MALAYSIA WEEKLY ECONOMIC NEWS

(26 November 2018 – 30 November 2018)

Topics	Highlights
Sovereign rating outlook remains stable despite headwinds	RAM Rating Services Bhd has maintained its gA2 sovereign rating for Malaysia following the unveiling of Budget 2019 despite higher-than-expected fiscal deficit as well as higher debt level. GDP growth for Malaysia is projected to be 4.9% this year. The growth rate tops the median growth rate of other gA2-rated countries, which stands at 1.4%. Malaysia's economic growth next year is expected to be 4.5% to 5%. The better growth outlook next year is partly reinforced by the government's targeted initiatives to support the B40 population and advance financial inclusion. These initiatives include an increase in household electricity subsidy, fuel subsidy, minimum wage and the exemption of stamp duty for properties priced between RM300,000 and RM1 million for first-time homebuyers. There are also initiatives that will support and grow SMEs such as the RM5 billion allocation to drive the country towards adopting the Industry 4.0. The continuous growth of the country contributes to the firm's stable outlook on its sovereign rating despite the budget deficit. *(Source: The Edge Markets, 28 November 2018)*
Malaysia remains on top of emerging markets list	Malaysia remained at the top of the emerging-market list, thanks to its current-account surplus, relatively stable economic growth outlook and valuations. According to a Bloomberg analysis, the scorecard includes metrics ranging from growth prospects to the state of the current account, sovereign credit ratings and stock and bond valuations. Bloomberg reported Asia's economies have stronger buffers against headwinds like Federal Reserve policy tightening and outshone the rest of the emerging markets, Malaysia holding on to the No. 1 spot. However, Turkey has tumbled to bottom of the pile. Ranked fifth out of 21 nations in a similar study six months ago. Four of the top six economies on the scorecard are from Asia, including China, the Philippines and Thailand. China and Thailand are drawing support from current-account surpluses, relatively strong growth and benign inflation. The Philippines' current-account deficit and high inflation rates are partly offset by growth of more than 6%. *(Source: The Star, 28 November 2018)*
MIER: More downside risk to Malaysia's economic growth	External trade concerns, weak electrical and electronic (E&E) exports and poor demand in the oil and gas sector are adding downside risk to Malaysia's economic growth. According to Executive Director of Malaysian Institute of Economic Research (MIER), Dr Zakariah Abdul Rashid, although private consumption and investment will continue driving growth in the fourth quarter of 2018, this cannot last forever. Although private consumption is expected to be supported by year-end sales in the fourth quarter, private investment still faces headwinds from external uncertainty. The US-China trade tension is 'the real problem' as China is Malaysia's biggest trading partner, particularly for E&E exports. The current weak oil price environment will also have an effect on Malaysia's oil and gas players as well as the nation's finances. Meanwhile, MIER kept its GDP estimation at 4.7% for the full year. Beginning 2019, a rethink of strategy for economic growth was needed in order to wean the economy off of private consumption. *(Source: The Edge Market, 27 November 2018)*

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