MALAYSIA WEEKLY ECONOMIC NEWS

(8 January 2018 – 12 January 2018)

Topics	Highlights
Malaysian business sentiment improves in Q1 2018	Business sentiment among Malaysian companies improved further in the first quarter 2018 (Q1 2018), reaching a new peak, as growth momentum continued to pick up, based on the Dun and Bradstreet (D and B) Malaysia's Business Optimism Index (BOI) survey. D and B is one of the world leading business information providers and the survey was the 20th D and B BOI study being released in Malaysia, to measure business confidence in the economy. The survey disclosed that four business indicators had risen upwards on a quarter-on-quarter basis in Q1 2018, while five indicators improved on a y-o-y basis. It said both the services and transportation sectors were most optimistic, with all six indicators in positive territory and the construction sector the least optimistic, with only two indicators in the expansionary zone for Q1 2018. *(The Star, 10 January 2018)*
Moody's: US interest rate hike impact on Malaysia minimal	Malaysia's exposure to the global economic vulnerability following the steep rise in US interest rates will be mitigated as the majority of the Government and economy's debt is financed domestically through stable sources. These factors include the country's measures to develop onshore foreign exchange markets, which have also strengthened the financial systems across much of the region. Despite the positive outlook for the country, household debt has remained high albeit more stable. In the Moody's report, the research house noted that prudent banking supervision and regulation have bolstered the resilience of the banking sectors in Malaysia, Singapore, Taiwan and Thailand, thereby limiting the risk that a housing market downturn would threaten financial stability with significant fiscal costs to the Government. (The Star, 11 January 2018)
RAM: Malaysia's economy to expand 5.2% in 2018	Malaysia's gross domestic product is expected to expand by 5.2% in 2018, on the back of strengthening domestic demand and resilient external markets. In general, hiring activities and labour force was becoming healthier this year, which would help boost domestic demand. Investment activities also looked promising, she said, adding that from the interviews conducted by the rating agency with firms as well as its survey, the companies were increasing their investments. The unknown going into 2018 is how the external environment holds up. From our indicators, there is resilience in external demand. The ringgit was expected to average between 4.10 and 4.20 against the US dollar throughout the year and noted that the current bullish run is not sustainable. *(The Star, 11 January 2018)*
November output exceeds forecast	Malaysia's industrial output, as measured by the industrial production index (IPI) increased by 5% in November 2017, exceeding economists forecast of a 4.6% rise. The increase in November was supported by the growth in all indices - manufacturing (6.7%), mining (0.2%) and electricity (3.9%). On a year-on-year basis, the output of the manufacturing sector in November increased strongly by 6.7% after registered an increase of 4.2% in October 2017. The major sub-sectors which recorded an expansion in November 2017 were petroleum, chemical, rubber and plastic products (7.5%), electrical and electronic products (6.9%) and food, beverages and tobacco products (8.2%). *(The Star, 12 January 2018)*

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