# MALAYSIA WEEKLY ECONOMIC NEWS

***(2 January 2018 – 5 January 2018)***

| Topics | Highlights |
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| **Johari sees economy growing up to 5.5% in 2018** | The overall outlook for 2018 seems positive with the market expecting Malaysia's gross domestic product (GDP) growth to moderate at around 5.0 - 5.5% following a stellar economic recovery last year, said Second Finance Minister YBhg. Datuk Seri Johari Abdul Ghani. Malaysia's economic conditions should remain conducive to support a more robust macroeconomic performance despite fiscal deficit which was set to be reduced to 2.8% in 2018 from 3% in 2017. The GDP growth in 2018 shall continue to be driven by private consumption and investment, growth in exports and higher government spending in infrastructure projects such as East Coast Rail Link, High-Speed Rail, Mass Rapid Transit line two (MRT2) and Light Rail Transit line three (LRT3).<br>*(The Star, 4 January 2018)* |
| **Government budget to be balanced by 2022-2023** | Finance Minister II YBhg. Datuk Seri Johari Abdul Ghani believes Government finances can be balanced by 2022 or 2023 on a combination of stable economic growth, prudent spending and managing civil service pensions and emoluments. The original target was 2020 but probably need another two to three years because cutting spending too much will have a negative impact on the economy. The delay in getting the budget balanced was due to oil price fluctuations. When the target to get the budget balanced was announced, oil price was trading at US$90 to US $100 per barrel but oil prices have fallen as low as US$40 before recovering to around US$60.<br>*(The Star, 4 January 2018)* |
| **Loan growth for Malaysian banks seen stronger in 2018** | Total loan growth for the banking industry is expected to be at 4% to 5% this year, stronger than last year. Higher-than-expected gross domestic product (GDP) growth in 2017 would translate into a stronger loan expansion this year. 2017's loan growth was low due to a lower corporate loan growth. Based on the pipeline, corporate loan growth looks to be stronger this year. In 2016, total industry loan growth was at 4% due to higher loan loss provisions, while total loan growth as of November 2017 stood at 3.9%. CIMB expects GDP to grow 5.2% this year, driven by commodities, electrical and electronics as well as manufacturing sectors. Key industries for mergers and acquisitions for the year would be the e-commerce and digital economy, banking and insurance, construction and infrastructure, consumer, as well as a potential oil and gas consolidation.<br>*(The Star, 4 January 2018)* |
| **November exports at all time high of RM83.5 billion** | Malaysia's exports rose to an all-time high of RM83.5 billion in November 2017, up 14.4% from a year ago with manufactured goods underpinning the growth while exports to China remained resilient. Imports rose by 15.2% to RM73.55 billion, due to an increase in imports of intermediate goods, which rose 13.8% to RM40.39 billion or 54.9% of total imports. Driving the imports were higher imports of processed industrial supplies, particularly articles of copper. Exports of manufactured goods in November 2017 increased by 18.2% or RM10.63 billion year-on-year to RM68.98 billion, accounting for 82.6% of Malaysia's total exports. It said the growth was mainly on account of higher exports of electrical and electronic (E&E) products and chemicals and chemical products, collectively contributing 55% to total of manufactured exports.<br>*(The Star, 5 January 2018)* |

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