MALAYSIA WEEKLY ECONOMIC NEWS

(18 May 2020 – 22 May 2020)

Topics	Highlights
Ministry looking into proposal to help media industry	Foreign holdings of Malaysian bonds declined by RM2bil in April but this was sharply lower than the RM12.3bil in March, RAM Ratings said. This was because investors' panic had eased off compared with the preceding two months, which had been led by asset management firms. This, along with the pricing in of a potential 50 bps cut in the overnight policy rate (OPR) in early May, had led to a broad-based decline in yields of government and corporate bonds in April. The lowering of the Statutory Reserve Requirement (SRR) while allowing principal dealers to recognise up to RM1bil of MGS and MGII as part of their SRR compliance may also have supported domestic demand for fixed-income securities, in turn lowering yields. *(Source: The Star, 21 May 2020)*
CPI expected to continue declining	The country's Consumer Price Index (CPI) is expected to continue declining until the third quarter of 2020. After two consecutive months of decline in CPI this year, price pressure could remain in the negative territory, even as the economy is gradually re-opened. In March and April this year, the CPI declined largely due to the ultra-low petrol and diesel prices amid the movement control order (MCO). The weightage of transportation costs to the CPI is about 15%, hence the decline in fuel prices dragged down CPI significantly. Earlier, the Statistics Department announced that the CPI for April 2020 fell at a sharper rate of 2.9% year-on-year (y-o-y), which marked the lowest rate of change in headline inflation recorded since 2010. *(Source: The Star, 21 May 2020)*
Malaysia performing well despite global slowdown	Malaysia has been managing its economy quite well compared with its neighbours, and has not let its fiscal deficit go out of control amid recession concerns in the market, according to an academician. Prof Richard Vietor from the Harvard Business School said being the third largest economy in South-East Asia, Malaysia has performed well despite the slowdown in global economy. However, he pointed out that although Malaysia is a trading powerhouse, trade is likely to be a little slow until the United States, Europe and China economies recovers post-Covid-19. "I think you are going to see China recovering first. I think Malaysia has got to manage its fiscal affairs carefully and be as prepared as possible to be competitive in the United States and Europe when they recover," he said. *(Source: The Star, 20 May 2020)*
Poll shows consumers remain optimistic	Global management consulting firm Mckinsey & Co's survey on Malaysia's consumer sentiment in April shows 80% of the respondents are more careful about how they spend money and two-thirds (66%) are cutting back on their spending amid the Covid-19 pandemic. The survey revealed that while the economic challenge is significant, it also found Malaysian consumers to be relatively optimistic. It said 32% of them believed the economy would rebound within two to three months and be at least as strong as before the pandemic. The findings also showed that there was positive consumer spending intent as more consumers were expecting to increase their spending after the pandemic compared to before the outbreak. These are for the groceries (28%), food delivery (11%) and takeout (6%), entertainment-at-home (12%) and telecommunications (22%). *(Source: The Star, 20 May 2020)*

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