MALAYSIA WEEKLY ECONOMIC NEWS

(8 August 2016 – 12 August 2016)

Topics	Highlights
Impact from sugar-price hike not immediate on F&B players	MSM Malaysia Holdings Bhd. Said that the Government had given permission for the wholesale price of refined sugar to rise by up to RM600 a tonne, from RM1,900 per tonne currently, to between RM2,400 and RM2.500, effective 1 August 2016. MSM has also proposed to the Government to raise the retail price of refined sugar from the current price of RM2.84. The winning party is MSM while the ones on the losing end are companies with high sugar volumes as their raw materials e.g. F&B players particularly in confectionery and beverage industries. However, the impact will not be immediate as raw materials are usually stocked up in advance. For the affected F&B players, a few ways to handle the hike include passing on to consumers, lower sugar content in their products and diversifying into lower-sugar content products. (Source: The Edge Financial Daily, 8 August 2016)
MITI unveils incentives for shipbuilders	Existing and upcoming shipbuilding and ship repair companies in the country are expected to enjoy huge incentives in the form of a new tax exemption introduced by MITI. According to MITI, new companies will be able to enjoy either pioneer status with a 70% income tax exemption on their statutory income for a period of five years or an investment tax allowance of 60% on the qualifying capital expenditure (capex) incurred within five years from the date the first qualifying capex is incurred. For existing shipbuilding and ship repair companies, they will be given an investment tax allowance of 60% on the additional qualifying capex incurred within a period of five years. All applications will be evaluated by MIDA. There are six large shipyards in the country which have repairing capabilities of more than 600 tonnes displacement, namely, Malaysia Marine and Heavy Engineering Holdings Bhd, Boustead Naval Shipyard, Sabah Shipyard, SapuraKencana Petroleum Bhd, Nam Cheong and Muhibbah Marine Engineering. Collectively, there are 100 registered shipyards in Malaysia, of which 39 are located in Peninsular Malaysia and 61 in Sabah and Sarawak. (Source: The Star, 10 August 2016)
June 2016 IPI advances 5.3%	Malaysia's industrial production index (IPI) in June 2016 grew a stronger-than-expected 5.3% year-on-year, exceeding a survey of 2.5% growth. According to the Department of Statistics, Malaysia, the higher growth was driven by the manufacturing sector which grew 4.7%, mining sector up 6.3% and electricity sector rose 8.7%. The manufacturing sector continued to expand at 4.7% in June 2016 after registering a growth of 3.7% in May 2016. The growth in June 2016 was supported by three major sub sectors electrical and electronics products (9.1%), petroleum, chemical, rubber and plastic products (5.0%) and wood products, furniture, paper products, printing (10.1%). The mining sector output grew substantially by 6.3% in June 2016 after recorded a decrease of 1.1% in May 2016. The higher growth in mining sector was contributed by the increase in crude oil index (8.8%) and natural gas index (3.5%). The electricity sector output grew by 8.7% as compared to 9.6% growth recorded in May 2016. (Source: The Star, 11 August 2016)
Malaysia's GDP grew 4% in Q2	Malaysia's economy grew in line with market expectations at 4.0% in second quarter (2Q) of 2016 compared with 4.2% in the first quarter. The gross domestic product (GDP) growth during the quarter in review was supported by domestic demand amid the still weak external environment. On a quarter-on-quarter seasonally adjusted, GDP for 2Q grew 0.7%, slower than the 1.0% in the 1Q. In 2Q 2016, domestic demand grew 6.3% compared with 3.6% in 1Q 2015, while net exports continued to decline at 7% compared with 12.4% previously. The services

	sector expanded to 5.7% from 5.1% the previous quarter. The wholesale & retail trade (6.6%) and information & communication (8.8%) remained as the key drivers of the services sector. This sector performance was further supported by business services which improved further to 7.9%. The manufacturing sector grew at a slower pace of 4.1% (1Q 2016: 4.5%). The growth was supported by the electrical, electronic & optical products (8.8%) and petroleum, chemical, rubber & plastic products (5.5%). The construction sector expanded faster to 8.8% (1Q 2016: 7.9%), underpinned by the civil engineering which registered growth of 18.9% and continued to support the construction sector. (Source: The Star, 12 August 2016)
Malaysian palm oil price declines on weaker rival oils, market correction	Malaysian palm oil futures snapped a three-day rally on Thursday evening, falling from a near two-month high reached in the previous session and tracking weaker rival oils. Benchmark palm oil futures for October on the Bursa Malaysia Derivatives Exchange fell 0.6% to 2,484 ringgit ($621) per tonne at the end of the trading day, dropping from a previous session's top of 2,512 ringgit, the strongest levels since 14 June 2016. Traded volumes stood at 64,719 lots of 25 tonnes each in the evening, higher than last year's average of 44,600. Palm oil rose for a third straight session on Wednesday afternoon after official data from government body the Malaysian Palm Oil Board (MPOB) showed that stockpiles for end-July unexpectedly declined. Inventories had fallen by 0.2% from June to reach 1.77 million tonnes, against a Reuters forecast of a 3.1% rise to 1.83 million tonnes. MPOB data also showed that exports surged 21% lifted by better demand from China, the world's second largest importer of palm oil, while July production rose 3.5% month-on-month to 1.59 million tonnes. Palm oil may fall to 2,432 ringgit per tonne, as it failed again to break resistance at 2,489 ringgit, said Reuters market analyst for commodities and energy technical Wang Tao. (Source: The Star, 12 August 2016)

Economics and Policy Planning Division
SME Corp. Malaysia
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