MALAYSIA WEEKLY ECONOMIC NEWS

(25 July 2016 – 29 July 2016)

Topics	Highlights
Public Bank cuts interest rates by 23 basis points	Public Bank Bhd (PBB) is trimming its base rate and base lending rate / base financing rate by 23 basis points effective 27 July 2016, following the reduction by Bank Negara Malaysia (BNM) in the overnight policy rate (OPR). This will bring Public Bank's base rate to 3.52% and base lending rate / base financing rate to 6.72%. The move is poised to be a positive catalyst for the Malaysian economy to continue growing on a steady path amid increasing signs of moderating momentum in global economic growth. On a positive note, domestic demand as the main engine of the Malaysian economy will remain supported by monetary accommodativeness, healthy financial condition and stable inflation in the domestic economy. (Source: The Star, 25 July 2016)
Bursa expects challenging 2H, IPOs to be unexciting	Bursa Malaysia Bhd., whose net profit came in flat at RM49.5 million in its second quarter ended 30 June 2016 (2QFY16), expects market conditions to remain challenging in the second half of 2016. The issues that affected the market (sentiments) during the first half of 2016 are expected to remain in the second half of 2016. The foreign inflows were strong during 1QFY16 but several big events that took place during 2QFY16 have affected investors sentiments. Among them were the announcement of a new central bank governor, Brexit and the MSCI's decision to reduce its weightage on Malaysian blue chips, besides volatile palm oil prices which have sparked foreign fund outflow. As for new initial public offering (IPO), Bursa Malaysia said the stock exchange does not think there will be anything exciting for the remainder of 2016 as current market condition has put off many corporates from raising funds from capital markets. (Source: The Edge Financial Daily, 26 July 2016)
Asli CEO: 4.2 - 4.5% GDP growth seen in second half of 2016	The economy will be in better shape in the second half of 2016 and is expected to register a stronger gross domestic product (GDP) growth of between 4.2 - 4.5%, said Tan Sri Dr Michael Yeoh (CEO of Asian Strategy and Leadership Institute, ASLI). He pointed out that BNM's recent cut on the OPR should lead to higher loan growth whereby the big-ticket items that people buy in Malaysia are houses and cars. He said businesses had factored in the GST in their operations and consumers had accepted it. (Source: NST, 26 July 2016)
Government wants manufacturers to embrace 'fourth industrial revolution'	The Government welcomes suggestions concerning tax incentives on how best to facilitate more manufacturers to automate and embrace the fourth industrial revolution or Industry 4.0 said Datuk Seri Ong Ka Chuan (Minister II of MITI). According to Federation of Manufacturers of Malaysia (FMM), most manufacturers are aware of the Industry 4.0 concept, but only 30% have started to invest and leverage on modern technology. The Industry 4.0 has the potential to transform Malaysia's manufacturing scene by helping reduce reliance on manual labour and keep exports competitive. A knowledge-based economy is in the making as more manufacturers move up the value chain. In facilitating Industry 4.0 the Government must consistently enforce data protection so as to create a trustworthy ecosystem within which manufacturers, their suppliers and clients feel comfortable to share confidential and proprietary information. (Source: NST, 27 July 2016)
Malaysian residential property sector	The Malaysian residential property sector is expected to remain flat going into 2017, weighed down by uncertainties in the global economies. However, this

to remain flat	might not necessarily mean that things have taken a turn for the worst, said the Association of Valuers, Property Managers, Estate Agents and Property Consultants in the Private Sector Malaysia (PEPS). A flat market is considered good because it means yields are still reasonably alright and people are not going to easily default on their loans, unlike during the Asian financial crisis. Demand for affordable housing had picked up, while sales of properties over RM500,000 had declined in 2016. (Source: The Star, 28 July 2016)
BNM issues discussion paper on fintech regulatory sandbox	Bank Negara Malaysia (BNM) has issued a discussion paper on financial technology (fintech) regulatory sandbox to further encourage innovation and improve the delivery of financial services. BNM said the sandbox will allow regulated financial institutions and fintech companies looking to do businesses regulated by the bank, to experiment with fintech solutions in a production or live environment, subject to appropriate safeguards and regulatory requirements. The discussion paper sets out the eligibility criteria, minimum standards and requirements as well as proposed approach in operationalising the sandbox. The introduction of the sandbox is another key initiative by the bank in providing a conducive regulatory environment for the adoption of innovative financial technology solutions, following the establishment of FTEG on 2 June 2016. FTEG chairman Aznan Abdul Aziz said the sandbox is an important regulatory tool for the bank to spur innovation in the financial sector. It signifies the bank's commitment to improving the quality, efficiency and accessibility of financial services in Malaysia through a progressive and responsive regulatory approach that unlocks the value of technological developments. The bank invites written comments by regulated financial institutions and the public on the proposals set forth in the discussion paper by 30 August 2016. (Source: NST, 29 July 2016)

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