

MALAYSIA WEEKLY ECONOMIC NEWS

(27 December 2016 – 30 December 2016)

Topics	Highlights
<p>Challenging times for banks amid global economic uncertainties</p>	<p>While it will remain challenging for banks amid the global economic uncertainty, bankers are optimistic that the sector will see improved profitability next year after experiencing flat growth this year. They expected the improvement in performance to be largely driven by stronger domestic economic growth coupled with continued cost-saving initiatives launched by financial institutions last year. AMMB Holdings Bhd group CEO YBhg. Datuk Sulaiman Mohd Tahir expected the banking sector to chart an overall loan growth of around 5% to 6% in 2017 on the back of continued domestic economic performance. While loan growth could remain soft and limit the opportunities for revenue and earnings growth in 2017, CIMB Group Holdings Bhd group chief executive, YBhg. Datuk Seri Zafrul Aziz said banking groups with stable or improving underwriting standards, strong buffer in the form of restructured loans and diversification of business would be able to withstand the subdued economic and credit environment. He cautioned that a stronger US dollar, higher US interest rates, the possibility of increased US protectionism and the continued slowdown in China's economy were considered as downside risks heading into 2017. Malayan Banking Bhd (Maybank) group president and CEO YBhg. Datuk Abdul Farid Alias believed that the outlook for the banking sector in 2017 will remain challenging, mainly due to the risks from external political developments and policies.</p> <p style="text-align: right;"><i>(Source: The Star, 27 December 2016)</i></p>
<p>Malaysian economy stays resilient amid challenging environment</p>	<p>The Malaysian economy remained resilient in the eye of the storm to maintain at least 4% growth for the first three quarters of 2016 despite a challenging global environment. The continued expansion in the private sector spending and support from net exports have bolstered the country's economy in the third quarter. At the same time, Government efforts to boost consumption spending as well as the joint collaboration of Bank Negara and the Financial Markets Committee (FMC) in introducing measures to enhance liquidity of the foreign exchange (forex) market, have provided stability and sustained growth momentum. Bank Negara's move to reduce overnight policy rate by 25 basis points to three per cent in July and cash handouts to the low-income group have been some of the measures taken to boost domestic spending.</p> <p style="text-align: right;"><i>(Source: The Star, 28 December 2016)</i></p>
<p>A tough year for banking sector amidst global turbulence</p>	<p>Professor of Economics at Sunway University Business School, Prof Yeah Kim Leng, said the slowdown in bank lending appeared to have bottomed out in August and September as loan growth stabilised at 4.2% before inching up to 4.5% in October 2016. At this pace, it is about half the average growth chalked up over the past three years, he pointed out. The gradual improvement is expected to continue in 2017 where a loan growth of 6%-7% is projected on the back on a modest uptick in economic growth, business and consumer demand and lenders confidence, he explained. Loans to corporates were also relatively low during the same period, dampened by sluggish commodity prices, turmoil in regional trade, the volatile ringgit and weak investment activity. This was reflected by a 1.2% reduction in loan disbursement to the business sector during January-July this year, amounting to RM436bil against the RM441.1billion registered in the same period of 2015. The business sector's loan applications grew by 2.9% to RM219.3 billion but loan approvals dropped by 10% to RM92 billion.</p> <p style="text-align: right;"><i>(Source: The Star, 29 December 2016)</i></p>

Manufacturers cautious about possible gas tariff hikes

The Federation of Malaysian Manufacturers (FMM) is cautious about the impact of possible cumulative gas price hikes by end of 2019 due to the uncertain global economy in the next few years. The industry group issued a statement following the announcement by the Energy Commission about the natural gas (NG) tariff rebate of 40 sen per mmBtu from January to June 2017. The FMM said while it welcomed the rebate it was concerned about a possible cumulative gas price increase of 22.6% by end of 2019. Gas Malaysia Bhd said the Energy Commission had approved the average base tariffs for the regulatory period from January 2017 to end-2019. This would see the average base NG tariff to be RM32.74 per mmBtu by 2019 from RM26.71 per mmBtu in January 2017.

(Source: The Star, 30 December 2016)

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