MALAYSIA WEEKLY ECONOMIC NEWS

(9 March 2020 – 13 March 2020)

Topics	Highlights
Accounting body sees 3.7% growth for Malaysia	Malaysia is expected to see slower growth this year, as the spread of the coronavirus (Covid-19) wreaks havoc on businesses, says the Institute of Chartered Accountants in England and Wales (ICAEW). In its latest Economic Update: South-East Asia report, the professional accountancy body forecast Malaysia's gross domestic product (GDP) growth would come in at 3.7% for 2020, representing a deceleration from 4.3% in 2019. It cited the Covid-19 situation continued to weigh on tourism, supply chains and household spending as the reason for slower growth. Nevertheless, ICAEW said the country's GDP growth would pick up to 4.5% in 2021, supported by accommodative macro policies and fiscal stimulus. Overall, ICAEW projected GDP growth across South East Asia to fall to 4.2% in 2020, down from 4.5% in 2019, the slowest pace of growth since the 2008 global financial crisis. *(Source: The Star, 13 March 2020)*
January industrial output rises at slower pace	Malaysia's industrial output grew at a slower pace of 0.6% from a year ago, which was below the Bloomberg survey of a 0.8% increase, dragged down by mining and electricity. Chief Statistician Datuk Seri Dr Mohd Uzir Mahidin said the growth in January 2020 was driven by the increase in the index of manufacturing (2.1%). The 0.6% increase was the lowest since the 0.1% increase in October last year. On a year-on-year basis, the manufacturing sector output rose by 2.1% in January 2020, slowing down from the growth of 3.4% in December 2019. The major sub-sectors contributing to the increase in January 2020 were non-metallic mineral products, basic metal and fabricated metal products (3.9%), petroleum, chemical, rubber and plastic products (3.6%) and electrical and electronics products (3.2%). *(Source: The Star, 13 March 2020)*
Petrol and diesel floor price suggestion to be looked into	The Domestic Trade and Consumer Affairs Ministry will look into calls to impose a floor price for petrol and diesel due to plummeting global oil prices. Newly-minted minister Datuk Alexander Nanta Linggi said it was still too early for him to make any decision, but believed that any suggestion for the people's benefit would be considered. "If it is good, we recommend it to the government. But it is too early for me to say. This needs an in-depth discussion," said Nanta to reporters after attending a welcoming ceremony for him and his deputy Datuk Rosol Wahid at the ministry here. Nanta was responding to a suggestion by petrol dealers for the government to introduce a floor price for petrol and diesel to prevent losses to traders. Last week, the price of RON95 petrol was reduced by 18 sen to RM1.89 per litre, while diesel went down by 17 sen to RM1.96 per litre. *(Source: The Star, 12 March 2020)*
Direct hit seen for oil and gas companies	The negative sentiment on oil prices, stemming from the Covid-19 outbreak and Opec+'s failure to cut oil production, is expected to cause a direct fundamental impact on domestic oil and gas companies, just as some of these companies are starting to see an improvement in their earnings. UOB Kay Hian said that the combination of Covid-19 and Opec+'s failure may force Petronas to take action, potentially reducing activities if the national oil and gas company's cash flow in the first half of the year is severely impacted. Petronas had budgeted its 2020 activities on an oil price assumption of US$50 per barrel and guided for local capital expenditure to rise year-on-year (y-o-y) from RM25bil to RM28bil while its total upstream (and gas and new energy) spending is to be in the range of RM32bil to RM34bil. The research house added that in the event that oil majors cut capex, especially Petronas, all upstream companies will be affected, including yard and rig players such as MMHE and Velesto Energy. *(Source: The Star, 10 March 2020)*

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