MALAYSIA WEEKLY ECONOMIC NEWS

(27 February 2017 – 3 March 2017)

Topics	Highlights
Bank Negara acts on liquidity issues in forex market	Bank Negara said steps are being taken to address liquidity issues in the foreign exchange (forex) market amid complaints by investors from overseas that there aren't enough US dollars in the onshore market for them to hedge their investment risks. The lack of liquidity has been made worse since Bank Negara imposed, in December last year, the ban on non-deliverable forward trading. The central bank added that the overall forex turnover has averaged around US$2.5 trillion over the past four years. The daily market volume is a measure that indicates the ability of participants to transact in the forex market. The average daily trading volume is US$8.6 billion, of which the spot trading volume since 2016 has stood at US$3.4 billion, while swap and forward transactions account for US$4.7 billion and US$536 million, respectively. Bank Negara said with the introduction of the dynamic hedging framework and more clarity on the onshore hedging market, increasing volume would be expected over the longer term, and this would assure non-resident investors of sustained market liquidity. *(Source: The Star, 28 February 2017)*
Bank Negara: Malaysia's reserves remain usable	The detailed breakdown of Malaysia's international reserves under the International Monetary Fund's Special Data Dissemination Standard indicates that as at end-January 2017, the country's reserves remain usable. Bank Negara said the official reserve assets amounted to US$94.98 billion, while other foreign currency assets were at US$348.6 million as at end-January 2017. The central bank said that for the next 12 months, the pre-determined short-term outflows of foreign currency loans arising from scheduled repayment of external borrowings by the government would amount to US$247.5 million. Meanwhile, the short forward positions amounted to US$9.62 billion as at end-January 2017, reflecting efforts to manage the ringgit liquidity in the financial system. *(Source: The Star, 28 February 2017)*
Malaysia's GDP seen advancing 4.4%, economy bottomed out last year	The Malaysian economy is expected to grow by as much as 4.4% this year, a slight improvement from 2016's 4.2%, anchored by the ongoing implementation of infrastructure projects in the country, said economists. Socio-Economic Research Centre executive director Lee Heng Guie said Malaysia's economic had already "bottomed out" in 2016. The ongoing implementation of public transportation-related infrastructure projects and continued investments in the manufacturing and services sector will help promote private investments. Affin Hwang Investment Bank Bhd chief economist Alan Tan said he is projecting Malaysia's 2017 real gross domestic product (GDP) growth at 4.4%, slightly below the midpoint of the official forecast of between 4% and 5%. *(Source: The Star, 1 March 2017)*
FMM cautious about H1 of 2017 despite slight pick up	The manufacturing industry is lowering its expectations as it remains cautiously optimistic about the first half of 2017 due to uncertainties in local consumption. According to findings from the FMM-Malaysian Institute of Economic Research (MIER) Business Conditions Survey, improvements were observed for current local and export sales, production volume and capacity utilisation, albeit with higher cost of production during the period. However, for the first half of 2017, survey respondents expect local sales to wane during the period, as the local sales index fell 12% to 87%. *(Source: The Star, 2 March 2017)*

Overnight policy rate key unchanged at 3%	The Monetary Policy Committee (MPC) of Bank Negara Malaysia (BNM) has maintained the Overnight Policy Rate (OPR) at 3% which was in line with economists' expectations. BNM said the MPC will continue to assess the balance of risks surrounding the outlook for domestic growth and inflation. The ringgit along with other emerging market currencies, has continued to stabilise. Malaysia's economic growth momentum from 2016 was also expected to be sustained in 2017. Headline inflation would be relatively higher in the first half of 2017 due to the pass-through impact of the increase in global oil prices on domestic retail fuel prices. Commenting on the implementation of financial market development measures, it said they had a positive impact on the domestic financial markets. Banking system liquidity remains sufficient. *(Source: The Star, 2 March 2017)*
Investments may retreat following 11% growth last year	Malaysia is expecting a sluggish year in total investments, as global businesses continue to navigate headwinds and uncertainty. Last year total approved investments in Malaysia rose 11% to RM207.9 billion from RM186.7 billion the year before. Investments last year funded 4,972 projects and created 153,060 jobs overall. The manufacturing sector last year saw a reduction in investments to RM58.5 billion from RM74.7 billion in 2015. While the value of domestic investments dropped 41% to RM31.1 billion, foreign investments shot up 25.1% to RM27.4 billion. In the services sector, Malaysia recorded a 23.3% growth year-on-year. The primary sector saw an increase of 116.7% to RM8.2 billion, with significant investment growth in the mining, plantation and commodities and agriculture sub-sectors. Moving forward, Malaysia has RM35.3 billion in investments in the pipeline this year to expand the chemicals and chemical products, electrical and electronics, machinery and metal sub-sectors in manufacturing and the global establishments, healthcare, education and hospitality sub-sectors in services. *(Source: The Star, 2 March 2017)*
January exports surge 13.6% to over RM70b	Malaysia's exports surged 13.6% in January 2017 to RM70.24 billion, underpinned by double-digit growth in all major sectors. The 13.6% increase from a year ago was however, slightly lower than Bloomberg's survey of a 15% increase. It said imports expanded by 16.1% to RM65.53 billion, which was much higher than the survey of 10.2%. Malaysia's January trade was up 14.8% to RM135.77 billion as compared with RM118.31 billion a year ago, boosted by expansion in trade with China, Asean, Japan, the US, Taiwan, Australia and the EU. The country recorded a trade balance of RM4.71 billion. Exports of petroleum products surged by 81.7% to RM6.09 billion while exports of mining goods rose 18.8% to RM6.68 billion and exports of agricultural goods rose 16.1% to RM6.12 billion, mainly due to palm oil and palm oil-based agriculture products. Intermediate goods were valued at RM38.36 billion or 58.5% of total imports mainly due to higher imports of electronic integrated circuits as procesors and controllers. Capital goods imported into Malaysia totaled RM9.61 billion and were up 35.2% due to higher imports of vessels. *(Source: The Star, 3 March 2017)*

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6 March 2017