MALAYSIA WEEKLY ECONOMIC NEWS

(10 December 2018 – 14 December 2018)

Topics	Highlights
IMF projects Malaysia's 2018 real GDP growth at 4.7%	IMF is projecting Malaysia's GDP growth at 4.7% for 2018, compared with an earlier forecast of 5.3%. Headline inflation was declining and expected to average around 1.1% this year. Credit growth has rebounded recently and capital outflows have been manageable. The current account surplus is projected to decline to 2.1% of GDP. Looking ahead, IMF said Malaysia's 2019 real GDP growth was projected at 4.5 - 5.0% with domestic demand remaining the main driver of growth, while the US tariffs on imports from China were expected to have an overall adverse impact on the country's growth. The risks to growth outlook are to the downside. On the external side, Malaysia is vulnerable to rising protectionism, a sharp tightening of global financial conditions, and weaker-than-expected growth in trading partners. Domestically, contingent liabilities could necessitate additional measures to ensure medium-term fiscal sustainability. The IMF said the government's planned pace of fiscal consolidation in 2019 was appropriate and would help build buffers and maintain financial market confidence. Priority should be given to effective implementation of policies that lift productivity growth, among others, improving education, accelerating innovation and technology adoption, and encouraging a move up the value chain. *(Source: The Star, 14 December 2018)*
Overall salary increase in Malaysia seen at 5.2%: Mercer	Mercer Malaysia unveiled the results of its annual 'Compensation Planning for 2019' study which identifies key remuneration trends and hiring & pay increase predictions for the coming year across Asia, Middle East and Africa. Overall, salary increases in Malaysia is projected at 5.2% in 2019, similar to this year's growth rate, with life science & technology industries taking the lead. CEO of Mercer Malaysia, Hash Piperdy said that most industries are expected to maintain similar salary growth rates next year, with the exception of consumer goods industry which has a slight increase of 0.3% in 2019. The survey shows Malaysia remains a highly competitive economy, with 38% from Generation X and 44% of millennials occupying the workforce this year. The findings point out that life science and technology industries are at the top in terms of the highest base pay and total cash increases for executive roles in 2019. In terms of types of roles most likely to fetch increases, legal, finance and R&D functions emerged as the top three. Positive signals of revival in the semiconductor and biotechnology sectors implies that specialist engineering and sales talent will be in demand. Bucking the trend of muted growth in the rest of the banking and financial services industry, the insurance industry is projected to see healthy growth. *(Source: The Star, 13 December 2018)*
Credit crunch may hit Asia, including Malaysia	A credit crunch may hit Asia as early as next year, with Malaysia likely to be one of the Asian economies facing the crisis. In its recent 2019 outlook report, Nomura Research warned that a few countries in Asia, especially the current account surplus and export-reliant economies, may experience a sudden shortage in the availability of money for lending, leading to a loan decline. Nomura described credit crunch as 'the third and final wave of bear market in Asia'. The first wave refers to sharp currency depreciation in India, Indonesia and Philippines that took place in 3Q'18. Meanwhile, the second wave started in 4Q'18, driven by equity market sell-offs in Asia's current account surplus countries. The third wave is expected to be a credit crunch that starts in 1Q'19, as an accelerated Asian growth slowdown interacts with property market corrections. The research house is also downbeat on Malaysia's economic prospects in 2019, and said that it remained concerned on the rising probability of the country's rating downgrade. A 25-basis-point cut in the OPR is expected in 2019, taking the benchmark interest rate down to 3%. This is expected on the back of slowing domestic economic growth, a more benign inflation outlook and the abating risk of financial imbalances. Nomura Research projects Malaysia's GDP to grow 4% in 2019, compared to the consensus estimate of 4.6%. However, moving into 2020, it foresees the country's economy improving slightly, with a GDP growth of 4.2%. *(Source: The Star, 12 December 2018)*

Malaysia Oct manufacturing sales up 10.2% y-o-y to RM73.1b	Malaysia's October 2018 manufacturing sales rose by 10.2% year-on-year to RM73.1 billion from RM66.3 billion, said the Department of Statistics Malaysia. Chief Statistician, Datuk Seri Dr. Mohd Uzir Mahidin said the growth registered in sales value in October 2018 was due to the increase in transport equipment and other manufactured products (13.3%), electrical & electronics products (11.5%), and petroleum, chemical, rubber & plastic products (11.5%). He added that the total number of employees engaged in the manufacturing sector in October 2018 was 1.076 million persons, an increase of 2.2% from 1.053 million persons in October 2017. Meanwhile, salaries paid rose 10.2% or RM359.9 million to RM3.9 billion, translating to average salaries per employee of RM3,625 in October 2018. Sales value per employee gained 7.8% to RM67,889 as compared with the same month of the previous year. *(Source: The Edge Market, 12 December 2018)*

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