MALAYSIA WEEKLY ECONOMIC NEWS

(16 December 2019 – 20 December 2019)

Topics	Highlights
IMF: Malaysia making progress on reform agenda	Malaysian authorities are making progress on their reform agenda, with real gross domestic product (GDP) growth holding up and is projected at 4.5% for 2019, driven by domestic demand, according to the International Monetary Fund (IMF). Malaysia's headline inflation is expected to remain subdued at slightly under 1% this year while the current account surplus is expected to increase to 3.5% of GDP in 2019, it said in a statement. "Looking ahead, real GDP growth is projected stable at 4.5% in 2020, with domestic demand remaining the main driver of growth, while continued trade tensions between the United States and China are expected to have an overall adverse impact on Malaysia's growth. Inflation should average at 2.1%," she said. The risks to the growth outlook are on the downside given that on the external side, Malaysia is vulnerable to escalating trade tensions, an abrupt deterioration in market sentiment towards emerging markets and weaker-than-expected trading partners' growth. *(Source: The Star, 20 December 2019)*
Loke: Malaysia can be regional logistics hub	Malaysia has all it takes to become a regional logistics hub in South-East Asia, says Anthony Loke. The Transport Minister said the country's strategic location and advanced infrastructure made it an ideal place for big companies to operate from. "Malaysia has all the right ingredients to become one of the most advanced regional distribution centres and logistics hub," Loke said at the launch of the Kuala Lumpur International Logistics and Transport Exhibition 2020 (Kilat 2020). "We also have a wide network of air and sea transportation, which reaches out to the whole world," Loke added. Themed "Malaysia – Transportation Gateway to Asia", Kilat 2020 is targeting participation from more than 20 countries, including Asean and other major trading partners such as Britain, the United States and Germany. *(Source: The Star, 19 December 2019)*
MIDF Research expects 2.4% inflation in 2020	MIDF Research expects the prices of goods and services to increase at a faster rate next year driven by higher petrol prices with the launch of the targeted fuel subsidy programme. "The targeted fuel subsidy will only apply on consumers, businesses would see increases in their transportation cost from the floatation of RON95 and this will put pressure on inflation," MIDF head of research Mohd Redza Abdul Rahman said. The firm projected consumer prices in Malaysia to rise 2.4% in 2020 on higher fuel cost compared with 0.6% estimated this year. The rising inflationary pressure and the still weak economic growth outlook are likely to encourage Bank Negara to adjust its overnight policy rate (OPR) as early as in the first quarter of next year. *(Source: The Star, 17 December 2019)*
Household debt to GDP may inch up	As the domestic economy shows signs of strain coupled with external headwinds, the risk for household debt inching higher next year remains. As at end-June 2019, Malaysia's household debt reached 82.2% of GDP compared with its peak of 86.9% in 2015. It is among the highest in Asia and has exceeded those of several high-income nations including the United States (75.0%) and Japan (58.2%). For the third quarter, GDP growth stood at 4.4% – the slowest pace in a year. A growth of less than 4.7% would indicate the country's second consecutive year of slower economic expansion. GDP grew 4.7% in 2018, down from 5.7% in 2017.Bank Negara is maintaining its GDP growth projection of between 4.3% and 4.8% for this year, although it has not made an official estimate for next year. High house prices, especially post-2011, have been a key reason for the elevated household debt level in the country. The central bank noted that the house price-to-household annual income ratio was at 3.9 times in 2012 and had surged to 4.8 times as of 2016. *(Source: The Star, 16 December 2019)*

Knowledge Management & Strategy Division
SME Corp. Malaysia
23 December 2019