

MALAYSIA WEEKLY ECONOMIC NEWS

(1 August 2016 – 5 August 2016)

Topics	Highlights
<p>Malaysia PMI July 2016 records 48.1</p>	<p>Malaysian manufacturers recorded the weakest performance since March according to the Nikkei Malaysia Manufacturing Purchasing Managers' Index (PMI) in July 2016. The headline PMI posted at 48.1, slightly up from 47.1 in June 2016, thereby signalling a weaker rate of deterioration in operating conditions in Malaysia. The latest reading was the highest since March 2016 which reflected softer declines in output, new orders and stocks of purchases. However, according to data, due to a recent fall in employment, extra pressure was placed on manufacturing capacities and for the first time since April, manufacturer cut back on staffing numbers in July 2016. Although the reduction of staff in July was marginal, it suggests that companies are less optimistic about the outlook of manufacturing industry. On the price front, cost inflationary pressures eased to the weakest since March 2016 and the rate of increase was slower than the average over the current 18-month sequence of inflation.</p> <p>(Source: NST, 1 August 2016)</p>
<p>Rising prices making it hard for B40s, M40s</p>	<p>Acknowledging that the increase in the general price level is making it difficult for the majority of Malaysians to sustain their standard of living, the Government said there is a need to closely examine two matters to deal with it. One is the prices of essential goods and services, and the other is income. Malaysians spend about 31.2% of their disposal income on food and food away from home, 23.9% on petrol, housing and utilities and 14.6% on transportation. But with the change in lifestyle, the basket of necessary goods today includes cars, handphones, computers and Internet access. Hence, with the increase in the general price level, it is argued that the B40s (bottom 40% household income group) and the M40s (middle 40% household income group) are finding it difficult to sustain their standard of living. The 2017 Budget focus group meeting discussed in detail about the issues and challenges in addressing the rising cost of living and obtain views and recommendations for consideration in the 2017 Budget.</p> <p>(Source: The Edge Financial Daily, 2 August 2016)</p>
<p>Malaysia jumps 8 spots to be 28th most confident nation globally</p>	<p>Malaysia jumped eight spots to be the 28th most confident country globally in the second quarter of 2016 from 36th in the first quarter, according to Nielsen Global Survey of Consumer Confidence and Spending Intentions. Malaysia has weathered the currency devaluation and moved past the first year of the implementation of the GST without the economy going into any significant downturn. Thus, consumer confidence outlook is returning, with more Malaysians believing the economy is more resilient than a year ago. While the economy (45%) and job security (25%) remained the top two key concerns among Malaysian consumers, over one third of them were also positive about the local job prospects over the next 12 months (36% versus 27% in the prior quarter). Nearly half of the respondents also felt the same about their state of personal finances in the coming year (48% versus 40%) despite sluggish economic environment. The Government's recent measures to cut the mandatory 11% contribution in the Employees Provident Fund by 3% and with a minimum wage rise should also boost consumer spending power.</p> <p>(Source: The Star, 3 August 2016)</p>
<p>Serious mismatch' in housing supply</p>	<p>According to Ministry of Malaysia (MOF), houses priced up to RM165,060 are considered affordable to a median Malaysian household. The figure was calculated based on the "median multiple" methodology developed by Demographia International and recommended by the World Bank and the United Nations to evaluate urban housing markets. Under the methodology, a house is</p>

	<p>considered affordable if a household can finance it with less than three times its annual household income. Thus, according to Bank Negara Malaysia in its Annual Report 2016, half of Malaysian households earned a monthly income of RM4,585 and below in 2014, which suggested that houses priced up to RM165,060 are considered affordable to them. However, only 21% of new housing launches in Malaysia were priced below RM250,000 in 2014, while developers are attracted to build higher-end properties priced above half a million. As a result, there is a serious mismatch in the property market in terms of what is offered by property developers and what the prospective buyers can afford to buy. Unfortunately, in the eyes of the developers, 'affordable properties' are properties that cost up to RM500,000 for 'first-time house buyers' and up to RM1 million for 'second-time house buyers' or 'upgraders'. This is why there are so few properties costing between RM150,000 and RM300,000, and the vast majority of new launches are in the range of RM500,000.</p> <p>(Source: The Edge Financial Daily, 4 August 2016)</p>
<p>Malaysia's 1H2016 trade surplus of RM41.79 billion reflects strong export sector</p>	<p>Malaysia's export sector continued on a positive note with the trade surplus in the first half of 2016 (1H16) increased to RM41.79 billion from RM41.69 billion registered in 1H15. June's trade surplus was RM5.52 billion, making it the 224th consecutive month of trade surpluses recorded since November 1997. Malaysia's trade in 1H16 grew by 1.3% to RM704 billion from RM694.98 billion recorded in 1H15. During the period, exports increased by 1.2% to a total value of RM372.9 billion and imports increased by 1.4% to RM331.11 billion. As for June 2016, trade increased by 5.7% year-on-year to RM127.38 billion while exports for the month rebounded with an expansion of 3.4% to RM66.45 billion, from a negative growth rate recorded in May 2016. Imports rose by 8.3% to RM60.93 billion. The exports of manufactured goods for January-June 2016 period grew by 5.6% to RM309.17 billion compared to the first six months of 2015. The higher exports were attributed to electrical and electronics (E&E) products, manufactures of metal, machinery, equipment and parts, optical and scientific equipment, chemicals and chemical products as well as processed food. Manufactured exports accounted for 82.9% of Malaysia's total exports, a rise from the 79.5% recorded during the same period in 2015. Exports of agricultural goods increased by 1.5% but exports of mining goods contracted by 29.2%. The decline in exports of mining goods was due to lower exports of liquefied natural gas (LNG) and crude petroleum, both in terms of Average Unit Value (AUV) and volume.</p> <p>(Source: NST, 5 August 2016)</p>

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