

MALAYSIA WEEKLY ECONOMIC NEWS

(20 January 2020 – 24 January 2020)

Topics	Highlights
Leading index shows better momentum for economy	<p>The Statistics Department's leading index (LI) shows the economy is expected to chart better momentum in the January to May period of 2020. Chief Statistician Datuk Seri Dr. Mohd Uzir Mahidin said the LI predicts the movement of the overall economic direction over the next few months. Despite a slight decrease in the month to month percentage change of 0.2%, the growth rate of LI (smoothed) remained above trend to show better economic momentum in the first five months of 2020, he added. The anticipated economic direction for Malaysia is in line with the expected economic performance for China and Australia provided by the OECD Composite Leading Index.</p> <p><i>(Source: The Star, 24 January 2020)</i></p>
Inflation up 1% in Dec, within forecast	<p>Malaysia's inflation rose by 1% in December last year, in line with a Bloomberg forecast, underpinned by higher food prices, with Kuala Lumpur exceeding the national average. According to the Statistics Department, the consumer price index (CPI) increased by 1% in December to 122.3 compared with 121.1 a year ago. The increase in the overall index was driven by the index of miscellaneous goods and services (2.4%); food and non-alcoholic beverages (1.7%); housing, water, electricity, gas and other fuels (1.7%); education (1.7%); communication (1.5%); furnishings, household equipment and routine household maintenance (1.4%) and health (1.4%). On a monthly basis, the CPI rose 0.2% from November 2019, mainly due to food and non-alcoholic beverages (0.5%) as well as restaurants and hotels (0.2%). CPI in the fourth quarter of 2019 increased by 1% to 122.1 as compared to 120.9 a year ago. On a quarterly basis, the CPI rose by 0.3% from the third quarter. The department also said Kuala Lumpur recorded a 1.5% increase in the CPI in December, with Selangor and Putrajaya at 1.4% and Johor 1.1%.</p> <p><i>(Source: The Star, 23 January 2020)</i></p>
Bank Negara MPC cuts OPR by 25bp to 2.75%, banks under pressure	<p>Bank Negara Malaysia's Monetary Policy Committee (MPC) reduced the Overnight Policy Rate (OPR) by 25 basis points to 2.75% -- the lowest since 2011. The reduction in the OPR surprised economists who expected the MPC to retain the OPR at 3%. After the statement was announced at 3pm, shares of banks fell, dragging the FBM KLCI into the red as a rate cut would impact their net interest margins. In the statement, Bank Negara said the ceiling and floor rates of the corridor of the OPR were correspondingly reduced to 3% and 2.50%, respectively. For 2020, growth is expected to gradually improve, with continued support from household spending and better export performance.</p> <p><i>(Source: The Star, 22 January 2020)</i></p>
InvestKL's China Special Channel targets RM5b investments	<p>InvestKL's China Special Channel (CSC) targets to achieve at least RM5bil in investments from China to Malaysia. This is in line with the memorandum of agreement (MoA) entered into with Chinese Business Chambers to promote and strengthen the collaboration between all parties. Invest KL CSC will act as a single window for all investment opportunities from China into Malaysia, attracting Chinese companies and global multinational corporations that are exploring in setting up new businesses and regional hubs outside of China or relocate their smart manufacturing and high value services. The protracted trade war between the US and China had created a unique opportunity for Malaysia to be the preferred destination for high value-added foreign direct investments (FDI). As the lead agency of the CSC initiative, InvestKL will evaluate and channel investment opportunities via active complimentary collaboration with other relevant agencies including the Malaysia Investment Development Authority (MIDA), Malaysia Digital Economy Corporation (MDEC), as well as regional and state investment promotion agencies.</p> <p><i>(Source: The Star, 20 January 2020)</i></p>