

MALAYSIA WEEKLY ECONOMIC NEWS

(4 January 2021 – 8 January 2021)

Topics	Highlights
<p>Consumer sentiment cautious in early 2021</p>	<p>Malaysia's economy is expected to rebound faster once the country has successfully controlled and alleviated the spread of the Covid-19 pandemic, says Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz. He said this expectation is based on the effective lockdown index, whereby Malaysia is among the three countries with the most room to control and alleviate the Covid-19 pandemic in 2021. The Finance Minister also quoted a report from an international media which ranked Malaysia as the fifth key investment and business destination among the world's developing economies for 2021. An international consulting firm concluded that Kuala Lumpur remains attractive to the international business community, due to factors such as integrated infrastructure facilities, diversity and quality of human resource, as well as the country's readiness in adopting digital technology.</p> <p style="text-align: right;"><i>(Source: The Star, 7 January 2021)</i></p>
<p>Malaysia to record GDP growth of 5.1% in 2021</p>	<p>After an eventful 2020 which pushes the global economy towards recession, including Malaysia, the after-effects are expected to be shallow this year as the economy makes a comeback. Maybank Investment Bank Bhd (Maybank IB) chief economist Suhaimi Ilias said that Malaysia was expected to record a gross domestic product (GDP) growth of 5.1% this year compared with an estimated contraction of 5.4% in 2020. "However, the third wave of COVID-19 which has caused a spike in cases will continue to be a downside factor especially in terms of the reopening of the borders. We have seen the plans by Singapore and Hong Kong to open their travel bubble have been suspended due to this," he said. On the employment front, he said it would remain volatile even though some people have returned to the workforce.</p> <p style="text-align: right;"><i>(Source: The Star, 5 January 2021)</i></p>
<p>Manufacturing PMI at four-month high in December</p>	<p>The IHS Markit Malaysia Manufacturing Purchasing Managers' Index (PMI) rose to 49.1 in December 2020 from 48.4 in November 2020, indicating an improvement in the health of the country's manufacturing sector. The latest reading was the highest seen since August 2020, said IHS Markit. However, it noted that the ongoing disruption caused by the Covid-19 pandemic saw many companies facing difficulties in sourcing and receiving raw materials, resulting in longer delivery times and a sharp increase in input costs. IHS Markit said data in December suggested that output and new orders remained subdued as market demand continued to be dampened by the impacts from the Covid-19 pandemic. Foreign demand for Malaysian manufactured goods also declined, although some firms have reported returning orders from markets outside Asia.</p> <p style="text-align: right;"><i>(Source: The Star, 5 January 2021)</i></p>
<p>Ringgit strengthens against US\$</p>	<p>The start of the year saw the ringgit rebounding to levels not seen since 2018 on the back of the Brent crude oil price uptrend and Malaysia's strong commodity performance. The ringgit rebounded over the greenback, which saw it breach the RM4 mark for the first time since June 2018. The last time the ringgit was quoted below RM4 to the dollar was on June 18, 2018 at RM3.9978. The dollar index also slipped to its lowest level since 2018 yesterday, after it fell 0.55% to 89.43. Other than the weakness of the US dollar, the Brent crude oil price was another factor, as the uptrend is directly proportional to the ringgit.</p> <p style="text-align: right;"><i>(Source: The Star, 5 January 2021)</i></p>