MALAYSIA WEEKLY ECONOMIC NEWS

(31 January 2017 – 3 February 2017)

Topics	Highlights
December producer price index surges 6.5%	Malaysia's Producer Price Index (PPI) for December 2016 surged 6.5% from a year ago, mainly due to a higher cost of production in agriculture, forestry and fishing. Agriculture, forestry and fishing index recorded a 34.5% jump while mining increased by 11.6%; manufacturing (+3.7%), electricity & gas (+3.5%) and water supply (+0.4%). The increases were due to higher costs for crude materials which had to undergo further processing (+12.3%), intermediate materials, supplies and components (+2.0%) and finished goods (+0.2%). PPIs measure price change from the perspective of the seller and differs from other indexes, such as the Consumer Price Index, that measure price change from the purchaser's perspective. The PPI looks at three areas of production: industry-based, commodity-based and commodity-based final demand-intermediate demand. *(Source: The Star, 31 January 2017)*
Slower loan growth for Malaysian banks this year: Maybank IB	Maybank IB Research Bhd expects further moderation in the loan growth throughout this year because Malaysian banks has a low forecast of 4.7%. This compares unfavourably to last year when the industry recorded a 5.6% year-on-year (y-o-y) growth. According to Maybank, both household (HH) and non-HH loan growth expanded at a similar rate of 5.3% y-o-y in 2016 with HH loans accounting for 56.8% of total loans. The average loan approval rate nevertheless increased to 47.1% in December 2016 from 44.8% the month before. On a three-month moving average (MA) basis, loan applications contracted 7.6% in December, this being the sixth consecutive month of contraction. Meanwhile, loan approvals contracted for the sixteenth consecutive month in December. *(Source: The Star, 2 February 2017)*
Moody's: TPP collapse a material loss but no major impact	The end of the Trans-Pacific Partnership (TPP) trade pact is a “material” loss to the export-driven Malaysian and Vietnamese economies, says Moody's Investors Service. However, the rating agency said the effects of the TPP's demise on the two countries' sovereign credit quality may not be as large as earlier projected. This is because investment made in anticipation of the TPP is unlikely to be reversed and will continue to bolster growth potential in years to come. Moody's cited research by Peterson Institute for International Economics (PIIE), which ranked Vietnam and Malaysia as countries expected to see a sizeable pick-up in growth among the 12 TPP signatories. The two countries would have benefited from the opening up of trade with the United States, and relatively large longer-term foreign direct investment inflows. US President Donald Trump took executive action on Jan 23 to formally withdraw the US from the TPP trade pact. Since the US held effective veto power over the agreement due to the size of its economy, its decision to pull out means the deal cannot go ahead in its current form. This represented a lost opportunity for Asia-Pacific signatories, Moody's said, especially for those countries that would have substantially expanded their export access to major markets. *(Source: The Star, 3 February 2017)*

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