

MALAYSIA WEEKLY ECONOMIC NEWS

(20 February 2017 – 24 February 2017)

Topics	Highlights
<p>Malaysia's consumer confidence seen to be weak - Nielsen</p>	<p>Consumer spending in Malaysia is expected to remain flat at best for the next six months. This is based on the Nielsen Consumer Confidence Index dipping by 5% to 84% in the fourth quarter (Q4) of last year, 2016 compared with the preceding quarter. The economy grew at 4.5% in Q4, the fastest pace in a year, according to data from the Department of Statistics. The 5% drop in Malaysian consumer confidence was in contrast to the average global consumer confidence that grew by 2% to 101%. The economy condition (55%), increasing food prices (25%) and political stability (21%) were listed as Malaysian consumers' top key concerns in Q4 2016. The fast-moving consumer goods (FMCG) sector recorded a small increase in Q4 2016, with a growth of just 1.4% compared to the same quarter in the previous year. The FMCG market was static in Q4 after two quarters of growth which was driven by market adjustment following the GST (good and services tax) implementation in 2015. This lower single-digit growth level can be expected to continue into 2017 as consumer confidence took another dip in Q4 2016.</p> <p style="text-align: right;"><i>(Source: The Star, 20 February 2017)</i></p>
<p>RHB Research raises Malaysia's export growth forecast to 6% this year</p>	<p>RHB Research Institute has revised upward Malaysia's export growth forecast to 6% this year from an earlier expectation of 2%. In a research, the more bullish forecast is on account of the recovery in demand for commodity products, aided by higher prices and pick-up in global semi-conductor sales in late-2016, translating into higher electrical and electronics (E&E) exports. It said the projection also included an expectation of improving global trade outlook by between 1.8% and 3.1% this year, from two consecutive contractions of 2.7% last year and 11.8% in 2015, as global growth prospects improve. Given the stronger trade outlook, the current account surplus is also expected to widen to RM33.7 billion or 2.7% of gross domestic product (GDP). This is after it registered a larger-than expected surplus of 2% of GDP last year. RHB Research also said given an improved commodity price outlook, as well as stronger global growth and demand, commodity exports, which contributed about 12% of total exports, are expected to rebound to a growth of about 14.4% this year, after recording back-to-back declines of 20.5% in 2015 and 13.6% last year.</p> <p style="text-align: right;"><i>(Source: The Star, 21 February 2017)</i></p>
<p>January inflation climbs on higher petrol price, exceeds forecast</p>	<p>The consumer price index (CPI) for January 2017 rose 3.2% from a year ago, mainly due to the increase in petrol prices and food and exceeding a Bloomberg survey of a 2.7% rise. The Statistics Department said the inflation rate rose 1.1% from December 2016. The CPI rose 3.2% to 118.2 in January 2017 from 114.5 a year ago. Among the major groups which recorded increases were the indices for transport (+8.3%), food & non-alcoholic beverages (+4.0%). Recreation services & culture recorded a 3.2% increase; health (+2.5%), restaurants and hotels (+2.1%); education (+2%) and housing, water, electricity, gas & other Fuels (+1.9%). The index for food & non-alcoholic beverages which accounted for 30.2% in the CPI weights, increased 4.0% in January 2017. Core inflation rose 2.3% in January 2017 from a year ago due to a 3.3% increase in transport and also a 3.3% rise in food & non-alcoholic beverages.</p> <p style="text-align: right;"><i>(Source: The Star, 22 February 2017)</i></p>

<p>Retrenchments ahead, says MEF</p>	<p>The Malaysian Employers Federation (MEF) believes that more people will get the axe this year due to the current economic challenges. Apart from the weak economy, contributing factors include the introduction of “disruptive technology” in some industries. According to its executive director YBhg. Datuk Shamsuddin Bardan, economic challenges would see bosses reviewing their workers’ requirements. He said in 2015, about 44,000 workers lost their jobs while up to September last year, about 40,000 workers were retrenched. He said the complete data for 2016 has not been released by authorities yet, but the numbers could be higher than the previous year. In 2015, about 18,000 of those who lost their jobs were from the banking sector due to the introduction of what he termed as “disruptive technology”, where banks were increasingly adopting online transactions, for example. Other industries that could be affected include insurance, manufacturing and construction. He said for the insurance industry, many prefer dealing with the companies directly for their services, which makes the job of middlemen or agents, redundant.</p> <p style="text-align: right;"><i>(Source: The Star, 23 February 2017)</i></p>
<p>Strong demand for affordable homes</p>	<p>Affordable housing will continue to lead demand in the residential segment of the property market, amid expectations that sentiment will remain soft this year. Finance Ministry valuation and property services director-general Rahah Ismail said despite the challenging economic environment, the demand in the residential segment, particularly for houses ranging between RM200,000 and RM250,000, will remain strong. In the first nine months of 2016, the volume of new launches fell drastically by 57% year-on-year, as merely 23,112 new residential units were launched. The quantity of unsold or “overhang” units increased by a whopping 60% to 14,193 units, compared to the same period in 2015. With regard to the performance of the domestic property market, the Malaysian House Price Index (MHPI) has continued to increase, albeit at a diminishing trend.</p> <p style="text-align: right;"><i>(Source: The Star, 24 February 2017)</i></p>

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