MALAYSIA WEEKLY ECONOMIC NEWS

(3 April 2017 – 7 April 2017)

Topics	Highlights
Foreign funds net buyers at RM1.14 billion in week ended March 31	Foreign funds were net buyers on Bursa Malaysia in the week ended March 31, 2017 at RM1.14 billion while local institutions were net sellers at RM1.09 billion, according to MIDF Research. Malaysia can claim to be the most favoured Asean emerging market in 2017 among global investors, based on foreign liquidity flow on Bursa, which remained elevated for the third week running. "For the month of March, cumulative foreign net purchases amounted to RM4.7 billion. That was quadruple the cumulative inflow in February 2017 which amounted to RM956 million," it said. *(The Star, 3 April 2017)*
Stronger exports may push Malaysia's GDP growth to 5%	Malaysia's economic growth may surprise on the upside from the initial forecasts due to growth in exports, says executive director of the Socio- Economic Research Centre (SERC) Lee Heng Guie. Lee, who is an economist, said the key to this was the export figures which could push the gross domestic product (GDP) to grow by up to 5% this year. "Growth in exports could provide some upside push to the GDP number. In the first we think GDP was quite flattish (from the previous year) at 4.4%. But he also cautioned of potential headwinds to growth including the high cost of living, inflation and business sentiment. *(The Star, 4 April 2017)*
Stanchart ups Malaysia's GDP growth forecast to 4.1%	Standard Chartered Bank (Stanchart) has raised its forecast for Malaysia's gross domestic product (GDP) growth to 4.1% from 3.8%, supported by the recent export recovery. The global banking group said the export growth was encouraging at end-2016, up 11% year-on-year (yoy) in December from a monthly average of 0.2% in the January-November period of 2016. The bank raised its forecast for this year's current account surplus to 3% of GDP from 2% projected previously. The bank said average headline inflation forecast this year has also been raised to 3.6%, higher than the central bank's forecast of 2%-3%, due to subsidy rationalisation and higher local fuel prices. The unemployment rate was relatively high at 3.5% in December last year and employment growth was just 0.6% yoy. Stanchart said it also expected the ringgit undervaluation to persist for some time amid a strong US dollar and US Federal Reserve's rate increases. It said the ringgit's real effective exchange rate was about 12% below its 10-year average and cheaper than during the Asian financial crisis. *(The Star, 4 April 2017)*
Malaysia's February exports jump 26.5% as China imports grow	Malaysia's exports in February 2017 jumped 26.5% to RM71.77 billion, the fourth consecutive month where the exports exceeded RM70 billion. On a month-on-month basis, exports rose by 2.1%. MITI said imports in February 2017 grew by 27.7% to RM63.06 billion. For January to February, total trade rose 20.6% to RM270.63 billion from RM224.4 billion in 2016. Exports were higher by 19.8% to RM142.04 billion while imports increased by 21.5% to RM128.59 billion, resulting in trade surplus of RM13.45 billion. On a month-on-month basis, exports rose by 2.1%, while imports and total trade posted a decline of 3.8% and 0.7%, respectively. Malaysia's total trade in February 2017 expanded by 27.1%, reaching RM134.83 billion from a year ago. *(The Star, 5 April 2017)*

Higher GDP forecast for Malaysia on better trade prospects	Some economists are turning more positive on the economic outlook for Malaysia this year, thanks to improving global trade prospects. Malaysia's GDP could grow by up to 5% this year on strong exports growth. The official 2017 GDP growth forecast for Malaysia, as announced by Bank Negara last month, stands at a range of between 4.3% and 4.8%. The economy grew 4.2%. As an open economy in which trade activities account for nearly 1.3 times its GDP, improvement in external demand is often a huge boon to the domestic economy. MIDF's GDP growth forecast for Malaysia for 2017 stands at only 4.3%. In export growth toward the end of last year lifted the country's GDP growth to 4.5% in the fourth quarter of 2016, the strongest in four quarters. Domestic demand higher to a growth of 4.7% in 2017 after slowing to a 4.4% growth last year. The global banking group announced it expect Malaysia's GDP to grow 4.1% this year, compared with its earlier estimate of 3.8%, driven by the recent export recovery. *(The Star, 5 April 2017)*
Rising inflation has risks but may help curb debt	Inflation in Malaysia, which has risen to an eight-year high on fuel costs, may spiral into second-round price effects, but may also help control high levels of debt. The inflation rate for February 2017, at 4.5%, was the highest in more than eight years and exceeded the median estimate of 3.9% in a Bloomberg survey. Bank Negara expects inflation to average 3% to 4% this year compared with 2.1% in 2016, according to its annual report. At over a 4% inflation rate and over 4% real gross domestic product (GDP) growth, nominal GDP growth will be in excess of 8%. *(The Star, 5 April 2017)*
Boost for airlines, REITs as more tourists head for Malaysia	Total tourist arrivals to Malaysia this year could jump by over 4% on-year after airline bookings from China to Malaysia surged 72% on-year from March 16 to Aug 31, 2017. This was after China discouraged its citizens from visiting South Korea, Maybank Investment Bank Research said on Thursday. "If we assume that Chinese tourist arrivals for the whole of 2017 grow by a narrower 50% on-year, we estimate that this will lift total tourist arrivals by 4% on-year. It said the direct beneficiaries to the positive growth in tourist arrivals whih it had existing BUY call on were MAHB, AirAsia, Genting Bhd, Al-Salam Real Estate Investment Trust (REIT), Sunway REIT and IGB REIT. *(The Star, 6 April 2017)*
ADB projects modest economic recovery for Malaysia	Malaysia's gross domestic product (GDP) growth is projected to improve to 4.4% this year and 4.6% in 2018, lifted by firmer growth in the major industrial economies and a mild recovery in domestic investment, according to the Asian Development Bank (ADB). As for net external demand, ADB said its drag on GDP growth was forecast to subside this year unless global trade was seriously disrupted. Private consumption, meanwhile, is expected to grow this year at around last year's pace. "Recovery in agriculture and rural subsidies will support rural incomes. However, dampeners on consumption spending include high household debt, which equals nearly 90% of GDP, and lackluster consumer confidence. ADB forecast inflation to rise to 3.3% in 2017 and then fall to 2.7% with the fading of the base effect from lower prices last year. *(The Star, 7 April 2017)*

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