MALAYSIA WEEKLY ECONOMIC NEWS

(30 March 2020 – 3 April 2020)

Topics	Highlights
Bank Negara: Banking sector downgrade is global	A downgrade on the country's banking sector is a global trend affecting many countries including in Asia Pacific and not only limited to Malaysia. Bank Negara Malaysia (BNM) governor Datuk Nor Shamsiah Mohd Yunus said the country is facing an unprecedented situation and the COVID 19 pandemic is affecting everyone throughout the world. According to BNM, banks now have a strong capital position, above regulatory approval with 18.4 per cent of total capital ratio and RM121 billion in excess capital buffers compared with only 12.6 per cent and RM39 billion in 2008. Malaysia is not the only country where its banking sector has been downgraded. Banking systems in the Asia Pacific including Australia and Singapore also had that their rating downgraded to negative from stable as well. Based on the stress test conducted on the banking sector, the governor said that the economic and financial impact of this development are within the range of shock applied in the adverse scenario of its stress test. *(Source: The Star, 3 April 2020)*
GDP between -2.0% and 0.5% in 2020	The Malaysian economy is expected to see a contraction -2.0% at its worst and growth of 0.5% at its best in 2020, compared to 4.3% in 2019, against a highly challenging global economic outlook. Bank Negara Malaysia (BNM) in its 2019 Economic Monetary Review said the domestic economy will be impacted by the necessary global and domestic actions taken to contain the outbreak. “Of significance, tourism-related sectors are expected to be affected by broad-based travel restrictions and travel risk aversion, while production disruptions in the global supply chain will weigh on the manufacturing sector and exports,” the central bank noted. Apart from the pandemic, Bank Negara said the domestic economy will also be affected by the sharp decline and volatile shifts in crude oil prices and continued supply disruption in the commodities sector. Bank Negara said private consumption is expected to be dampened by weak labour market conditions, mobility restrictions and subdued sentiments. *(Source: The Star, 3 April 2020)*
Money supply growth eases in February	Malaysia's total money supply (M3) grew at a slightly slower rate in February, despite the pick-up in the banking system’s loan growth and corporate bond issuance growth. In February, M3 grew by 3.7% year-on-year (y-o-y), compared with 3.9% y-o-y in January. M3 is the broadest measure of the domestic money supply and is the total value of money available in an economy at a point of time. Maybank IB Research said in a note yesterday that the moderation in M3’s growth was due to slower deposits and lower external reserves. With the dissipating effect of Bank Negara’s move to cut the Statutory Reserve Requirement (SRR) by 50 basis points (bps) in November last year, the banking system’s total deposit growth moderated to 2.6% y-o-y in Feb 2020 from 2.9% a month earlier. External reserves, which were also a drag on M3, fell to RM423.3bil (US$103.4bil) as at end-Feb 2020 versus RM426.3bil (US$104.2bil) as at the end of January. This was amid net portfolio capital outflows as indicated by foreign net sell of equities and bonds. *(Source: The Star, 3 April 2020)*
Malaysia's PMI ticks down	Malaysia posted a mild decline in the headline IHS Markit Manufacturing PMI in March, relative to the rest of the Asean region which saw PMI falling to a record low last month. According to the latest data, Malaysia’s manufacturing PMI fell 0.1 in March to 48.4 from 48.5 in February, as the Covid-19 pandemic continued to cause demand and supply disruptions to the industry. Economists, however, say steeper contractions will be seen in the months ahead. *(Source: The Star, 2 April 2020)*

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