MALAYSIA WEEKLY ECONOMIC NEWS

(19 November 2018 – 23 November 2018)

Topics	Highlights
Moody's: Malaysia's economic growth can accelerate beyond 2020	Malaysia's economic growth could accelerate beyond 2020 if commodity prices were to pick up on the back of a recovery in global economic growth. Moody's Analytics Chief Asia-Pacific Economist, Steven G Cochrane said Malaysia's economic growth would likely slow down in the next two years as weak global economic outlook could weigh on commodity prices. Moody's projected that Malaysia's real GDP growth may slow down from 5.9% in 2017 to 4.8% in 2018, 4.4% in 2019 and 3.6% in 2020. The lower commodity prices due to slower global economic growth will hurt emerging markets and Malaysia. Crude palm oil (CPO) prices have seen significant weakness since the start of this year, with CPO futures prices hovering near RM2,000 per tonne, due to high stock level and weak demand. The US fiscal stimulus, which has been supporting the US economy, was expected to come to an end in 2020 and this may slow down economic growth in the US and weigh on the global economy and the commodity market. The US-China trade war could also impact global trade and economy, and in the worst case scenario, it could disrupt supply chains and lead to a recession in the US and hurt other economies. If tariffs were to rise and expand to include all trade between China and the US, it would add friction to the Malaysian and global economy. *(Source: Bernama, 23 November 2018)*
RAM sees inflation rising to 2.7% in 2019	RAM Ratings expects headline inflation to speed up to 2.7% in 2019 after averaging 1% in 2018, mainly due to higher fuel prices and the reintroduction of Sales and Services Tax (SST). There would be additional pressure from the switch to targeted fuel subsidies, along with its anticipation of continued spillover effects from the reintroduction of the SST and low-base effects during the zero-rated Goods and Services Tax from June to end-August. The rating agency said although key details on the implementation (exact date and disbursement mechanism) are still scant, preliminary analysis indicates that floating the price of RON95 based on Automatic Price Mechanism will lift headline inflation by 0.9 ppt in 2019. RAM pointed out overall inflation is envisaged to average 1.0% in 2018 (2017: 3.7%) amid low food inflation, on top of the deflationary pressure from the reinstatement of fuel subsidies through the rest of 2018. RAM also expected Bank Negara to maintain its benchmark interest rate at 3.25% throughout 2019, given the need to balance between capital outflow pressures and growth support. *(Source: The Star, 22 November 2018)*
Fitch cuts growth forecast for Malaysia to 4.6%	Rating agency, Fitch Solutions Macro Research has cut its growth forecast for Malaysia for 2018 and 2019, following a weaker-than-expected performance in the third quarter of the year. Fitch Group now expects Malaysia's GDP in 2018 to grow at 4.6%, compared with its previous forecast of 5.1%. Fitch Solutions said it was also revising its 2019 GDP growth forecast for Malaysia down to 4.2% from 4.5% previously. The 2018 revision reflects the weaker-than-expected third quarter 2018 results and expectation for growth to slow further in the fourth quarter. Malaysia's growth in 2019 would likely be negatively impacted by broad-based headwinds from nearly all the expenditure components of the GDP, except private consumption, which is expected to be supported by a large, one-time repayment of tax refunds in 2019. Fitch Solutions said the revision to the 2019 figure reflected its concerns about exports and investment growth for next year. Malaysia's 2019 external outlook to be negatively affected by the combination of a slowing semiconductor cycle and a likely escalation of the US-China trade dispute amid still-low palm oil prices, which should weigh on the country's trade balance. *(Source: The Star, 20 November 2018)*

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