MALAYSIA WEEKLY ECONOMIC NEWS

(18 November 2019 – 22 November 2019)

Topics	Highlights
Malaysia aims to be B30-ready by next year	Malaysia is firm in pushing for the widespread use of B20 biodiesel, which is a mix of 20% palm oil and 80% diesel, by next year. This was underscored with the exchange of a memorandum between the Malaysian Palm Oil Board (MPOB), an agency under the Primary Industries Ministry and five petroleum companies – Petronas, Shell, Petron, Chevron Malaysia and Boustead Petroleum. The document details the arrangements for detailed engineering studies on nearly three dozen fuel blending plants throughout the country to determine the scope of upgrading needed before these plants can produce biodiesel of up to 30% palm oil, also known as B30. Malaysia currently uses B10, and the plan is to introduce B20 in stages beginning next January. *(Source: The Star, 22 November 2019)*
Economists predict OPR cut next year	Malaysia may embark on another round of monetary easing next year, following in the footsteps of its regional peers and major economies globally. Economists predict that an overnight policy rate (OPR) cut is imminent in 2020, considering the urgent need to rejuvenate local economic activities, even as the federal government has put in place an expansionary budget for next year. The country's business confidence in the third quarter of 2019 plunged to the lowest level since 2008, as measured by the Malaysian Institute of Economic Research. Malaysia's economic growth has also moderated in line with the global trend, remaining below 5% since 1Q18. The continuing US-China trade war, which has yet to achieve a solid resolution, has also dampened the global economic outlook, including Malaysia. Amid such challenges, Bank Negara is seen as having ample room to adjust the OPR moving forward, as inflation is likely to remain mild despite an expected gradual recovery. *(Source: The Star, 22 November 2019)*
October inflation rate up 1.1%, KL and Penang exceed rate	October inflation rate rose by 1.1% in October, with Kuala Lumpur and Penang exceeding the national average due to higher prices for alcoholic beverages & tobacco. The Statistics Department said the increase in the overall CPI was driven by the index of alcoholic beverages & tobacco (2.2%), miscellaneous goods & services (2.2%), education (1.9%) and food & non-Alcoholic Beverages (1.8%). Kuala Lumpur (1.3%), Penang state (1.3%) and Selangor & Putrajaya (1.2%) surpassed the national CPI rate of 1.1%. Last Friday, Bank Negara Malaysia said the third quarter core inflation, excluding the impact of consumption tax policy changes, was steady at 1.5%. However, headline inflation in 2020 was projected to average higher than in 2019 but remain modest. It said this reflected the lapse in the impact of consumption tax policy changes, the lifting of the fuel price ceilings amid the relatively subdued outlook on global oil prices and policy measures in place to contain food prices. *(Source: The Star, 20 November 2019)*
Structural changes in economy crucial	Developers, real estate consultants, an economist and a representative from an overseas developer that some structural changes are needed in the overall management of the economy to lift the country to the next level. These structural changes in education, productivity levels and other areas, by extension, will help to steer the property development sector which, according to this group, is not expected to improve markedly until 2021 or 2022. Socio-Economic Research Centre executive director Lee Heng Guie said 2020 will be a year of inflection. Lee said although recession risk has somewhat been "lowered" compared to the first quarter of 2019, going forward the low interest rates of the past decade has made it difficult for central banks around the world to cut rates. *(Source: The Star, 19 November 2019)*

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