MALAYSIA WEEKLY ECONOMIC NEWS

(17 September 2018 –23 September 2018)

Topics	Highlights
Malaysia's Aug inflation rate at 0.2% y-o-y, a three-and-a-half year low	Malaysia's consumer price index in August rose by 0.2% from a year earlier, the slowest growth in three-and-a-half years, after the removal of a 6% consumption tax. The annual inflation rate was below the 0.4% rise forecast by Reuters poll, and was the lowest since February 2015, when it was at 0.1%. In July, the rate was at 0.9%. Inflation has been mild following the government's withdrawal of the Goods and Services Tax (GST) in June, with the annual rate falling to a previous low of 0.8% that month. In August, transportation costs rose at a slower pace amid lower domestic fuel prices, with the sectoral index rising 2.1% from a year earlier, compared with 6.7% the previous month, the Statistics Department said in a statement. Overall inflation, however, remained muted with marginal increases posted by the indexes for housing, restaurants and hotels, education, food and non-alcoholic beverages, data from the department showed. Costs were down across all other sectors, with the biggest declines posted by the indexes for communication, clothing and footwear, and miscellaneous goods and services. *(Source: New Straits Times, 19 September 2018)*
Malaysia's loan growth is expected to be modest: Moody's	Moody's Investors Service has maintained a 'stable' outlook for the Malaysian banking system as the operating condition continues to be robust to support the bank's profitability. While positive on the banking system, Moody's however has revised downward Malaysia's loan growth between 5.0-6.0% from 7.0-8.0% previously. Private sector was waiting for more clarity policies measures that will be included in the upcoming Budget 2019 in November this year. Until the Budget is announced, the private sector will most likely to plan its path ahead and that translates the muted loan growth and weaker sentiment. Moody's has also maintained a 'stable' outlook for ASEAN banks, driven by steady operating environment despite headwinds from mounting trade tension and tightening financing conditions. Meanwhile, Moody's has reaffirmed (A3) rating for Malaysia's GDP growth with a healthy performance in 2018. However, the country's GDP growth likely to slow in 2019 and cautioned that high debt remains a key credit constraint, despite fiscal consolidation for eight consecutive years. *(Source: New Straits Times, 19 September 2018)*
Fitch Solutions: Malaysia's private consumption will slow in 2019	Populist policies introduced by Malaysian government, along with an expanding economy and low levels of inflation and unemployment, have boosted consumer spending in 2018. Fitch Solutions Macro Research said high frequency indicators also point to the health of the Malaysian consumer, with consumer confidence and retail sales picking up since the beginning of 2018. Adding further upside to the consumer outlook is the continued uptake in household loans and loans forming a larger share of overall loans undertaken by consumers, creating opportunities for spending on big-ticket items. However, the research house noted that private consumption will slow year-on-year in 2019 due to the reinstatement of SST in 4Q'18, whereby the effects will be felt in 1Q'19 and beyond. Private consumption growth is expected to retain its momentum over the rest of the year, at 8.5% in 2018 (2017: 7.0%) but will slow down to 5.3% in 2019 due to the reinstatement of the SST in 4Q'18 and the high likelihood that consumers have been front-loading their purchases in 3Q'18 to take advantage of the tax holiday. *(Source: The Star, 18 September 2018)*

Economics and Policy Division
SME Corp. Malaysia
25 September 2018