

MALAYSIA WEEKLY ECONOMIC NEWS

(6 July 2020 – 10 July 2020)

Topics	Highlights
<p>Tourism arrivals, expenditure slumped in 1Q, says Tourism Malaysia</p>	<p>Tourism arrivals and expenditure slumped in the first quarter ended March 31, worsened by the Covid-19 pandemic and the resulting Movement Control Order which came into effect on March 18. Tourism Malaysia said Malaysia recorded 4,233,425 tourist arrivals in 1Q, down by 36.8% from a year ago. The decline in arrivals also impacted tourist expenditure, which was RM12.5bil, down by 41.5% from RM21.4bil a year ago. Tourism Malaysia said from January to March 2020, Malaysia received fewer tourists each month compared to a year ago. It added Asean countries remain as Malaysia's top contributors in tourist arrivals with a share of 67.8% or 2,868,359 tourists.</p> <p style="text-align: right;"><i>(Source: The Star, 10 July 2020)</i></p>
<p>Industrial output rebounds in May as more industries resume</p>	<p>The industrial production index (IPI) rebounded by 18.2% in May from a month ago as the government allowed more industries to resume operations under the movement control order, according to the Statistics Department. The rebound in the May IPI was due to the increase in all indices. The manufacturing index surged 25.9%, electricity was up by 13.7% and mining edged up by 0.4%. However, the IPI tumbled 22.1% in May from a year ago, but the decline was less severe when compared with a Bloomberg survey of a 29% fall. The Statistics Department said the output of the manufacturing sector in May contracted by 23.2% on-year basis after plunging 37.2% in April 2020. The main sub-sectors contributing to the decrease in manufacturing sector were non-metallic mineral products, basic metal and fabricated metal products (45.1%); transport equipment and other manufactures (38.5%) and petroleum, chemical, rubber and plastic products (24.3%).</p> <p style="text-align: right;"><i>(Source: The Star, 10 July 2020)</i></p>
<p>Public Bank reduces lending rates, takes effect Friday</p>	<p>Public Bank will reduce its base rate (BR) and base lending rate (BLR)/ base financing rate (BFR) by 0.25% effective this Friday. The bank said on Wednesday the reduction was in line with Bank Negara Malaysia's Overnight Policy Rate (OPR) cut by 25 basis points (bps) from 2% to 1.75% the previous day. Public Bank's fixed deposit rates will also be correspondingly adjusted by 0.25%, effective on the same date. Its managing director and chief executive officer Tan Sri Tay Ah Lek said the 25bps cut in OPR would further stimulate the country's economic recovery process.</p> <p style="text-align: right;"><i>(Source: The Star, 8 July 2020)</i></p>
<p>Cheaper loans</p>	<p>Bank Negara has gone full-throttle to accelerate Malaysia's economic recovery after it slashed the benchmark interest rate to 1.75%, an all-time-low since the central bank adopted the overnight policy rate (OPR) framework in 2004. This is a clear message that there continues to be a need for cheaper funds, particularly in reinvigorating consumption and investments. The OPR was cut by 25 basis points (bps) from 2% earlier, marking it the fourth round of cuts this year. The central bank is cognisant of the fact that broad-based weakness in labour markets and precautionary behaviour by households and businesses remain a major headwind for the domestic economy. Theoretically, a lower OPR would be able to stimulate the purchase of big-ticket items such as vehicles and property, which are generally funded by borrowings.</p> <p style="text-align: right;"><i>(Source: The Star, 8 July 2020)</i></p>