MALAYSIA WEEKLY ECONOMIC NEWS

(21 November 2016 – 25 November 2016)

Topics	Highlights
Bank Negara eases hedging rules	Bank Negara Malaysia (BNM) will make it easier for local companies and individuals to hedge their US dollar and Chinese yuan requirements at home. The central bank also said the operational process for local companies to enter into hedging positions with local banks would be simplified. Bank Negara governor YBhg. Datuk Muhammad Ibrahim, in announcing three new measures, said that the overall objective was to allow local companies access to hedging facilities freely and directly with financial institutions incorporated here. The first measure was to allow local companies to undertake hedging transaction for US dollar and yuan against ringgit without the need for sighting of the underlying documents. BNM was working with the Securities Commission and Bursa Malaysia to introduce a US dollar and yuan-ringgit futures onshore exchange. The third measure was to have a common understanding and consistent interpretation for what is required under the Foreign Exchange Administration (FEA) rules. (Source: The Star, 21 November 2016)
Johor top investment destination for manufacturing sector in Malaysia	Investment in Johor's manufacturing sector in 2013, 2014 and 2015 stood at RM66.72bil, of which RM44.182bil or 66.2% were direct domestic investment (DDI) and RM22.54bil or 33.8% foreign direct investment (FDI). Statistics from the Malaysian Investment Development Authority (Mida) showed that Johor had received RM14.4bil investment in 2013, RM21.1bil in 2014 and RM31bil in 2015. In the first six months of 2016, Johor received RM5.4bil investment in the manufacturing sector, of which RM5.1bil was FDI and the remaining was DDI. Most of the investments in the manufacturing sector in Johor were in petrochemical, non-metallic, chemical, food processing, metal and electrical and electronics product industries. (Source: The Star, 22 November 2016)
Bank Negara keeps benchmark interest rate unchanged	BNM maintained the Overnight Policy Rate (OPR) at 3% at its Monetary Policy Committee meeting, as widely expected by most economists. BNM said in a statement that at the OPR's current level, the degree of monetary accommodativeness is consistent with the policy stance to ensure that the domestic economy continues on a steady growth path amid stable inflation, supported by continued healthy financial intermediation in the economy. Just two weeks after Donald Trump's shock victory in the US presidential election, the ringgit has continued to plunge, while outflows from the bond market exacerbated the weakness in the currency as investors reduced their positions on the Malaysian front. The central bank said the ringgit, along with most other emerging market currencies, has experienced sharp adjustments and significant volatility due to continuing uncertainties in the global economic and policy environment, and geopolitical developments. These factors could result in periods of volatility in the regional financial and foreign exchange markets. (Source: The Sun, 23 November 2016)

RAM Ratings: 2017 signals 'delicate recovery' with 4.5% GDP growth	Driven by resilient domestic demand and improving prospects for external demand, RAM Rating Services Bhd (RAM Ratings) expects Malaysia's economic growth momentum to stabilise in 2017 with a 4.5% gross domestic product (GDP) growth. To note, the Malaysian government's official guidance envisages a 4-5% GDP growth in 2017. Via its Economic Outlook 2017 report, the ratings agency said that the prevailing uncertainties vis-à- vis the commencement of BREXIT negotiations and its impact on European businesses, the US's trade strategy under a new administration and the lingering uncertainties over global oil prices could pose crucial downside risks to RAM Ratings' forecasts for next year. This is amid the strengthening of the US economy and China's steadfast structural rebalancing. Despite the expected resilient Malaysian domestic demand, broad-based recovery in business and consumer sentiment is not widely envisaged in 2017. This is due to lack of any impetus for businesses to expand their production capacity and durable goods sales which has yet to show any sustained momentum. The ratings agency noted that, private consumption would still be buoyed by demand for basic necessities and a normalisation of labour market conditions, growing 6% in 2017. Private investment growth is expected at 5.5%, underpinned by big-ticket infrastructure projects. (Source: The Star, 24 November 2016)
Outlook for salary hikes, bonuses in 2017 unpromising, says MEF survey	The outlook for salary increases and bonuses in 2017 looks unpromising, as Malaysian employees received lower salary increases and bonuses throughout 2016, according to 2016 Malaysian Employers Federation (MEF) Salary surveys for executives and non-executives. The average salary increase for the non-executives in 2016 was at 5.51%, marginally higher than 5.44% last year. The executives had more reason to smile as their salary increase was slightly higher at 5.55% compared to 5.97% in 2015. The survey showed only 93.6% of the surveyed employers raised the pay of their executives, in contrast to 96.5% of them in 2015. As for the non-executives, only 95.4% of the respondents granted salary increases compared to 96.5% last year. The survey findings also revealed that 83.5% of the respondent companies indicated that graduates have high salary expectations, adding that fresh graduates with degree qualification expected an average of RM2,725 of monthly basic salary while fresh graduates with Masters degree expected basic monthly salary at RM3,447. Notably, the expectations are higher compared with the average salary offered by employers at RM2,566 for degree qualification and RM3,197 for Masters degree qualification. (Source: The Star, 25 November 2016)

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