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# Global Economics Outlook

Global economy expected to expand at 3.70% in 2018 and 2019, lower than the earlier forecast of 3.90% by the International Monetary Fund. In 2019, risks involving Brexit, trade wars and higher interest rates could spell the end to an unprecedented economic boom. The US Fed raised rates by a quarter percentage point for the fourth time this year to a range of 2.25% to 2.50%. It is expected that the Fed will increase the federal funds rate for two more times next year, to a range of 2.75% to 3.00%. As the Fed continues to increase the interest rate, developing nations would suffer from the capital flight, as US dollar continues to strengthen. Besides that, the consequences and impacts of US – China trade war are unpredictable at this moment. Furthermore, Brexit negotiations are still ongoing. Hence, it is anticipated that year 2019 would be a very challenging year.

## Malaysian Economy 2019

The Malaysia's GDP projection was reduced to 4.7% in 2018 from 4.9% previously by the World Bank; after cuts in government spending and slowdown in private and public investment. After the 14th General Elections, cancellations of several mega infrastructure projects by the new government expected to bring spill-over effect to the economy especially towards construction and property sectors. Moving forward, the economic growth anticipated to remain flat at 4.70% next year, due to current US – China trade tensions, possible recession in the US economy and increased volatility in the financial and commodity markets.

Year 2019 could be a challenging year for Malaysia. The local currency 'Ringgit' expected to continue to depreciate due to weak demand and the increases of US Fed interest rate. For commodity market, the current weak oil price environment, which was below USD 50 per barrel will also affect the Malaysia's oil and gas players. The downward momentum was likely to continue in 2019. Meanwhile, dropping of palm oil price is unfavourable to the local economy.

Despite the challenging environment, the local economy expected to continue to be driven by domestic private consumption. The fundamentals, including consumption, investment and export are still intact. Besides that, the US – China trade war might benefit Malaysia in terms of export as China investors were looking in investing elsewhere other than US. Due to weak economic conditions, there is a low probability that Bank Negara Malaysia would hike the overnight policy rate (OPR) in the first half of year 2019.

