

# MALAYSIA WEEKLY ECONOMIC NEWS

(13 April 2020 – 17 April 2020)

Topics	Highlights
<p><b>No change in Bank Negara's growth forecast for 2020</b></p>	<p>Bank Negara has kept its 2020 economic growth forecast for Malaysia unchanged, even though experts think that the economy will be hit further as a result of the recent two-week extension of the Movement Control Order (MCO). Following an engagement session with the central bank on April 15, Maybank IB Research said that official real gross domestic product (GDP) growth forecast announced on April 3 remains at -2% to 0.5% for now. Bank Negara's growth forecast has assumed the MCO to end on April 14, the economy to operate at 45% capacity amid MCO as well as the continuation of measures on social distancing, limited mobility and travel post-MCO until the third quarter of 2020. The forecast did not factor in the MCO extension until April 28. Moving forward, Maybank IB Research believes that Bank Negara will ease its monetary policy further. It expects the central bank to cut the Overnight Policy Rate (OPR) by another 50 basis points (bps) to 2%. Meanwhile, the Statutory Reserve Requirement (SRR) ratio is projected to be slashed to 1% from the current 2%.</p> <p style="text-align: right;"><i>(Source: The Star, 17 April 2020)</i></p>
<p><b>SC expects more retail investments in equities</b></p>	<p>Retail investments in the equity market are expected to increase this year, especially with online account activation currently exceeding 10,000, said Securities Commission's Market and Corporate Supervision executive director, Kamarudin Hashim. He said to-date, the retail investment's participation in the equity market has risen to 44% from 40.9% last year. Kamarudin noted that in terms of trading value year-to-date, retail participation represents 24.3% versus 20.8% last year. Meanwhile, acknowledging that companies may face challenges as a result of the pandemic, the SC announced that Bursa Malaysia will provide companies listed on the Main Market temporary relief from the Practice Note 17 classification with a criteria. The shareholders' equity of the listed issuer on a consolidated basis is 25% or less of the share capital (excluding treasury shares) of the listed issuer and such shareholders' equity is less than RM40 million. The auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in the listed issuer's latest audited financial statements and the shareholders' equity of the listed issuer on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the listed issuer.</p> <p style="text-align: right;"><i>(Source: The Star, 16 April 2020)</i></p>
<p><b>Economy operating at 45% capacity during MCO</b></p>	<p>The Malaysian economy is estimated to operate at 45% of its operating capacity due to the closure of non-essential services for four weeks during the implementation of the Movement Control Order (MCO) until April 14, 2020, said the Ministry of International Trade and Industry (MITI). Its Senior Minister Datuk Seri Mohamed Azmin Ali said Bank Negara Malaysia (BNM) projected the country's economy to grow at between -2.0% and 0.5% in 2020, and the projection took into account the four-week MCO implementation until April 14, 2020. According to him, MITI had received 18,650 applications to operate from additional economic sectors for MCO3 on the first day that the ministry's application system started operations on April 13, 2020. Mohamed Azmin also said that the industries and companies that were given approvals during MCO Phase 1 and 2 did not need to get approvals to operate during MCO3.</p> <p style="text-align: right;"><i>(Source: The Star, 16 April 2020)</i></p>
<p><b>IPI to slide despite strong growth in February</b></p>	<p>Malaysia's industrial production Index (IPI) figures are set to sink from March, owing to the impact of the Covid-19 pandemic, after rising to a near three-year high in February 2020. The downside would be reflected in the manufacturing output figure, under the IPI for March, given the cuts in production during the movement control order (MCO). This was more so with the global pandemic reducing demand and restricting operating capacities due to severely delayed deliveries of inputs. The second quarter of the year is set to be worse than the first, both in terms of exports and domestic demand. He reiterated the group's 2020 GDP growth forecast of between 0.4% and negative 2.0%.</p> <p style="text-align: right;"><i>(Source: The Star, 15 April 2020)</i></p>