

MALAYSIA WEEKLY ECONOMIC NEWS

(6 March 2017 – 10 March 2017)

Topics	Highlights
<p>External risks a speed bump to sustained economic recovery</p>	<p>Malaysia is expected to post a stronger recovery in the first quarter (Q1) of 2017 compared to the second half (H2) of 2016, poor sentiments and external factors has clouded its outlook in 2016. An expect growth to continue being generated largely by domestic consumption in 2016. Malaysia, like many others in the region, was exposed to the external headwinds swirling from global uncertainties. Malaysia's private consumption has proven to be robust in 2016 and we expect Q4 2016 to be no different, albeit at a growth of 5.8% versus 6.4% in Q3 2016. Exports in Q4 2016 are expected to be dampened due to weakness in commodities and softer external demand but overall, due to a slightly better H2 2016 compared to H1 2016, we estimate our Q4 2016 gross domestic product (GDP) growth to be 4.3%, matching Q3 2016. Weak business and consumer sentiment have put a slight damper on Q4 2016. We calculate full-year (2016) growth to be 4.2%, within the official forecast of 4.0-4.5%, with private consumption and investments being the two biggest contributors to 2016 growth. As for what can be expected for 2017, we estimate growth to be largely generated by an expected 6.6% expansion in private consumption compared to an estimated 6.0% last year. Overall, Malaysia is expected to maintain a gradual recovery in H1 2017, as it ends the year with an estimated 4.3% growth for H2 2016, albeit higher than 4.1% in the H1 2016.</p> <p style="text-align: right;"><i>(Source: The Star, 6 March 2017)</i></p>
<p>Govt provides RM50 million grant to assist commodity industry</p>	<p>The Government is providing a grant of RM50 million to assist the commodity industry in addressing food safety concerns, including reducing the level of containment in palm oil. In conjunction with the 100 years of commercial oil palm planting in Malaysia, the Government will continue to prioritise towards enhancing the quality and safety of Malaysian palm oil products for consumption. Minister of Plantation Industries and Commodities Datuk Seri Mah Siew Keong in this context, gave an assurance that palm oil and its derivatives are indeed safe for consumption as a food item. On the outlook for palm oil, Mah expects exports to reach RM70 billion this year from RM67 billion in 2016 and crude palm oil price to average between RM2,700 and RM2,800 per tonne this year.</p> <p style="text-align: right;"><i>(Source: The Star, 7 March 2017)</i></p>
<p>US investment level in Malaysia may grow further</p>	<p>The level of United States (US) investments in Malaysia will be maintained or grow further, says US ambassador Kamala Shirin Lakhdir. Lakhdir said that US companies in Malaysia made independent decisions based on the business environment and needs of the supply chain. She said the feedback received from the US companies so far had been positive. The US economy is not just based on oil and gas. A huge amount of the US economy is driven by trade in Asia-Pacific. The new administration affirms and understands that. Lakhdir said many of the US companies had large markets with customers worldwide. First Solar, Intel and the medical device companies over here are some examples. They have a global perspective and are fundamental to the US economy. On the future of bilateral trade with Malaysia, Lakhdir said there was focus to deepen and expand the bilateral relationship to the benefit of both parties. On Malaysia's investments in the US, she said Top Glove and Sime Darby were among the big investors and companies in the US.</p> <p style="text-align: right;"><i>(Source: The Star, 8 March 2017)</i></p>

<p>ECRL project to boost GDP of 3 east coast states by 1.5%</p>	<p>The gross domestic product (GDP) of three East Coast states in Peninsular Malaysia is projected to grow by 1.5% at the current rate with the implementation of the East Coast Rail Link (ECRL) project. He said the project would change the economic landscapes of Terengganu, Kelantan and Pahang and turn them into trade hubs, tourism destinations and new investment focus. YBhg. Dato' Najib bin Razak, Prime Minister said the ECRL project was important to close the development gap between the east coast and the west coast. "ECRL is a 'game changer' that could spur higher growth rates for the east coast states," he said in the opening speech of the session on 'Public Inspection ECRL' at KL Sentral.</p> <p style="text-align: right;"><i>(Source: The Star, 9 March 2017)</i></p>
<p>Malaysia's services exports to grow 8% per year on average - HSBC</p>	<p>Malaysia's services exports should rise by an average of 8% annually over the next 15 years, with tourism continuing to contribute over a third of its overall growth. HSBC Bank Malaysia Bhd's head of commercial banking said India was forecast to be the fastest-growing destination for Malaysian services exports, with average growth projected of 11% yearly. On the goods export forecast, the report said, China's demand for Malaysian goods should remain solid, rising by more than 9% annually, with China overtaking Singapore as Malaysia's largest export destination from 2016-2030. As Malaysia moved towards a developed nation status, machinery and equipment would be key drivers of goods trade with import growth forecast to gradually accelerate to average 10% yearly from 2021-2030, it said. The report said growth would be largely driven by an import surge of about 13% per year from Vietnam, China, India and Indonesia. Indonesia was forecast to replace South Korea as Malaysia's fifth top import origin after Japan, US, Singapore and China in 2030.</p> <p style="text-align: right;"><i>(Source: The Star, 10 March 2017)</i></p>

Economics and Policy Division
SME Corp. Malaysia
14 March 2017