MALAYSIA WEEKLY ECONOMIC NEWS

(15 May 2017 – 19 May 2017)

Topics	Highlights
StanChart Research: Manufacturing sector likely to boost Malaysia's Q1 growth	Malaysia's first-quarter gross domestic product (GDP) growth is likely to be boosted by the manufacturing sector, says Standard Chartered Research. The forecast for GDP growth is 4.9% year-on-year, higher than the 4.5% in Q4 2016. It said industrial production growth was resilient in the first quarter, with the manufacturing sector growing 5.6% year-on-year versus 5% in the final quarter of 2016, on the back of robust demand for electronics. "Exports picked up in early 2017 on strong demand in the region, driven primarily by China's inventory rebuild, as well as higher commodity prices," it said. However, the research house said the country's import growth was surprisingly robust on strong capital goods imports, which led to a slight narrowing of the trade surplus, which may have weighed on GDP growth. Standard Chartered Research is also of the view that Malaysia's consumer price index (CPI) inflation may ease in April. "We expect headline inflation to have eased slightly to 4.2% year-on-year from 5.1% in March". *(The Star, 15 May 2017)*
Malaysia's economy to grow 4.8% in Q1, says RAM Ratings	Malaysia's economy is expected to grow at a faster pace of 4.8% in the first quarter ended March 31, 2017, underpinned by external demand due to stronger exports, says RAM Ratings. The ratings agency said on Monday the growth will be higher than the 4.5% in the preceding quarter of 4.5% in Q4, 2016. RAM Ratings said the major factor for the stronger Q1 2017 growth is the sustained upward momentum in external demand, which has provided the main boost to growth amid resilient domestic demand. RAM Ratings also pointed out port-oriented industries were recording more favourable output growth trends, as opposed to the more volatile and lower growth patterns displayed by their domestic-oriented counterparts. More specifically, consumer-related output growth has been lagging the recovery momentum of the other domestic-led sectors. Private investment growth will continue to be underpinned by the continuation of infrastructure projects, although some upside may also stem from the return of some foreign investment, which has traditionally led the trade cycle. *(The Star, 16 May 2017)*
RAM: Inflation moderates to 4.4% in April	RAM Ratings expects inflation in Malaysia to moderate to 4.4% in April 2017, compared with the high of 5.1% in March due to the tapering off of the low-base effects from the transport fuel component. In its inaugural issue of the Economic Insight report, the rating agency said the transport fuel component had contributed significantly to the run-up in headline inflation, in the first quarter of this year. It said the sticky uptrend in food and non-alcoholic beverage prices had also added fuel to the upward price pressures this year, driven by the removal of cooking oil subsidies in November 2016, and price growth of fish, seafood, vegetables and food away from home. "Food away from home inflation remains the greatest driver of overall food and non-alcoholic beverage component price increases, given its heavy weight of 36.8% in this consumer price index category," it added. *(The Star, 17 May 2017)*

Malaysia’s solid exports, demand likely spurred faster Q1 growth	The median forecast in a Reuters poll of 12 economists was for 4.8% annual growth in January-March, up from 4.5% the previous quarter. If the pace is 4.8%, January-March will be the best period since the second quarter of 2015. Exports from Southeast Asia’s third-largest economy rose strongly in early 2017, aided by China’s push to rebuild inventory and higher commodity prices. Malaysian industrial production “was resilient in Q1, with the manufacturing sector growing 5.6% year-on-year versus 5% in Q4, on the back of robust demand for electronics. March exports surged 24.1% from a year earlier, slowing just slightly from the 26.5% pace set the previous month and almost double the 13.6% expansion in January. Malaysian growth will also likely continue to get a boost from domestic demand, plus increased government revenue from higher global oil prices. Private consumption remained robust thanks to the sustained low interest rate environment and the flow-on from upbeat global demand. *(The Star, 18 May 2017)*
Malaysia's economy expands faster at 5.6% in Q1	Malaysia's economy grew at a faster pace of 5.6% in the first quarter ended 31st March 2017, exceeding the consensus of a 4.8% growth, powered by the manufacturing and services sectors. Bank Negara Malaysia (BNM) said that growth, on the expenditure side, was underpinned by an increase in private consumption of 6.6%, investments at 12% and exports at 9.8%. Headline inflation during Q1 was at 4.3%. BNM explained that public perception of actual inflation tend to be higher, influenced by personal experiences. Meanwhile, the Statistics Department said the Q1 2017 growth of 5.6% was up 1.8% from the 4.5% in Q4 of 2016. It also recorded stronger growth from the 4.1% in Q1 of 2016. All sectors on the production side posted a favourable growth except for mining and quarrying sector. Services, manufacturing and agriculture were the major drivers of the economy. The services sector grew at a faster pace of 5.8% mainly led by wholesale and retail trade which expanded to 6.3%. The information and communication segment recorded a growth of 8.2%. *(The Star, 19 May 2017)*

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