MALAYSIA WEEKLY ECONOMIC NEWS

(28 January 2019 – 1 February 2019)

Topics	Highlights
Consumer sentiment, business condition indexes down in Q4	Business condition and consumer sentiment indexes fell below the optimism threshold of 100 points in the fourth quarter of 2018, indicating a slowdown in economic growth for the quarter. MIER said the consumer sentiment index has declined to 96.8 in 4Q 2018 (Q3'18: 107.5). The business condition index, which tracks domestic manufacturing activity, on the other hand dropped to 95.3 points (Q3'18: 108.8). MIER cited consumers are looking more warily at the economy and their well-being lately as pessimists outnumbered optimists in the last quarter. Not only is consumers' assessment of present conditions a notch lower, their expectations six months from now are also less vibrant than last quarter, especially their finances. With global challenging headwinds continuing to hamper Malaysia's economic growth and slowing hiring activities in many sectors, consumers' appetite and plans to shop will necessarily take a backseat in the coming months. However, business conditions are likely to be somewhat moderate in the next quarter. The manufacturers covered in this survey are optimistic that their new business strategies that will be implemented in 2019 will show some positive signs albeit small. MIER has forecast Malaysia's economic growth last year to be much lower than 2017 to 4.7%, and expects a further slowdown in economic growth in 2019 to 4.5% due to slower domestic demand and private consumption growth as well as flat growth in exports from ongoing trade war between China and US. *(Source: News Straits Times, 30 January 2019)*
Total trade up by 5.9% last year	Malaysia posted its largest trade surplus since 2012 as exports reached almost RM1 trillion last year. Supported by stronger than expected exports growth, the country's total trade in 2018 remained resilient, expanding by 5.9% to RM1.88 trillion. Despite the uncertainties in the global environment, exports rose by 6.7% to reach a value of RM998.01 billion while imports increased by 4.9% to RM877.74 billion. Malaysia's trade surplus widened by 22.1%, registering the fastest rate in 10 years and the largest trade surplus since 2012. MITI has targeted an increase of 5% collectively for trade, exports and imports this year, on the back of multiple external factors such as policies uncertainties in major economies and rising interest rate. The drivers for the target would be a more focused approach in in trade segment such as E&E, machinery, equipment and parts; optical and scientific equipment. More focus will be given on trading with emerging markets with massive potential such as Bangladesh, South Africa, Sri Lanka, Papua New Guinea, Peru, Qatar, Tunisia and Djibouti. MITI Minister, Datuk Darrell Leiking said Malaysia was able to capitalise on the ongoing US-China trade war as exports with China growing by double digits at 10.3% to RM138.9 billion last year. Malaysia's top five trade partners in 2018 were China (16.7%), Singapore (12.9%), United States (8.3%), Japan (7.1%) and Thailand (5.6%). *(Source: News Straits Times, 30 January 2019)*
Malaysia's PPI falls 3.7% in Dec 2018	Malaysia's producer price index (PPI) which measures the average change over time in prices by producers for domestically produced commodities, dropped by 3.7% year-on-year in December 2018. The index was dragged by agriculture, forestry & fishing, mining and manufacturing sectors. Malaysian Statistics Department said in a statement that the agriculture, forestry and fishing index slumped by 17.6%, while mining and manufacturing contracted by 4.3% and 2.6% respectively. Conversely, the index of electricity and gas supply grew by 1.6%, while the index for water supply rose by 0.8%. On month-on-month basis, the PPI fell by 1.3% in December 2018, mainly due to the decline in mining and manufacturing sectors. *(Source: The Sun Daily, 30 January 2019)*

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