MALAYSIA WEEKLY ECONOMIC NEWS

(28 September 2020 – 2 October 2020)

Topics	Highlights
Investment bank upgrades Malaysia's 2021 GDP forecast to 7%	RHB Investment Bank Bhd (RHB IB) has upgraded its 2021 real gross domestic product (GDP) growth projection for Malaysia to 7% year-on-year (y-o-y) from 4% y-o-y earlier. The revision in outlook was made after factoring in the assumption of mass Covid-19 vaccine deployment in the second half of next year, the investment bank said. Apart from the vaccine development, another catalyst for next year came from the continued government support, especially towards the earlier part of 2021, RHB IB said. However, the investment bank said private consumption growth was projected to be more uncertain in the first half of 2021 as the economy was likely to start off by still reeling from the weaker momentum with an elevated unemployment rate and lower wage growth. *(Source: The Star, 2 October 2020)*
Malaysian economy set to improve in third quarter	Malaysia's economic activity outcome for the third quarter (Q3) is expected to improve, given the government's various stimulus packages to support overall economic growth, said the Department of Statistics Malaysia (DOSM). The economic recovery has begun with the reactivation of economic activities and was reflected by macroeconomic indicators in July, marking the preliminary indication for Q3. This scenario was attributed to the increase in the total labour force at 15.82 million persons in July 2020, from 15.76 million the previous month. The unemployment rate also dropped to 4.7% in July compared with 4.8% in the preceding month. The favourable sales growth in this sub-sector was largely contributed by automotive sales following the effective tax relief strategy by the government. *(Source: The Star, 1 October 2020)*
PPI for local production slips 2.8% in August	Malaysia's Producer Price Index (PPI) for local production slipped 2.8% year-on-year (y-o-y) in August 2020 to 101.7 compared with 104.6 in the same month last year. The Department of Statistics Malaysia's (DOSM) attributed the decrease in the overall index to the decline in the mining index (-33.7%), electricity and gas supply (-1.9%) and manufacturing (-0.9%). In contrast, the agriculture, forestry and fishing index as well as water supply rose 15.6% and 0.7%, respectively. On a monthly basis, the PPI for local production rose 1.0% in August 2020, supported by the increase in the indices of agriculture, forestry and fishing (6.0%), mining (3.0%), water supply (1.5%) and manufacturing (0.5%). *(Source: The Star, 30 September 2020)*
19.7% higher trade surplus	Uncertainty will remain the keyword in Malaysia's trade performance in the near future as the latest figures show that exports took a step back after advancing twice. Exports fell 2.9% year-on-year (y-o-y) to RM79.14bil in August after advancing 8.8% y-o-y and 3.1% y-o-y in June and July respectively. Imports contracted for a sixth consecutive month as it continued to be weighed down by weak domestic demand. These led to a 19.7% y-o-y growth in trade surplus to RM13.23bil. AmBank Research stressed that the return of a negative export growth is a setback for the ringgit, which has been under pressure recently. It said that despite a steady goods surplus, continued net outflows on the service account resulting from a standstill tourism, should keep the overall current account surplus on a narrowing trend over the rest of the year. *(Source: The Star, 30 September 2020)*

Knowledge Management & Strategy Division
SME Corp. Malaysia
2 October 2020