MALAYSIA WEEKLY ECONOMIC NEWS

(2 July 2018 – 6 July 2018)

Topics	Highlights
World Bank forecasts Malaysia's GDP growth to remain steady	The World Bank sees Malaysia as having a strong expanding economy, but the key to maintaining its success is to put more emphasis on developing its healthcare and education system. The World Bank, in its latest report on the country, has forecast growth to remain steady at 5.4% this year. Meanwhile, World Bank Malaysia lead economist Dr Richard Record said it was important that Malaysia's debt is managed vigilantly and efficiently, in a prudent manner with transparency. It was vital to recognise that 97.7% of Malaysia's debt was denominated in ringgit, so there was limited risk, particularly for foreign exchange. In addition, majority of Malaysia's debt is medium term, with almost 70% having a maturity period of over three years. Like most countries around the region, Malaysia too is struggling to attract new investment amid rising international trade tensions. Economic Affairs Minister, Datuk Seri Mohamed Azmin Ali, however, believes that the challenge is to win back investor confidence, with the focus of the new government is to ensure that foreign direct investment (FDI) in Malaysia is sustained. *(Source: The Star Online, 3 July 2018)*
Malaysia's May exports up 3.4% on year, imports up 0.1%	Malaysia's exports for May 2018 grew by 3.4% y-o-y to RM82.1bil, underpinned by higher exports of liquefied natural gas crude petroleum and electrical and electronic (E&E). Exports in May 2018 was the fifth consecutive month whereby exports growth had outpaced imports. Imports in May recorded a marginal increase of 0.1% y-o-y to RM74bil. Imports increased marginally by 0.1% to RM74bil mainly attributed to intermediate goods, capital goods and consumption goods. Intermediate goods which constituted for 54.1% of total imports fell by 5.3%, imports of consumption goods which constituted for 8.1% of total imports dropped by 10.2% while imports of capital goods, which accounted for 13.3% of total imports declined by 0.7%. The Department of Statistics reported that total trade which was valued at RM156.1bil increased by 1.8% y-o-y to RM2.8bil. It also posted a growth of RM631.8mil or 0.4% when compared to the previous month. The trade surplus was RM8.1bil, an expansion of 47.1% from a year ago. *(Source: The Star Online, 3 July 2018)*
Malaysian manufacturing sector declines at slower pace	Business conditions across Malaysia's manufacturing sector deteriorated at a slower pace in June, as the rates of contraction in output and new business eased to the slowest since March. An evidence highlighted a weak underlying demand for Malaysian goods from both the domestic and international markets. The research noted that output declined further in June, but at a slower pace. In line with the trend of output, new business declined for the fifth consecutive month in June. The fall in new business was linked to the lacklustre demand. As such, the rate of decline moderated to the slowest since March. The report also highlighted that new export orders declined at the end of the second quarter amid reports of weaker demand from the international market. In addition, Malaysian companies have reported a renewed expansion in payroll numbers, despite a sustained period of decline in output and new orders. On the price front, firms faced higher input costs during June, thereby stretching the current period of inflation to 41 months. Thus, input cost inflation eased for the third successive month to the weakest since March 2015. *(Source: The Malaysian Reserve, 3 July 2018)*

Economics and Policy Division
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