MALAYSIA WEEKLY ECONOMIC NEWS

(27 March 2017 – 31 March 2017)

Topics	Highlights
Young and jobless	The youth unemployment rate in Malaysia has reached more than three times the national unemployment rate of 3.1%, due to the slower growth in hiring, according to Bank Negara in its 2016 annual report. In 2015, the unemployment rate among youths was estimated to have reached 10.7%. In 2015, unemployment rate among youths increased by 1.2% from an estimated 9.5% to 10.7%, while national unemployment rate went up by only 0.2% (from 2.9% to 3.1%) during the same period. The central bank stressed that while youths were the most vulnerable to these trends, they were perhaps the last to be hired and first to be made redundant due to a lack of experience, higher information asymmetry on the labour market and poor communication skills. Among regional economies, Malaysia's youth unemployment were in the double-digits, despite an overall low unemployment rate. *(The Star, 27 March 2017)*
Only one-third of millennials able to own homes, says HSBC study	Just 35% of millennials (those born between 1981 and 1998) are able to afford to own homes, according to HSBC's first Beyond the Bricks study. The study, which covered over 9,000 youths from nine countries, revealed that slow salary growth and rising property prices remained a challenge for Millennials to own their own homes. According to the study, Malaysian property prices increased by 3.2% in 2016, while real wages in 2017 are only expected to increase by 3.9%. The study also revealed that many millennials do not have proper financial planning for a home purchase, where only 16% have set a budget. It said about 64% set an approximate budget while 20% had no overall budget in mind. *(The Star, 27 March 2017)*
Bilateral trade between Malaysia, OIC countries at RM145 billion in 2016	Bilateral trade between Malaysia and the Organisation of Islamic Cooperation (OIC) countries inched up 0.2% to RM145.18 billion in 2016 from RM144.87 billion the previous year. The trade balance also registered a good performance in rising 67% to RM18.96 billion in 2016 compared to RM11.37 billion the previous year. Among the OIC countries, nearly 70% of Malaysia's exports went to Indonesia, the United Arab Emirates, Turkey, Bangladesh and Pakistan with a lot of effort going into establishing good trade relations. Malaysia signed free trade agreements with Pakistan and Turkey in 2007 and 2014, respectively. Currently, the OIC was Malaysia's fifth largest trading partner, accounting for total trade of RM1.48 trillion in 2016. *(The Star, 27 March 2017)*
China investors prefer Malaysia over more expensive Australia and HK	Mainland Chinese investors are now favouring Malaysia for real estate over more expensive Australia and Hong Kong, says the Financial Times (FT) in a report. Chinese developers have increasingly made their presence felt especially in the southern tip of the Malay Peninsula where since the early 2010s, a number of them have bought land in Iskandar Malaysia, the country's most established economic zone located in Johor. According to FT, citing data from Real Capital Analytics, Chinese groups have invested more than US$2.1 billion in Malaysian real estate over the past three years, compared with US$985 million invested by Singaporean companies between 2014 and 2016. Last year, the economic zone drew in investments totalling RM32.15 billion. From 2006 up until last year, Iskandar Malaysia has seen RM222.44 billion of investments, of which RM119.5 billion or 54% has been realised. *(The Star, 28 March 2017)*

RAM Ratings sees stronger growth for takaful sector	RAM Rating Services Bhd expects Malaysia's takaful sector growth trajectory to remain higher than the conventional counterpart, underpinned by growth in the family takaful (FT) segment. It said the FT penetration rate was substantially lower (15% of the population) relative to life insurance's 41%. RAM Ratings maintained its stable outlook on the Malaysian insurance and takaful sector in 2017, which is supported by the industry's strong capital levels and regulatory reforms which augur well for the sector's development. Amid expectations of a delicate economic recovery, general insurance (GI) gross premiums growth is anticipated to stay below 2% in 2017. Meanwhile, subdued consumer sentiment and inflationary pressures will slow the pace of life insurance (LI) gross premiums growth to about 5% this year. *(The Star, 31 March 2017)*
February producer price index rises 10.8%	Malaysia's producer price index (PPI) for February rose by 10.8% to 110.4 from 99.6 a year earlier. The department said in a statement that the highest increase was recorded by the mining index (35.7%), followed by agriculture, forestry and fishing (29.3%), manufacturing (7.4%) and electricity and gas supply (3.0%). It said the index for water supply decreased by 0.1%. On a monthly basis, the PPI for local production improved by 0.7% in February 2017 due to increases in two sectors, namely, manufacturing (1.1%) as well as agriculture, forestry and fishing (0.2%). Meanwhile, mining declined 0.9%, followed by water supply (0.2%) and electricity and gas supply (0.1%). The department said the PPI for local production by stage of processing (SOP) inclined 0.7% in February versus January. This was due to increases in the indices for intermediate materials, supplies and components (1.3%), finished goods (0.4%) and crude materials for further processing (0.1%). Compared with the identical period a year ago, the PPI for local production by SOP for February increased 10.8% due to increases in the indices for crude materials for further processing (37.7%), intermediate materials, supplies and components (7.6%) and finished goods (0.8%). *(The Star, 31 March 2017)*

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