MALAYSIA WEEKLY ECONOMIC NEWS

(10 August 2020 – 14 August 2020)

Topics	Highlights
Financial system orderly, at pre-Covid level	Bank Negara Malaysia’s intervention in the financial market through overnight policy rate (OPR) cuts, liquidity injection and releasing debt reserve has helped keep it orderly as it was pre-Covid-19. Since January this year, Bank Negara has reduced the OPR by 125 basis points to 1.75%, the lowest after being set 16 years ago. Such moves were crucial to avoid economic shocks as experienced during the Asian Financial Crisis (AFC), which saw a contraction of 7.36% in the gross domestic product in 1998. The central bank released approximately RM46bil worth of liquidity into the system besides injecting liquidity through various instruments under its open market corporation such as reverse repo(s) and outright purchase of government securities. *(Source: The Star, 14 August 2020)*
Economy shrinks 17.1% in 2Q, weakest since 1998	Malaysia's economy shrank 17.1% in the second quarter ended June 30 as it was seriously impacted by the movement control orders, especially in April, which was a much deeper contraction compared with a Bloomberg survey of 10.9%. The Statistics Department said the 2Q performance was the lowest recorded since the fourth quarter of 1998 (-11.2%) during the height of the Asian Financial Crisis. In 1Q, GDP grew a marginal 0.7% as the Movement Control Order (MCO) was enforced on March 18. Chief Statistician of Malaysia Datuk Seri Dr Mohd Uzir Mahidin said 2Q was a challenging period for the economy due to the MCO and weakened external sector as countries implemented lockdowns to prevent the spread of the pandemic. *(Source: The Star, 14 August 2020)*
Economy to contract 3.5% to 5.5% this year, rebound in 2021	Bank Negara Malaysia lowered its forecast for the economy this year due to the impact of the Covid-19 pandemic and it expected negative growth of between 3.5% and 5.5% this year before rebounding 5.5% to 8% next year. It said the green shoots of economy recovery have already been seen in the current quarter after the severe contraction of 17.1% in the second quarter ended June 30. The 2Q contraction was the worst since the fourth quarter of 1998 during the Asian Financial Crisis. Bank Negara said economic activity has resumed since the economy began to reopen in early May 2020. Bank Negara also said this improvement in growth will also be supported by the recovery in global growth and continued domestic policy support. *(Source: The Star, 14 August 2020)*
Manufacturing risks seen ahead	The manufacturing purchasing managers’ index (PMI), a measure of the prevailing direction of economic trends in manufacturing, may come under pressure and see contraction over the next few months if there is a resurgence of Covid-19 and tension between the United States and China intensifies. These events, economists said, could restrict economic activities, hence leading to lower or a contraction of manufacturing output. The country’s manufacturing PMI eased to 50 points in July from 51 in June and 45 in May, a sign of stabilisation in manufacturing. A figure above 50 indicates an expansion and below 50 is seen as a contraction. *(Source: The Star, 10 August 2020)*

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