MALAYSIA WEEKLY ECONOMIC NEWS

(11 April 2016 – 15 April 2016)

Topics	Highlights
Malaysia's growth to slow: Moody's poll	According to real-time poll titled "Malaysia – Inside ASEAN" conducted by Moody's Investors Service, the Malaysian economy is likely to grow between 4% and 4.5% in 2016. The forecast is in line with the rating agency's 4.4% growth outlook for Malaysia in 2016. Given the open nature of the economy with exports and imports combined accounting for 131% of gross domestic product (GDP), Malaysia is vulnerable to a prolonged period of subdued global demand and weaker commodity prices, which will result in slower investment demand and downward pressure on exports and government receipts. The high household debt burden equivalent to 89.1% of GDP in 2015 will constrain the ability of private consumption to support domestic demand. About 53% of the respondents expected the ringgit to consolidate in a range of RM4.00-RM4.20 against the U.S dollar over the next 12 months while 33% expected a mild appreciation within a range of RM3.50-RM4.00. (Source: NST, 11 April 2016)
World Bank cuts Malaysia's GDP growth forecast to 4.4% amid slower China economy	The latest World Bank East Asia And Pacific Economic Update has trimmed Malaysia's GDP growth forecast to 4.4% in 2016 from 4.5% projected in October 2015. World Bank noted that the weaker demand from China and low commodity prices will constrain growth and public spending in Malaysia. The growth in the economies in developing East Asia and Pacific has remained resilient and is expected to ease only modestly during 2016 to 2018. World Bank also cautioned that the economic outlook is subject to elevated risks and countries should continue to prioritise monetary and fiscal policies that reduce vulnerabilities and strengthen credibility while deepening structural reforms. The growth in developing East Asia is expected to ease from 6.5% in 2015 (previous report: 6.5%) to 6.3% in 2016 (previous report: 6.4%) and 6.2% in 2017 (previous report: 6.3%) to 2018. The forecast reflected China's gradual shift to slower and more sustainable growth, expected to be 6.7% in 2016 and 6.5% in 2017 compared with 6.9% in 2015. (Source: *The Edge Financial Daily*, 12 April 2016)
Construction continues to see healthy growth, driven by Government projects	The construction sector is expected to grow between 8% and 10% in 2016 from 8.2% in 2015, driven by the government-related projects, said Datuk Seri Fadillah Yusof (Ministry of Works). Projects such as Greater KL, the light rail transit, mass rapid transit as well as new highways, including Pan Borneo will provide tremendous growth potential for the industry and the economy for 2016. He also urged the industry players to move towards greater mechanisation and automation driven by the information technology including alternative production method, as stated in the Industrialised Building System (IBS). As Malaysia is transforming into a high-income developed nation, competitiveness achieved by employing low-cost labour and resources will no longer be sustainable. (Source: The Star, 12 April 2016)
Investments to pour into Malaysia	Malaysia is targeting to attract RM40 billion worth of investments from the manufacturing and services sectors in 2016. Datuk Azman Mahmud (CEO of MIDA) said that about RM800 million out of RM40 billion would be for the medical device segment which mainly from the U.S and Europe. For the first quarter of 2016, MIDA have approved RM651 million investments for the medical sector compared to RM194.7 million achieved in the same period of 2015. The approved medical device investments would create 1,610 job opportunities. In 2015 the exports of medical devices increased by 15% to RM15.5 billion from 2014. According to the National Export Council (NEC), revenues from the export of

	medical devices are projected to grow to RM26 billion by 2020. (Source: The Star, 12 April 2016)
ASEAN-5 to grow by 4.8% in 2016 - IMF	The latest World Economic Outlook (WEO) by the International Monetary Fund (IMF) has estimated that the ASEAN-5 which consists of Malaysia, Vietnam, Indonesia, Thailand and Philippines will grow slightly faster in 2016 by 4.8% (WEO Jan'16: 4.8%) before picking up to 5.1% in 2017 (WEO Jan'16: 5.1%). ASEAN-5 grew by 4.7% in 2015. In the case of Malaysia, IMF has estimated the real GDP growth at 4.4% in 2016 (WEO Oct'15: 4.5%) and 4.8% in 2017 (WEO Oct'15: 5.0%). It expected the consumer prices to record a 3.1% growth in 2016 before moderating to 2.9% in 2017. The current account balance will still remain in positive territory estimated at 2.3% in 2016 and 1.9% in 2017. (Source: NST, 13 April 2016)
Malaysia is the biggest gainer of fund inflow in the region	Malaysia is the biggest gainer in terms of the inflow of foreign funds in the region due to the country's strong fundamentals and the valuation of the companies here, said Datuk Seri Tajuddin Atan (CEO of Bursa Malaysia). Foreign net inflows to Malaysian equities totalled RM5.6 billion for the three months to March 2016. Foreign shareholdings accounted for 23% of Malaysia's market capitalisation of RM1.7 trillion as at end-March 2016. In 2015, Malaysia registered a total net outflow of RM19.4 billion with foreign shareholdings standing at 22.3% of its market capitalisation. Bursa Malaysia believed that this trend of fund inflows could be sustained eventhough the market is still volatile. (Source: The Star, 14 April 2016)
Malaysia a top FDI hotspot	Malaysia is ranked among Asia Pacific's top 10 foreign direct investment (FDI) hotspots, according to a study by U.S-based global information company IHS Inc. The other Asia Pacific FDI hotspots are China, Indonesia, Vietnam, the Philippines, Myanmar, Thailand, India, Sri Lanka and Bangladesh. Asia Pacific is forecast to be the fastest growing region of the global economy and the region over the next decade that offers the biggest potential gains for FDI. The Asia Pacific region is expected to grow at an average annual rate of 4.5% per year, boosted by rapid growth in consumer spending in China, India and South-East Asia. The IHS report said that Malaysia's economy is forecast to achieve a per capita GDP of US$20,000 by 2025 with total GDP exceeding US$1 trillion by 2030. The structure of the Malaysian economy will continue to shift towards higher value-added manufacturing and services. (Source: The Star, 15 April 2016)

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