

# MALAYSIA WEEKLY ECONOMIC NEWS

(17 August 2020 – 21 August 2020)

Topics	Highlights
<p><b>Hotel occupancy to pick up slightly in Q4</b></p>	<p>Local hotel operators are expecting occupancy rates to pick up slightly in the final quarter of this year, according to a survey by the Malaysian Association of Hotels (MAH). According to MAH, the average hotel occupancy rate is expected to be below 25% for the rest of the year. The survey revealed that average occupancy rates are expected to be at about 21.7% this month and slightly lower at 20.8% in September. The survey indicates that sentiment is expected to be slightly better in the last quarter of the year, with average occupancy rates anticipated to gradually increase slightly to 21.3%, 22.8% and 24.9% in October, November and December.</p> <p style="text-align: right;"><i>(Source: The Star, 21 August 2020)</i></p>
<p><b>Economists predict further rate cut ahead</b></p>	<p>Malaysia's benchmark interest rate is currently the lowest on record, but economists think there is a fair chance that it could drop even further. Bank Negara could be prompted to cut the overnight policy rate (OPR) due to concerns that a deep negative output gap may persist in the Malaysian economy, according to CGS-CIMB Research. This is following a sharp gross domestic product (GDP) contraction of 17.1% year-on-year in the second quarter of 2020, worse than market predictions. With the country experiencing a technical deflation for the fifth consecutive month as of July, this provides ample room for the central bank to ease its monetary policy to spur borrowings and economic growth. TA Research foresees the Consumer Price Index, which measures the headline inflation, to continue falling in August by 1.2% year-on-year, following a 1.3% decline in July.</p> <p style="text-align: right;"><i>(Source: The Star, 20 August 2020)</i></p>
<p><b>Labour productivity down 16% to RM19,455 per person in 2Q</b></p>	<p>Malaysia's labour productivity per employment shrank by 16% to RM19,455 per person in the second quarter, with construction taking a big hit, according to the Statistics Department. It said total hours worked plunged by 27% to 6.2 billion hours from an average of 8.5 billion hours. Chief Statistician Datuk Seri Dr Mohd Uzir Mahidin said the value added per employment in this quarter dropped to RM19,455 per person as against the quarterly average of RM22,000 per person. The economy shrank by 17.9% in 2Q due to the full impact of the Movement Control Order imposed on March 18 due to Covid-19 pandemic, with April the worst impacted by the slowdown in economic activities. Employment which recorded 14.9 million persons (1Q 2020: 15.2 million persons) declined by 1.3% versus a growth of 1.6% in 1Q.</p> <p style="text-align: right;"><i>(Source: The Star, 19 August 2020)</i></p>
<p><b>Manufacturing risks seen ahead</b></p>	<p>Malaysia's inflation rate in July fell 1.3% from a year ago due to lower fuel prices and it was in line with a Bloomberg forecast, but from a month ago, inflation was seen picking up. Chief statistician Datuk Seri Mohd Uzir Mahidin said in a statement yesterday that the Consumer Price Index (CPI) fell to 119.9 from 121.5 a year ago. The decrease in the overall index was attributed by the decline in transport (-10.3%); housing, water, electricity, gas and other fuels (-2.6%); clothing &amp; footwear (-0.6%) and furnishings, household equipment &amp; routine household maintenance (-0.1%) which contributed 45.7% to overall weight. However, food prices continued their upward trend. This group contributes 29.5% of CPI weight.</p> <p style="text-align: right;"><i>(Source: The Star, 19 August 2020)</i></p>