MALAYSIA WEEKLY ECONOMIC NEWS

(14 March 2016 – 18 March 2016)

Topics	Highlights
Unsold residential units to rise in 2016	Property developers are expected to see more unsold residential units in 2016, as launches over the past two years are expected to come on stream, amid a slowdown in demand. The local property market has seen some dampening since the introduction of cooling measures by the government in 2014 to curb speculative activity, introduction of the GST while the recent downsizing of companies amid the challenging environment and rising living costs have compounded the problem. Nevertheless, the latest survey by the Real Estate and Housing Developers Association (REHDA) revealed that the number of respondents that reported unsold units improved slightly to 62% as at second half of 2015, compared with 78% in first half of 2015. The units were unsold due mainly to lack of end financing and loan rejections. The unsold units were mainly located in Selangor, Johor and Pahang. The prices of unsold units in Selangor and Johor were mainly in the range of RM500,001 to RM1 million, while that in Pahang were between RM250,001 and RM500,000. *(Source: The Edge Daily, 14 March 2016)*
Malaysia sets up committees for TPPA implementation	Malaysia has set up a national committee to oversee the implementation of the Trans Pacific Partnership (TPP) agreement. The committee will consist of representatives from the ministries and government agencies involved with the trade agreement. It will mirror the set-up of the TPP Joint Commission and sub-committees under the trade agreement. According to MITI, a separate consultative committee will also be formed with industry players, business chambers, SMEs, non-governmental organisations and various other local stakeholders. The committee will gather feedback and assess the impact of the implementation from time to time. *(Source: NST, 15 March 2016)*
Export duty on CPO soon	Malaysia raised its export tax on crude palm oil (CPO) to 5% beginning 1 April 2016, ending a duty-free policy held since May 2015 (11 months of zero duties). The higher tax could dent the CPO exports and drag its benchmark prices. Big plantations will be rushing to take out CPO from the country which may put some pressure on domestic figures and supplies and take exports higher before the tax kicks in. Producers that have been exporting a lot of CPO will be at a disadvantage as exports are expected to come down. However, a CPO export tax is a good news for local refiners as it will help keep more crude palm oil at home, weighing on domestic prices and improving downstream margins. There are no duties on Malaysian exports of refined palm oil products. Thus, this will change the export percentage between CPO and processed palm oil products. *(Source: The Star, 16 March 2016)*
Customs expects to collect RM52 billion in taxes this year	The Royal Malaysian Customs Department (Customs) is confident of achieving RM52 billion in tax revenue for 2016 as targeted by the government in the 2016 budget. Director-General Datuk Seri Khazali Ahmad said the department was undertaking initiatives to improve its tax collection system for the convenience of taxpayers. Out of the total, RM39 billion was expected to come from the GST. Surveillance of traders and taxpayers will be stepped-up through stringent enforcement. *(Source: The Star, 16 March 2016)*

Slower construction jobs	The value of construction jobs given out in the country last year dropped by about 43% to RM96 billion from RM167billion in 2014, according to an interim Construction Industry Development Board (CIDB) report. According to the interim report, the number of jobs given out in the country had also dipped by 39% to 5,644 in 2015 from 7,853 in 2014. Of the 5,644 jobs contracted out in 2015, 1,391 were government jobs, while the remaining 4,253 were contracts from the private sector. However, Master Builders Association Malaysia president Matthew Tee said that when the final report was out, which is scheduled in April 2016, the figures would be updated and are unlikely to show a big decline. He projected a single-digit percentage growth in the value and the number of jobs to be contracted out in 2016 due to the infrastructure projects to be implemented this year under the RMKe-11. *(Source: The Star, 17 March 2016)*
BAT to close Malaysian factory in stages	British American Tobacco (M) Bhd (BAT), the country's biggest cigarette maker, is winding down it manufacturing business in stages with the shutdown of its facility in Petaling Jaya expected in the second half of 2017. The company said 230 employees would be affected whereby they will be provided a benefit-package as well as the option to undergo a career-transition programme. BAT will be sourcing tobacco products for the domestic market from other BAT group factories regionally. BAT said the restructuring was in line with the company's efforts towards realising a new and more sustainable business model, amid an increasingly challenging business environment. In 2015, BAT said its sales volume decline 13.5% from 2014, causing its revenue to fall by 4.5% year-on-year to RM4.58 billion from RM4.79 billion previously. *(Source: The Star, 18 March 2016)*
New foreign worker levies for Peninsular Malaysia effective 18 March 2016	Following on outcry from employers over the proposed levy hike for foreign workers, the Government has revised the levies, effective 18 March 2016. Employers in the manufacturing, construction and services sectors (category one) will have to pay a levy of RM1,850 for each foreign worker hired (initial proposal RM2,500). Plantations and agriculture sector employers (category two) are to pay RM640 per worker (initial proposal RM1,500). The new rates entailed an increase of RM600 for category one and RM230 and RM50 for the plantations and agriculture sectors respectively. The new rates are for Peninsular Malaysia only. *(Source: The Star, 18 March 2016)*

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