MALAYSIA WEEKLY ECONOMIC NEWS

(19 February 2018 – 23 February 2018)

Topics	Highlights
Option is open for second interest rate hike in 2018	Bank Negara is keeping its options open for a second interest rate hike in 2018, according to economists, which should hold the ringgit on a stronger footing. The local currency had strengthened 3% so far in 2018 at 3.89 against the weakening US dollar. Bank Negara, in its first monetary policy in January, raised the overnight policy rate by 25 basis points to 3.25%. The move helped propel the ringgit to its highest level against the US dollar since April 2016. But Malaysia is not the only country tightening its monetary policy. *(The Star, 19 February 2018)*
Moody's sees robust growth for Malaysia, but leverage a concern	Malaysia's system-wide high debt level, particularly in the household sector, remains a credit challenge in 2018, according to Moody's Investors Service. While the country is expected to see a decline in debt burden, it remains higher than most peers. Moody's, which has an A3 credit rating and stable outlook on Malaysia, expects the debt burden to reach 48.7% of gross domestic product (GDP) in 2018, down from a projected 49.6% in 2017. The Government's debt remains higher than the A-rated median of 40.9% of GDP. Moody's expect debt to edge only marginally lower through to 2019. Owing to the falling share of revenues to GDP, and given the relatively elevated benchmark interest rates for Malaysia's Government securities, debt affordability, measured by interest payments as a share of Government revenue, had worsened to 12% in 2017 from 11.1% in 2015. Meanwhile, on a more positive note, Moody's said that Malaysia's credit profile was supported by its large and diversified economy, ample natural resources and robust medium-term growth prospects. *(The Star, 21 February 2018)*
Government to boost transport infrastructure	The Government will focus on efficient use of ports, airports and railways to help spur greater economic growth for the country. Most of the country's infrastructure was well utilised, especially Port Klang, Kuala Lumpur International Airport (KLIA) and KLIA2. KLIA was built for 25 million travellers but was handling about 28 million annually, while KLIA2 had a capacity of 45 million but was already handling 30 million yearly. There are expansion plans and to create more slots so that Malaysia can attract new airlines to fly here. Latest development is the expansion of Westport to accommodate 10 additional berths. *(The Star, 22 February 2018)*
Tax exemption for over 260,000	Over 260,000 people will be exempted from paying income tax following a two percentage point reduction in the individual tax rate for those earning between RM20,000 and RM70,000. This will largely benefit the M40 group of household incomes of between RM3,000 and RM8,300. The amount would translate to savings of between RM300 and RM1,000 for those in the lowest bracket of chargeable income group. This is the estimated 260,000 individuals who are expected to be exempted from paying income tax. Economists believe that the extra money available would help to sustain the standard of living and raise the disposal income of the middle class. The extra cash also means an increase in private consumption that would help the economy. (The Star, 23 February 2018)

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