MALAYSIA WEEKLY ECONOMIC NEWS

(3 January 2017 – 6 January 2017)

Topics	Highlights
Malaysia's property market still resilient despite challenges	The property market remains resilient despite of the challenging economic environment, according to observers. Rahim & Co Research said although the number of launches and sales performance of developers have been declining, there were projects that were performing well due to the nature of the product, concept, location and marketing strategies. According to Knight Frank in a report on the local real estate market, the outlook for the high-end condominium segment remains lackluster, impacted by weak sentiment as potential buyers and investors continue to adopt a "wait-and-see" approach. "With the widening gap between supply and demand as well as mismatch in product pricing and affordability in the domestic market, more developers are expanding their target catchment by marketing overseas as the weak ringgit translates into attractive pricing and low-entry level for foreigners." It said the challenging property market environment had led to more strategies with developers adopting "push marketing" to boost sales of selected projects and improve revenue. *(Source: The Star, 3 January 2017)*
Slower loan growth seen in 2017, says RHB Research	RHB Research Institute expects slower overall loan growth in 2017 due to slower household loan growth and moderating business sectors as the economy slows down. The research house envisages M3 growth, including Islamic investment accounts, to remain modest at 4% in 2017 from an estimated 4%-5% for 2016 and compared to 2.6% in 2015. RHB Research said this was due to slower household loans due to more stringent rules on lending and curbs on the property market and also moderating business loans from weakening economic growth. It also expects headline inflation to remain manageable at 2.5% in 2017, albeit up slightly from the +2% estimated for 2016. It added that growth of the broader money supply, M3, slowed to 2.9% on-year in November 2016. This was from +3.2% in October 2016 and compared to +2.2% in September 2016. This was on account of a slowdown in demand for funds by the private sector and sharper drop in external operations during the month under review. These were, however, partly mitigated by the pickup in demand for funds by government operations in December. *(Source: The Star, 4 January 2017)*
Challenging 2017 for property developers	Property developers in Sarawak face a challenging outlook this year due to stricter lending guidelines by financial institutions and the government's affordable housing policy. Sarawak Housing and Real Estate Developers Association (Sheda) Kuching branch adviser Sim Kiang Chiok said house sales were affected by strict end-financing of properties. Sim added banks should consider lending on staggered repayment, for example with lower repayment amounts in the first five years and subsequent repayment on an ascending scale. Sim also said the government's policy of building affordable houses through Federal authorities such as PR1MA will increase the supply of houses priced below RM400,000, causing some overlaps with houses supplied by private developers priced between RM300,000 and RM400,000. *(Source: The Star, 5 January 2017)*

HLIB Research stays positive for 2017, Trump policies priced in	Hong Leong Investment Bank (HLIB) Research is staying positive for 2017 though the external outlook remains rocky, as it expects the Malaysian economy to chart a smoother path in 2017, with an uptick in GDP growth to 4.5%. In its strategy report, it also pointed out that US president-elect Donald Trump's policies are vulnerable to disappointment. Trump's policies have been largely priced in by the market. However, it also said global politics may still add to volatility. Later part of 2017 will face series of uncertainties in global politics after Brexit and Trump presidency in 2016. With the lining up of Brexit negotiation and Euro area elections (Netherlands: March; France: April; and Germany: by October), we can expect intermittent event-driven volatility throughout the year. But HLIB Research points out that while external outlook remains rocky, it expects the Malaysian economy to chart a smoother path in 2017, with an uptick in GDP growth to 4.5%. All sectors are expanding reinforced by all-time high construction project awards and firmer commodity outlook. Macro fundamentals remain largely intact to keep sovereign ratings unchanged. *(Source: The Star, 6 January 2017)*

Economics and Policy Division
SME Corp. Malaysia
12 January 2017