MALAYSIA WEEKLY ECONOMIC NEWS

(9 January 2017 – 13 January 2017)

Topics	Highlights
Malaysian economy to grow at 4% in 2017	The Malaysian economy is forecast to grow at a pace of 4% in 2017, strengthening to 4.4% in 2018 according to IHS Global Insight chief economist for Asia Pacific Rajiv Biswas. Improving global growth and the competitive ringgit should provide some support for Malaysia's export-driven economy, with exports of petroleum products benefitting from higher average world oil prices. A positive factor for the Malaysian export sector in 2017 is that the US economy, which is Malaysia's third largest export market, is expected to grow more rapidly. Malaysian merchandise exports to the US measured in ringgit terms showed positive growth in 2016, up 9.7% year-on-year in the first eleven months of 2016. The ASEAN region is expected to benefit from a moderate improvement in global gross domestic product (GDP) growth from 2.4% in 2016 to 2.8% in 2017, with the US economy forecast to strengthen in 2017, supported by the incoming Trump Administration's plans for deep corporate tax cuts and a boost to infrastructure spending. This should provide a boost to the region's exporters as the US remains a key export market for many Asian nations, including Singapore, Malaysia and Thailand. *(Source: The Star, 9 January 2017)*
Stanchart expects BNM to cut OPR by 25 basis points in May	Standard Chartered Bank (Stanchart) expects Bank Negara Malaysia (BNM) to cut the overnight policy rate (OPR) by another 25 basis points to 2.75%, from the current 3%, in May 2017. Stanchart's head of economic research for ASEAN, Edward Lee Wee Kok, said the cut was necessary mainly because the growth expectation, which started to pick up in the last quarter of 2016, may not filter into the second half of 2017. If the money supply grew and there were no moves to ease monetary policy conditions to support growth, then BNM might have to cut the rate. Besides that, BNM would also take into consideration the external market conditions in the US and China to make the move, Lee said. He said the country's economy this year was expected to grow at a moderate pace. Meanwhile, Lee said, a pick-up in inflation was expected as the employment rate has slowed down and this would affect consumption. *(Source: The Star, 10 January 2017)*
World Bank expects Malaysia's economy to grow 4.3% this year	The World Bank expects Malaysia's economy to grow by 4.3% this year and further expand by 4.5% in 2018 as an adjustment to lower energy prices eases and commodity prices stabilise. This signals a moderate expansion from a low of 4.2% expected in 2016. The World Bank said in a statement that growth among commodity exporting economies in the region is forecast to accelerate. The country's gross domestic product growth narrowed to 5% in 2015 from 6% in 2014. However, the growth outlook has deteriorated in several small commodity exporters, such as Mongolia and Papua New Guinea, where the terms-of-trade shock has exacerbated domestic vulnerabilities. On outlook for growth in the East Asia and Pacific regions, the World Bank projected it to ease to 6.2% this year following the slowing growth in China, which is moderating by a pick-up in the rest of the region. *(Source: The Star, 11 January 2017)*

Factory output up in November	Factory output as measured by the industrial production index (IPI) unexpectedly rose in November, suggesting strength in Malaysia's economic growth in the final quarter of 2016. Data from the Department of Statistics showed the IPI – a measure of output from factories, power plants, and mines – had increased at a faster pace of 6.2% year-on-year (y-o-y) last November, compared with a 4.2% y-o-y growth in the preceding month. The broad-based growth in IPI, led by a surge in electricity, manufacturing and mining output, beat market expectations for a 5.5% y-o-y increase. According to Nomura Research, the IPI growth last November was in line with increase in trade and suggested upside risks to its forecast of a 4.1% growth in Malaysia's gross domestic product (GDP) for 2016. Similarly, RHB Research Institute noted that the pick-up in IPI last November was on account of exports growth. The pick-up was broad-based for all the major industrial components. This suggests that economic growth will likely be sustained around the 4% y-o-y level in the fourth quarter of 2016, albeit slower than 4.3% y-o-y in the preceding quarter. *(Source: The Star, 12 January 2017)*
BNM measures help stabilise ringgit, says governor	Several measures introduced by Bank Negara Malaysia (BNM) in December last year have helped stabilise the ringgit and the central bank is ready to step in with more if needed. Governor YBhg. Datuk Muhammad Ibrahim said the full impact of the measures implemented on 5 December 2016 was expected to be seen in mid-2017 and if necessary, BNM would introduce new measures to further strengthen it. He said Malaysia's financial market was open and those who wanted to come in could always go out. "We will always welcome long-term investors into our bond market and we must ensure that they are protected by stabilising our currency so that they can make profits," he said. The results from initial measures implemented last year showed that the local currency had stabilised very much. *(Source: The Star, 13 January 2017)*

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