

# ECONOMIC OUTLOOK 2015

that this situation will persist till the end of the year, or until more oil and gas (O&G) players find a common ground to stabilise the precariousness. Malaysia could bank on some "helpful buffers" to soften the blow from the downturn in global oil prices, said OCBC Bank. The bank's treasury research and strategy section, in its latest global outlook, said a weaker ringgit worked in favour of fiscal safety.

"As the currency weakens, it boosts the local currency oil receipts, and helps dampen the negative impact of low oil prices on government revenue, which is denominated in ringgit. Now that fuel subsidies have been removed, a weaker currency will no

longer balloon the fuel-related expenditure, as well — an asymmetric dynamic that helps, to some extent," it said.

## TELCO

Analysts and industry players are expecting things to heat up in the telecommunications sector, as competition picks up at a furious pace. Maxis and DiGi are coming out of their network upgrade phases, and are preparing to be aggressive this year, while Celcom Axiata has done that and continues to spruce up its software systems to better capitalise on improving user experience. In all, as the doors of the Asean Economic Community open up this year, these telcos will be ready to run with the best in the region, in an open market of 600 million people.

but this was also because of cancelled flights and promotions for ticket sales. Likewise, the recent AirAsia tragedy did not have a significant impact on the low-cost carrier.

## CIMB-RHB MERGER?

This year is expected to see the creation of a mega Islamic banking group, with the merger of CIMB Group Holdings Bhd, RHB Capital Bhd and Malaysia Building Society Bhd (MBSB). This newly created mega Islamic bank will remain a subsidiary of the merged CIMB-RHB.

The deal is valued at more than RM94 billion, triple the RM31.4 billion merger between Sime Darby Bhd and several plantation firms under Permodalan Nasional Bhd in 2007.

## PROPERTY

The property market will remain stagnant this year, as people adopt a wait-and-see attitude with GST coming up on April 1. The implementation of GST will likely affect consumer sentiment and raise inflationary pressure, which in turn, may see a decline in property transactions by as much as 10 per cent. MIDF Research property analyst Ahmad Annuar Rahman said property prices were expected to hold and grow marginally for all residential types. "We don't expect the prices to fall, but to remain flat for the low and middle range, with a softening in the luxury property range, instead. While the House Price Index is showing a slower growth at 6.6 per cent, the sector should remain sustainable, as most of the potential buyers are in it for the long-haul. We foresee that property demand will remain, if not slightly increase, next year."



## ASEAN ECONOMIC COMMUNITY

This year marks an important milestone for Malaysia, as it takes on the chair of the 10-member Asean grouping. The world will also witness the shaping of the Asean Economic Community, a vibrant single-duty market (20 times the size of Malaysia's). With a combined gross domestic product of US\$2.3 trillion (RM8.2 trillion) and market size of 600 million — 8.8 per cent of the world population — the region's growth will continue to exceed the global economy growth average.

## THE RINGGIT

With the strengthening of the United States dollar to a nine-year high, the ringgit will face challenges this year. On the first day of trading, it slid to 3.5165 against the greenback, down 6.9 per cent from a year ago. Last year, it was ranked as the worst-performing currency in Asean, its weakness aggravated by the slump in oil prices to below US\$50 per barrel. The International Trade and Industry Ministry is optimistic about this year's trade outlook, despite the local currency's weakness and declining crude oil prices. However, it said Malaysia was expected to see a rise in exports and tourism, but added that it was too soon to tell at what levels they would increase.

## GST

The Goods and Services Tax (GST), implementation on April 1, is expected to have an impact on various sectors. The six per cent tax structure will replace the Sales and Services Tax (SST) and government tax, in addition to changing how the back-end business taxation systems work.

It is expected that the year will provide many uncertainties in the hopes of revolving into a

more efficient taxation system for the country, while providing an avenue for lowered prices for big-ticket items, such as property, automotive, as well as retail and consumer-related businesses. The outlook remains optimistic in Malaysia's commerce landscape this year, however, even with the implementation of GST, according to the Malaysian Business Sentiment Survey 2014/ 2015. The survey, conducted by Monash University Malaysia in collaboration with CPA Australia, found that one in four businesses believed the business environment would change for the better in the next 12 months, with 74 per cent of businesses saying they were confident about business prospects, which is a good sign for capital investment and the labour market.

## OIL PRICES

World economies, including Malaysia's, are expected to remain volatile on the back of the continuous fall of crude oil prices, which, on Jan 7, fell to as low as US\$48 per barrel, its lowest in six years. Analysts are certain



## AVIATION

Malaysia will enjoy a bumper crop of 11 long weekends this year. This, coupled with the government's RM316 million allocation for the promotion of tourism, is set to boost air travel demand. While aviation disasters claimed 1,320 lives last year, this is not expected to be a significant impact.

The disappearance of Flight MH370 might have affected Malaysia Airlines in terms of its share price, but it did not have a big impact on ticket sales. Revenue fell by seven per cent,



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