

MALAYSIA WEEKLY ECONOMIC NEWS

(12 March 2018 – 16 March 2018)

Topics	Highlights
<p>Solid banking performance</p>	<p>Moody's Investors Service says its six rated Malaysian banks showed a solid performance in 2017, with additional improvements likely in some areas in 2018, while asset quality will benefit from stronger macroeconomic conditions. Moody's said the asset quality and profitability of the six banks generally improved in 2017, while their capitalisation and funding remained adequate. Moody's notes that asset quality will benefit from stronger macroeconomic conditions in 2018, both domestically and regionally, while those banks with exposure to the oil and gas sector should see their asset quality stabilise on stronger oil prices. Most banks posted improved profitability in 2017, driven by steady revenue growth, stable net interest margins and a moderation in credit costs.</p> <p style="text-align: right;"><i>(The Star, 13 March 2018)</i></p>
<p>Access to house financing sustained</p>	<p>Access to house financing, particularly for first-time buyers of affordable houses, has been sustained with approval rates at 73%, according to Bank Negara Malaysia's Financial Stability Committee (FSC). On the overall credit outlook for the business sector, the FSC expected it to improve due to the favourable economic conditions. However, it stated that the "oil and gas and property-related sectors still face some headwinds". Potential vulnerabilities from external borrowings of Malaysian corporations were contained with exposures largely hedged and comprising intra-company borrowings with longer maturities.</p> <p style="text-align: right;"><i>(The Star, 14 March 2018)</i></p>
<p>Financial sector stability intact, says Bank Negara</p>	<p>Although the benchmark on financial stress of the banking sector is on the rise, any potential risk in the financial market will be cushioned by the favourable outlook of the economy and presence of large institutional investors, according to Bank Negara. The central bank pointed out that the domestic financial stability was expected to remain intact despite facing external headwinds which had caused global financial market volatility. The Financial Market Stress Index (FMSI) has been on the uptrend since August last year, with the recent reading at 10.7% as of end-February 2018 – the highest since August 2016. The FMSI was at its peak in February 2009 when it went above 37% during the global financial crisis. The FMSI recorded its best reading in March 2013, which was below 1%, indicating normal financial market conditions.</p> <p style="text-align: right;"><i>(The Star, 15 March 2018)</i></p>
<p>Credit card interest charges to stay</p>	<p>Malaysia will not abolish interest charges imposed on credit cards used in retail shopping according to Deputy Finance Minister YBhg. Datuk Othman Aziz when answering a parliament questions. Abolishing interest on credit card usage does not necessarily benefit the Malaysian economy. Instead, it could encourage excessive spending and a general lack of discipline among credit card holders. There were 9.9 million credit cards in circulation as of December 2017, with 8.8 million of them being primary cards registered to 3.7 million individuals.</p> <p style="text-align: right;"><i>(The Star, 16 March 2018)</i></p>