

MALAYSIA WEEKLY ECONOMIC NEWS

(22 January 2018 – 26 January 2018)

Topics	Highlights
<p>Economy to strengthen between March and May</p>	<p>Malaysia's economy will continue to strengthen between March and May of 2018. The leading index and coincident index showed a good performance in November 2017 as compared to the preceding month. At the same time, both diffusion indexes remained above 50%. The leading index, which monitors the economic performance in advance, expanded 1% in November 2017 to 121.3 points from 120.1 points in October 2017. Underpinning the growth were the number of housing units approved (0.5%); expected sales value in manufacturing sector (0.4%); real imports of other basic precious and other non-ferrous metal (0.1%) and number of new companies registered (0.1%).</p> <p style="text-align: right;"><i>(The Star, 22 January 2018)</i></p>
<p>Malaysia's GDP to grow 5.4% in 2018: MIER</p>	<p>Malaysia's gross domestic product (GDP) is forecast to grow 5.4% year-on-year (y-o-y) in 2018, mainly driven by domestic demand, which is projected to increase 5.2% y-o-y. The external demand is also expected to remain strong, although the growth rate for both exports and imports are projected lower due to the base effect of a high growth in 2017. MIER attributed the positive outlook revision to the faster-than-expected domestic demand, along with sustained manufacturing activities showed by a growing industrial production index, supported by a double-digit growth in exports.</p> <p style="text-align: right;"><i>(The Star, 23 January 2018)</i></p>
<p>RAM Ratings sees inflation easing to 2.5% in 2018</p>	<p>RAM Ratings expects the headline inflation to be higher in December due to higher petrol prices. The factors were mainly due to higher growth contribution by retail petrol prices where the increase in the price of RON95 accelerated to 19.7% in December. However, for 2018, it expects headline inflation to ease to 2.5% in 2018 mainly due to lower contribution from the transport component. On the other hand, there are some upside risks to "food away from home" inflation (a component of overall food inflation). Although upward price pressure on food inflation arising from the removal of cooking-oil subsidies will fade in 2018, a new inflationary risk in the form of higher gas tariffs (effective January 2018), especially amid strengthening demand.</p> <p style="text-align: right;"><i>(The Star, 23 January 2018)</i></p>
<p>Key interest rate up by 25bps to 3.25%</p>	<p>Bank Negara Malaysia has raised the key interest rate by 25 basis points during its Monetary Policy Committee (MPC) which was in line with expectations. This will raise the overnight policy rate (OPR) to 3.25% – the first increase since July 2014. The OPR is the benchmark for the commercial lending and deposit rates. The move will also see banks raise the lending and savings rates subsequently. Bank Negara said with the economy firmly on a steady growth path, the MPC decided to normalise the degree of monetary accommodation. At the same time, the MPC recognises the need to pre-emptively ensure that the stance of monetary policy is appropriate to prevent the build-up of risks that could arise from interest rates being too low for a prolonged period of time.</p> <p style="text-align: right;"><i>(The Star, 25 January 2018)</i></p>