MALAYSIA WEEKLY ECONOMIC NEWS

(14 November 2016 – 18 November 2016)

Topics	Highlights
Bank Negara takes on currency speculators	In a bid to stabilise the volatile ringgit, Bank Negara is expected to maintain precautionary measures to ensure proper price discovery. The central bank will also curb speculative activity in the offshore market which has driven the currency far off from its fundamentals. It is learnt that banks have been told to disclose price quotes as soon as currency trading begins to facilitate orderly trading and prevent a recurrence when they were unable to disclose foreign exchange prices for a large part of the day. However, there will be close scrutiny to ensure there is no abuse of the US dollar-ringgit transactions. Towards this end, the central bank said in a statement that banks must not facilitate trades that could be related to offshore ringgit market activities which it does not recognise. The central bank had assured that it would provide liquidity in the currency markets if necessary. (Source: The Star, 14 November 2016)
Malaysia lowers December crude palm oil export tax to 6%	Malaysia, the world's second-largest palm oil producer after Indonesia, will lower its crude palm oil export tax to 6% in December, down from 6.5% in November, according to a circular on the Malaysian Palm Oil Board website. It calculated a palm oil reference price of 2,792.79 ringgit (US$644.54) per tonne for December. A price above 2,250 ringgit incurs a tax, which starts from 4.5% and can reach a maximum of 8.5%. (Source: The Edge, 15 November 2016)
Car sales to see mild recovery in 2017	Malaysian car sales are expected to recover in 2017 with a forecast growth of 1.8%, according to BMI Research. The research house is expecting a mild recovery in passenger car sales next year as economic activity in Malaysia gradually picks up, and the negative effects of the goods and services tax (GST) subside. The research house said the main driver of a recovery in new car sales will be a rise in economic activity, driven by the stabilisation in oil prices. It said its oil and gas team expects that oil prices will pick up in the years ahead, and forecasts Brent to average at US$55 per barrel in 2017, up from an estimated US$45.5 per barrel this year. As Malaysia is a substantial net exporter of liquefied natural gas (LNG), making up about 7% of the GDP, BMI Research expects the recovery in oil prices to translate into a 4.7% expansion in real GDP growth in 2017, up from an estimated 4.1% in 2016. (Source: The Star, 16 November 2016)
Bank Negara to make onshore RM-US$ trade more attractive	Bank Negara will develop the onshore ringgit market to provide more depth to companies and investors engaged in the US dollar-ringgit trade to reduce the influence of the ringgit non-deliverable forward (NDF) market on the local currency. Bank Negara said there was no change in the Foreign Exchange Administration (FEA) rules and there was no introduction of any new measures. The central bank said it was taking measures to re-enforce existing rules that have been in place to prohibit the facilitation of the ringgit NDF, and reminded the market to comply with existing FEA rules and Malaysian licensed banks from facilitating any forex transactions that could be related to offshore ringgit NDF market activities. (Source: The Star, 17 November 2016)

World Bank: Malaysia remains good destination for global investors	The World Bank contends that Malaysia remains a good destination for global investors and will continue to be, given its open economic policies, coupled with good infrastructure and strategic location. Malaysia is always ranked close to the top 20, across different types of international rankings, including that of the World Bank in Doing Business due to Malaysia's developed infrastructure and connectivity. Malaysia is also a highly-diversified economy with proactive Government policies and multilingual workforce. Malaysia had historically received a considerable amount of foreign direct investments (FDI) and portfolios. Malaysia posted a net FDI inflow of RM43.4bil in 2015. Asia was the main source of FDI flows (64.7%), followed by the Americas (16.4%) and Europe (14.1%). (Source: The Star, 18 November 2016)

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