MALAYSIA WEEKLY ECONOMIC NEWS

(24 October 2016 – 28 October 2016)

Topics	Highlights
Fitch: High capex, competition to weigh on Malaysian telcos	Malaysian telecommunication companies (telcos) will continue to experience intense competition, margin squeeze and high capex, according to Fitch Ratings. Fitch sees continuing pressure on data tariffs, limiting any meaningful recovery in mobile operators' revenues. However, it said competition in the fixed-line and fibre broadband segments will remain moderate. It said the average operating EBITDA margins of telcos are likely to narrow by 80bp-120bp, as telcos compete on price for IDD services and on the size of data allowance to counter weak consumer spending. Expansion in fibre services and long-term evolution (LTE) services will drive capex. In addition, mobile operators will have to incur high spectrum costs under the new fee structure set by the telecoms regulator, the Malaysian Communications and Multimedia Commission (MCMC). Fitch anticipates limited upside on the sector outlook, as the ongoing weakness in the Malaysian ringgit and intense competition are likely to weigh on operating cash flows. (Source: The Edge Financial Daily, 24 October 2016)
October 2016 Malaysia's foreign reserves at above RM400bil-level	Malaysia's foreign reserves have remained steady above the US$97bil-level for the past seven months on less volatile capital flows. According to BNM, international reserves of the central bank had increased marginally to US$97.8 billion as of 14 Oct 2016 from U$97.7 billion as of 30 Sept 2016. In ringgit terms, the reserves were valued at RM405.6 billion in mid-October, compared with RM405 billion at end-September 2016. This compared with the central bank's international reserves of US$96.1 billion or RM412.3 billion, as of 15 March 2016. The prevailing reserves position was sufficient to finance 8.5 months of retained imports and was 1.2 times the short-term external debt. (Source: The Star , 25 October 2016)
MoF says 6,170 people laid off by GLCs to-date	The Ministry of Finance (MoF) revealed that some 6,170 employees have been laid off by large government-linked companies (GLCs) so far this year, mainly by Malaysian Airline System Bhd (MAS) and Petroliam Nasional Bhd (Petronas). In a written reply to a parliament query, MoF said there were five GLCs under the G20 category that terminated or did not renew employment contracts to-date, with MAS topping the list after laying off 4,682 people. As for companies owned via the Ministry of Finance Inc (MoF Inc), MoF said Petronas has laid off 1,000 people, while Bank Pertanian Malaysia Bhd (Agrobank) has terminated 36 people. MoF said terminations are due to adjustments in business operations in order to adapt prevailing business environment. Despite that, every employee terminated have been offer fair compensation based on rights on Collective Agreement. (Source: The Edge Financial Daily , 26 October 2016)
A need to cut down on civil servants: MPC	There is an urgency to cut the number of civil servants in the country to bring down the country's operating expenditure, which is an important indicator when it comes to competitiveness in the global arena, said Malaysia Productivity Corp (MPC) director-general Datuk Mohd Razali Hussain. Under the operating expenditure of RM214.8 billion announced in Budget 2017, RM77.4 billion was allocated for emolument spending. Malaysia's civil service employs 1.6 million people. MPC is tasked to provide value-added information on productivity, quality, competitiveness and best practices through research and databases. (Source: The Sun Daily, 26 October 2016)

SSM conducts checks, reviews on companies	The Companies Commission of Malaysia (SSM) will continue with enforcement activities including checks and review of its database, to ensure regulatory compliance. Between 2014 and October 2016, SSM examined 9,340 companies related to various provisions of the Companies Act 1965. A total of 281 companies were audited for compliance under section 167 of the Companies Act 1965 during the same period, by providing SSM with their record keeping practices. SSM said regulatory and enforcement activities continue to be its main agenda in addition to efforts to educate business owners of the legal implications of compliance and the need for best corporate governance practices. (Source: The Sun Daily, 26 October 2016)
Malaysia ranked 23rd by World Bank for ease of doing business	Malaysia fell one notch to 23_{rd} place in the World Bank's Doing Business Report 2017 (DB 2017), with a score of 78.11 from 78.18 among the 190 economies. MITI said in a statement that the country was initially ranked 18^{th} in DB 2016, but the ranking for that year was revised to 22^{nd} taking into account some changes in methodology. Within ASEAN, Malaysia was ranked second after Singapore and ahead of other ASEAN economies. The distance to frontier (DTF) score measures the distance of each economy to the "frontier". The slight decline in Malaysia's DTF score from 78.18 to 78.11 is mainly due to drop in performance in the Starting A Business and Paying Taxes indicators. On the other hand, Malaysia recorded improvements, among others, Getting Electricity, Getting Credit, Starting a Business - cost, Paying Taxes - number of payments per year, and Trading Across Borders - cost to export and cost to import. (Source: The Star, 26 October 2016)
Malaysia's economic resilience spurred by ETP, GTP	The Malaysian economy has shown resilience amid global economic uncertainty, on the back of successful implementation of the Government Transformation Programme and Economic Transformation Programme. MITI said both programmes had turned the country from an input-driven, low-wage and low-skill economy into that of innovation and technology-based and having value-added skills. Malaysia also need to adopt some very radical approaches to ramp up productivity growth to achieve the 3.7% annual growth as targeted under the Eleventh Malaysia Plan (11MP). (Source: Bernama, 26 October 2016)
Malaysia has much to learn from China in Internet technology	Datuk Seri Najib Razak called on local businessmen to work with technology communities worldwide and exploit the full potential of the digital economy. Citing China as an example, Najib said Beijing has seen the birth of many tech giants of its own such as Alibaba, Tencent and Baidu, and these were the epitome of today's digital icons that every tech company seeks to emulate. Noting that Malaysia's digital economy contribution to the gross domestic product (GDP) was 17.8% in 2015, he said the relentless push for proliferation and use of digital technology across businesses, governments and citizens has yielded results. He also added that the digital economy has been growing at an impressive rate of 10% a year, more than triple the rate of overall global economic growth. (Source: The Edge Financial Daily , 27 October 2016)

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