

MALAYSIA WEEKLY ECONOMIC NEWS

(2 March 2020 – 6 March 2020)

Topics	Highlights
<p>Downside risks expected to persist</p>	<p>Given the drop in global trade from the Covid-19 outbreak, coupled with a global tech down cycle and weaker commodity prices, the downside risks on Malaysia's exports and imports are expected to remain in the near future. AmBank Research said the downside risks on Malaysia's exports and imports are reflected by the poor manufacturing activities data from the Markit Manufacturing PMI which is still in contraction in the region. As such, it noted that Malaysia's gross domestic product (GDP) growth for 2020 was likely to be around 3%, with an upside of 3.8% and downside of around 2.5%. In January, Malaysia's exports fell by 1.5% to RM84.08bil from a year ago and the decline was better than a Bloomberg forecast of a 1.6% decline as trade was impacted by lower exports to China. Meanwhile, the imports slipped by 2.4% to RM72.08bil in January versus the survey of a 1.4% decline as a result of poor capital and consumption imports with weaker intermediate imports.</p> <p style="text-align: right;"><i>(Source: The Star, 6 March 2020)</i></p>
<p>January exports down, but above forecast</p>	<p>Malaysia's exports in January 2020 fell 1.5% to RM84.08bil from a year ago, but was better than the Bloomberg forecast of 1.6%, as trade was impacted by lower exports to China. The International Trade and Industry Ministry (MITI) said imports slipped 2.4% to RM72.08bil versus the survey of a 1.4% decline. Malaysia recorded a trade surplus of RM12bil in January 2020, 4.2% higher compared to January 2019. This was the highest monthly trade surplus for January since January 2011 and the 267th consecutive month of surplus. While total trade amounted to RM156.17bil, this was a contraction of 2% from January 2019. MITI said in January 2020, exports of manufactured goods rose 1.1% to RM71bil and accounted for 84.4% of Malaysia's total exports. The main contributors to the increase in exports were petroleum products which increased 45.8%, iron and steel products (up 43%) and rubber products (up 10.7%), followed by machinery, equipment and parts (up 5.7%).</p> <p style="text-align: right;"><i>(Source: The Star, 5 March 2020)</i></p>
<p>Public Bank, RHB Bank and HLB revise rates</p>	<p>Following Malayan Banking Bhd's (Maybank) footsteps, Public Bank, RHB Bank and Hong Leong Bank have also revised their base rate and base lending rate downwards by 25 basis points, in line with the reduction in the overnight policy rate by Bank Negara. Maybank was the first bank in the country to reduce its base rate and base lending rate by 25 basis points after Bank Negara announced its overnight policy rate (OPR) cut by 25 basis points to 2.50% from 2.75%. Meanwhile, Public Bank and its Public Islamic Bank would also reduce its base rate and base lending rate by 0.25% effective March 6. Moreover, RHB Bank Bhd, RHB Islamic Bank Bhd and RHB Investment Bank Bhd will also push downwards its base rate to 3.25% from 3.50% per year, and will also revise the base lending rate to 6.20% from 6.45% per annum effective March 9. HONG LEONG BANK BHD and Hong Leong Islamic Bank Bhd also announced they will reduce the base rate and Islamic base rate to 3.38% from 3.63% effective March 6.</p> <p style="text-align: right;"><i>(Source: The Star, 5 March 2020)</i></p>
<p>Weaker economy prompts rate cut</p>	<p>Bank Negara Malaysia appears to have turned more cautious on the country's economic outlook following its decision to slash the benchmark interest rate to the lowest level in nearly a decade. The central bank's Monetary Policy Committee announced the reduction of the Overnight Policy Rate (OPR) to 2.5% from 2.75% earlier. The ceiling and floor rates of the corridor of the OPR were reduced to 2.75% and 2.25%, respectively. The 25 basis points (bps) cut was in line with market prediction. A Bloomberg poll earlier showed that 15 out of 24 economists had forecast a 25bps rate cut. This is the second time Bank Negara has cut the OPR this year after a 25bps cut on Jan 22, bringing the cumulative rate cut of 50bps in the first quarter. The last time the OPR was adjusted to 2.5% was in May 2010, when the rate was increased by 25bps.</p> <p style="text-align: right;"><i>(Source: The Star, 4 March 2020)</i></p>