

MALAYSIA WEEKLY ECONOMIC NEWS

(30 December 2019 – 3 January 2020)

Topics	Highlights
<p>Malaysian exports fall 5.5% in November</p>	<p>For the month of November, Malaysian exports contracted 5.5% from a year ago to RM80.8bil on declines in demand for manufactured, mining and agriculture goods. Along with the contraction in exports, the trade surplus for the month fell 23.1% to RM6.54bil as compared to RM8.5bil in November 2018. Exports of manufactured goods, which comprise 85% of the country's total exports, shrank 2.8% to RM68.88bil while exports of mining and agriculture goods fell 7.7% and 6.6% respectively. Conversely, exports of optical and scientific equipment rose 11.9% from a year earlier. For the 11-month period from January to November, Malaysia's trade surplus expanded 10.6% to RM124.74bil from a year ago, on the back of exports worth RM899.93bil. This served as the widest trade surplus on record for the period since 2009. Total trade fell over the 11 months period with imports contracting by a wider margin of 3.9% to RM775.19bil while exports shrank 2.1% from the same period a year ago.</p> <p style="text-align: right;"><i>(Source: The Star, 3 January 2020)</i></p>
<p>Malaysia PMI rises for fourth straight month</p>	<p>The country's Purchasing Managers' Index (PMI), an indicator produced by IHS Markit on manufacturing activities, increased to 50 index points in December, as compared to 49.5 in November. For context, the PMI has consistently ticked up every month from 47.4 in August this year. A PMI above 50 represents an expansion when compared with the previous month, while a PMI reading under 50 represents a contraction. For the fourth quarter of 2019, the headline PMI recorded its highest average since the third quarter of 2018, suggesting that economic growth has accelerated into the year end. Malaysia's latest PMI reading of 50 is indicative of annual economic growth of approximately 5.5% and manufacturing expansion of about 6%, according to IHS Markit. Generally, in the case of Malaysia, the headline PMI and annual GDP growth rates show a reasonably high correlation of 60%.</p> <p style="text-align: right;"><i>(Source: The Star, 3 January 2020)</i></p>
<p>Exports to support Malaysia's economic growth this year</p>	<p>Since the second quarter of 2018 (2Q18), Malaysia's economy has consistently expanded below the 5%-mark every quarter. This trend is in contrast to 2017's quarterly economic growth rates, which were in the range of 5.5% to 6.1%. The government's official guidance, on the other hand, foresees an economic growth of 4.8% in 2020, marginally higher than the expected 4.7% growth in 2019. For perspective, the economy also expanded by 4.7% in 2018, which was a significant slowdown from the 5.7% growth in the preceding year. According to the Finance Ministry's Economic Outlook 2020 report, the country's exports performance is likely to improve in 2020, increasing by 1.4% year-on-year. This follows an expected contraction of 0.4% in 2019, largely due to the disruption in global trade and supply chain.</p> <p style="text-align: right;"><i>(Source: The Star, 1 January 2020)</i></p>
<p>Positive impact from Government's development spending to be seen by mid-2020</p>	<p>The government, which remains steadfast in the belief that Malaysia will achieve an economic growth of 4.8 per cent this year, expects to see positive effects from its development spending latest by June 2020, said Finance Minister Lim Guan Eng. He was commenting on the downward revisions of the 2020 growth projections by economists. Last month, the World Bank Group trimmed its forecast of the country's gross domestic product (GDP) growth for this year to 4.5 per cent from 4.6 per cent previously on weakening investment and trade activity recorded in the third quarter of last year. On the US-China trade war, Lim said the end of the dispute would be a booster or catalyst to spur the economy. "As an exporting economy, Malaysia will benefit. Like it or not, we are affected by the external trade environment. "So if we look at the forecast growth in global trade of 1.2 per cent in 2019, the lowest in 10 years, and against this backdrop, we are expecting to achieve a GDP growth of 4.7 per cent," he said.</p> <p style="text-align: right;"><i>(Source: The Star, 1 January 2020)</i></p>