# MALAYSIA WEEKLY ECONOMIC NEWS

***(16 March 2020 – 20 March 2020)***

| Topics | Highlights |
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| **Standard Chartered Global Research cuts Malaysia GDP growth to 2.5%** | Standard Chartered Global Research has reduced Malaysia's economic growth forecast for this year to 2.5% from 4.2% to reflect a greater hit to local and external demand from a more protracted outbreak from Covid-19. The research house said its previous projections were based on a sharp – but brief – supply-chain disruption due to China's restrictive coronavirus containment measures and the resulting temporary impact on local and external demand; for example, through reduced tourism. The research house said its initial working assumption was a sharp hit to economic activity (mainly in Asia) in 2Q, with a lingering negative impact in 2Q, before a normalization in the second half.<br>*(Source: The Star, 20 March 2020)* |
| **Bank Negara cuts SRR to 2% to shore up liquidity** | Bank Negara has announced that the Statutory Reserve Requirement (SRR) ratio will be lowered by 100 basis points from 3% to 2% in an effort to shore up liquidity in the banking system. The move, which will take place effective today, is in addition to each principal dealer being able to recognize MGS and MGII of up to RM1bil as part of the SRR compliance. These combined measures will release approximately RM30bil worth of liquidity into the banking system, the central bank said in a statement yesterday. The SRR, it added, is an instrument to manage liquidity and is not a signal on the stance of monetary policy. A second cut in four months, the SRR refers to non-interest bearing balances that commercial banks are expected to keep with the central bank. Generally, a lower SRR indicates a lower amount to be set aside with the central bank, hence lenders will have more funds to lend out and earn an interest on these instead. Such a move comes as loans growth slowed further to 3.5% year-on-year in January this year while industry loan growth for the whole of 2019 stood at 3.9%, a decline from the 7.7% recorded a year earlier.<br>*(Source: The Star, 20 March 2020)* |
| **Only approved industries, factories can operate during MCO period, MITI says** | The International Trade and Industry Ministry (MITI) has stressed that only industries or factories that have received its approval are allowed to operate during the two-week Movement Control Order (MCO) period ending March 31. MITI issued a list of frequently asked questions related to MCO which noted that factories producing essential products such as basic food items, agriculture products, household goods and pharmaceutical products are allowed to operate. Apart from these, factories involved in oil and gas, petrochemicals, and electrical and electronics can also be given a waiver to operate. MITI said in a situation whereby factories need to continue operating their machinery and equipment for technical reasons, they can do so with minimal technical supervision.<br>*(Source: The Star, 19 March 2020)* |
| **Brace for recession** | Brace for the next recession, pundits have warned as central banks and governments scramble to unleash their financial bazookas to save the flailing global economy. Some 12 years after the previous devastating global economic turmoil, one of the Big Three ratings agencies thinks that the world will enter into recession in 2020, with "a recession across Asia-Pacific now guaranteed." S&P Global Ratings estimates the impending recession to result in US$400bil permanent income losses this year. Unlike the 2008 global financial crisis, the cause of the next recession will not be primarily triggered by the financial sector meltdown. This time around, S&P Global said, a recession will be triggered by the novel coronavirus (Covid-19) outbreak that has led to a deep first quarter shock in China and the shutdown of activities across the G7 economies. It added that a loss in household and business confidence in these economies will translate into severe and more persistent supply and demand shocks across the region.<br>*(Source: The Star, 19 March 2020)* |

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