sector output grew at a slower pace of 1.1% in January 2017 after registering a higher growth of 5.8% in December 2016. The natural gas index increased by 5.3%. However, the crude oil index declined by 2.3%. The electricity sector output increased slightly by 1.1% in January 2017 after a significant growth of 6.1% in December 2016. Meanwhile, the sales value of the manufacturing sector in January 2017 recorded RM61.2 billion, an increase of 10.7% (RM5.9 billion) as compared to RM55.3 billion a year ago. Total employees engaged in the sector was 1,044,346 persons, an increase of 1.4% or 14,193 persons as compared to 1,030,153 persons in January 2016. *(The Star, 13 March 2017)*
Malaysian palm oil price down for 3rd straight session on weaker soyoil	Malaysian palm oil futures fell for a third consecutive session to reach the weakest level in more than four months, tracking declining soyoil. Benchmark palm oil futures for May delivery on the Bursa Malaysia Derivatives Exchange dropped 1.7% at 2,723 ringgit ($612.60) a tonne. Data from industry regulator the Malaysian Palm Oil Board (MPOB) showed that production in February fell 1.4% to 1.26 million tonnes, its lowest since March 2016, and its fifth consecutive monthly decline. February inventories also fell to a six-year low of 1.46 million tonnes, down 5.3% on month. Output in Malaysia, the world's second largest palm producer after Indonesia, is seen recovering this year from the dry weather effects of a crop-damaging El Nino. Leading analysts at an industry conference last week expected that prices would drop to levels around 2,500 ringgit by mid-year on a recovery in production. *(The Star, 14 March 2017)*
MIDA: Malaysia to benefit from growing solar power industry	Malaysia, a key exporter of photovoltaic (PV) cells and modules, is well positioned to benefit from the spillover effects of growing solar power usage worldwide, which is expected to see growth of between 12% and 20% over the next five years. Between 2014 and 2018, Asia would see the installation of another 37 Grondwet (GW) in PV capacity. In 2016, according to a MIDA survey, export and local sourcing activities undertaken by the top solar companies in the country was valued at RM11.1 billion and RM1.42 billion respectively. Malaysia, under the National Renewable Energy Policy and Action Plan, aims to achieve 2,080 MW of renewable energy by 2020. The Government through the Economic Transformation Programme (ETP) aims to achieve 1,250 MW solar power capacity to be connected to the grid by 2020. MIDA was now in the process of talking to several PV manufacturers from overseas that are keen to invest in Malaysia. *(The Star, 15 March 2017)*
Malaysia strongly opposes EU parliament resolution on palm oil	Malaysia, as a palm oil producer, strongly opposes a proposed European Union (EU) Parliament resolution on the commodity, said Plantation Industries and Commodities Minister, YBhg. Datuk Seri Mah Siew Keong. According to Mah, Malaysia will also collaborate with Indonesia under the Council of Palm Oil Producing Countries (CPOPC) to jointly highlight the environmental and sustainable

	development of the palm oil industry, its contribution to the economy and poverty eradication, as well as nutritional attributes. Emphasising Malaysia's seriousness towards ensuring palm oil is produced sustainably, Mah said the Malaysian Sustainable Palm Oil Certification Scheme (MSPO) was implemented from 2015, would be made mandatory by December 2019. Last year, the total export of palm oil and palm-based products by Malaysia increased 7% to RM67.6 billion compared to RM63.2 billion in 2015. *(The Star, 16 March 2017)*
People need to remain confident of Govt. efforts to strengthen economy	Prime Minister, YBhg. Datuk Seri Najib Tun Razak has called on the people to remain confident of the Government's endeavour as it helps boost its efforts to strengthen the country's economy. YBhg. Datuk Seri Najib said the Malaysian Investment Development Authority (MIDA) data showed that foreign investment in 2016 increased 63.4% from than of 2015. In fact, foreign investors' confidence indicated that Government policies in determining the direction of the national economy was on the right track. *(The Star, 17 March 2017)*
Malaysia consumer spending seen recovering	Consumer spending is expected to gradually recover in the second half of this year. Affin Hwang Capital Research was optimistic that while consumer spending would take longer to recover, macroeconomic indicators such as private consumption and the ringgit's performance show encouraging upside potential this year. In 2016, the consumer sector's net profit was down 16% year-on-year (y-o-y) due to weak consumer sentiment which affected volumes and higher raw materials as well as operating expenditure. It remains a challenging year and consumer sentiment will remain flat in the first half but may recover slowly from its low base as several macroeconomic indicators, such as a resilient private consumption, point towards a better second half of 2017. However, the main risk on consumer spending is the impact of inflation which jumped to 3.2% y-o-y in January 2017 from the average of 1.5% y-o-y in June-December 2016. *(The Star, 17 March 2017)*

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