MALAYSIA WEEKLY ECONOMIC NEWS

(29 February 2016 – 4 March 2016)

Topics	Highlights
MIDA: Approved investments hit by depressed commodity prices	Total approved investments in Malaysia fell 21% to RM186.7bil in 2015, hit by weaker commodity performance as well as the stronger US dollar. However, the country's investment performance was above the average annual investment target of RM148bil set under the 10th Malaysia Plan. Of the total, 80.7% or RM150.6bil was contributed by domestic investments while the rest was from foreign sources. The higher DDI (direct domestic investments) performance reflects local investors' favourable response to the government's call for domestic investments to lead the way in the growth of the economy. Throughout 2015, a total of 4,887 projects was approved and they were expected to create 180,240 new jobs. *(Source: The Star, 29 February 2016)*
PMI: Production continues to decline in February	The Nikkei Manufacturing Purchasing Managers Index (PMI) in Malaysia was at 47.8 points, indicating weakening manufacturing activity in February 2016 from the previous month, led by a decrease in new orders. The PMI is a gauge of nationwide manufacturing activity. A reading above 50 indicates expansion in manufacturing activity, while a reading below signals contraction. Data suggested that the primary cause of the decline in total new orders was a fall in domestic demand. However, new orders from abroad increased slightly. *(Source: NST, 1 March 2016)*
Mid-Tier Companies to maintain exports at 30% in 2016	Mid-tier companies are expected to maintain their exports growth at 30% in 2016. In 2015, 101 mid-tier companies under Mid-Tier Companies Development Programme (MTCDP) saw their exports increase by RM1.52bil or 30% to RM5.67bil from RM4.15bil recorded in 2014. Mid-tier companies make up about 1% of all establishments in Malaysia and they contributed 30% to the GDP and represented 22% of the workforce. *(Source: Bernama, 1 March 2016)*
Aid for 25kg-bag of wheat flour removed from today (1 Mar 2016)	The subsidy for the 25kg-bag of wheat flour will be removed effective 1 March 2016, a move which will likely lead to more costly food items like roti canai, noodles and those that use general purpose flour. The 25kg-bag of flour e.g. Blue Key brand which is purchased by retailers such as coffee shops and *mamak* restaurants, will increase from RM33.75 to RM42. However, the Government will maintain the RM1.35 subsidised price for the 1kg bag of wheat flour purchased by households. Retailers used to get RM600 to RM800 in subsidies per metric tonne of flour produced each month or 60 sen to 80 sen per kilo depending on the price of wheat in the market. *(Source: Bernama, 1 March 2016)*
Retail industry to rebound with 10% growth in 2016	The retail industry is set to rebound with a 10% growth in 2016 as consumers have factored in the impact of the GST. Datuk Liaw Choon Liang (President of Malaysia Retail Chain Association, MRCA) said that in 2015, the sector was affected by plunging oil prices coupled with the introduction of the GST that weighed on sentiments. He urged retailers to be more innovative in their marketing and embark on aggressive promotions as consumers were more cautious now. Thus, e-commerce is the future. *(Source: The Star, 2 March 2016)*

RM1bil fund to be channeled for upskilling employees	HRDF wants to accelerate the use of the RM1bil in levy collections from employers to improve the skillsets of their employees. The employers said that things are slowing down for their businesses, thus this is the time they should spend the time and money on training the staff so that they will be better prepared for better productivity and contribute towards the nation when times get better. The urgency and need for training is in light of the fast approaching national target of having a 35% skilled workforce by 2020. Currently Malaysia's share of skilled workforce stood at 28%. *(Source: NST, 2 March 2016)*
Malaysia and Indonesia fight palm oil Bill in France	Malaysia is fighting yet another move to smear palm oil in Europe. The Government is joining hands with Indonesia to stop a French Bill, which could result in the domestic tax on palm oil to jump as high as 800% by 2020. In January 2016, the French government proposed an amendment to its Law on Biodiversity, which if approved, would increase France's tax on palm oil products from the current €100 per metric tonne to €300 in 2017 and €900 by 2020. It was claimed that the palm oil industry was unsustainable and led to deforestation. The Bill is meant to discourage its citizens from consuming palm oil on the grounds that it had negative health effects. *(Source: The Star, 2 March 2016)*
Excise duty hike, however, neutral on	The Government's move to change the tax structure (effective 1 March 2016) for malt liquor will lead to a hike in the price of beer by between 8% - 10%. Beers with higher alcohol content would likely see a steeper jump in prices after the Government changed the way it charges excise duties, which now looks at alcohol content to determine duties paid. UOB expects brewers to absorb some of the higher excise duty hikes for beverages with high alcohol content, as it would not be practical to implement steeper prices in the current economic environment. *(Source: The Star, 3 March 2016)*
Exports in January dip but manufactured goods holds up	Exports in January 2016 declined by 2.8%, marked the first contraction since May 2015 due to a slumped in oil & gas shipments (LNG, crude petroleum & refined petroleum products) and weaker global economic conditions. Meanwhile the imports grew by 3.3%, picking up from 3.2% the previous month. January's trade surplus narrowed to RM5.39bil compared with RM8.25bil in December 2015, pressured by falling oil and commodities prices but also from a strengthening ringgit in January 2016. MITI said the exports of manufactured good, however grew by RM1.95bil to RM50.59bil, accounting for 81.8% of total exports. The increase was supported mainly by higher exports of machinery, equipment and parts; electrical and electronic (E&E) products; manufactures of metal as well as optical and scientific equipment. *(Source: NST, 4 March 2016)*
Malaysians have the most debt in Asia	Malaysian investors rank the highest in Asia in terms of indebtedness, with more than two-third of investors with debt, according to the latest Manulife Investor Sentiment Index (MISI). Although Malaysian investors rank saving for top financial priority, the research showed a lack of financial planning. This may jeopardise long-term financial security, particularly when compounded by high-debt levels. The research showed that 68% of Malaysians currently have debt, the highest proportion of all eight markets surveyed in Asia (more than the double regional average of 33%). Average debt is RM56,000, nearly 10 times average Personal Monthly Income. *(Source: The Star, 4 March 2016)*

Economics and Policy Planning Division
SME Corp. Malaysia
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