MALAYSIA WEEKLY ECONOMIC NEWS

(26 September 2016 – 1 October 2016)

Topics	Highlights
AIM allocates	Amanah Ikhtiar Malaysia (AIM) is allocating RM2.4 billion of interest-free loans in 2016 to assist small entrepreneurs. Datuk Dr Zubir Harun (Executive Chairman, AIM) said RM2 billion had been approved for 388,000 participants to run various business nationwide. The balance (RM400,000), is expected to be given out by end of 2016. Most entrepreneurs received loans of between RM5,000 and RM50,000 per person, while those who showed excellent performance could be considered for loans of up to RM80,000. (Source: The Edge Financial Daily, 26 September 2016)
Adjustment of ringgit should be viewed from a long-term perspective, says BNM	Datuk Muhammad Ibrahim (Governor, Bank Negara Malaysia, BNM) has asserted that the adjustment of the local currency should be viewed from a long-term perspective and not short-term. He said in short term, the exchange rate movement could react to new headlines and market sentiments, instead of reflecting the underlying strength of the economy. What is important, therefore, is to ensure the availability of ample reserves, maintaining strong economic fundamentals and managing the exposure to external debt. Global concerns over monetary policy normalisation by the Federal Reserve continue to impact the ringgit. The ringgit volatility since September 2014 has exceeded levels in previous episodes of sharp adjustment such as the European Sovereign Debt Crisis and Taper Tantrum. Thus, Malaysia needs to reawaken growth, reignite productivity and restore inclusiveness to secure continued and sustainable progress, as well as navigate current global landscape. (Source: NST, 27 September 2016)
Safeguard measures on steel may lead to uncontrollable prices - MBAM	The Master Builders Association Malaysia (MBAM) has strongly opposed the safeguard measures on steel as it will lead to uncontrollable prices of steel bars due to the absence of the free flow of imported steel. MBAM said the Government recently introduced safeguard duties of 13.9% for steel coils and 13.4% for steel re-bars following a petition by local steel industry players. It said industry players alleged that the increase of imports of the steel products into Malaysia caused serious injury to the domestic industry producing the likes of the items. This safeguard rate will be imposed on top of the existing 5% import duty. This action has an enormous impact on the steel consumers in Malaysia. Steel is used as an input in different industries and any further rise in steel prices will increase the cost of production. MBAM said the Government should look at a sustainable long-term plan on this issue, as the local producers were not supposed to be protected for their inability to stay competitive. Besides, these measures are a U-turn from the Government's previous decision in 2008 to liberalise the steel industry by abolishing the price control / ceiling prices. (Source: The Star, 28 September 2016)
No changes to GST in near term	There will be no changes to the Goods and Services Tax (GST) in the near term as the Government aims to embed the tax system into entire consumer spending system said Datuk Johari Abdul Ghani (Finance Minister II). He said with the implementation of GST, the country is on track to meet its fiscal deficit target of 3.1% in 2016. GST and the subsidy rationalisation policies were necessary to keep the country's fiscal deficit on target, especially given the challenging economic climate. (Source: The Star, 28 September 2016)

Malaysia's September PMI increases to 48.6, up from August	Headline Purchasing Managers Index (PMI) posted at 48.6 in September 2016 for Malaysia, up from 47.4 in August 2016. The latest figure is the highest since Jan 2016 and greater than the average over the last 18 consecutive months of readings below the 50.0 no-change mark, according to the Nikkei Malaysia Manufacturing Purchasing Managers' Index. The index is a composite headline single-figure indicator of manufacturing performance. Meanwhile, the new orders from Malaysian goods producers declined at the softest pace since May 2015. Data suggested that the primary factor behind the fall in total incoming new work is a decrease in international demand. New export orders declined for the fourth month running and at the fastest pace in three months. It said a number of survey respondents mentioned a lack of demand from foreign clients and an unstable global economy as factors behind the fall in new exports. Employment in the Malaysian manufacturing sector broadly stabilised in September, after having declined in the previous two months. Meanwhile, manufacturers cut back on their input buying at a quicker pace, leading to a fall in stocks of pre-production items. Input prices rose at the joint-sharpest rate in the series' history to date. Higher raw material prices, unfavourable exchange rates and an increase in the sales tax were all commonly cited as factors behind the rise in cost burdens. (Source: NST, 30 September 2016)
Retail pick-up expected in Q4	The local retail sector is expected to see a slight pick-up in sales in the final quarter of 2016 following what observers felt was a "mellow" third quarter. Allan Soo (Managing Director, Savills Malaysia) said the fourth quarter of 2016 tends to be a time that retailers usually look forward to given the festive holidays and year-end sales during the period. Year-on-year, he expected a slight growth due to pent-up demand, given that the gap with the last big holiday season (Hari Raya) was bigger this year. The local retail sector will benefit from tourist arrivals which is expected to remain encouraging towards year-end. Malaysia Retail Chain Association (MRCA) is more cautious about the outlook for the fourth quarter (4Q) of 2016 as it initially starts off quiet but tends to pick up in December. But the outlook remains challenging. The shopping malls and the overall retail sentiment has been soft. Malaysian Association for Shopping and High-Rise Complex Management concurs that the 4Q 2016 tends to see a pick-up in sales. Meanwhile in Retail Group Malaysia (RGM)'s report in August 2016 said the Malaysian retail industry's fourth-quarter growth rate estimate remained at 5.5%, taking into consideration the growth of 1.3% achieved during the same period a year ago. It said the projected retail sales growth rate of Malaysia's retail industry in 2016 is expected to remain at 3.5% or RM99.5bil in value. Business so far this year has been challenging with sales in the 3Q 2016 still subdued despite Hari Raya falling within the quarter. (Source: The Star, 1 October 2016)

Economics and Policy Planning Division
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4 October 2016