MALAYSIA WEEKLY ECONOMIC NEWS

(10 October 2016 – 14 October 2016)

Topics	Highlights
MAHB's Malaysian airports achieve best passenger traffic growth	Malaysia Airports Holdings Bhd's (MAHB) airports in the country recorded in September its first double-digit growth in monthly passenger traffic for 2016 with a 12.3% growth compared with September 2015. MAHB said the 0.4% drop recorded at its Istanbul Sabiha Gokcen International Airport (SGIA), however, pulled down the passenger traffic growth for its overall system of airports to 8.6%. On the domestic front, MAHB registered 7.48 million passengers in September 2016. Meanwhile, Istanbul SGIA has attracted 2.73 million passengers. Almost all MAHB's airports recorded positive growth with 10 airports registering double-digit growth in the range of 11% to 25%. All the five international airports (in Malaysia) registered high growth rates ranging from 10% to 46%. Kota Kinabalu International Airport registered the highest growth for international traffic over September 2015 at 46%. MAHB said it is likely to achieve its best performance in the fourth quarter and this is expected to result in "an optimistic growth" for the whole of 2016. (Source: The Star, 10 October 2016)
Bank Negara says 'broader alternatives to home ownership' key to protect buyers	Bank Negara Malaysia (BNM) said developing broader home ownership alternatives, including a well-functioning rental market, was deemed a policy priority to protect homebuyers from financial hardship. BNM said the suggested need for alternatives showed the adverse consequences poorly designed incentives to increase home ownership could have on housing affordability in the longer term. BNM also said there was a broad consensus that policy considerations for housing the nation would need to balance the objectives of providing a minimum quality housing standard while preventing the build-up of imbalances in the housing market. Policy measures to ensure access to credit must therefore be pursued with concern for the protection of homebuyers from financial hardship leading to foreclosure and poorer welfare. (Source: The Edge Financial Daily, 11 October 2016)
Pos Malaysia taps China's Alibaba for growth	Malaysia's biggest postal company is seeking a more direct role in providing logistics services to Chinese e-commerce giant Alibaba Group Holding Ltd, tapping a boom in online retailing. Pos Malaysia Bhd is planning for talks with Alibaba in October 2016 on by-passing the middlemen when shipping goods sold on its platforms. Surging parcel deliveries for online shopping drove a 40% jump in profit in the fiscal first quarter of 2016 and full-year earnings for 2016 will be higher than a year earlier. Postal companies in Asia are remodeling themselves by expanding overseas to meet rising demand spurred by a global retail e-commerce market valued at about US$1.2 trillion by the Universal Postal Union. Alibaba said its delivery affiliate Cainiao Smart Logistics Network Ltd works collaboratively with logistics participants to enhance customer experience and operation efficiency. (Source: The Edge Financial Daily, 11 October 2016)

Malaysia's IPI up 4.9% y-o-y in August 2016	Malaysia's industrial production index (IPI) grew 4.9% year-on-year in August 2016, driven by positive growth in all three major indices, according to the Department of Statistics Malaysia. The manufacturing sector output expanded further by 4.6% in August 2016 after increasing 3.3% in July. It said the major subsectors that recorded growth in August were: electrical and electronics products (7.9%); petroleum, chemical, rubber and plastic products (4.5%); and non-metallic mineral products, basic metal and fabricated metal products (4.6%). The mining sector output recorded a growth of 4.3% in August 2016 following a 6.1% increase in July. The expansion in August was supported by the increase in crude oil index (6.5%) and natural gas index (1.5%). Meanwhile, the electricity sector output expanded significantly by 11.4% in August following an increase of 7.1% in the previous month. (Source: The Edge Financial Daily, 12 October 2016)
Steel sector must consolidate, says Ahmad Maslan	Datuk Ahmad Maslan (Deputy Minister of MITI) has urged steel sector to consolidate to remain resilient and sustainable while industry players believe the worst is over. Apart from mergers and acquisitions, the industry can consider domestic partnership for potential joint venture to realign production to meet demand in both domestic and export markets. The local steel industry has been suffering from over capacity due to influx of China's steel imports. The price slump and the flood of cheap steel from China at below cost price in the global market had led to the low utilisation capacity of local steel mills to 40% between 2013 and 2015. However, MISIF president Datuk Soh Thian Lai said that "the worst is over" for the steel sector on the back of recovery in global steel prices. Steel price is on the way to recovery as China is cutting their production. (Source: The Star, 13 October 2016)
Capital outflows by foreign investors seen to continue	Foreign ownership of Malaysian Government bonds which shrank in September 2016 the first time in 12 months, could see capital outflows continuing in anticipation of a cut in the overnight policy rate (OPR) by BNM and a hike in Federal Reserve (Fed) rate after a record high in foreign holdings in August 2016. Fixed income analysts said there could be outflows until a clearer picture emerges on whether there could be an OPR cut in November 2016 or Fed rate hike by year-end. (Source: The Star, 14 October 2016)
CPO price expected to continue uptrend amid lower output	Analysts are expecting the price of crude palm oil (CPO) to continue its uptrend, supported by Malaysia's low palm oil stock with prices forecasted to average higher than expected for 2016. Price of CPO is expected to be range bound with support at RM2,400 per tonne. For the first nine months of 2016, production fell 15% compared with the same period in 2015. There are projecting a 10% decline in production for Malaysia for 2016. CIMB Investment Banking has an average price forecast of RM2,450 per tonne for 2016 but said it could average higher between RM2,500 and RM2,550 per tonne if the current price levels are sustained. For 2017, the price could continue its uptrend in the first half of the year, as production is expected to dip in the first quarter of the year. CIMB forecasts an average price of RM2,600 for 2017. (Source: The Edge Financial Daily, 14 October 2016)

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