MALAYSIA WEEKLY ECONOMIC NEWS

(6 February 2017 – 10 February 2017)

Topics	Highlights
Speculation on industries relocating to US sparks concerns in Malaysia	The technology sector is likely to be most affected with industries relocating to united Sttates, said analysts, while others like resource-based industries in, for example, palm oil-related products, furniture and gloves, may not be badly affected. Operational costs, wage differentials and higher cost of end products in the long-run are major concerns. Nevertheless, a close watch is being maintained on companies under coverage, pending further details. Sentiment on local manufacturing may be hit later in the year as this news flow heats up. But it will probably not be major and profits now seem largely intact. If there is any selldown on tech companies, it may happen perhaps in April or May. The impact is compounded by the local ruling on repatriation of the bulk of export earnings to Malaysia. *(Source: The Star, 6 February 2017)*
Moody's: Fall in household loan growth is credit positive for Malaysian banks	The further fall in household loan growth in Malaysia in 2016 is credit positive for the asset quality of local banks as it points to a slower pace of debt accumulation among households, said Moody's Investors Service. The international ratings agency said that data from Bank Negara showed an improvement in the quality of new household lending in Malaysia. In 2016, the growth in household loans was driven by safer housing loans, specifically, loans supported by property collateral and which exhibited low delinquency ratios, while the growth in riskier unsecured loans remained weak. Furthermore, the continued deceleration of household loan growth will help stabilise the high household leverage situation in Malaysia, which is among the highest in Asia, and expect that household debt to GDP for 2016 will moderate from the 89% recorded at end-2015. *(Source: The Star, 7 February 2017)*
Bank Negara eases forex rules	Bank Negara has eased some of the restrictions in the foreign exchange (forex) market to allow for some trading of US dollar/ringgit transactions between local banks. Effective 7 February 2017, local banks are allowed to transact any foreign currencies up to US$ 1million. Since 11 November 2016, when the US dollar started to spike up against emerging-market currencies, Bank Negara has been imposing restrictions on forex transactions in an effort to curb the influence of the offshore ringgit market on onshore exchange rates between the US dollar and the ringgit. Among the restrictions were that local banks were not allowed to enter into transactions with banks that were not incorporated in Malaysia, exporters were compelled to convert 75% of their proceeds into the ringgit, and non-Malaysian banks had to attest that their US dollar-ringgit transactions were not used to settle trades in the non-deliverable forward or NDF market. Bank Negara's move to ease the restrictions on the trading of the ringgit versus the US dollar comes as there is some improvement in key economic data that led to an increase in international reserves. (*Source: The Star,8 February 2017)*

Outlook of medical tourism expected to be positive	The outlook of Malaysia's medical tourism industry is expected to be positive in the long term with the burgeoning demand for healthcare services, both domestic and international, coming from especially an increasingly affluent and ageing population, due to reasonable pricing. Most treatments, such as cardiovascular as well as upper and lower gastrointestinal, will cost more overseas compared to Malaysia. The neighbouring countries, Indonesia and Singapore, formed the largest chunks of medical tourists, with the industry also seeing an increase in the flow from West Asia and other Western countries. However, medical tourism was still a small contributor to the Malaysian economy, citing the figures by the Malaysia Healthcare Travel Council (MHTC). As of 2015, the revenue generated via medical tourism stood at RM1 billion, contributed by more than 850,000 medical travellers to Malaysia and the government aimed to increase this to RM1.3 billion. Despite the small contribution currently, it will grow further, especially with the addition of new private hospitals throughout Malaysia providing various medical expertise and support. The current currency condition has also made Malaysia a more attractive medical tourism destination as it became increasingly affordable to seek treatments. (*Source: The Star, 10 February 2017)*

Economics and Policy Division
SME Corp. Malaysia
13 February 2017