MALAYSIA WEEKLY ECONOMIC NEWS

(30 May 2016 – 3 June 2016)

Topics	Highlights
MARGMA sees 11% export growth	The Malaysian Rubber Glove Manufacturers Association (MARGA) is optimistic of achieving 11% growth in exports to RM14.5 billion in 2016 as global demand for medical gloves remains firm. Malaysia's glove makers, which contribute to two-thirds of the world's demand for medical gloves, are making a paradigm shift. The manufacture of medical gloves, Foley catheters and condoms is now seen as high technology and knowledge-based industry in meeting healthcare needs. More engineers, chemists and branding experts are being hired to automate the manufacturing processes, fine-tune product designs and market homegrown brands. Glove prices are on the rise and the glove makers are passing on these cost increases in raw material, wages, fuel and product innovation to their clients. MARGMA represents 90% of local glove manufacturers. As the industry expands, glove manufacturers also need more foreign workers whereby currently there are more than 48,000 foreign and local workers employed by MARGMA members. It said an additional 16,000 skilled and semi-skilled foreign workers are needed. (Source: The Star, 31 May 2016)
Rehiring programme now expanded to 17 more subsectors	The government has decided to expand the rehiring programme to another 17 subsectors under the services industry. Deputy Home Minister Datuk Nur Jazlan Mohamed said the relaxation was given to allow illegal workers in the country under the subsectors to also get themselves legalised. The subsectors are golf caddies, theme parks, launderettes, barber shops, wholesale and retail business, textiles, jewellery, welfare, workshop assistants, car wash, markets, petrol stations, hypermarkets, mining, mangrove and timber, warehouse and port cargo. However, only two subsectors namely, perishable subsector and airport cargo management have not been included due to safety reasons. (Source: The Star, 31 May 2016)
MyCC fines five firms RM645,774 for price fixing	The Malaysia Competition Commission (MyCC) has issued a decision on finding of infringements against five companies, namely an IT services provider to the shipping and logistics industry in the Penang area (Containerchain (M) S/B) and four container depot operators (Ayza Industries S/B / Ayza Logistics S/B; ICS Depot Services S/B; E.A.E. Depot and Freight Forwarding S/B; and Prompt Dynamics S/B) for engaging in price-cartel activities. MyCC has determined that Containerchain and the container depot operators have infringed section 4(1) of the Act by entering into vertical agreements by way of concerted practices. It had the effect of the container depot operators increasing the depot gate charges imposed on their customers from RM5 to RM25 and the container depot operators fixing a rebate of RM5 offered to hauliers in respect of the depot gate charges. It said the price fixing is deemed to have the object of significantly preventing, restricting or distorting competition in the market for the provision of empty container storage, maintenance and handling services within a 5 - 15 km radius of Penang Port. MyCC imposed a total financial penalty of RM645,774 on the above five infringing enterprises and an additional penalty of RM7,000 for each day should they fail to comply with remedial actions within 30 days from the date of the decision. (Source: The Star, 1 June 2016)
Total loan growth slips to 6.3% in April	Amid a continued challenging operating environment and market volatility, total loan growth in the banking sector moderated further to 6.3% year-on-year in April from 6.4% in March. UOB-Kay Hian Malaysia Research said on Wednesday total loans for April stood at RM1,447.8bil. On monthly) basis, however, gross loans fell

	by 0.1%. The research house, which is maintaining its market weight on the sector, said growth deceleration was broad based. UOB_Kay Hian Malaysia Research said this was reflected in a moderation in both household loans and business loans growth to 6.3% and 6.2% (y-o-y) respectively versus Feb 2016's growth of 6.4% and 6.5% (y-o-y) respectively. Loans growth for non-residential property, personal loans and purchase of securities experienced the sharpest growth deceleration. Loan approval contracted 17% in April 2016, representing the 10th consecutive month of y-o-y contraction. (Source: The Star, 1 June 2016)
Manufacturing activity continues to slide	According to the latest Nikkei Malaysia Manufacturing Purchase Managers' Index (PMI), Malaysian manufacturers continued to cut back on their purchasing activity for the 12th straight month last month (May 2016), with both production and new orders decreasing at marked rates. The PMI posted at 47.2 in May 2016, little-changed from its five-month low of 47.1 in April 2016. This was the 14th straight month of a below-50 reading, which indicated an overall deterioration in sector operating conditions. New orders decreased for the 15th month, the fastest decline since December 2015. The drop in total new orders was driven by the domestic market, as international demand rose slightly. New exports orders benefited from the weak ringgit, which improved firms' global competitiveness. However, a higher sales tax and an increase in imported raw material costs stemming from the weak ringgit led to greater cost burdens. Thus, the manufacturing sector in Malaysia showed no signs of improving mid-way through the second quarter of 2016. (Source: The Edge Financial Daily, 2 June 2016)
Exports rose by 1.6% in April: MITI	Malaysian exports rose by 1.6% in April 2016 compared to a year ago, supported with stronger demand in ASEAN, the US and Taiwan. Imports were lower by 2.3% while trade surplus increased to RM9.06 billion. MITI said exports of both manufactured and agricultural goods increased in April 2016. Exports of mining goods, however, decreased. The share of manufactured exports expanded to 84% from 81.5% for the same period. The higher exports were driven mainly by increased exports of petroleum products, machinery, equipment and parts, electrical and electronic (E&E) products, optical and scientific equipment, processed food, manufactures of metal as well as chemicals and chemical products. In terms of markets, exports to the US expanded by 11.7% to RM6.63 billion, accounting for 10.8% of Malaysia's total exports. Exports to China fell by 16.6% due to lower exports of commodities, mainly palm oil and palm-based agriculture products, petroleum products, LNG and metalliferous ores. Exports to the EU decreased by 5.3%, the first decline since June 2015 attributed to lower exports of E&E products, palm oil and palm-based agriculture products, manufactures of plastics as well as chemicals and chemical products. Exports to Japan also declined by 18.7% due to lower exports of LNG which accounted for 25.4% share of total exports to Japan. (Source: NST, 3 June 2016)

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