MALAYSIA WEEKLY ECONOMIC NEWS

(3 May 2016 – 6 May 2016)

Topics	Highlights
Malaysia manufacturing PMI declines to 47.1 in April 2016	The headline Nikkei Malaysia Manufacturing Purchasing Managers Index (PMI) has deteriorated to 47.1 in April 2016 from 48.4 in March 2016. Financial information services provider Markit said the PMI April Index was the lowest in five months. The index is an indicator of manufacturing performance, whereby any figure greater than 50.0, indicates overall improvement of sector operating conditions. The headline PMI signalled a sharper rate of deterioration in the Malaysian manufacturing sector due to a drop in demand and unstable economic conditions contributed to the fall in output. A marked contraction in production was matched by a sharp decrease in total new orders. Goods producers also cut back on input buying and at the fastest rate since the survey began in July 2012. The weaker exchange rate has pushed up the imported raw material costs that led to cost inflationary pressures intensified. Source: Bernama, 3 May 2016)
Malaysia 2nd most attractive for infrastructure investment in Asia	Malaysia ranks No. 2 in terms of attractiveness for infrastructure investment in Asia. It also sits in fifth place globally in the third edition of the Global Infrastructure Investment Index, according to Arcadis, a global design and consultancy firm. The report said Malaysia's strong economic performance and continued long-term investment in infrastructure had made it attractive for private and inward investments. The Government's 11th Malaysia Plan, which was launched in 2015 has placed importance on infrastructure in achieving Malaysia's transformation into a fully developed nation by 2020. Major projects to be completed by 2020 included the Klang Valley mass rapid transit, the 2,000 km Pan- Borneo Highway and the West Coast Expressway. Singapore retained its position as the world's most attractive market for infrastructure investment, with its stable political situation, secure business environment and strong growth potential. (Source: NST, 4 May 2016)
MaGIC Accelerator Programme cohort 2 kicks off 2nd intake of 74 start-ups	The Malaysian Global Innovation and Creativity Centre (MaGIC) Accelerator Programme (MAP) welcomes its second intake of 74 start-ups and social entrepreneurs from ASEAN and beyond. The MAP Cohort 2 participants which were made up of 50 start-ups from the ASEAN track and 24 from the social enterprise track would undergo coaching to build their business and networking. MAP aimed to create more companies in Malaysia with financing agencies providing an initial start-up fund to them as Malaysia are ahead in the number of companies but low on investment. Thus, it is hope to educate financing agencies to be more open to initial funding to prevent companies migrating to a neighbouring country for financing assistance. (Source: Bernama, 5 May 2016)
Contracts worth RM64.2 billion awarded to Bumiputera vendor companies under VDP	Contracts worth RM64.2 billion were awarded to Bumiputera vendor companies from 2013 to 2015 under the Vendor Development Programme (VDP). Datuk Ahmad Maslan (Deputy Minister of MITI) said that the contracts valued at RM10.9 billion were given to 2,670 Bumiputera vendors from 18 anchor companies. Under the RMKe-11, the Government has allocated RM61 million to help Bumiputera vendors to increase their global competitiveness. In 2015, 112 new vendor companies were appointed by eight anchor companies involved in the oil and gas, services, telecommunications and ICT, construction and automotive sectors. To date, 833 vendor companies from the 2,760 under the VDP have created 24,967 job opportunities and achieved sales of RM7.67 billion. (Source: NST, 5 May 2016)

Economic Census 2016 to look back at a challenging 2015	On 4 May 2016, the Department of Statistics Malaysia (DOSM) launched the Economic Census 2016 exercise to gather vital data on the economy that was in 2015 weighed down by softer domestic demand and macroeconomic uncertainties. The Census will collect data on factors that contribute to the changing national economic landscape and complex economic environment. This includes the implementation of the GST, establishment of the ASEAN Economic Community in 2015, Digital Malaysia initiatives and e-commerce as well as Malaysia's inclusion in the TPPA. The Census is also expected to record the impact of the Government's Economic Transformation Programme (ETP). DOSM had in April 2016 begun sending out questionnaires in stages to over 700,000 registered entrepreneurs, companies and businesses, of which 75.2% are in the services sector. The exercise will also cover those in the following sectors: construction (10.9%), manufacturing (10.6%), agriculture (2.8%) and, mining and quarrying (0.5%). (Source: The Edge Financial Daily, 5 May 2016)
Timely policy responses enabled Malaysia to weather shocks: IMF executive board	The International Monetary Fund (IMF) in giving the thumbs up for the outlook of the Malaysian economy, said pushing ahead with structural reforms will be important to raise the growth potential. The increasingly challenging environment requires continued implementation of sound macroeconomic policy. This was part of the assessment and conclusion just released by the IMF executive board on its staff report on the 2016 Article IV Consultation with Malaysia. It praised the Malaysian authorities for their timely response in a decisive fashion whilst the policy agenda remained on track. This was in response to the external and domestic shocks which affected the highly open and diversified economy since late 2014, including sharply lower energy prices, spillovers from China, capital outflows and domestic political controversy. The IMF expected the economic growth to ease to a still robust 4.4% in 2016, underpinned by healthy albeit moderating domestic demand but constrained by weak external demand. (Source: NST, 5 May 2016)
Ringgit falls to 4 against US dollar	The ringgit weakened beyond the 4 level against a strengthening US dollar yesterday after American policymakers indicated that the Federal Reserve (Fed) might raise interest rates in June 2016. Higher US interest rates do not bode well for emerging Asian markets like Malaysia as investors shift their money back to US dollar-denominated assets. Over the last one year, the ringgit had traded between 3.5608 and 4.4812 versus the US dollar. On 29 March 2016, the ringgit strengthened past the 4 mark to 3.9925. Datuk Dr. Nazri Khan (Head of Retail Research, Affin Hwang Investment Bank Bhd.) said he expected the Malaysian markets to take the cue from the US and Japan's monetary policies. The lack of stimulus from the Bank of Japan in April 2016 had surprised investors, dragged risk appetite and weighed on global equity markets. He also expected sentiments to be weak amid a hawkish Fed statement that is keeping the path open for a rate hike in June 2016 although it leaves interest rates unchanged for now. (Source: The Edge Financial Daily, 6 May 2016)

Economics and Policy Planning Division
SME Corp. Malaysia
9 May 2016