MALAYSIA WEEKLY ECONOMIC NEWS

(7 October 2019 – 11 October 2019)

Topics	Highlights
Malaysia widens fiscal deficit target in budget, promises stimulus if needed	Malaysia's government on Friday unveiled a smaller budget than expected for next year but flagged a wider budget deficit than earlier estimated, and said it would step in with stimulus measures should global demand worsen. Southeast Asia's third-largest economy bucked a global cooling trend and grew faster than expected in the first half of 2019, but analysts say the US-China trade dispute and expanding protectionist policies around the world will eventually drag on the export-reliant country. Nevertheless, the government forecast economic growth of 4.8% next year, slightly higher than this year's projected 4.7%, and pencilled in a very modest improvement in exports. Analysts said the growth projection for next year was optimistic, with economic research consultancy Capital Economics forecasting only 4%. *(Source: The Star, 11 October 2019)*
Budget 2020's growth-supportive fiscal stance appropriate, RAM says	RAM Ratings views Malaysia's fiscal stance underpinning Budget 2020 as supportive of domestic demand activity. This position is appropriate in view of the backdrop of highly uncertain global growth conditions. Budget 2020's narrower fiscal deficit projection of 3.2% of GDP for 2020 (2019 estimate: 3.4%) highlights the Government's ongoing commitment to fiscal consolidation, despite missing its original 3.0% target. While the Medium-Term Fiscal Framework 2020-2022 indicates that the Government intends to keep to a fiscal consolidation path, some of these targets may be challenging to achieve, particularly if the current growth trajectory falters. Fiscal revenues – excluding the RM30 billion special dividend from Petronas in 2019 – have been budgeted to increase 4.8% to RM244.5 billion in 2020, largely owing to robust projected growth in corporate income taxes (6.7%). Personal income taxes are expected to rise at a similar pace of 6.1% subsequent to the introduction of a new high tax bracket. *(Source: The Star, 11 October 2019)*
Malaysia a good country for MNCs moving out of Hong Kong	Malaysia is an "attractive country" for multi-national corporations (MNCs) planning to move out of politically chaotic Hong Kong, according to the Economist Intelligence Unit (EIU). "I'm not expecting a big shift of corporate headquarters to Malaysia, but I think that it is a more attractive destination than many firms realise," said Simon Baptist, global chief economist and managing director, EIU (Asia). Hong Kong has been troubled by non-stopped protests, which very often break into violence, since mid-June after a controversial extradition bill was tabled -- and later withdrawn. "With some of these likely to erode more rapidly as a result of the mainland government's response to the protests, there is speculation about whether, and to where, business might move," he said. *(Source: The Star, 10 October 2019)*
World Bank maintains Malaysia's 2019 economic growth at 4.6%	The World Bank maintained Malaysia's economic growth at 4.6 per cent in 2019, underpinned by the continued robust growth in private consumption amid stable labour market conditions. In a note today, the World Bank said the weakness in the external sector is likely to persist over the near term, with heightened uncertainty surrounding the external environment and softening global demand for electronics and electrical products constraining export growth. Malaysia's economy grew moderately at 4.5 per cent and 4.9 per cent in the first two quarters of 2019. While private consumption has remained resilient, overall economic activity has been weighed down by softer-than-expected investment growth and weakening export demand. *(Source: The Star, 10 October 2019)*

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