MALAYSIA WEEKLY ECONOMIC NEWS

(30 July 2018 – 3 August 2018)

Topics	*Highlights*
June exports up 7.6% on-year	Exports expanded by 7.6% year-on-year (y-o-y) in June, extending its growth for four consecutive months, driven by E&E products, while China continuing to be a strong market. Exports of manufactured goods in June 2018 increased by 12.7% year-on-year, accounting for 85.4% of Malaysia's total exports. The expansion was driven mainly by higher exports of E&E products, petroleum products, manufactures of metal as well as chemicals and chemical products. In June 2018, exports to China remained strong and rose by 16.9% following higher exports of chemicals and chemical products, manufactures of metal, liquified natural gas (LNG) as well as optical and scientific equipment. Imports from China were up by 18.8% to RM15.39bil. However, exports of mining declined by 10.9%, and exports of agriculture goods also contracted by 18.7% mainly due to lower exports of palm oil and palm oil-based agriculture products, For imports, it rose by 14.9%, of which imports of intermediate goods increased by 3.1%, imports of capital goods expanded by 14.1% and imports of consumption goods rose by 4.9%. *(Source: The Star, 3 August 2018)*
Malaysia manufacturing showed broad stabilisation during July	Malaysian manufacturing conditions showed broad stabilisation in July 2018, primarily driven by output rising for the first time in five months. The Nikkei Malaysia Manufacturing Purchasing Managers' Index (PMI) by IHS Markit rose to 49.7 in July 2018 (June'18: 49.5). A reading above 50 indicates expansion in manufacturing activity, while a reading below 50 indicates contraction. IHS Markit said the higher output requirements encouraged firms to engage in staff recruitment for the second consecutive month. However, new business declined for the sixth months in succession. Looking ahead, IHS Markit said business sentiment strengthened and was broadly in line with the series average. The abolition of the GST in June continued to feed into PMI price data, as input cost inflation remained modest and broadly similar to June's multi-year low. On a more positive note, the level of positive sentiment strengthened from June's recent low and was broadly in line with the historical trend. Subsequently, firms also continued to raise their staffing levels, albeit at a marginal pace. *(Source: The Edge Markets, 1 August 2018)*
70k-80k companies expected to register under SST	The Customs Department expects between 70,000 and 80,000 local companies to register under the impending Sales and Services Tax (SST). Its director general, Datuk Seri Subromaniam Tholasy said this would be significantly lower than the 472,000 companies registered under the Goods and Services Tax (GST) previously. The Customs Department will only migrate the eligible companies' data used to be under MyGST system to MySST system automatically beginning 1 August 2018. The migration work must be done to avoid interference once the SST is implemented on 1 September. Subromaniam said it was vital for the Customs to have engagements session to educate companies on the SST mechanisms. Customs will help and guide companies in preparing their transition to SST to ensure that the tax system can be implemented efficiently. The Customs' SST proposal would involve 6,400 items to be taxed, subject to Parliament's approval. Previously, there were 11,197 items taxed under GST. On the penalty for businesses who failed to comply with the new tax regime, the charges would remain the same as GST's penalty. *(Source: New Straits Times, 31 July 2018)*

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